Fatima Fertilizer Company Limited
JV of Fatima and Arif Habib Group

Annual Report 2021

GROWTH THROUGH
DIVERSIFICATION

GROWTH THROUGH DIVERSIFICATION

We at Fatima Fertilizer have been able to create footprints of transformation by evolving through innovation and technological advancements and have delivered impressive growth year on year despite unprecedented challenges. Having all the required resources, the Company is entering into a new era to capture growth opportunities and looking forward to embarking on new ventures by diversifying into new businesses both inside & outside the fertilizer sector and within and outside Pakistan.

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KEY HIGHLIGHTS 2021

2,423 MT in "000"

Fertilizer Production

2,677 MT in "000"

Fertilizer Sales

112,488 Rs in Million

Revenue

18,474 Rs in Million

Profit After Tax

8.80 Rupees

Earnings Per Share

3.50 Rupees

Dividend Per Share

18.17 Percentage

Return on Capital Employed

12,981 Rs in Million

Contribution to National Exchequer

91.1 Million Hours

Combined Safe Million Man Hours

113,314 Man Hours

Investing in Manpower

26,800 Numbers

Trees Planted

25,496 Numbers

Agriculture Farms Addressed

56 Numbers

Women Development

(Female Staff in Head Office)

1,548 Numbers

Permanent Employees

713 Rs in Million

Investment in CSR

VISION & MISSION STATEMENT

VISION

To be a world class manufacturer of fertilizer and ancillary products, with a focus on safety, quality and positive contribution to national economic growth and development. We will care for the environment and the communities we work in, while continuing to create shareholders' value.

MISSION

- To be the preferred fertilizer Company for farmers, business associates and suppliers by providing quality products and services.
- To provide employees with an exciting, enabling and supportive environment to excel in, be innovative, entrepreneurial in an ethical and safe working place based on meritocracy and equal opportunity.
- To be a responsible corporate citizen with a concern for the environment and the communities we deal with.

CORPORATE VALUES

These are the values that Fatima Fertilizer Company Limited epitomizes, and are reflected in all our transactions and interactions. Congruence to these values has been a part of our business strategy. They are bound in the very fabric of our organization, shaped by organizational processes, procedures and practices.

Integrity

Our actions are driven by honesty, ethics, fairness and transparency.

Innovation

We encourage creativity and recognize new ideas.

Teamwork

We work collectively towards a common goal.

Health, Safety, Environment & CSR

We care for our people and the communities around us.

Customer Focus

We believe in listening to our customers and delivering value in our products and services.

Excellence

We strive to excel in everything we do.

Valuing People

We value our people as our greatest resource.

CODE OF CONDUCT

Fatima Fertilizer Company Limited (Fatima) conducts its business with the highest ethical standards in full compliance with all applicable laws. Honesty and integrity take precedence in all relationships including those with customers, suppliers, employees and other stakeholders.

Ethics and Business Practices

- We believe in conducting the Company's business in a manner that respects, protects and improves the environment and provides employees with a safe and healthy workplace.
- We conduct our business in an environmentally responsible and sustainable manner. Employees must be completely familiar with the permits, Health Safety and Environment policy, local laws and regulations that apply to their work.
- All employees are expected to understand the laws and business regulations related to their work and comply fully so that our shareholders, employees, customers, suppliers, stakeholders and the Government have complete faith in the way we operate and that our business decisions are made ethically and in the best interests of the Company.
- Employees are obligated to act in accordance with the Company's code of Ethics and Business Conduct and are restricted to using only legitimate practices in commercial operations and in promoting the Company's position on issues before Governmental authorities. Inducements intended to reward favorable decisions and governmental actions are unacceptable and prohibited.
- Employees are prohibited from using their positions, Company property or information for personal gain, and from competing with the Company. Employees are also prohibited from taking advantage from opportunities that become available through the use of Company information, property or their position.

Assets and Proprietary Information

- We consider our Company's assets, physical and intellectual, very valuable. We have, therefore, an obligation to protect these assets in the interest of the Company and its shareholders.
- Protection of the Company's information is important for our business. All employees are expected to know what information is proprietary and which must not be disclosed to unauthorized sources. Employees are responsible for applying all available tools to manage the Company's information resources and records.

Relations with Business Partners

- We seek to do business with suppliers, vendors, contractors and other independent businesses who demonstrate high standards of ethical business behavior. Our Company will not knowingly do business with any persons or businesses that operate in violation of applicable laws and regulations, including Employment, Health, Safety and Environmental laws. We shall take steps to assure that our suppliers, vendors and contractors understand the standards we apply to ourselves, and expect the same from them.

Our Employees

- We believe that highly engaged employees are the key ingredient in professional development and business success. Therefore, we invite our employees to contribute their best and to avail the opportunities for improvement and growth. We are an equal opportunity employer and promote gender diversity, self-development and innovation.
- We provide employees with tools, techniques and training to master their current jobs, broaden their skills and advance their career goals.

OVERALL STRATEGIC OBJECTIVES

We aim to be the industry leader and a sustainable contributor to the nation's agricultural sector. We aspire to continuously improve by achieving and exceeding global standards for product safety, quality, HSE, manufacturing and management excellence.

We continue to pursue a global reach by leveraging and maximizing our fertilizer / business potential. The Company aims to establish strategic alliance and partnerships with global technology providers in order to bring innovation and excellence in all our processes.

Our strategy revolves around the potential of our employees who are critical to our long term growth and success. Our Company provides the employees an opportunity to build their skills and professional capabilities while enjoying their work place. Critical to our strategy are also our technological resources and the image of our brand – Sarsabz.

MANAGEMENT'S OBJECTIVES & STRATEGIES FOR MEETING THOSE OBJECTIVES

Sr. No.	Management Objectives	Strategies / KPIs to meet Objectives
1	Aspire to be the market leader in fertilizer business	Annual market share increases above main competitors
2	Efficient deployment of resources	Positive cash flow from operations year on year
3	Investment in human resources and their capacities	Low turnover of high potential employees Providing career opportunities to talented professionals in an organized and transparent manner
4	Taking Global Initiatives	Think globally when evaluating business expansion
5	Operational excellence for optimum plant performance	Develop a Risk Management Strategy and ensure continuous improvement in business processes
6	Focus on enhancing sales	Through market share enhancement and geographical diversification while nurturing our relationship with existing customers and educating farmers on the use of Urea, NP, CAN, through use of state of the art technology
7	Make new in-roads in distribution and create new businesses and channels	At least one next generation solution to distribution and channel management. Leverage technology.
8	Synergize investment and capacities	Excel in centralized strategy development and leverage technical, supply chain and other administrative functions.
9	Augment profitability with cost effectiveness and lean business operations	Continuous improvement of Shared Services operations and consider profit center concepts for certain functions
10	Effective financial controls for swift decision making at all levels	Financial indicators and KPI driven timelines to be monitored for continuous improvement
11	To be a responsible business concern, through CSR and sustainability initiatives	Investments to be focused on maximum impact on our communities. Monitor impact on regular basis.

Significant Changes in Objectives and Strategies

Fatima's long term business objectives and the strategies to meet those objectives are carefully developed and no major changes have occurred during the year to compel the Company to alter its approach to achieve these objectives. However, the Company is looking at expanding through diverse investments.

Relationship between Entity's Results and Management's Objectives

Performance of the Company is the realization of management's goals and objectives, which are strategically developed to increase the wealth of stakeholders. The said results are evaluated quarterly against the respective division's strategic objectives to confirm achievement.

NATURE OF BUSINESS

The principle activity of the Company is manufacturing, production, buying, selling, importing and exporting of fertilizers and chemicals. It is capable of producing two intermediary products, i.e. Ammonia and Nitric Acid and three final products which are Urea, Calcium Ammonium Nitrate (CAN) and Nitro Phosphate (NP). Fatima plays a significant role in nourishing soils and enriching lives through its diverse fertilizer portfolio.

COMPANY PROFILE

Fatima Fertilizer Company Limited (Fatima) is a joint venture between two major business groups in Pakistan namely, Fatima Group and Arif Habib Group, with its head office located in Lahore. Three units of the Company are situated across the province of Punjab at three different strategic locations namely Mukhtar Garh, Sadiqabad (Sadiqabad Plant), Khanewal Road, Multan (Multan Plant), and 28-KM Sheikhupura Road, Chichoki Mallian (Sheikhupura Plant).

Sadiqabad Plant

The fertilizer complex, producing mixed fertilizer products, is a fully integrated production facility, located at Sadiqabad, District Rahim Yar Khan. The foundation stone was laid on April 26, 2006, by the then Prime Minister of Pakistan. The Complex has a dedicated gas allocation of 110 MMCFD from Mari Gas Field and has 56 MW captive power plants in addition to off-sites and utilities. Commercial production commenced on July 01, 2011. The Complex, at its construction peak, engaged over 4,000 engineers and technicians from Pakistan, China, USA, Japan, and Europe.

The Complex has the following original design and current revamped annual capacities as under:

Plant	Original Design Capacity	Current Revamped Capacity
Urea	500,000 metric tons	500,000 metric tons
Calcium Ammonium Nitrate (CAN)	420,000 metric tons	470,000 metric tons
Nitro Phosphate (NP)	360,000 metric tons	490,000 metric tons

The Ammonia plant was revamped to enhance its production capacity by 10% from 1500 MTPD to 1650 MTPD along with an improvement in the energy index and reliability at a cost of USD 58 Million in 2015. Improvements made in 2017 and 2019 further elevated daily production capacity to 1713 MTPD. In 2017, the Advanced Process Control project, the first of its kind in Pakistan, was implemented at the Ammonia plant, further enhancing capacity and improving the energy index. Via in-house modifications, debottleneckings, Phosphoric Acid based production scheme etc., over the years the Company has managed to increase its production capacity of CAN and NP by around 12% and 36% i.e. 50K and 130K MT per annum respectively.

The Complex is housed on 1,190 acres of land, which provides modern housing for its employees with all necessary facilities, including a well-managed school, a medical center, and a large number of sports facilities.

Sheikhupura Plant

The Sheikhupura Plant was acquired by the Company in 2015. It is capable of producing 445,500 metric tons per annum of Urea and is located at 28-KM Sheikhupura Road, Chichoki Mallian.

Multan Plant

The Company acquired the production and operating Plants (Ammonia, Urea, Nitric Acid, Nitro Phosphate, Calcium Ammonium Nitrate, and Clean Development Mechanism) having total nameplate capacity of 846,900 metric tons per annum of mixed fertilizer products, from its associated company namely Pakarab Fertilizers Limited with effect from September 01, 2020, located at Khanewal Road, Multan.

Fatima Fertilizer Company Limited via its three plants in operations at Sadiqabad, Multan and Sheikhupura is serving the nation and stakeholders with a cumulative nameplate capacity of 2.57 million MT per year.

LANDMARK EVENTS

2003
- Company Incorporation

2004
- Gas Allocation

2005
- GSA Signing

2006
- April – Ground Breaking
- November – Financial Closure achieved

2009
- October – Ammonia Furnace 1st Fire
- November – CAN Plant Production

2010
- January – Initial Public Offering
- February – Ammonia Plant Production
- March – Urea Plant Production

2011
- April – NP Plant Production
- July – Declaration of Commercial Operations

2012
- May – Conversion and Redemption of Preference Shares

2013
- Ammonia Revamp Study Completed
- Basic Engineering Design contract for Ammonia Revamp awarded

2014
- Contract with Dupont signed for PSM
- Basic Engineering Design contract for Ammonia Revamp awarded

2015
- Ammonia Plant Revamped to enhance capacity by 10%
- Strategic acquisition of DH Fertilizers (now Sheikhupura Plant)
- Dupont declared Fatima Site OSHA Compliant at level 3.6

2016
- Achieved production of 1.38 Million ton
- Issuance of Sukuk certificates. IPO over subscribed by more than 4 times
- Successful completion of Ammonia Revamp and Debottlenecking Project with ''better than design'' results

2017
- Awarded excellence rating by Dupont (Level-4) in safety systems
- Ammonia plant capacity enhanced by 3.5% and efficiency improved by 1.5% through various measures

2018
- Additional 14,000 MT NP production by Phosphoric Acid route
- 47 Safe Million Man Hours
- Zero Loss Time Injury
- Winner of first ever International Award – MarCom International USA

2019
- Amalgamation of our two fertilizer plants - Fatima Fertilizer and Fatimafert
- +53 Safe Million Man Hours
- NP revamp by 22%
- EMS 1st Party Audit & L-II Procedures Roll-out
- Ever Highest Urea Sale 811,000 ton
- Market Share improved from 20 to 23%
- Agricultural Technology MOUs and Co Sponsorship agreement with Chinese entities signed.
- Launch of Sarsabz Pakistan Salam Kissan – Kissan Day 2019

2020
- Acquisition of production and operating plants from an associated company, resulting in 2.57 Million MT combined production capacity of three plants
- +77 Safe Million Man Hours
- Sadiqabad Plant reliability yielding ever highest on-stream-factor (97.8%)
- Highest ever sales volume
- Market Share improved from 23% to 24%
- First ever loyalty program, "Sarsabz Royals" executed, engaging our dealer network for the long run
- Launch of Digital Marketing initiatives that provided combined reach of over 300 Million views

2021
- **Sadiqabad plant achieved the Guinness World Records title for clocking 60.22 Million Safe Man-Hours**
- **+91 combined Safe Million Man-Hours for three fertilizer plants**
- **Sadiqabad plant sustained its Excellence level on DuPont's Process Safety Management System (PSM)**
- **Sheikhupura Plant achieved Compliance level on DuPont's PSM**
- **Ever highest production by Sadiqabad Plant in a Turnaround year**
- **A new benchmark of highest ever sales volume and profitability**
- **Highest sales revenue across the Fertilizer industry in Pakistan**

COMPANY INFORMATION

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh
Director

Mr. Faisal Ahmed Mukhtar
Director

Mr. Muhammad Kashif Habib
Director

Ms. Malika Nait Oukhedou
Independent Director

Mr. Tariq Jamali
Independent Director

Chief Operating Officer

Mr. Asad Murad

Chief Financial Officer

Mr. Rizwan Qamar

General Counsel and Company Secretary

Mr. Omair Ahmad Mohsin
(communications@fatima-group.com)

Key Management

Mr. M. Abad Khan
Advisor to the CEO

Ms. Sadia Irfan
Director Human Resources

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Ahsen-ud-Din
Director Technology Division

Mr. Ausaf Ali Qureshi
Advisor MFC Project

Mr. Hassan Altaf
Director Strategy

Mr. Atif Zaidi
Chief Information Officer

Mr. Salman Ahmad
Director Internal Audit

Mr. Pervez Fateh
G.M. Manufacturing

Mr. Faisal Jamal
Corporate HSE & Technical Support Manager

Audit Committee Members

Mr. Tariq Jamali
Chairman

Mr. Faisal Ahmed Mukhtar
Member

Ms. Malika Nait Oukhedou
Member

Mr. Muhammad Kashif Habib
Member

HR and Remuneration Committee Members

Ms. Malika Nait Oukhedou
Chairperson

Mr. Fawad Ahmed Mukhtar
Member

Mr. Muhammad Kashif Habib
Member

Nomination and Risk Management Committee Members

Mr. Fazal Ahmed Sheikh
Chairman

Mr. Muhammad Kashif Habib
Member

Mr. Tariq Jamali
Member

Legal Advisors

M/s. Chima & Ibrahim Advocates
1-A/245, Tufail Road, Lahore Cantt

Auditors

M/s. Yousuf Adil
Chartered Accountants, Lahore
134-A, Abu Bakar Block, New Garden Town, Lahore
Tel: +92 42 3591 3595-7, +92 42 3544 0520
Fax: +92 42 3544 0521

Registrar and Share Transfer Agent

CDC Share Registrar Services Limited
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400
Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 3432 6053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Citibank N.A
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial & Commercial bank of China (ICBC)
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Registered Office / Head Office

E-110, Khayaban-e-Jinnah,
Lahore Cantt, Pakistan
UAN: 111-FATIMA (111-328-462)
Fax: +92 42 3662 1389

Plant Sites

Mukhtar Garh, Sadiqabad,
Distt. Rahim Yar Khan, Pakistan
Tel: 068 – 5951000
Fax: 068 – 5951166

Khanewal Road, Multan, Pakistan
Tel: 061 – 90610000
Fax: 061 – 92290021

28-KM Sheikhupura Road, Chichoki Mallian, Pakistan
Tel: 042 – 37319200 – 99
Fax: 042 – 33719295

PROFILE OF THE DIRECTORS

Mr. Arif Habib
Chairman

Mr. Arif Habib is the majority owner of Arif Habib Group. He is the Chief Executive of Arif Habib Corporation Limited, which is the holding company of Arif Habib Group. Mr. Arif Habib is also the Chairman of Fatima Fertilizer Company Limited, Pakarab Fertilizers Limited, Fatimafert Limited, Aisha Steel Mills Limited, Javedan Corporation Limited (the owner of Naya Nazimabad), Sachal Wind Power and Arif Habib Dolmen REIT Management Limited.

Mr. Arif Habib remained the elected President/Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatisation Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. He is currently a member of the Economic Advisory Council of the Government of Pakistan.

Mr. Habib participates significantly in welfare activities. He remains one of the directors of Pakistan Centre for Philanthropy (PCP), Karachi Education Initiative (KSBL) and Karachi Sports Foundation as well as trustee of Memon Health & Education Foundation (MMI) and Fatimid Foundation. He is also the Chairman of Arif Habib Foundation and Naya Nazimabad Foundation.

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer / Director

Mr. Fawad Ahmed Mukhtar is the Chief Executive Officer and Director of the Company. He has extensive experience in manufacturing and industrial management. In addition to being a successful business leader, he is also a renowned philanthropist. After graduation, he has spent more than 31 years developing his family business into a sizable conglomerate.

Mr. Mukhtar leads several community service initiatives of the Group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School and Mukhtar A. Sheikh Welfare Trust, among others. He is also the Chairman of Reliance Weaving Mills Limited, Fatima Holding Limited, Fatima Sugar Mills Limited, Reliance Commodities (Private) Limited, Air One (Private) Limited and is also the CEO of Pakarab Fertilizers Limited, Fatimafert Limited, Fatima Cement Limited and Fatima Trading Company (Private) Limited. He is also the Director of Fatima Electric Company Limited, Pakarab Energy Limited and Fatima Steel Mills Limited. In addition, he is a member of the Board of Directors of the National Management Foundation, a sponsoring body of Lahore University of Management Sciences (LUMS).

Mr. Fazal Ahmed Sheikh
Executive Director

Mr. Fazal Ahmed Sheikh is a Director of the Company. He holds a degree in Economics from the University of Michigan, Ann Arbor, USA. He has played a strategic role in Fatima Group's expansion and success. He is the CEO of Fatima Energy Limited, Fatima Electric Company Limited, Fatima Management Company Limited, Pakarab Energy Limited and Air One (Private) Limited. He is also a member of the Board of Directors at Pakarab Fertilizers Limited, Fatimafert Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Fatima Cement Limited and Fatima Steel Mills Limited.

Profile of the Directors Cont'd

Mr. Faisal Ahmed Mukhtar
Non-Executive Director

Mr. Faisal Ahmed Mukhtar is a Director of the Company. He is the former City District Nazim of Multan, and continues to lead welfare efforts in the city. He is the Chief Executive Officer of Reliance Weaving Mills Limited, Fatima Sugar Mills Limited, Farrukh Trading Company Limited and Fatima Steel Mills Limited. He is also the Chairman of the Workers Welfare Board at Pakarab Fertilizers Limited and is a member of the Board of Directors at Pakarab Fertilizers Limited, Fatima Cement Limited, Fazal Cloth Mills Limited, Fatima Electric Company Limited, Pakarab Energy Limited, Fatimafert Limited, Reliance Commodities (Private) Limited and Air One (Private) Limited. Additionally, he was also a member in the Provincial Finance Commission (Punjab), Steering Committee of Southern Punjab Development Project and Decentralization Support Program. Mr. Mukhtar has also served as the Chairman of Multan Development Authority and was also a member of a syndicate of Bahauddin Zakariya University, Multan.

Mr. Muhammad Kashif Habib
Non-Executive Director

Mr. Muhammad Kashif Habib is the Director of the Company. He is also the Chief Executive of Power Cement Limited. Being a member of the Institute of Chartered Accountants of Pakistan (ICAP) he completed his articleship from A.F. Ferguson & Co. (a member firm of Price Waterhouse Coopers), where he gained experience of a diverse sectors serving clients spanning the Financial, Manufacturing and Services industries.

He has to his credit four years of experience in Arif Habib Corporation Limited as well as over ten years' experience as an Executive Director in cement and other fertilizer companies of the Group.

He is also the member of Board of Directors of Aisha Steel Mills Limited, Arif Habib Corporation Limited, MCB-Arif Habib Savings & Investments Limited, Arif Habib Equity (Pvt.) Limited, Arif Habib Foundation, Arif Habib Real Estate Services (Pvt.) Limited, Black Gold Power Limited, Nooriabad Spinning Mills (Pvt.) Limited, Pakarab Fertilizers Limited, Fatimafert Limited, Fatima Packaging Limited, Rotocast Engineering Company (Pvt.) Limited, Safemix Concrete Limited and Siddqsons Energy Limited.

Ms. Malika Nait Oukhedou

Non-Executive / Independent Director

Ms. Malika Nait Oukhedou holds a B.Sc. in Industrial Science & Technology in Chemistry from PXL University of Applied Science in Belgium. Ms. Malika joined Haldor Topsoe Middle East in 2018 as an Account Manager in Chemical Business Unit, where she manages the sales, after sales and relationships with various customers across the Gulf region. In the past Ms. Malika worked in The Netherlands for an operator simulation software company and later on decided to move to Bahrain to join the catalysis business in 2013. Ms. Malika inherently understand that the customer is the single most valuable asset an organization can have. She brings a unique value to the organization, supporting Fatima in development and growth.

Mr. Tariq Jamali

Non-Executive / Independent Director

Mr. Tariq Jamali is Ex-SEVP / Group Chief Centralized Operations & Administration Group at National Bank of Pakistan (NBP). He also held the charge of President NBP (Acting). He joined NBP in1987 and has held numerous senior management positions at Regional and Head Office levels.

He headed Assets Recovery Group, Logistics Support Group, Commercial & Retail Banking Group and Compliance Group since 2009. His work experience spans more than 30 years at different key positions. He has diversified work experience, knowledge and knack of working at different levels of management. He holds MBA Degree from University of Dallas, USA and BS (Civil Engineering) from University of Texas at Arlington, USA and DAIBP from Institute of Bankers Pakistan, Karachi.

BOARD STRUCTURE AND COMMITTEES

Board Structure

Fatima's Board consists of eminent individuals with diverse experience and expertise. Currently, it comprises seven directors including a female director, Ms. Malika Nait Oukhedou. All of the Board members have been elected by the shareholders for a term of three years commenced from June 30, 2020. Ms. Malika Nait Oukhedou has replaced Ms Anja E. Nielsen. There are two executive directors including the Chief Executive Officer, and five non-executive directors including the Chairman and two Independent Directors.

The Board provides leadership and strategic guidance to the Company; oversees the conduct of business and promotes the interests of all stakeholders. It reviews corporate policies, overall performance, accounting and reporting standards, and other significant areas of management, corporate governance, and regulatory compliance. It also reviews and approves the annual budget and long-term strategic plans. The Board is headed by the Chairman who manages the Board's business and acts as its facilitator and guide. The Board is assisted by an Audit Committee, a Human Resource and Remuneration Committee, and a Nomination and Risk Management Committee while the CEO carries responsibility for day to day operations of the Company and execution of Board policies.

Board Committees

The standing committees of the Board are:

Audit Committee

Composition

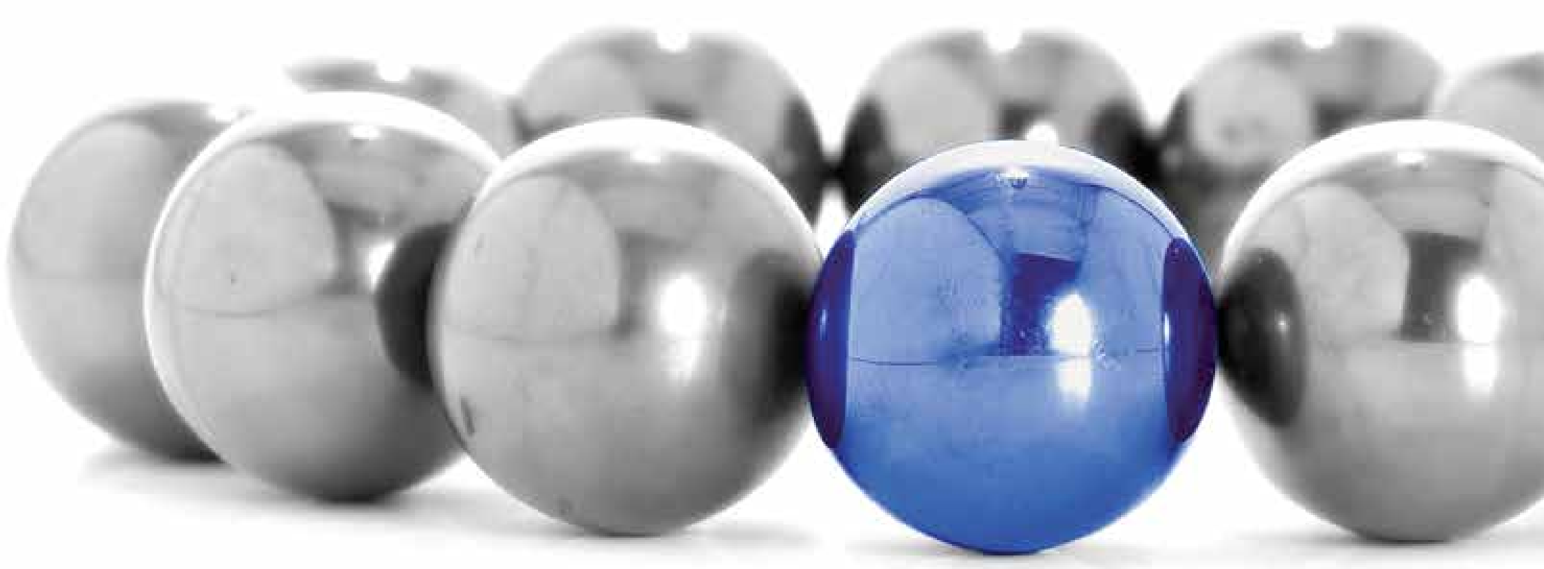
The Audit Committee consists of four members of the Board. All of the members of the Audit Committee are non-executive directors. The Committee has two Independent Directors. The Chairman of the audit committee is also an independent director. The members are:

1. Mr. Tariq Jamali	Chairman
2. Mr. Faisal Ahmed Mukhtar	Member
3. Ms. Malika Nait Oukhedou	Member
4. Mr. Muhammad Kashif Habib	Member

Terms of Reference and Salient Features

In addition to any other responsibilities which may be assigned from time to time by the Board, the main purpose of the Audit Committee is to assist the Board by performing the following main functions:

- to monitor the quality and integrity of the Company's accounting and reporting practices;
- to oversee the performance of the Company's internal audit function;
- to review the external auditor's qualification, independence, performance and competence; and



- to comply with the legal and regulatory requirements, the Company's by-laws and internal regulations.

The Terms of Reference of the Audit Committee have been drawn up and approved by the Board of Directors in compliance with the Code of Corporate Governance. In addition to compliance with the Code of Corporate Governance, the Audit Committee carries out the following duties and responsibilities for the Company as per its Terms of Reference:

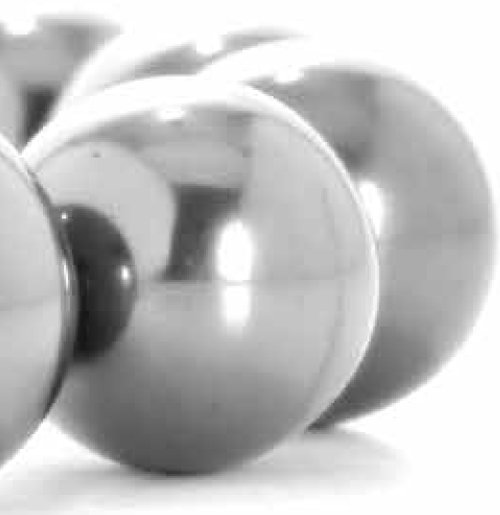
a) determination of appropriate measures to safeguard the Company's assets;

b) review of preliminary announcements of results prior to publication;

c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- major judgemental areas;
- significant adjustments resulting from the audit;
- the going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards; and
- compliance with listing regulations and other statutory and regulatory requirements.

d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);



e) review of management letter issued by external auditors and management's response thereto;

f) ensuring coordination between the internal and external auditors of the Company;

g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h) consideration of major findings of internal investigations and management's response thereto;

i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

j) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;

k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

l) determination of compliance with relevant statutory requirements;

m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

n) consideration of any other issue or matter as may be assigned by the Board of Directors.

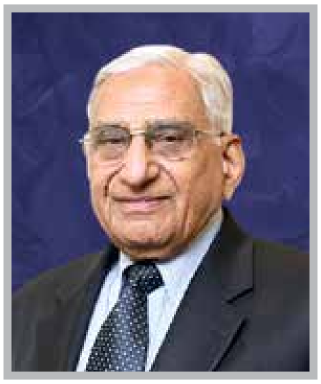
Human Resource and Remuneration Committee

Composition

The Human Resource and Remuneration Committee consists of three members of the Board. The majority of the members of the Committee are non-executive directors. The Chairperson of the Committee is an Independent Director. The members are:

1. Ms. Malika Nait Oukhedou	Chairperson
2. Mr. Fawad Ahmed Mukhtar	Member
3. Mr. Muhammad Kashif Habib	Member

KEY MANAGEMENT



Mr. Mohammad Abad Khan

Advisor to the CEO

Mr. M. Abad Khan graduated in Mechanical Engineering from UET Lahore and after training in fertilizer manufacturing from abroad, worked with PIDC for 8 years on the first Urea plant in the Country.

Mr. Khan joined Exxon Chemical Pakistan at the time of its project phase. During his 15 years of service with Exxon, he received extensive trainings in technical and managerial fields and gained valuable experience in various disciplines. Later he joined Fauji Fertilizer Company as General Manager Plant. During 14 years of service with this company, the manufacturing site worked par excellence and the site capacity increased to more than double due to revamp of the existing facility and an additional production line. In 2001, when FFBL faced serious operational challenges, Mr. Khan took responsibility as head of manufacturing and was instrumental in ensuring smooth operation and undertook a major revamp of the plant during his 4 years of tenure.

Mr. Khan has been with Fatima Group for almost 16 years and has played a significant role in establishing Fatima Fertilizer plant and undertaking operational improvements in Pakarab Fertilizers Limited. He has extensive international exposure through seminars, symposiums and trainings including one at Harvard Business School. He is Director of Fatima Energy Ltd, Pakarab Energy Ltd., FatimaFert Ltd., Fatima Ventures (Pvt.) Ltd, Fatima Cement Ltd and Fatima Electric Company Ltd.

Mr. Asad Murad

Chief Operating Officer

Mr. Asad Murad is the Chief Operation Officer of the Company. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan. In an over 24 year career, he has held various senior management positions in the areas of financial management, strategic business planning, risk management and corporate compliance. He joined Fatima Group in 2010 as Group Head of Internal Audit and held the position of Chief Financial Officer of the Company from March 2014 till February 2021. As additional roles, he has served as the Head of Marketing & Sales and Director Finance of the Company. He was also involved in Government Relations along with his Finance Director role where he successfully consolidated all three fertilizer plants and also played an instrumental role in revival of Multan plant operations by ensuring sustainable gas supply from Mari Gas among many other contributions. He has also served as Chief Financial Officer at Honda Atlas Cars (Pakistan) Limited, a subsidiary of Honda Motor Company, Japan.

Mr. Rizwan Qamar

Chief Financial Officer

Mr. Rizwan Qamar, the Chief Financial Officer of the Company, has worked as a Senior Finance Leader with leading Global and Regional FMCG Companies over the past 30 years, with exposure in emerging and developed markets, across diverse geographies and cultures. He has led multiple strategic transformation projects and received numerous awards and recognitions throughout his career for his significant contributions.

Prior to Fatima Fertilizer, Rizwan was CFO Food Division with Kuwait Food Company, a large multi-category food conglomerate across Middle East and Africa. Rizwan has worked with PepsiCo where he has held leadership positions, including Finance VP & CFO, Asia Pacific Region, a multi-billion-dollar business spanning eighteen countries and CFO roles for the Vietnam JV, Middle East & North Africa & West Asia. Previously, he worked with Royal Philips Electronics for over six years in high-level financial roles, including BU CFO based in the Netherlands, as Regional Financial Controller Asia Pacific, and Internal Controller in Pakistan.

Rizwan is a Chartered Accountant by profession. He is a fellow of the institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Economics. He has participated in various leadership programs at Wharton, London Business School and Chicago Booth.

Mr. Omair Ahmed Mohsin
Director Legal & Corporate Affairs

Mr. Omair Mohsin graduated with a Juris Doctoris from Washington University in Saint Louis. He joined the Group in August 2019 as General Counsel and Company Secretary. He has over 19 years of experience and has previously been Ethics and Legal Head for ENGIE in its project in Pakistan. He has a diverse background ranging from litigation to corporate practice.

Ms. Sadia Irfan
Director Human Resources

Ms. Sadia Irfan, is an accomplished HR professional with 26 plus years of HR experience. Carrying a Master degree in English Language & literature supported by degree in Human Psychology, She has earned several HR certifications & distinctions in the HR Space. She is a certified Hogan Executive Coach, recognized Career Coach and Mentor, and distinction holder in Advance Facilitation for Board program from UK to name a few.

Ms. Irfan's career is a continuous learning journey. She brings to Fatima at least two decades of senior HR leadership experience with MNCs like PepsiCo, Nestle & Electrolux across multiple International markets including West Asia, Middle East & Africa, Pakistan and Afghanistan. Besides being a FMCG Specialist, she has also been associated with the Pharmaceutical & white goods industries. She has earned her previous employers, prestigious Global Awards in Talent & D&I space.

During her career, Ms. Irfan has successfully led complex HR projects including Start-up Operations, Merger & Acquisition, JV, Fix-It and Shut Down Operation, all in multiple business models and operating environments such as Franchise Operation, OPCO, Company Operated Snacks & Beverage international business.

Ms. Irfan is recognized as a Strategic Business Partner with track record of building better businesses through cultural transformation. Her areas of expertise include Leadership Development, Driving Performance Culture, Design & Implementation of Change Management Strategies, Employee Engagement & Productivity, and Organization Design & Development, Business Continuity Planning & Risk Management.

Her passionate leadership for female engagement and development is recognized in the corporate world as a great value addition to the Diversity & Engagement journey. She has participated in international programs and facilitated round tables and strategic discussions on Diversity & Inclusion & Engagement in the US, UK & China. Sadia has been an active guest speaker on strategic HR challenges at Pakistan and Middle East Forums.

Mr. Iftikhar Mahmood Baig
Director Business Development

Mr. Iftikhar Mahmood Baig is leading the Business Development function of Fatima Group wherein he is managing the development and implementation of strategic initiatives to identify sources for sustainable supply of gas at affordable prices for the fertilizer business.

He has over 32 years of financial and commercial experience. During his two and a half decades of service at Fatima Group, Mr. Baig has served at senior positions in different Group Companies. He played an instrumental role in the acquisition of Pakarab Fertilizers Limited in 2005 and its revival with the supply of gas in 2020 from Mari Petroleum Company Limited. He also played a pivotal role in the Financial Close of the largest rupee syndication of PKR 23 billion in 2006 for the greenfield fertilizer manufacturing complex of Fatima Fertilizer Company Limited (Investment of USD 750 million).

Mr. Ahsen-ud-Din
Director Technology Division

Mr. Ahsen-ud-din has 39 years of management experience with leading companies like Engro Corporation, Exxon Chemical, where his last appointment was Vice President, he also worked in Fauji Fertilizer, Kuwait National Petroleum and Gulf Petrochemical Industries Corporation. During his career, Mr. Ahsen-uddin has a track record of executing number of multi-million dollar petrochemical and fertilizer projects as project executive, he has also managed a number of world scale fertilizer and petrochemical manufacturing facilities as General Manager while delivering best in class operational and HSE performances.

Mr. Ausaf Ali Qureshi
Advisor MFC Project

Mr. Ausaf Ali Qureshi is a Fellow Member of Institute of Chartered Accountants of Pakistan. He joined the Group in May 2010 as Company Secretary with the additional responsibility for investor relations. He has over 39 years of experience with Fauji Fertilizer, Pakistan International Airlines (Holdings) and Bristol Myers Squibb (BMS). In his over 20 years career at BMS, he held various regional management positions in Pakistan, South Korea, Egypt and Singapore in the areas of finance, corporate compliance and strategic project planning.

Mr. Hassan Altaf
Director Strategy

Mr. Hassan Altaf, the Director Strategy, has 30 years of global experience. Prior to joining Fatima Group in early 2021, he has worked with leading organizations including Saudi Basic Industries Corp (SABIC; ARAMCO subsidiary)-Saudi Arabia, Ernst & Young Corporate Finance (DIFC)-UAE and Pricewaterhouse Coopers/KMPG-Canada.

At SABIC, one of the world's leading petrochemical and agri-nutrient companies, he was the Senior Advisor for Strategic Investments-Corporate Development (M&A division). He was involved in the evaluation, negotiation and structuring of acquisitions and joint ventures with leading manufacturers of intermediate and specialty downstream petrochemicals from across the globe. He also oversaw the evaluation of equity / JV investments in fertilizer manufacturing and distribution in Africa & Latin America.

Hassan is a Chartered Financial Analyst (CFA, USA) and a Chartered Professional Accountant (CPA, Canada). He holds Hons. BA in Chartered Accountancy Studies from University of Waterloo, Canada.

Mr. Pervez Fateh
G.M. Manufacturing

Mr. Pervez Fateh is heading the Fatima Fertilizer Plant Site, Sadiqabad as GM Manufacturing since April 20, 2020. He joined Fatima Group as Plant Head, PFL Multan on January 6, 2020 from Fauji Fertilizer Company where he was serving as GM-Manufacturing and Operations. During his services with Fauji Fertilizer he served as General Manager at their both locations.

A seasoned professional, having B.E (Mech) degree from NED University – Karachi. Mr. Fateh has over 32 years of rich experience in maintenance, inspection and plant management in Fertilizer Industry, with demonstrated initiative, creativity and success. Strategic planning, capital asset oversight, cost containment, budgeting and staff training/mentoring are his forte.

He has multiple successful projects under his belt. He has also attended many prestigious leadership development programs at LUMS, University of Michigan (USA) and MIT (USA).

Mr. Fateh is also involved in philanthropic activities and heads his own NGO Azm-e-Nau Foundation working in the areas of upper Sindh and Northern Punjab, with prime focus on poverty alleviation and educational support.

Mr. Atif Zaidi
Chief Information Officer

Atif Zaidi is a seasoned C-level executive with over 28 years of international experience in turning around businesses and bringing about futuristic digital transformations resulting in commercially successful entities across a multitude of industries. He is an expert in business management, strategic digital transformations, adoption of latest emerging technologies, establishing information technology environments and enabling innovation capabilities.

Prior to joining Fatima Group, Atif was hand-picked as the Chief Information Officer and Head of Technology & Digital Sector at NEOM, a $500 billion-dollar greenfield initiative of developing a 26,500 sq.km. independent state in the northwest of Saudi Arabia under the patronage of His Royal Highness, Prince Mohammed Bin Salman, the Crown Prince of Saudi Arabia. He had the overarching accountability of developing and implementing a centrally approved digital strategy and technology direction for the entire NEOM region across all aspects of citizen life including Manufacturing, Energy, Water, Environment, Retail, Fashion, Culture, Entertainment, Tourism, Sports, Mobility, to name a few. Alongside, he was also responsible for selecting and implementing fit-for-NEOM technologies and providing a cohesive technology roadmap for NEOM's current and future needs.

Previously, Atif has held global leadership positions in the US and Saudi Arabia in notable blue-chip organizations like AT&T, The McGraw-Hill Companies, Pfizer, Obeikan Education and Sadara Chemical Company, a $30 billion-dollar joint venture between Aramco and Dow Chemical Company. He developed his experience strategically across multiple facets of cutting-edge technologies in digital applications and infrastructure, cybersecurity, architecture, PMO and business office. His accomplishments include mega-initiatives of international magnitude with extensive experience across various prominent industries, including government and country-wide national programs, manufacturing, fertilizer, petrochemical, education, pharmaceutical, medical, financial, and publishing sectors.

Atif is a globally recognized leader and keynote speaker with multiple publications. He has a Masters' Degree in Computer Science from New Jersey Institute of Technology where he was recognized for his perfect graduating GPA of 4.0. He had obtained his Bachelors' Degree from the same institute in Electrical Engineering and graduated with Honors. He is also PMP and ITIL certified along with holding several leadership certifications.

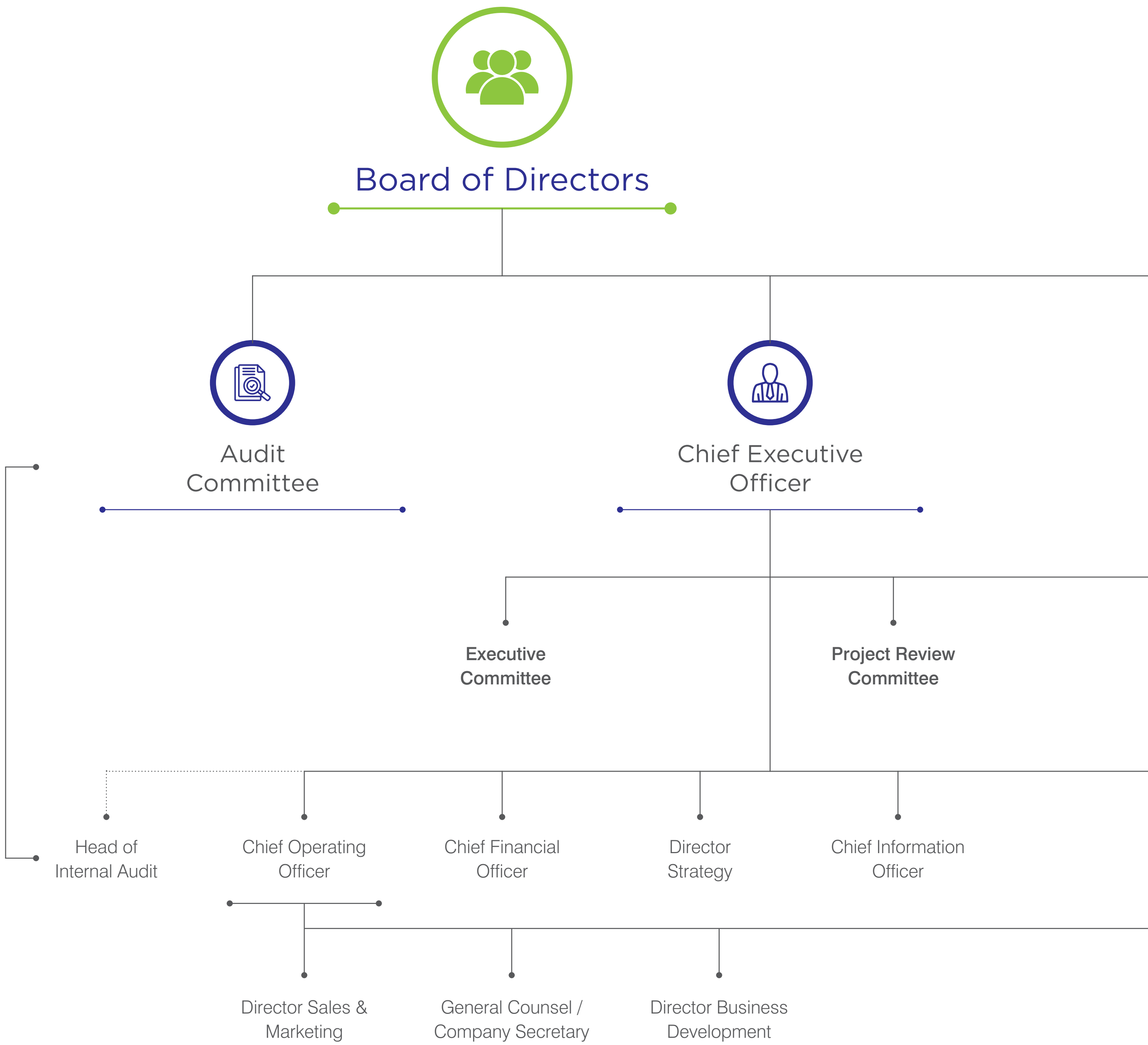
Mr. Salman Ahmad
Director Internal Audit

Mr. Salman Ahmad joined Fatima Fertilizer as Head of Internal Audit in December 2016. He is a Fellow Chartered Accountant (FCA) from the Institute of Chartered Accountants of Pakistan, with over 26 years of experience in Audit and Finance in companies like PricewaterhouseCoopers (PWC); Alrostamani Group Dubai UAE; Oasis Group Holdings (South Africa); Gharibwal Cement Limited and Emaar.

Mr. Faisal Jamal
Corporate HSE and Technical Services Manager

Mr. Faisal Jamal leads Fatima Group's Corporate HSE & Technical Services teams. A chemical engineer by qualification with more than 23 years of professional experience, he possesses strong leadership, technical safety, HSE culture enhancement and risk management foundation augmented by rich experience in process engineering and operations. His experience in fertilizer manufacturing, oil & gas exploration and production, and refining businesses has enabled him to utilize his expertise with a broader perspective and a sustainable approach. Mr. Jamal has represented Fatima Group at various prestigious international and national events hosted by institutions and organizations like MIT, AIChE and ASSP.

ORGANIZATIONAL CHART



HR & Remuneration Committee

Nomination and Risk Management Committee

Enterprise Risk Management Committee

Other Management Committees

Director Special Projects

Director Human Resources

Chief Manufacturing Officer

Director Technology

Head of Supply Chain

Head of Lean Six Sigma

Head of Administration

CHAIRMAN'S REVIEW REPORT

to the Shareholders for the year ended December 31, 2021

To my fellow Shareholders,

The Company has once again successfully delivered exceptional business performance and financial results driving up the value for shareholders in a very conducive national and international environment for fertilizer business.

I am pleased to report that all production sites Sadiqabad, Multan and Sheikhupura performed well with a record production of 2.4 million MT during the year under review despite turnarounds at Sadiqabad and Multan Plants and supply of gas at Sheikhupura Plant for 7 months. Capacity utilization is expected to be better in current year due to continuous supply of gas and production throughout the year.

During the year under review, your Company has continued to strengthen its market position through aggressive marketing and sales strategies and has increased its footprint and has marketed highest ever sales volumes. This coupled with increase in fertilizer prices has resulted in delivering highest revenue across the fertilizer industry in 2021. Due to such higher off takes, increase in prices and cost-efficient operations, the Company has delivered 39% higher profitability than last year.

I have strong confidence that the Company will continue to grow, and Board will play its strategic role in assuring sustainable growth of the business and to maximize return for its shareholders.

I would like to recognize our Board members for their valuable contribution in setting up the vision which will deliver profitable growth year on year. I also would like to take this opportunity to thank our valued investors for their trust and confidence in the Company. In addition, Board would like to acknowledge and particularly thank our CEO, Mr. Fawad Ahmad Mukhtar, for his commitment and leadership in taking the Company into a new era of growth & profitability.

Based on the exceptional performance, the Board is pleased to announce dividend of Rs 3.50 per share, amounting to Rs 7,350 million which reflects 40% increase in payout from last year, subject to the approval of the shareholders at the Annual General Meeting to be held on April 29, 2022.

Arif Habib
Chairman

April 07, 2022

چیئرمین جائزہ رپورٹ

مدت مختتمہ 31 دسمبر 2021

معزز شیئر ہولڈرز،

کمپنی نے ایک دفعہ پھر غیر معمولی کاروباری کارکردگی کا مظاہرہ کیا اور کھاد کے کاروبار کیلئے مقامی و بین الاقوامی سطح پر انتہائی سازگار ماحول میں کمپنی کے مالی نتائج شیئر ہولڈرز کیلئے بیحد فائدہ مند ثابت ہو رہے ہیں۔

مجھے یہ بات کہتے ہوئے خوشی محسوس ہو رہی ہے کہ زیرِ جائزہ سال کے دوران صادق آباد اور ملتان پلانٹ میں ٹرن اراؤنڈ اور شیخوپورہ پلانٹ کو 7 ماہ گیس کی سپلائی کے باوجود صادق آباد، ملتان اور شیخوپورہ کی تمام پیداواری سائٹس نے اچھی کارکردگی دکھائی اور 2.4 ملین میٹرک ٹن کی تاریخی پیداوار حاصل کی۔ موجودہ سال میں گیس کی تسلسل سے سپلائی اور سال بھر پیداوار کی بدولت استعدادی استعمال میں بہتری متوقع ہے۔

زیرِ جائزہ مدت کے دوران آپکی کمپنی نے مارکیٹنگ اور سیلز کی جارحانہ حکمت عملیوں کے ذریعے اپنی مارکیٹ پوزیشن میں استحکام برقرار رکھا اور اپنے فٹ پرنٹ میں اضافہ یقینی بناتے ہوئے تاریخی سیلز حجم حاصل کرنے میں کامیاب ٹھہری۔ اس کے ساتھ ساتھ کھاد کی قیمتوں میں اضافہ کی وجہ سے 2021 میں فرٹیلائزر انڈسٹری میں بلند ترین ریونیو تک رسائی ممکن ہوئی۔ ایسے عوامل، قیمتوں میں اضافہ اور کم لاگتی آپریشنز کی بدولت کمپنی نے گزشتہ سال کی نسبت 39% زیادہ منافع کمایا۔

مجھے مکمل اعتماد ہے کہ کمپنی ترقی کا سفر جاری رکھے گی اور کمپنی کا بورڈ دیرپا کاروباری ترقی اور شیئر ہولڈرز کیلئے زیادہ سے زیادہ منافع یقینی بنانے کیلئے اپنا سٹریٹجک کردار ادا کرتا رہے گا۔

میں ویژن کے تعین میں قابل قدر اعانت پر اپنے بورڈ ممبران کو خراج تحسین پیش کرتا ہوں، بیشک یہ امر سال در سال منافع بخش ترقی کا پیش خیمہ ثابت ہوگا۔ میں اس موقع پر اپنے معزز سرمایہ کاروں کے کمپنی پر اعتماد اور یقین پر اُن کا تہہ دل سے مشکور ہوں۔ اس کے علاوہ بورڈ سب کی خدمات کو سراہتا ہے اور بالخصوص کمپنی کیلئے ترقی اور منافع کے ایک نئے دور کا آغاز کرنے پر اپنے چیف ایگزیکٹو آفیسر محترم فواد احمد مختار کے عزم اور قائدانہ صلاحیتوں کا معترف ہے۔

غیر معمولی کارکردگی کی بنیاد پر بورڈ بخوشی 3.50 روپے فی شیئر، جو کہ کل 7,350 ملین روپے اور گزشتہ سال سے 40 فیصد زیادہ ہے، ڈیویڈنڈ کا اعلان کرتا ہے۔ جبکہ اس ڈیویڈنڈ کی ادائیگی 29 اپریل 2022 کو منعقد ہونے والے سالانہ اجلاس عام میں منظوری سے مشروط ہے۔

عارف حبیب

چیئرمین

07 اپریل 2022

CEO'S MESSAGE

Dear Shareholders,

As we all know 2021 was another year where each one of us continued to operate under the impact of COVID-19 and its effects on the economy, however, our Company remained committed in terms of business continuity, employee wellbeing, business delivery and its contribution to support the society.

Despite the tough economic environment, our Company delivered an impressive business performance and continued to expand its market position. The Company continuously focused on cost improvement measures, selling & marketing spend to ensure improved profit delivery, while mitigating the inflationary pressure and the impact of rupee devaluation. The Company is committed to focus on its strategic priorities and is poised to grow and increase its market share among its competitors and maintain its growth trajectory.

Internationally, 2021 recorded significant increase in price of fertilizer products mainly due to sharp rise in raw material & commodity prices, restricted supplies, and unstable freight market. Local market volumes grew by ~5% comprising of both nitrogen and phosphates. DAP market on the other hand experienced a decrease of ~14% in 2021 which resulted in higher off take of NP as an alternate. Urea prices remained relatively stable whereas phosphates prices witnessed unprecedented increase throughout the year.

In 2021, the Company fully captured the benefits of taking over the production facilities of Pakarab Fertilizers which was integrated in 2020 and also benefited from the enhanced availability of gas at its Sheikhupura plant.

I am pleased to share that our Company has set a new benchmark of highest ever sales volume in comparison to previous years as well as has generated highest sales revenue across industry resulting in remarkable increase in profitability. Hence, it has recorded an increase of 39% in earnings per share which translates into Rs 8.80 per share as compared to Rs 6.32 per share last year. I am further delighted to share that Board has also recommended cash dividend of PKR 3.50 per share which amounts to PKR 7,350 million for the year 2021.

I am also looking forward towards Government of Pakistan to get critical support on various challenges which fertilizer sector is facing which includes but not limited to diminishing gas reserves, prioritised gas supplies, tax refunds and disallowances. We are confident that such support will significantly mitigate risks towards sustained output from this sector and food security in the Country.

I am especially grateful to the Chairman of the Board and other Board members for their contribution in setting strategic objectives and untiring commitment in steering the Company.

I would also like to thank our employees, customers, and suppliers for their support and hard work in 2021 and I look forward to continue working with them to attain success in 2022.

Fawad Ahmed Mukhtar

Chief Executive Officer

April 07, 2022

چیف ایگزیکٹوآفیسر کا پیغام

معزز شیئر ہولڈرز،

جیسا کہ ہم سب جانتے ہیں سال 2021 میں بھی ہم سب نے کرونا کے زیرِ سایہ اوراس کے معاشی اثرات کے ساتھ اُمورسرانجام دیئے، تاہم ہماری کمپنی کاروباری تسلسل ،ملازمین کی بھلائی،کاروباری ڈلیوری اورسوسائٹی کی معاونت کیلئے اپنی حصہ داری میں پرعزم رہی۔

سخت معاشی ماحول کے باوجود ہماری کمپنی نے متاثرکن کاروباری کارکردگی کا مظاہرہ کیااور مارکیٹ میں اپنی درجہ بندی کی توسیع کا تسلسل برقرار رکھا۔کمپنی نے مہنگائی کے دباؤاورروپے کی قدر میں کمی کے اثرات پرقابو پاتے ہوئے لاگت میں کمی کے اقدامات اورزیادہ منافع کاحصول ممکن بنانے کیلئے سیلز اور مارکیٹنگ کی لاگت پرتوجہ مرکوز رکھی۔کمپنی اپنی سٹریٹجک ترجیحات کی جانب توجہ مبذول رکھنے کیلئے سرگرم ہےاور مقابلہ جاتی سطح پراپنامارکیٹ شیئر بڑھانےاورترقی کی جانب سفرجاری رکھنے کیلئے مکمل طور پرتیار ہے۔

عالمی سطح پر2021 کے دوران خام مال اوراجزائے ضروریہ کی قیمتوں میں تیز رفتار اضافے،محدودترسیل اورغیرمتوازن فریٹ مارکیٹ کی وجہ سے کھادکی مصنوعات کی قیمتوں میں نمایاں اضافہ ہوا۔نائٹروجن اورفاسفیٹ پرمشتمل مقامی منڈی کے حجم میں %5 تک اضافہ ہوا۔جبکہ دوسری جانب ڈے اے پی کی مارکیٹ میں2021 کے دوران %14 کمی مشاہدے میں آئی جس کے نتیجہ میں این پی کے بطور متبادل استعمال میں اضافہ ہوا۔یوریا کی قیمتیں مسابقتاً مستحکم رہیں جبکہ سال بھر کے دوران فاسفیٹ کی قیمتوں میں غیرمتوقع اضافہ نظر آیا۔

2021 کے دوران کمپنی نے پاک عرب کے پیداواری پلانٹ کی باگ دوڑ سنبھالنے (یہ شراکت داری2020 میں قائم ہوئی) سے بخوبی فائدہ اٹھایااوراس کے ساتھ ساتھ کمپنی شیخوپورہ پلانٹ میں گیس کی زیادہ دستیابی سے بھی بیحد مستفید ہوئی۔

مجھے یہ بیان کرتے ہوئے خوشی محسوس ہورہی ہے کہ ہماری کمپنی نے گزشتہ سالوں کے مقابلہ میں اس سال سیلز حجم میں نئی تاریخ رقم کی ہے جبکہ دوسری جانب انڈسٹری میں سب سے زیادہ سیلز ریونیو کے ذریعے منافع میں شاندار اضافہ یقینی بنایا۔اس طرح کمپنی نے 39 فیصد اضافہ کے ساتھ 8.8 روپے فی شیئر آمدن حاصل کی جوکہ گزشتہ سال 6.3 روپے فی شیئر تھی۔مزید براں قابل ستائش عمل یہ ہے کہ سال 2021 کیلئے بورڈ نے 3.50 روپے فی شیئر کیش ڈیویڈنڈ تجویز کیا ہے جوکہ 7,350 ملین روپے بنتا ہے۔

فرٹیلائزرسیکٹرکودرپیش مختلف چیلنجز مثلاً گیس کے ذخائر میں کمی،گیس سپلائی کی ترجیحات،ٹیکس ریفنڈز اورڈس الاؤنسز میں تعاون کیلئے میری نگاہیں حکومت پاکستان پرمرکوز ہیں۔ہم پراُمید ہیں کہ اس طرح کا تعاون فرٹیلائزرسیکٹر میں دیرپانتائج اورملک میں فوڈسیکیورٹی کوپیش آنے والے خطرات میں نمایاں کمی کا باعث بنے گا۔

میں چیئرمین بورڈ اوردیگر بورڈ ممبران کاخصوصی طور پرشکرگزارہوں جنہوں نے سٹریٹجک مقاصد کے تعین میں کلیدی کردارادا کیااور کمپنی کی راہنمائی کیلئے انتھک کاوشیں بروئے کارلائے۔

میں سال 2021 کے دوران اپنے تمام ملازمین،صارفین اورسپلائرز کا اُنکے بھرپورتعاون اورمحنت پرشکرگزارہوں اوراُمید کرتا ہوں کہ سال 2022 میں بھی اُن کا یہ تعاون ہماری کامیابی کے سفر میں شامل حال رہے گا۔

فواد احمد مختار

چیف ایگزیکٹوآفیسر

07 اپریل 2022

DIRECTORS' REPORT

to the Shareholders for the year ended December 31, 2021

On behalf of the Board of Directors of the Company, we are pleased to present the Directors' Report and the audited financial statements of the Company for the year ended December 31, 2021.

The Company operations continued without any disruption despite recurring waves of COVID-19 pandemic and has been able to deliver strong business performance and financial results driving up value for shareholders while maintaining the best standards of Health, Safety & Environment for its employees, business partners and communities

All plant sites continued to build upon their reputation to be the safest working sites for the stakeholders, hence kept adding to Safe Million Man-Hours and remained lower than targeted Total Recordable Incident Rate. In addition, the Company safely completed its planned Turnaround activity for its Sadiqabad and Multan plants to ensure reliable and efficient operations. The Company has also secured multiple awards and recognitions from local and international organizations on Health, Safety & Environment.

During the year under review, the Company has been able to produce incremental volumes based on full year capacity from Multan plant which was taken over in later part of 2020 and further additional production from Sheikhupura plant owing to better availability of Gas as compared to previous year. Due to such additional production volumes, the Company has been able to set a new benchmark of highest ever sales volume in the year under review.

Further, the Company continued the legacy of paying tribute to our farmers through celebrating 'Kissan Day' and further strengthening its 'Salam Kissan' campaign. The Company is committed to position 'Sarsabz' as the most premium fertilizer brand in the market and helping to lead the pursuit for a 'Sarsabz Pakistan'.

Market Overview

International Market

2021 recorded significant increase in price of fertilizer products. DAP price grew by ~130% during the year mainly due to sharp rise in raw material prices, restricted supply, and volatile freight market. Phosphoric acid price rose by ~93%, rock phosphate grew by ~64%, Ammonia surged by ~364% and Sulphur increased by ~201%. This implied that it was cheaper for sub-continental producers to import DAP rather than to produce domestically, thereby prompting to increase DAP subsidies for importers and producers, to offset losses and shortages. Freight rates also increased during the year, reaching record high peaks in October 2021, thereafter, easing considerably.

Supply restrictions were imposed in the fourth quarter of 2021, notably by China by introducing measures such as export cargo inspections, prioritizing local supply over export, and implementing restrictive energy and environmental policies, all eventually leading to lower output. Russia also applied export quotas on phosphates, at levels slightly below exports of 2020. On the demand front, major consumers of Middle Eastern, Chinese, and Russian origins were Latin American and sub-continental buyers, each keeping prices firm via their seasonal demands.

The price of Urea in the international market more than tripled in 2021, pushed by a consistent increase in the price of Ammonia throughout the year, with the sharpest rise to record levels in October and November, thereafter, easing slightly by around 10% by end of the year. These unprecedented highs were reached owing to high feedstock prices driven by shortages, nitrogen plant closures, fall in China's production due to its energy crisis, and high demand from neighbouring countries during the winter period.

Local Market

2021 closed with a total fertilizer industry off-take (nitrogen & phosphate) of 10.1 million MT, increasing by a healthy 5.2% in comparison to 2020 (9.6 million MT). This increase is primarily attributed to the growth of both nitrogen-based fertilizers Urea and CAN. Urea sales increased by 5.7%, reaching 6.34 million MT in 2021 compared with 6.04 million MT in 2020. CAN sales also increased by 35%. One of the reasons for this growth was the highly favourable wheat support price which led to an increased usage of nitrogenous fertilizers. Also, the industry carried forward substantial number of pending orders from 2020 which were fulfilled in 2021. DAP market on the other hand experienced a decrease of 13.8%, going from 2.17 million MT in 2020 to 1.87 million MT in 2021. Despite the decline in DAP, NP offtake realized an increase of 18.8%. During 2021, Urea prices remained relatively stable whereas DAP prices witnessed unprecedented growth throughout the year.

Company Performance

The Company has achieved the highest ever sales volume of 2.68 million MT in 2021 which reflects 43% volumetric growth on year-on-year basis. Production volumes for the year increased by 19% over last year mainly due to full year production from Multan plant and owing to better supply of Gas at Sheikhupura plant in the year under review.

Product	Volume ('000' MT)			
	Production*/ Purchase		Sales	
	2021	2020	2021	2020
Urea	801	681	836	755
CAN	792	578	894	489
NP	830	637	882	444
Trading stock including DAP	35	167	65	179
Total	**2,458**	**2,063**	**2,677**	**1,867**

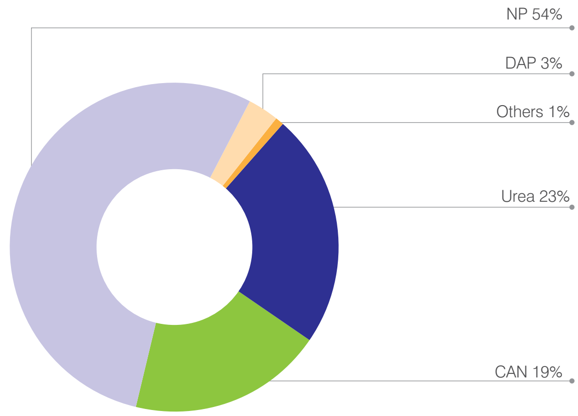
*Includes production under toll manufacturing

With all the three plants in operations at Sadiqabad, Multan, and Sheikhupura, your Company is committed to ensure continuous supply of its products to the farmer community through a cumulative annual name plate capacity of 2.57 million MT per year. This will also ensure that farmers continue to benefit from lower domestic prices and will also result in substitution of high-priced imported fertilizers hence savings of valuable foreign exchange for the country.

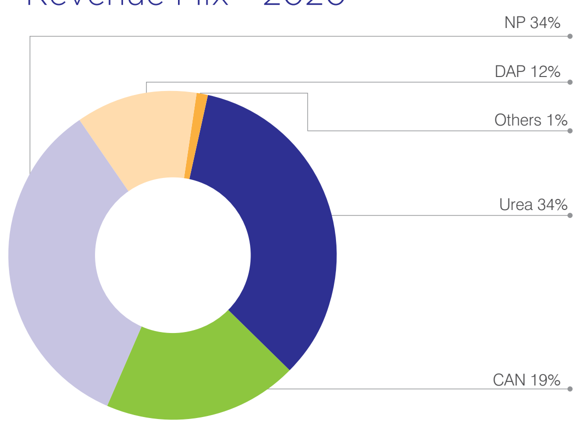
Financial Performance

As a result of increase in volumetric sales and increase in phosphates price mainly due to higher international prices, the Company managed to deliver sales revenue of PKR 112.49 billion in 2021 as compared to sales revenue of PKR 71.27 billion in the previous year. NP contributed 54% of the total sales revenue followed by Urea and CAN representing 23% and 19% respectively, whereas remaining sales represents revenue from imported fertilizer and mid-products.

Revenue Mix - 2021



Revenue Mix - 2020



Increase in cost of sales of the Company including finished goods purchased for resale was due to increase in gas price due to end of concessionary period gas, higher input costs of raw materials especially phosphate prices and sharp decline in value of Pak Rupee as compared to last year. Further, the surge in manufacturing costs is primarily attributable to inflationary pressures, costs relating to turnarounds and additional depreciation costs due to change in estimates.

Despite costs increases and owing to commitment towards manufacturing excellence, the Company has posted an increase in gross profit by 49.63% resulting in PKR 43.1 billion as compared to PKR 28.8 billion in 2020. Increase in distribution and administrative expenses is mainly attributable to increase in volumetric sales, full year operations of Multan plant and inflation impact.

The finance cost of the Company has reduced by 42.16% to PKR 2.0 billion mainly due to increase in liquidity resulting in decrease in long-term loans and short-term financing of the Company.

Reduction in other income is mainly due to decrease in income from financial and non-financial assets.

Further during the year, the Company has reversed temporary gain amounting to PKR 367.5 million which was booked as notional gain in 2020 amounting to PKR 877.5 million on remeasurement of Gas Infrastructure Development Cess (GIDC) liability. It is worthwhile to mention that the Company has filed suits for declaration and injunction in the High Court of Sindh and has obtained a stay order against collection and recovery of such Cess on account of issues of computation of liability and various other grounds and there has been no significant progress in this regard during 2021.

In addition, the Company has further recognized a loss allowance of PKR 109.7 million on subsidy receivable from the Government of Pakistan (GoP) as per the requirements of International Financial Reporting Standards and in view of considerable delay in settlement by the Government. This temporarily recorded loss allowance will be reversed in due course of time.

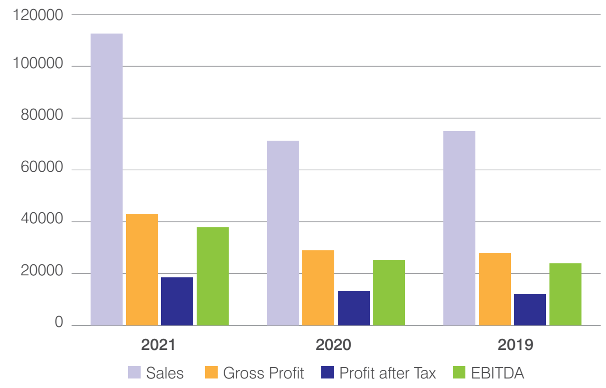
Resultantly, the Company posted a profit after tax of PKR 18.5 billion for the year reflecting an increase of 39.17% as compared to PKR 13.2 billion last year. Similarly, earnings per share increased to PKR 8.80 per share in 2021 as compared to PKR 6.32 per share in 2020.

Financial Highlights

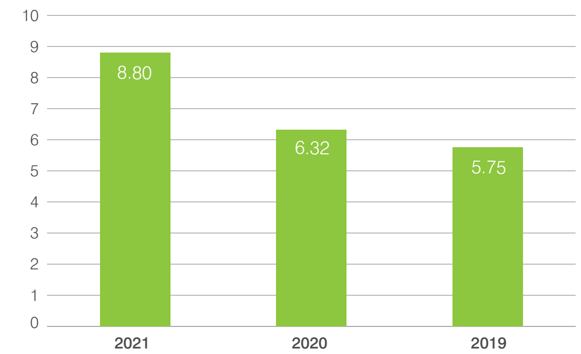
	2021		2020		2019	
	Rs Million	%	Rs Million	%	Rs Million	%
Turnover	112,488		71,267		74,964	
Gross Profit	43,084	38.30	28,795	40.40	27,899	37.22
EBITDA*	37,840	33.64	25,180	35.33	23,776	31.71
Profit after Tax	18,474	16.42	13,275	18.63	12,070	16.10
EPS (PKR)	8.80		6.32		5.75	

* This includes impairment of brand for Rs 2,360 million

Financial Performance
Rupees in Million



Earnings Per Share
Rupees



Operational Performance

A record production of 2.42 Million MT of fertilizer was achieved in year 2021 by all three manufacturing sites, which is 28% higher than 2020. This new milestone was achieved despite of unprecedented challenges faced due to COVID -19 environment, following are the key highlights:

- **Sadiqabad plant:** Ever highest production in a Turnaround year.
- **Multan plant:** 9% Higher production from 2020 which is best ever after 2006.
- **Sheikhupura plant:** 5% higher Urea Production than target.

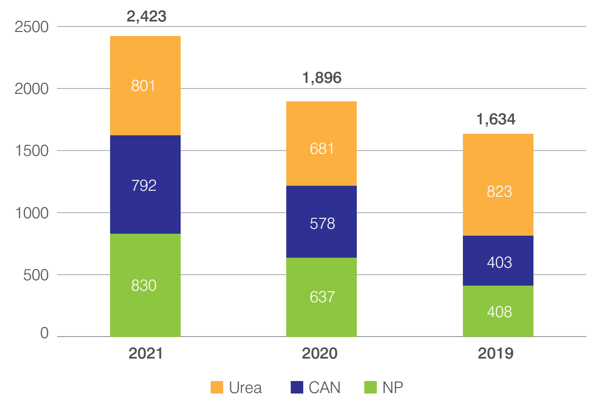
Sadiqabad plant achieved highest ever on stream factor of 98.7%. The plant operated smoothly with sustained Ammonia plant operation by strict monitoring via utilization of M/s Haldor Topsoe's Clear-View® programme. During this review year, a 26 days major turnaround of the site was undertaken and a large number of reliability jobs were executed and completed successfully. An advanced Process Control was installed at Nitric acid plant to optimize operation and increase production by 1.2%.

At Multan plant, an additional gas was secured enabling continuous Urea Plant operation. Ammonia Plant achieved an on stream factor of 98.5%.

Sheikhupura plant remained in operation as per natural gas availability. A number of reliability improvement projects were implemented to ensure smooth operation of plant with sustained gas availability.

Production

Metric Tons in '000'



Learning and Development

Sadiqabad plant launched digital training feedback and Analysis platform. Dispersed framework of ISO-29993 across Fatima manufacturing sites & ISO-17024 for preparation of accreditation. Synergized training calendar of manufacturing sites, hosting participation from group companies, neighbouring industries and universities.

Multan plant developed and Implemented training Leading Indicators (LIs) for enhanced stewardship and focus. Lean Six Sigma (LSS) also launched and Awarded Excellence Level in IFA Product Stewardship Program.

Sheikhupura plant launched staff LNAs. An old DCS server was revived and made part of model lab for hands on training. Achieved IFA certification with a score of 91% and IMS surveillance audit was conducted without any major NC.

Year	Total Training	HSE	Technical	Soft Skill
Sadiqabad	41,391	8,025	31,642	1,724
Multan	24,418	10,620	13,798	1,716
Sheikhupura	17,505	3,523	13,041	941

All values in Hours.

Capacity Utilization

Plant	2021	2020	2019
Urea, CAN and NP	94%	94%*	95%

* Prorated capacity of Multan Plant

2021 designed capacity is 2.57 million MT, underutilization is due to planned turnarounds at plants as well as owing to non-availability of gas at Sheikhupura plant for a limited period, whereas in 2020 capacity utilization was prorated to the extent that Multan plant was acquired from September 01, 2020 based on total designed capacity of 2.57 million MT.

Dividends and Subsequent Events

The Board of Directors in its meeting held on April 07, 2022, have proposed a final Cash Dividend @ PKR 3.50 per share i.e. 35% for approval of the members at the Annual General Meeting to be held on April 29, 2022. The financial statements do not reflect this proposed dividend.

Appropriations	Rs in thousand
Un appropriated profit brought forward	64,374,342
Final Dividend for the year 2020	(5,250,000)
Net profit for the year 2021	18,469,181
Profit available for appropriations	77,593,523
Appropriations	-
Un appropriated profit carried forward	**77,593,523**

Financial Management

Despite rise in commodity prices, increase in interest rates, decline in value of PKR and challenges faced due to the COVID-19 pandemic, all the financial commitments falling due during the year were timely met. Apart from its routine obligations during the year, the Company keeps on investing in projects for future growth and sustainability. As a testament to its strong financial position, the Company at year-end had more than PKR 20.6 billion available in unutilized borrowing limits from financial institutions. With a highly favourable gearing position, the Company is deliberating upon further options to maintain and enhance its earnings for the benefit of its stakeholders.

Financial Highlights

Key operating and financial data of previous years has been annexed herewith.

Auditors' Report on the Financial Statements

Our Auditors have reviewed the Company's financial statements which comprise of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we are pleased to share that they have issued an unqualified opinion on the Company's Financial Statements for the year ended December 31, 2021.

Contribution to National Exchequer

Being a responsible corporate citizen of the country, the Company continued to contribute significantly towards the National Exchequer. An amount of PKR 12.98 billion (2020: PKR 7.5 billion) was contributed during the year in respect of Custom duties, Sales tax, and Income tax.

Statement as to the Value of Investment of Provident Fund

The value of the investment of the provident fund is PKR 1,819 million. The figure is unaudited for the year under review.

Future Outlook

The fertilizer demand in the Country is increasing due to increase in cultivation area & its applicability, use of hybrid seeds and other changes in farming techniques. The Company will capture all available opportunities to further strengthen its association with farmers who are enriching their soils and lives using modern agriculture methods and the application of value-added fertilizers. The Company plans to continue to support the farmers in providing its products as substitution to expensive imported fertilizers.

The Company plans to deliver strong business performance and financial results to add value for our shareholders. The Company has strong balance sheet with substantial room to generate debt for future growth. The year 2022 looks very promising with the increase in production capacity of the Company due to availability of additional gas at its Multan plant from December 2021 and robust strategies put in place to ensure sustainable growth.

Our continuous costs optimization efforts during the year, improvement in plants' efficiency and reliability, process improvement initiatives, and enhanced focus on employee development have started giving dividends to the Company. We hope necessary fiscal support in the shape of farmer-friendly Government policies will continue, providing further strength to the farmers and industry.

In addition, we also hope that Government of Pakistan will extend its support in addressing the risk towards sustainability of fertilizer sector keeping in view the diminishing natural gas reserves which may ultimately impact food security of the Country, and in implementation of Weighted Average Cost of Gas (WACOG)/uniform pricing under Fertilizer Policy 2022 which will unlock the potential for the local fertilizer industry.

Further, taking advantage of strong asset base and financial position, the Company will continue to explore further opportunities both inside and outside the fertilizer sector, for further improvement of value to its associates and stakeholders.

Code of Corporate Governance

The Board and Management are committed to ensuring that the requirements of the Code of Corporate Governance are fully met. The Company has adopted good Corporate Governance practices with an aim to enhance the accuracy, comprehensiveness, and transparency of financial and non-financial information. The Directors are pleased to report that:

a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows, and changes in equity;

b) Proper books of account of the Company have been maintained;

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment;

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements;

e) The system of internal control is sound in design and has been effectively implemented and monitored;

f) There is no material departure from the best practices of corporate governance, as detailed in the Listing Regulations; and

g) There are no significant doubts upon the Company's ability to continue as a going concern.

Changes in the Board

During the year under review, Ms. Anja Elisabeth Nielsen tendered her resignation from the Board. The Board expresses its appreciation for the services rendered by the outgoing director.

The names of members of the Board are as follows:

i.	Mr. Arif Habib	Non Executive Director
ii.	Mr. Fawad Ahmed Mukhtar	Executive Director
iii.	Mr. Fazal Ahmed Sheikh	Executive Director
iv.	Mr. Faisal Ahmed Mukhtar	Non Executive Director
v.	Mr. Muhammad Kashif Habib	Non Executive Director
vi.	Ms. Malika Nait Oukhedou	Non Executive / Independent Director
vii.	Mr. Tariq Jamali	Non Executive / Independent Director

Directors' Remuneration

In compliance with regulatory requirements, a transparent and formal process has been established for ascertaining the remuneration of the Directors. All non-executive and independent Directors of the Company are entitled to remuneration for attending Board and Audit Committee meetings along with reimbursement of expenses incurred in connection with these meetings. Any Director who serves on the Committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the statutory duties of a Director, may be paid such remuneration by way of salary, allowances, facilities, perquisites, etc., as the Board may determine. Detail of the remuneration paid to executive and non-executive directors during the year is given in Note 37 of the attached financial statements.

Audit Committee

The names of members of the audit committee are as follows:

1.	Mr. Tariq Jamali	Chairman
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Faisal Ahmed Mukhtar	Member
4.	Ms. Malika Nait Oukhedou	Member

Human Resource and Remuneration Committee

The names of members of the Human Resource and Remuneration Committee are as follows:

1.	Ms. Malika Nait Oukhedou	Chairperson
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Fawad Ahmed Mukhtar	Member

Nomination and Risk Management Committee

The names of members of Nomination and Risk Management Committee are as follows:

1.	Mr. Fazal Ahmed Sheikh	Chairman
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Tariq Jamali	Member

Board and Committees' Meetings and Attendance

During the year under review, six meetings of the Board of Directors, four meetings of the Audit Committee, and one meeting of the HR and Remuneration Committee were held from January 01, 20201, to December 31, 2021. The attendance of the Board and the Committee members was as follows:

Name of Director	Board Meetings	Audit Committee Meetings	HR & Remuneration Committee Meeting
Mr. Arif Habib	5	N/A	N/A
Mr. Fawad Ahmed Mukhtar	5	N/A	1
Mr. Fazal Ahmed Sheikh	5	N/A	N/A
Mr. Faisal Ahmed Mukhtar	5	4	N/A
Mr. Muhammad Kashif Habib	6	4	1
Ms. Anja Elisabeth Nielsen	0	0	0
Mr. Tariq Jamali	6	4	N/A

The leave of absence was granted to the members not attending the Board and Committee meetings.

Trading in Shares of the Company by Directors and Executives

Name	No. of shares	Nature of transaction
Arif Habib	6,504,000	Purchase
Naveed Bashir	10,000	Sale
Kamran Ahmad Awan	3,500	Purchase
Rizwan Malik	5,000	Sale
Kamran Ahmad Awan	3,500	Sale

Pattern of Shareholding

The pattern of shareholding and categories of shareholders as of December 31, 2021, as required under the Pakistan Stock Exchange Regulations, have been annexed herewith along with the Proxy Form.

Code of Conduct

As per the Corporate Governance guidelines, the Company has prepared a Code of Conduct and communicated these throughout the Company, as well as placing it on the Company's website.

Credit Ratings

Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of the Company at AA and A1+ respectively. The ratings reflect a strong business profile of the Company on the back of a diversified product mix and very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Internal Audit

The internal Audit function is effectively operating within the framework set out in the Code of Corporate Governance and the charter defined by the Audit Committee of the Board of Directors, to provide an independent and objective evaluation on the effectiveness of governance, risk management, and control activities. The Internal Audit function is progressing from a conventional function into a business partner and advisory role by following a proactive approach towards effective corporate governance through risk mitigation, adding value within the business process, and creating synergies at the group level. The Board relies on the inputs and recommendations of the internal audit function through its Audit Committee on the adequacy and effectiveness of internal controls in the organization and takes appropriate measures.

The function is effectively utilizing risk control matrices, to prioritize and develop its annual plan and to strengthen the internal controls through periodic reviews of all the functions/processes in the organization.

Internal Audit also emphasizes the importance of Business Continuity and completeness of Risk Control means to have seamless operations at the entity level that is currently being implemented. Further, Internal Audit also ensures the implementation of Enterprise Risk Management (ERM) Framework as per COSO standards, through a dedicated ERM section.

External Auditors

M/s. Yousuf Adil, Chartered Accountants, the retiring auditors of the Company, being eligible, offered themselves for re-appointment. The Board Audit Committee and the Board of Directors have recommended their re-appointment by the shareholders at the 19th Annual General Meeting, as auditors of the Company for the year ending December 31, 2022, at a fee to be mutually agreed.

Health, Safety, and Environment

HSE is one of the core values of Fatima. As a result of focused efforts, the Company achieved +91 combined Safe Million Man-Hours for all three fertilizer plants along with world class Total Recordable Incident Rates (TRIR) of 0.03 for Sadiqabad Plant, 0.21 for Multan Plant and 0.14 for Sheikhupura Plant.

This year continued to pose COVID-19 pandemic challenges and the focus remained on business continuity along with the wellbeing of employees. The Company continuously reviewed its COVID-19 preventive measures along with changing global and local scenarios. Timely vaccination drive resulted in 100% complete vaccination of employees, their families, and contract employees.

Over the years, Fatima Fertilizer Sadiqabad plant has proven to be a safe workplace for all stakeholders. This fact has been reaffirmed in 2021 when the Company held the Guinness World Records title for clocking 60.22 Million Safe Man-Hours, the highest in the global fertilizer industry. The year concluded with 64.80 Million Safe Man-hours.

In 2021, the Sadiqabad Plant became the first Plant in Pakistan to sustain DuPont Process Safety Management (PSM) Excellence Level. The Plant also won prestigious Distinction in British Safety Council International Safety Awards, RoSPA Gold Category Award, 18th AEEA Award for Environment Excellence, 7th International Summit Awards for Environment Management and Health, Safety and Environment Performance, Fire and Safety Award by NFEH and PFPA. Furthermore, Plant also accomplished its Green Office recertification with the highest ever score of 89.5%.

The Plant Turnaround in 2021 was challenging due to the highest number of jobs and COVID-19 pandemic. Safe and timely execution was achieved with Zero Recordable Injury and Zero Process Fire. More than 7400 jobs with 5800+ manpower was successfully managed.

Different initiatives for environmental improvement were undertaken such as Tree Plantation Drive, Evaporation Pond rehabilitation, World Environment Day and Earth Hour celebration.

The Sadiqabad Plant presented their achievements, research, and learnings in international forums, 17th Global Conference on Process Safety (GCPS) and CCPS Global Summit.

The Multan Plant achieved Distinction in British Safety Council International Safety Award, RoSPA Gold Category Award, Certificate of excellence by NFEH, and Perfect Record Award by National Safety Council. 2021 was concluded with 14.6 Safe Million Man-hours.

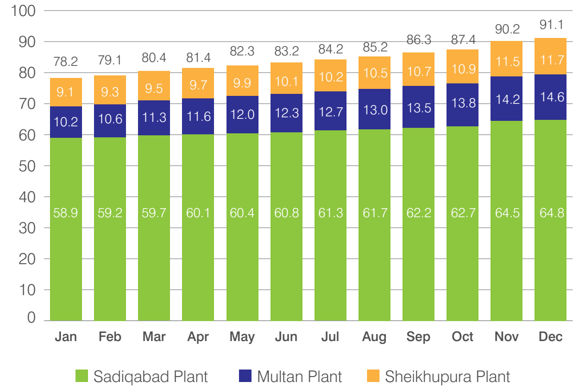
The Multan Plant successfully and safely completed the Turnaround in 2021 despite COVID-19 challenges and handled 2000+ manpower on daily basis. Smooth startup and continuous plant operations were achieved after the Turnaround.

The Sheikhupura Plant is currently operating at DuPont Process Safety Management (PSM) Compliance level. The Plant achieved International Safety Award (Gold Category) from RoSPA UK for the second consecutive time along with several national-level awards by NFEH, Annual Environment Excellence Award (AEEA) and Best Tree Plantation award. The first-ever Fire Fighting Capability Analysis (FFCA) was conducted against DuPont standards by site team.

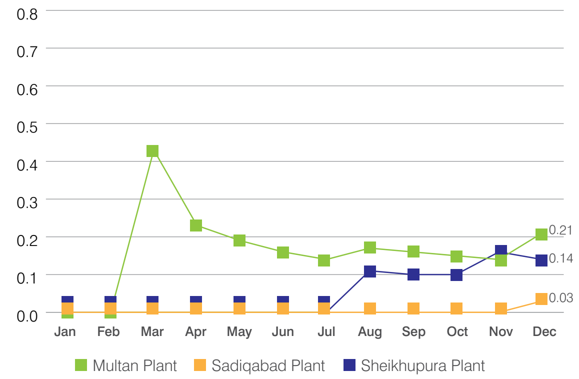
The Sheikhupura Plant participated in the 17th Global Conference on Process Safety (GCPS) and presented seven safety papers and posters. Also, several system initiatives and programs were launched and the team's capability-building activities were undertaken along with tree plantation activity, World Environment Day, and Earth Hour celebration.

Fatima's three fertilizer plants successfully recertified for Integrated Management System (IMS) comprising of Occupational Health and Safety Management System (ISO-45001:2018), Quality Management System (ISO-9001:2015), Environment Management System (ISO-14001:2015) and, IFA Protect and Sustain and WWF Green Office.

Safe Million Man Hours (SMMH)
All Three Fertilizer Plants



Total Recordable Incident Rate (TRIR)
All Three Fertilizer Plants



Information Technology

Robust and resilient information technology infrastructure serves as the backbone of Fatima Group business today. With the growing need for innovative solutions, changing customer behaviours, the emergence of competitive market conditions, and the rapidly evolving regulatory environment, the dependence on state-of-the-art technology platforms has grown more than ever before. Fatima Group has grown rapidly since its inception and its technology infrastructure, business-enabling applications, governance, and security architecture has contributed immensely in its growing market share.

Fatima IT is continuously investing in the technology footprint of the group. This has not only enabled it to provide 24x7 business continuity services but also contributed immensely to business growth, lean processes, and operational excellence. Under the IT leadership , over 58,000 man-hours and significant amount of savings were delivered through various IT initiatives in 2021.

Sustainability and CSR Initiatives

Using our scale, reach, and expertise we are building a more sustainable future to meet the needs of the 21st Century. We are committed to delivering excellence for all our stakeholders. At the same time, we remain firmly committed to the communities we operate in as we staunchly believe our growth depends on the growth of the communities around us.

Sustainability and CSR goals are embedded in how we operate as a business, they are part of our very foundation and are a reflection of our commitment towards the development of the communities we operate in. Our initiatives are focused on six areas, streamlined to drive the maximum impact given the needs of the community and our areas of expertise i.e. Community development, Environment protection, Governance and Ethical Practices, Employee growth and wellbeing, Customers service & Working relationship with Shareholders/ Investors for Community development. Adding to the cause of green revolution, Fatima planted more than twenty six thousand trees.

Human Resource Management and Employees Relations

2021 proved to be one of the most triumphant years for Fatima Group. We have attained the distinction of Guinness World Record for 60M+ safe manhours due to our relentless focus on safety. Our commitment towards excellence and continuous improvement was made evident through yet another milestone achievement of the highest ever sales of 2.6 Million MT. These strategic landmarks are a testament of our focus on strengthening the Company's performance culture as well as of our leadership's visionary intent. Human Resources function plays a critical role as a key enabler in driving these business outcomes through the development and growth of our people- we know performing competitively in the evolving landscape requires a competent and empowered workforce working safely together towards a shared goal.

We believe that our employees are our greatest strength. We are striving to craft a value- based culture that will enable our people to achieve even higher milestones. We continue to embark on cultural programs as we believe that our culture provides the competitive advantage that fuels innovation, enhances our ability to attract and retain talent, and strengthens our employer brand. Through innovative programs such as FG PowerHour we are working toward furthering our employer brand while using our strategic expertise to educate and inform farmers, aspiring agricultural entrepreneurs, multi-industry professionals and young university graduates.

We partner strategically with the business to provide proactive people solutions to future-proof our organization. In 2021 we have delivered creative solutions for solving the unique talent challenges of a changing landscape in the new normal through hiring, development and engagement of an exceptional talent pipeline. We have created a robust future leadership pipeline through our flagship program E2L catering to the growing needs of Fatima Group.

We have built on existing processes to provide extraordinary customer experiences to for our employees while also introducing new and best-in-class solutions for their development. This includes external collaborations such as those with Harvard and Stanford as well as internal interventions such as mentorship (Ascend) and in-house learning programs like FG Business Academy. Robust Career Progression and enabling Sustained Leadership Benches is our key distinguishing feature as we continue to focus on building not just the leadership talent but also on preparing our mid-muscle for the roles of the future. We are investing in future-focused automation, technologies, and platforms for an optimized operating environment enabling an agile and engaged workforce even during these challenging times amidst the new normal.

Acknowledgements

The Board places on record its gratitude for the hard work and dedication of every employee of the Company. The Board also appreciates and acknowledges the assistance, guidance, and cooperation of all stakeholders including the Government of Pakistan, financial institutions, commercial banks, business associates, customers, and all others whose efforts and contributions strengthened the Company.

For and on behalf of the Board

Fawad Ahmed Mukhtar	Arif Habib
Chief Executive Officer	Chairman

Lahore
April 07, 2022

مستقبل کا نقطہ نظر:

ملک میں کھاد کی طلب میں قابل کاشت رقبہ اوراس کے اطلاق، ہائبرڈ بیج کے استعمال اور کاشتکاری کے طریقوں میں دیگر تبدیلیوں کی وجہ سے اضافہ ہو رہا ہے۔ کمپنی اپنے کسان بھائیوں سے شراکت داری مزید مستحکم بنانے کیلئے تمام دستیاب مواقعوں سے بھرپور فائدہ اٹھائے گی۔ بلاشبہ یہ کاشتکار جدید زرعی طریقوں اور منافع بخش کھادوں کے استعمال سے مٹی کو سونا اور زندگیوں کو روشن بنا رہے ہیں۔ کمپنی کاشتکاروں کو مہنگی درآمدی کھادوں کا بہترین نعم البدل فراہم کرنے کیلئے اپنا تعاون جاری رکھے گی۔

کمپنی شیئر ہولڈرز کے فائدے کیلئے مضبوط کاروباری کارکردگی اور مالی نتائج فراہم کرنے کی حکمت عملی رکھتی ہے۔ کمپنی مستقبل میں ترقی کے مواقع پیدا کرنے کی مناسب گنجائش کے ساتھ مضبوط بیلنس شیٹ کی حامل ہے۔ سال 2022 ملتان پلانٹ میں دسمبر 2021 سے اضافی گیس کی دستیابی اور پائیدار ترقی کیلئے تگڑی حکمت عملیوں کے نفاذ کی بدولت پیداواری صلاحیت میں اضافہ کے ذریعے اُمید افزا دکھائی دیتا ہے۔

سال کے دوران ہماری لاگت پر قابو پانے کی مسلسل کاوشوں، پلانٹس کی ایفی شینسی اور پائیداری میں بہتری، طریقہ کار میں بہتری اور ملازمین کی تربیت جیسے اقدامات نے دورس نتائج دینے شروع کر دیئے ہیں۔ ہم کسانوں اور انڈسٹری کے مزید استحکام کیلئے حکومت کی جانب سے کسان-دوست پالیسیوں کے ذریعے ضروری مالی تعاون کیلئے پراُمید ہیں۔

اس کے علاوہ ہم یہ بھی اُمید رکھتے ہیں کہ حکومت پاکستان کھاد کے شعبہ کی پائیداری کیلئے قدرتی گیس کے ذخائر میں کمی کے خطرے پر قابو پانے کیلئے جو بالآخر ملک کی فوڈ سیکیورٹی پر اثر چھوڑ سکتا ہے اور Weighted Average Cost of Gas (WACOG)/فرٹیلائزر پالیسی 2022 کے تحت مساوی قیمتوں کے نفاذ (جو کہ مقامی فرٹیلائزر انڈسٹری کیلئے مثبت مواقع رکھتا ہے) اپنا تعاون جاری رکھے گی۔

مزید براں مضبوط اثاثہ جاتی بنیاد اور مالی پوزیشن سے فائدہ اٹھاتے ہوئے کمپنی اپنے ایسوسی ایٹس اور سٹیک ہولڈرز کیلئے ویلیو میں مزید بہتری کیلئے فرٹیلائزر سیکٹر کے اندر اور باہر نئے مواقعوں کی تلاش جاری رکھے گی۔

ڈائریکٹرز رپورٹ

برائے شیئر ہولڈرز مدت مختتمہ 31 دسمبر 2021

ہم کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی ڈائریکٹرز رپورٹ اور آڈٹ شدہ فنانشل اسٹیٹمنٹس برائے مدت مختتمہ 31 دسمبر 2021 پیش کرتے ہوئے انتہائی خوشی محسوس کر رہے ہیں۔

کمپنی کی کارکردگی:

سال 2021 کے دوران کمپنی سب سے زیادہ یعنی 2.68 ملین میٹرک ٹن سیلز حجم حاصل کرنے میں کامیاب ہوئی جو کہ سالہا سال بنیاد پر حجم میں 43 فیصد اضافہ ظاہر کرتا ہے۔ اس سال کے دوران پیداواری حجم میں گزشتہ سال کی نسبت 19 فیصد اضافہ ہوا، جس کی بنیادی وجہ ملتان پلانٹ سے سال بھر پیداوار کا حصول اور زیر جائزہ مدت کے دوران شیخوپورہ پلانٹ پر گیس کی بہتر سپلائی تھی۔

صادق آباد، ملتان اور شیخوپورہ پلانٹس کے مکمل فعال ہونے سے آپکی کمپنی سالانہ 2.57 ملین میٹرک ٹن کی پیداواری صلاحیت تک رسائی کے ذریعے کسان طبقہ کو بلاتعطل اپنی مصنوعات کی فراہمی یقینی بنانے کیلئے پرعزم ہے۔ اس عمل سے نا صرف کسانوں کے کم مقامی قیمتوں سے مستفید ہونے کا سلسلہ جاری رہے گا بلکہ مہنگی درآمدی کھادوں کیلئے ایک نعم البدل بھی میسر آئے گا جو کہ ملک کے لئے قابل قدر زرمبادلہ کی بچت کا باعث بھی بنے گا۔

مالی کارکردگی:

عالمی قیمتیں بڑھنے سے سیلز حجم اور فاسفیٹ کی قیمتوں میں اضافہ کے نتیجہ میں کمپنی سال 2021 کے دوران 112.5 بلین روپے سیلز ریونیو حاصل کرنے میں کامیاب رہی جبکہ گزشتہ سال یہ اعداد و شمار 71.27 بلین روپے تھے۔ مجموعی سیلز میں این پی، یوریا اور کین کا حصہ بالترتیب 54 فیصد، 23 فیصد اور 19 فیصد رہا۔ جبکہ بقیہ سیلز درآمدی کھاد اور ٹریڈ پراڈکٹس کی مرہون منت تھیں۔

کمپنی کی سیلز لاگت میں اضافہ بشمول تیار سامان کی خریداری کے بعد اس کی دوبارہ فروخت، رعایتی مدت کے اختتام کے بعد گیس کی قیمت میں اضافہ، خام مال بالخصوص فاسفیٹ کی قیمتوں میں بڑھوتری اور گزشتہ سال کے مقابلے میں روپے کی قدر میں تیزی سے کمی کی وجہ سے تھا۔ مزید براں مینوفیکچرنگ لاگت میں اضافہ بنیادی طور پر مہنگائی کے دباؤ، تبدیلی کی لاگتوں اور تخمینہ میں اضافی فرسودہ لاگتوں میں اضافے کی وجہ سے ہے۔

لاگت میں اضافے کے باوجود اور مینوفیکچرنگ ایکسی لینس کی وجہ سے کمپنی نے 49.6 فیصد یعنی 43.1 بلین روپے اضافی مجموعی منافع حاصل کیا۔ جبکہ سال 2020 کے دوران یہ منافع 28.8 بلین روپے تھا۔ تقسیم کاری اور انتظامی اخراجات میں اضافہ سیلز حجم میں اضافے، ملتان پلانٹ پر سال بھر آپریشنز اور مہنگائی کے اثر سے منسوب کیا گیا۔

کمپنی کی مالی لاگت 37 فیصد کمی کے ساتھ 2.2 بلین روپے رہی اور اس کی بنیادی وجہ طویل عرصہ کے قرضوں اور کمپنی کی شارٹ ٹرم فنانسنگ میں کمی کی وجہ سے لیکیوڈیٹی میں اضافہ ہونا تھا۔

دیگر آمدن میں تخفیف بنیادی طور پر فنانشل اور نان فنانشل اثاثوں سے آمدن میں کمی کی بدولت ہے۔

مزید براں سال کے دوران کمپنی نے 367.5 ملین روپے کا عارضی گین (Temporary Gain) معکوس کیا ہے جو کہ 2020 میں 877.5 ملین روپے کے تصوراتی گین (Notional Gain) کے طور پر گیس انفراسٹرکچر ڈویلپمنٹ سیس (GIDC) کی مد میں بک کیا گیا تھا۔ یہ بیان کرنا ضروری ہے کہ کمپنی نے سندھ ہائیکورٹ میں اعلان اور حکم امتناعی کیلئے دعویٰ دائر کیا ہے اور حسابات کی ادائیگی اور دیگر وجوہات اس کے معاملات پر ایسی سیس کی مد میں اس طرز کی کلیکشن اور ریکوری کے خلاف سٹے آرڈر حاصل کیا اور 2021 کے دوران اس پر کوئی نمایاں پیش رفت نہیں ہوئی۔

اس کے علاوہ کمپنی نے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کے تحت اور حکومت کی جانب سے تصفیہ میں نمایاں تاخیر کے تناظر میں حکومت پاکستان سے قابل وصول سبسڈی پر 109.7 ملین روپے کا نقصان الاؤنس ظاہر کیا ہے۔ یہ عارضی ریکارڈ کیا گیا نقصان الاؤنس مقررہ مدت میں معکوس کر دیا جائے گا۔

نتیجتاً کمپنی نے سال کیلئے 18.5 بلین روپے منافع بعد از ٹیکس حاصل کیا جو کہ گزشتہ سال کے 13.2 بلین روپے سے 39% زیادہ ہے۔ اسی طرح 2020 میں فی شیئر آمدن 6.3 روپے تھی جو کہ 2021 میں بڑھ کر 8.8 روپے فی شیئر ہو گئی۔

KEY PERFORMANCE INDICATORS

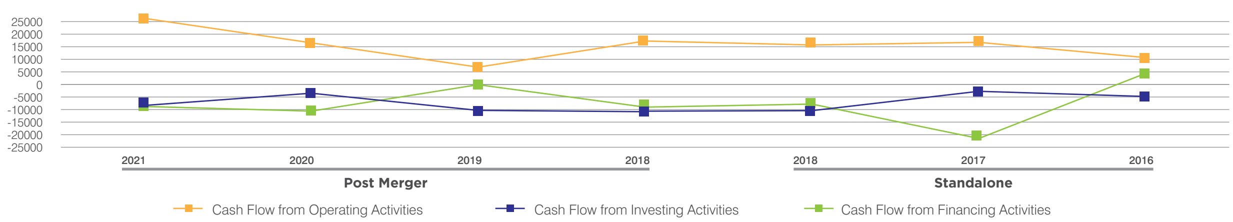
		Post Merger				Standalone		
	Unit	**2021**	2020	2019	2018	2018	2017	2016
PROFITABILITY								
Gross profit	%	38.30	40.40	37.22	50.03	57.61	54.07	53.27
EBITDA margin	%	33.64	35.33	31.72	43.27	50.62	44.59	47.91
Operating profit	%	27.26	30.44	27.95	36.28	43.43	39.71	42.55
Profit before tax	%	25.06	26.30	22.94	32.72	40.27	33.86	34.43
Net profit	%	16.42	18.63	16.10	23.22	28.88	28.12	28.97
Return on equity	%	18.43	15.24	15.47	17.12	21.32	19.68	20.65
Return on capital employed	%	18.17	14.24	13.71	14.81	18.25	15.17	15.11
Return on total assets	%	9.99	8.43	7.78	9.29	12.07	10.65	8.84
LIQUIDITY / ACTIVITY								
Current ratio	Times	1.32	1.03	0.88	0.89	1.09	1.10	1.03
Quick / Acid test Ratio	Times	0.77	0.50	0.50	0.51	0.68	0.65	0.68
Debt to Assets	Times	0.46	0.45	0.50	0.46	0.43	0.46	0.57
Cash from Operations to Sales	Times	0.23	0.23	0.09	0.34	0.34	0.45	0.32
Inventory turnover	Times	4.36	3.39	5.34	4.20	4.41	3.44	2.38
Stock holding period	Days	83.78	107.63	68.31	86.84	82.82	106.24	153.61
Fixed assets turnover	Times	1.07	0.68	0.74	0.56	0.59	0.52	0.46
Total assets turnover	Times	0.61	0.45	0.48	0.40	0.42	0.38	0.31
CAPITAL STRUCTURE								
Debt : Equity	Ratio	7:93	9:91	14:86	19:81	17:83	23:77	32:68
Interest cover	Times	15.05	6.40	5.57	10.21	13.76	6.79	5.24
Financial Leverage	Times	0.14	0.24	0.37	0.31	0.29	0.34	0.63
Debt service coverage	Times	4.85	2.60	2.09	2.97	3.28	2.17	1.69
Total liabilities to net worth	Times	0.84	0.81	0.99	0.84	0.77	0.85	1.33
Weighted average cost of debt	%	9.55	11.06	15.02	7.91	8.01	6.80	7.38
INVESTMENT / MARKET								
Market price per share	Rs.	35.99	29.10	26.59	36.47	36.47	30.88	36.89
Book value per share	Rs	47.74	41.48	37.15	33.14	29.65	25.59	22.56
Market to book value per share	Times	0.75	0.70	0.72	1.10	1.23	1.21	1.64
Earnings per share	Rs	8.80	6.32	5.75	5.67	6.32	5.04	4.66
Price earning	Times	4.09	4.60	4.63	6.43	5.77	6.13	7.92
Dividend per share	Rs	3.50	2.50	2.00	1.75	1.75	2.25	3.25
Dividend cover	%	251.35	252.85	287.37	324.18	361.15	223.83	143.33
Dividend yield	%	9.72	8.59	7.52	4.80	4.80	7.29	8.81
Dividend payout	%	39.79	39.55	34.80	30.85	27.69	44.68	69.77

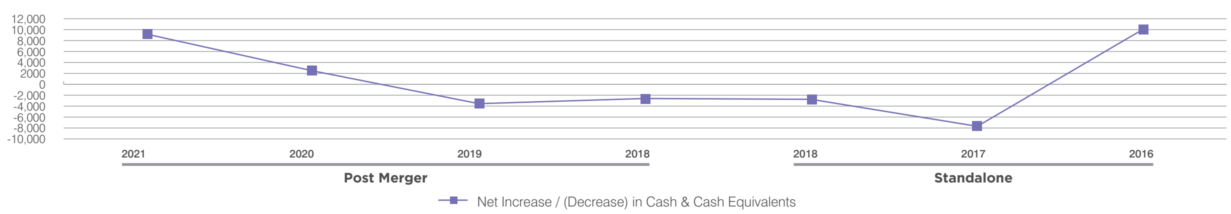
CASH FLOWS SUMMARY

Rs in million	Post Merger 2021	2020	2019	2018	Standalone 2018	2017	2016
Cash Flows From Operating Activities							
Cash generated from operations	31,427	24,988	16,434	22,112	21,020	20,895	14,639
Net increase / (decrease) in long term deposits	65	49	4	1	(2)	1	18
Finance cost paid	(1,963)	(3,736)	(3,158)	(1,777)	(1,394)	(2,290)	(2,754)
Taxes paid	(2,988)	(4,664)	(6,345)	(3,013)	(3,889)	(1,795)	(1,183)
Employee retirement benefits paid	(242)	(79)	(55)	(44)	(27)	(57)	(37)
Net cash generated from operating activities	26,299	16,559	6,879	17,280	15,708	16,754	10,682
Cash Flows From Investing Activities							
Fixed capital expenditure	(5,771)	(2,217)	(11,379)	(8,654)	(8,618)	(1,906)	(2,237)
Proceeds from disposal of property, plant & equipment	3	45	2	2	1	2	1
Long term loan to an associated company	-	-	-	-	-	-	(799)
Long term investments made	(600)	-	-	(2)	(2)	-	(132)
Short term loans to associated companies	(3,758)	-	-	(2,000)	(2,106)	(1,518)	(1,949)
Short term investments - net	194	(1,575)	157	(471)	(471)	-	(200)
Profit received on short term loans and saving accounts	1,977	289	725	414	692	458	415
Net (increase) / decrease in long term advances and deposits	(405)	(32)	173	(140)	(140)	16	(111)
Net cash used in investing activities	(8,359)	(3,489)	(10,322)	(10,851)	(10,644)	(2,948)	(5,012)
Cash Flows From Financing Activities							
Repayment of long term finances	(5,857)	(4,967)	(7,685)	(7,396)	(5,908)	(5,518)	(15,747)
Proceeds from long term finance	3,920	1,462	4,000	2,156	2,156	-	17,628
Oversubscribed sukuk	-	-	-	-	-	(8,093)	8,093
Repayment of lease liabilities	(731)	(354)	(291)	-	-	-	-
Dividend paid	(3,507)	(4,349)	(3,554)	(4,681)	(4,681)	(4,200)	(2,620)
(Decrease) / increase in short term finance - net	(2,584)	(2,410)	7,428	890	614	(3,689)	(2,916)
Net cash (used in) / generated from financing activities	(8,759)	(10,617)	(102)	(9,030)	(7,819)	(21,500)	4,437
Net (decrease) / increase in cash and cash equivalents	9,181	2,453	(3,545)	(2,602)	(2,754)	(7,694)	10,108
Cash and cash equivalents at beginning of the year	(3,538)	(5,991)	(2,447)	156	524	8,218	(1,890)
Cash and cash equivalents at end of the year	5,643	(3,538)	(5,991)	(2,447)	(2,230)	524	8,218

Cash Flows from Operating, Investing and Financing Activities

Rupees in Million





VERTICAL ANALYSIS

Statement of Financial Position

	Post Merger								Standalone					
	2021		2020		2019		2018		2018		2017		2016	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Non current assets														
Property, plant and equipment	105,422	57.0%	104,938	66.6%	100,721	64.9%	91,719	71.5%	78,262	71.2%	72,990	73.5%	72,941	66.0%
Intangible assets	3,609	2.0%	5,991	3.8%	5,974	3.9%	5,979	4.7%	79	0.1%	38	0.0%	18	0.0%
Investment property	775	0.4%	756	0.5%	628	0.4%	-	-	-	-	-	-	-	-
Long term investments	796	0.4%	202	0.1%	175	0.1%	146	0.1%	2,240	2.0%	2,238	2.3%	2,238	2.0%
Long term loan to an associated Company	1,999	1.1%	2,999	1.9%	2,999	1.9%	1,999	1.6%	1,999	1.8%	2,999	3.0%	2,999	2.7%
Long term advances and deposits	518	0.3%	114	0.1%	82	0.1%	255	0.2%	254	0.2%	114	0.1%	130	0.1%
Total non current assets	113,120	61.2%	114,999	73.0%	110,577	71.3%	100,097	78.1%	82,835	75.3%	78,380	78.9%	78,327	70.8%
Current assets														
Stores and spares	11,566	6.3%	8,274	5.3%	7,713	5.0%	5,834	4.6%	5,059	4.6%	4,745	4.8%	4,972	4.5%
Stock in trade	18,332	9.9%	13,531	8.6%	11,518	7.4%	6,100	4.8%	5,028	4.6%	3,814	3.8%	6,243	5.6%
Trade debts	9,654	5.2%	4,450	2.8%	7,207	4.6%	2,565	2.0%	2,397	2.2%	1,796	1.8%	2,116	1.9%
Short term loans	7,000	3.8%	3,242	2.1%	3,242	2.1%	3,242	2.5%	6,073	5.5%	3,967	4.0%	2,449	2.2%
Loans, advances, deposits and prepayments	15,636	8.5%	8,676	5.5%	11,845	7.6%	9,030	7.0%	7,398	6.7%	5,627	5.7%	5,191	4.7%
Short term investment	2,243	1.2%	2,524	1.6%	530	0.3%	623	0.5%	623	0.6%	198	0.2%	200	0.2%
Advance income tax	-	-	1,305	0.8%	1,969	1.3%	-	-	-	-	-	-	-	-
Cash and bank balances	7,343	4.0%	556	0.4%	515	0.3%	717	0.6%	538	0.5%	810	0.8%	11,100	10.0%
Total current assets	71,773	38.8%	42,558	27.0%	44,539	28.7%	28,111	21.9%	27,116	24.7%	20,957	21.1%	32,271	29.2%
Total assets	184,893	100.0%	157,557	100.0%	155,116	100.0%	128,208	100.0%	109,951	100.0%	99,336	100.0%	110,597	100.0%
Capital and reserves														
Issued, subscribed and paid up capital	21,000	11.4%	21,000	13.3%	21,000	13.5%	21,000	16.4%	21,000	19.1%	21,000	21.1%	21,000	19.0%
Reserves	79,263	42.9%	66,103	42.0%	57,008	36.8%	48,595	37.9%	41,261	37.5%	32,742	33.0%	26,374	23.8%
Total capital and reserves	100,263	54.2%	87,103	55.3%	78,008	50.3%	69,595	54.3%	62,261	56.6%	53,742	54.1%	47,374	42.8%
Non current Liabilities														
Long term finances	5,172	2.8%	3,114	2.0%	6,254	4.0%	8,377	6.5%	6,888	6.3%	10,774	10.8%	16,343	14.8%
Lease liabilities	1,437	0.8%	1,901	1.2%	279	0.2%	-	0.0%	-	-	-	-	-	-
Deferred liabilities	23,522	12.7%	24,116	15.3%	19,943	12.9%	18,609	14.5%	15,807	14.4%	15,764	15.9%	15,642	14.1%
Deferred government grant	-	-	61	0.0%	-	-	-	-	-	-	-	-	-	-
Long term deposits	175	0.1%	110	0.1%	61	0.0%	57	0.0%	49	0.0%	51	0.1%	51	0.0%
Total non current liabilities	30,307	16.4%	29,303	18.6%	26,536	17.1%	27,043	21.1%	22,744	20.7%	26,589	26.8%	32,035	29.0%
Current liabilities														
Trade and other payables	38,469	20.8%	22,871	14.5%	26,484	17.1%	18,069	14.1%	13,688	12.4%	11,435	11.5%	17,375	15.7%
Accrued finance cost	307	0.2%	451	0.3%	837	0.5%	306	0.2%	224	0.2%	168	0.2%	259	0.2%
Short term finance - secured	6,466	3.5%	11,444	7.3%	16,265	10.5%	5,495	4.3%	4,822	4.4%	1,726	1.7%	8,011	7.2%
Unpaid dividend	1,739	1.0%	-	-	-	-	-	-	-	-	-	-	-	-
Unclaimed dividend	45	0.0%	41	0.0%	190	0.1%	69	0.1%	69	0.1%	25	0.0%	24	0.0%
Income tax payable	4,968	2.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Current portion of:														
- Long term finances	1,892	1.0%	5,803	3.7%	6,225	4.0%	7,631	6.0%	6,142	5.6%	5,652	5.7%	5,518	5.0%
- Lease liabilities	375	0.2%	480	0.3%	571	0.4%	-	0.0%	-	-	-	-	-	-
- Deferred government grant	61	0.0%	62	0.0%	-	-	-	-	-	-	-	-	-	-
Total current liabilities	54,323	29.4%	41,151	26.1%	50,572	32.6%	31,570	24.6%	24,945	22.7%	19,005	19.1%	31,188	28.2%
Total liabilities and equity	184,893	100.0%	157,557	100.0%	155,116	100.0%	128,208	100.0%	109,951	100.0%	99,336	100.0%	110,597	100.0%

HORIZONTAL ANALYSIS

Statement of Financial Position

	Post Merger							Standalone				
	2021	21 vs 20	2020	20 vs 19	2019	19 vs 18	2018	2018	18 vs 17	2017	17 vs 16	2016
	PKR	Change	PKR	Change	PKR	Change	PKR	PKR	Change	PKR	Change	PKR
Non current Assets												
Property, plant and equipment	105,422	0.5%	104,938	4.2%	100,721	9.8%	91,719	78,262	7.2%	72,990	0.1%	72,941
Intangible assets	3,609	-39.8%	5,991	0.3%	5,974	-0.1%	5,979	79	105.9%	38	113.3%	18
Investment property	775	2.5%	756	20.5%	628	100.0%	-	-	-	-	-	-
Long term investments	796	294.5%	202	15.3%	175	19.9%	146	2,240	0.1%	2,238	0.0%	2,238
Long term loan to an associated Company	1,999	-33.3%	2,999	0.0%	2,999	50.0%	1,999	1,999	-33.3%	2,999	0.0%	2,999
Long term advances and deposits	518	356.0%	114	39.0%	82	-67.9%	255	254	122.6%	114	-12.0%	130
Total non current assets	113,120	-1.6%	114,999	4.0%	110,577	10.5%	100,097	82,835	5.7%	78,380	0.1%	78,327
Current assets												
Stores and spares	11,566	39.8%	8,274	7.3%	7,713	32.2%	5,834	5,059	6.6%	4,745	-4.6%	4,972
Stock in trade	18,332	35.5%	13,531	17.5%	11,518	88.8%	6,100	5,028	31.8%	3,814	-38.9%	6,243
Trade debts	9,654	116.9%	4,450	-38.2%	7,207	181.0%	2,565	2,397	33.5%	1,796	-15.1%	2,116
Short term loans	7,000	115.9%	3,242	0.0%	3,242	0.0%	3,242	6,073	53.1%	3,967	62.0%	2,449
Loans, advances, deposits and prepayments	15,636	80.2%	8,676	-26.8%	11,845	31.2%	9,030	7,398	31.5%	5,627	8.4%	5,191
Short term investment	2,243	-11.1%	2,524	376.1%	530	-14.9%	623	623	214.6%	198	-1.2%	200
Advance income tax	-	-100%	1,305	-33.7%	1,969	-	-	-	-	-	-	-
Cash and bank balances	7,343	1221.3%	556	8.0%	515	-28.3%	717	538	-33.6%	810	-92.7%	11,100
Total current assets	71,773	68.6%	42,558	-4.4%	44,539	58.4%	28,111	27,116	29.4%	20,957	-35.1%	32,271
Total assets	184,893	17.4%	157,557	1.6%	155,116	21.0%	128,208	109,951	10.7%	99,336	-10.2%	110,597
Capital and reserves												
Issued, subscribed and paid up capital	21,000	0.0%	21,000	0.0%	21,000	0.0%	21,000	21,000	0.0%	21,000	0.0%	21,000
Reserves	79,263	19.9%	66,103	16.0%	57,008	17.3%	48,595	41,261	26.0%	32,742	24.1%	26,374
Total capital and reserves	100,263	15.1%	87,103	11.7%	78,008	12.1%	69,595	62,261	15.9%	53,742	13.4%	47,374
Non current liabilities												
Long term finances	5,172	66.1%	3,114	-50.2%	6,254	-25.3%	8,377	6,888	-36.1%	10,774	-34.1%	16,343
Lease liabilities	1,437	-24.4%	1,901	582.4%	279	100.0%	-	-	-	-	-	-
Deferred liabilities	23,522	-2.5%	24,116	20.9%	19,943	7.2%	18,609	15,807	0.3%	15,764	0.8%	15,642
Deferred government grant	-	-100.0%	61	100.0%	-	-	-	-	-	-	-	-
Long term deposits	175	58.7%	110	80.1%	61	7.1%	57	49	-4.4%	51	1.0%	51
Total non current liabilities	30,307	3.4%	29,303	10.4%	26,536	-1.9%	27,043	22,744	-14.5%	26,589	-17.0%	32,035
Current liabilities												
Trade and other payables	38,469	68.2%	22,871	-13.6%	26,484	46.6%	18,069	13,688	19.7%	11,435	-34.2%	17,375
Accrued finance cost	307	-31.8%	451	-46.2%	837	173.2%	306	224	33.5%	168	-35.3%	259
Short term finance - secured	6,466	-43.5%	11,444	-29.6%	16,265	196.0%	5,495	4,822	179.4%	1,726	-78.5%	8,011
Unpaid dividend	1,739	100.0%	-	-	-	-	-	-	-	-	-	-
Unclaimed dividend	45	9.7%	41	-78.5%	190	176.0%	69	69	180.3%	25	1.7%	24
Income tax payable	4,968	100.0%	0.0%	-	0.0%	-	-	0.0%	-	0.0%	-	-
Current portion of:												
- Long term finances	1,892	-67.4%	5,803	-6.8%	6,225	-18.4%	7,631	6,142	8.7%	5,652	2.4%	5,518
- Lease liabilities	375	-21.9%	480	-15.9%	571	100.0%	-	-	-	-	-	-
- Deferred government grant	61	-0.1%	62	-	-	-	-	-	-	-	-	-
Total current liabilities	54,323	32.0%	41,151	-18.6%	50,572	60.2%	31,570	24,945	31.3%	19,005	-39.1%	31,188
Total liabilities and equity	184,893	17.4%	157,557	1.6%	155,116	21.0%	128,208	109,951	10.7%	99,336	-10.2%	110,597

VERTICAL ANALYSIS

Statement of Profit or Loss

	Post Merger								Standalone					
	2021		2020		2019		2018		2018		2017		2016	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Sales	112,488	100.0%	71,267	100.0%	74,964	100.0%	51,310	100.0%	45,964	100.0%	37,612	100.0%	33,765	100.0%
Cost of sales	(69,404)	-61.7%	(42,473)	-59.6%	(47,065)	-62.8%	(25,639)	-50.0%	(19,483)	-42.4%	(17,275)	-45.9%	(15,780)	-46.7%
Gross profit	43,084	38.30%	28,795	40.40%	27,899	37.22%	25,671	50.0%	26,481	57.6%	20,337	54.07%	17,985	53.3%
Distribution cost	(5,049)	-4.5%	(3,891)	-5.5%	(3,800)	-5.1%	(3,685)	-7.2%	(3,630)	-7.9%	(3,482)	-9.3%	(2,383)	-7.1%
Administrative expenses	(3,900)	-3.5%	(3,369)	-4.7%	(2,779)	-3.7%	(2,317)	-4.5%	(2,098)	-4.6%	(1,534)	-4.1%	(1,308)	-3.9%
	34,136	30.3%	21,535	30.2%	21,320	28.4%	19,669	38.3%	20,754	45.2%	15,321	40.7%	14,294	42.3%
Finance cost	(2,007)	-1.8%	(3,469)	-4.9%	(3,761)	-5.0%	(1,823)	-3.6%	(1,450)	-3.2%	(2,198)	-5.8%	(2,739)	-8.1%
Other operating expenses	(4,677)	-4.2%	(1,678)	-2.4%	(1,480)	-2.0%	(1,708)	-3.3%	(1,708)	-3.7%	(913)	-2.4%	(631)	-1.9%
	27,452	24.4%	16,389	23.0%	16,079	21.4%	16,138	31.5%	17,595	38.3%	12,209	32.5%	10,924	32.4%
Other income	1,210	1.1%	1,810	2.5%	1,090	1.5%	603	1.2%	915	2.0%	527	1.4%	703	2.1%
Other gains / (losses):														
- Gain on remeasurement of GIDC	-	-	878	1.2%	-	-	-	-	-	-	-	-	-	-
- Unwinding of provision for GIDC	(368)	-0.3%	-	-	-	-	-	-	-	-	-	-	-	-
- Loss allowance on subsidy receivable from GoP	(110)	-0.1%	(360)	-0.5%	-	-	-	-	-	-	-	-	-	-
Share of (loss) / profit from associates	(0)	0.0%	27	0.0%	25	0.0%	49	0.1%	-	-	-	-	-	-
Profit before tax	28,185	25.1%	18,743	26.3%	17,193	22.9%	16,790	32.7%	18,511	40.3%	12,736	33.9%	11,627	34.4%
Taxation	(9,711)	-8.6%	(5,468)	-7.7%	(5,123)	-6.8%	(4,877)	-9.5%	(5,238)	-11.4%	(2,160)	-5.7%	(1,844)	-5.5%
Profit for the year	18,474	16.42%	13,275	18.63%	12,070	16.10%	11,914	23.22%	13,272	28.88%	10,576	28.12%	9,782	28.97%

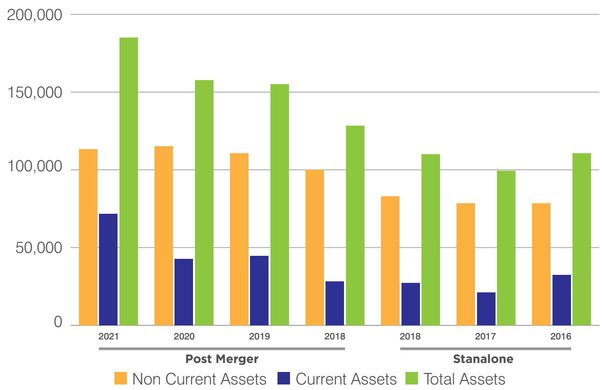
HORIZONTAL ANALYSIS

Statement of Profit or Loss

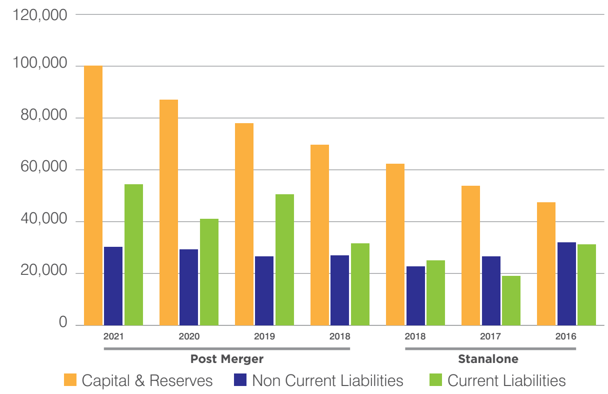
	Post Merger							Standalone					
	2021	21 vs 20	2020	20 vs 19	2019	2018	19 vs 18	2018	18 vs 17	2017	17 vs 16	2016
	Rs M	Change	Rs M	Change	Rs M	Rs M	Change	Rs M	Change	Rs M	Change	Rs M
Sales	112,488	57.84%	71,267	-4.93%	74,964	51,310	46.1%	45,964	22.2%	37,612	11.4%	33,765
Cost of sales	(69,404)	63.41%	(42,473)	-9.76%	(47,065)	(25,639)	83.6%	(19,483)	12.8%	(17,275)	9.5%	(15,780)
Gross profit	43,084	49.63%	28,795	3.21%	27,899	25,671	8.7%	26,481	30.2%	20,337	13.1%	17,985
Distribution cost	(5,049)	29.76%	(3,891)	2.39%	(3,800)	(3,685)	3.1%	(3,630)	4.2%	(3,482)	46.1%	(2,383)
Administrative expenses	(3,900)	15.77%	(3,369)	21.22%	(2,779)	(2,317)	19.9%	(2,098)	36.8%	(1,534)	17.2%	(1,308)
	34,136	58.51%	21,535	1.01%	21,320	19,669	8.4%	20,754	35.5%	15,321	7.2%	14,294
Finance cost	(2,007)	-42.16%	(3,469)	-7.75%	(3,761)	(1,823)	106.3%	(1,450)	-34.0%	(2,198)	-19.8%	(2,739)
Other operating expenses	(4,677)	178.80%	(1,678)	13.31%	(1,480)	(1,708)	-13.3%	(1,708)	87.0%	(913)	44.8%	(631)
	27,452	67.51%	16,389	1.93%	16,079	16,138	-0.4%	17,595	44.1%	12,209	11.8%	10,924
Other income	1,210	-33.14%	1,810	66.10%	1,090	603	80.7%	915	73.8%	527	-25.0%	703
Other gains / (losses):												
- Gain on remeasurement of GIDC	-	-	878	100.00%	-	-	-	-	-	-	-	-
- Unwinding of provision for GIDC	(368)	100.00%	-	-	-	-	-	-	-	-	-	-
- Loss allowance on subsidy receivable from GoP	(110)	-69.54%	(360)	100.00%	-	-	-	-	-	-	-	-
Share of (loss) / profit from associates	(0)	-101.30%	27	8.54%	25	49	-49.8%	-	-	-	-	-
Profit before tax	28,185	50.38%	18,743	9.01%	17,193	16,790	2.4%	18,511	45.3%	12,736	9.5%	11,627
Taxation	(9,711)	77.59%	(5,468)	6.73%	(5,123)	(4,877)	5.1%	(5,238)	142.5%	(2,160)	17.1%	(1,844)
Profit for the year	18,474	39.17%	13,275	9.98%	12,070	11,914	1.3%	13,272	25.5%	10,576	8.1%	9,782

GRAPHICAL PRESENTATION

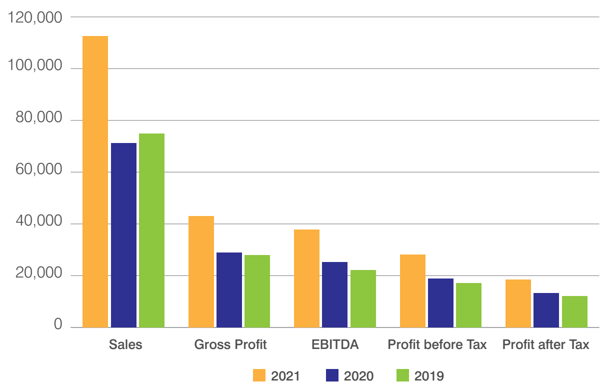
Balance Sheet Analysis (Assets)
Rupees in Million



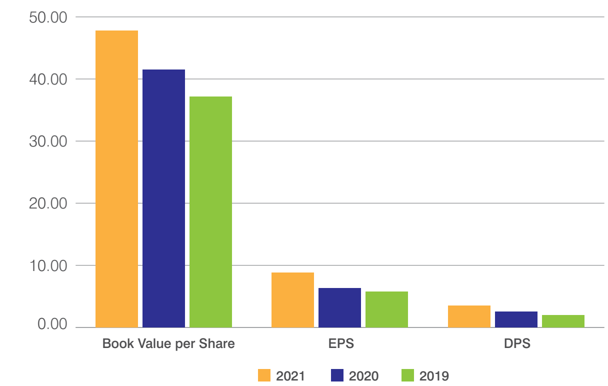
Balance Sheet Analysis (Equity & Liabilities)
Rupees in Million



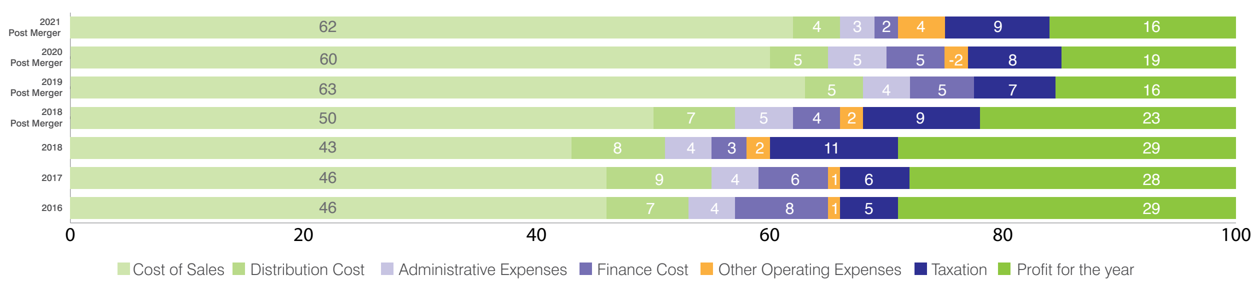
Profit or Loss
Rupees in Million



Book Value, Earnings & Dividend Per Share
Rupees



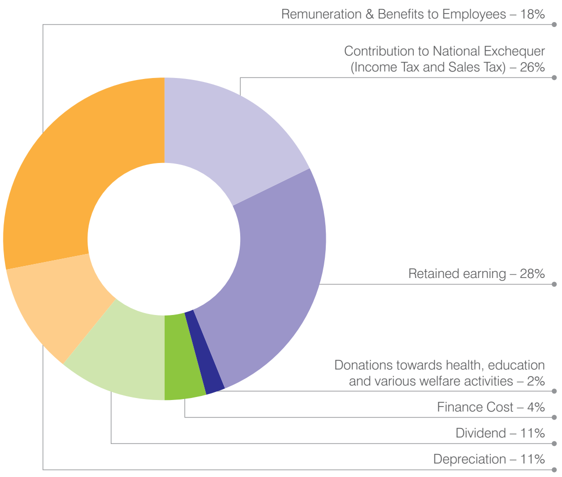
Profit and Loss Analysis
Percentage



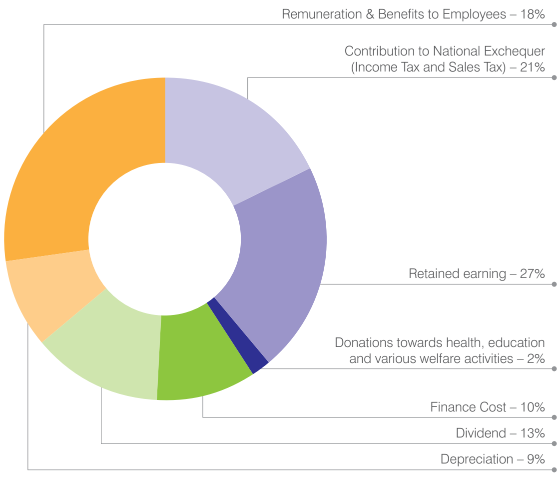
WEALTH CREATION AND DISTRIBUTION

	2021		2020		2019	
Statement Of Value Addition & Its Distribution						
Wealth Generated	**PKR Million**	**%**	**PKR Million**	**%**	**PKR Million**	**%**
Sales Including GST	114,977	245.1%	72,825	217.8%	76,591	249.7%
Other Income	733	1.6%	2,354	7.0%	1,114	3.6%
	115,710	246.7%	75,179	224.9%	77,705	253.4%
Materials & Services Bought In	68,807	146.7%	41,745	124.9%	47,036	153.4%
Value Addition	46,903	100.0%	33,433	100.0%	30,669	100.0%
Wealth Distributed	**PKR Million**	**%**	**PKR Million**	**%**		
Remuneration & Benefits to Employees	8,263	17.6%	5,884	17.6%	4,704	15.3%
Contribution to National Exchequer (Income Tax and Sales Tax)	12,200	26.0%	7,025	21.0%	6,750	22.0%
Donations towards health, education and various welfare activities	713	1.5%	812	2.4%	563	1.8%
Finance Cost	2,007	4.3%	3,469	10.4%	3,761	12.3%
Dividend on ordinary and preference shares	5,250	11.2%	4,200	12.6%	3,675	12.0%
Retained for future growth						
Depreciation	5,247	11.2%	2,968	8.9%	2,822	9.2%
Retained earning	13,224	28.2%	9,075	27.1%	8,394	27.4%
	46,903	100.0%	33,433	100.0%	30,669	100.0%

2021 Percentage



2020 Percentage



SWOT ANALYSIS

STRENGTHS

1. Diversified product portfolio (Urea, NP & CAN / value added products)
2. Skilled and experienced technical, engineering and support teams
3. Strategically located facilities
4. High performing farmer technical support teams for unique farmer and customer services
5. Reputation as a socially responsible Company

WEAKNESSES

1. Facing long established competition with relative newer brands
2. Stakeholder communication
3. Logistic support still evolving

OPPORTUNITIES

1. CPEC
2. Business diversification - local and international markets
3. High tech mechanized / precision agriculture – corporate farming
4. Fintech and crop insurance
5. Digitization of business processes

THREATS

1. Uncertain Government policy outlook particularly regarding the fertilizer sector
2. Shortage of gas and diminishing gas reserves
3. Economic situation of farmers still weak
4. Long pending tax refunds
5. International situation post COVID-19

CORPORATE GOVERNANCE

Identification of Risks

Managing risk effectively has always been a touchstone of most successful companies. Like any commercial organization which operates in the market, Fatima is exposed to multiple risks; the most significant ones are identified in the following sections. The Company is fully aware of the uncertainties attached with these risks and thus has designed prudent strategies to mitigate them. In today's risk filled business environment, the Strategic, Commercial, Operational and Financial risks can arise from uncertainties not only from our business environment but also from key business decisions.

Strategic Risk: Strategic risks can emanate from internal or external events and scenarios that inhibit or prevent an organization from achieving its strategic objectives. Broadly strategic risks emerge from business strategy decisions. This form of risks can affect an entity's performance by giving rise to challenges that may consequently cause a particular business strategy to produce unexpected results.

Commercial Risk: Commercial risks are related to the commercial operations of the entity. These may arise from circumstances that affect the business and/or product viability of the entity, thus impairing the shareholders' value proposition.

Operational Risk: Operational risk is the risk that operations are inefficient and ineffective in executing the entity's business model, satisfying customers and achieving entity's quality, cost and time performance objectives.

Financial Risk: Financial risk is the risk that cash flows and other monetary risks are not managed cost-effectively to (a) maximize cash availability, (b) reduce uncertainty of currency, interest rate, credit and other risks, or (c) move cash funds quickly and without loss of value to wherever they are needed most.

Risk Mitigation Strategies: The Company's Risk Mitigation Strategy includes reduction of the likelihood that a risk event will occur and/or reduction of the impact of a risk event if it does occur. For this purpose, the Board, through its Audit Committee and Risk Committee, reviews the potential risks and the adequacy of internal controls and risk management procedures.

Also, Structured Policies and Procedures for each department, as 1st Line of Defence, exhibit an imperative component of the Company's risk governance framework and ensure adequate management of financial, operational and compliance risks. In addition, Senior management assesses these risks and places appropriate controls in order to mitigate and respond thereto through preventive, detective and corrective actions, where required.

Further, as 2nd line of defence, an Enterprise Risk Management (ERM) function is operating to oversee all the business risks and develop appropriate and effective mitigation strategies. In this regard, for efficient monitoring, a detailed Risk profiling matrix and complete adherence to Risk Management Dimension/Practices have been implemented at the Company, as per ERM framework and best practices.

Issues Raised in the Last AGM

Queries of the shareholders were properly addressed on the Company's published audited financial statements during the 18th Annual General Meeting held on April 26, 2021 and no significant issues were raised.

Review of Related Party Transactions

The Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. The Company has duly ensured compliance of this requirement and has obtained approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. The related party transactions are also presented before the shareholders in each annual general meeting of the Company for their approval/ratification.

Policy and Procedure for Stakeholders' Engagement

Fatima believes in a collaborative long term relationship with its stakeholders at all levels. The Company treats its shareholders as its partners and ensures that all possible means of effective communication/engagement are adapted to bring them up-to-date with disclosures and other valuable information.

The following table elaborates how Fatima engages its stakeholders. These stakeholders have been identified based on, firstly, their influence on the Company, and secondly, their dependence on the Company.

Stakeholders	Why do we Engage	Nature of Engagement	Frequency	Value Added
Institutional Investors / Lenders	To further strengthen Fatima's image by maintaining a professional and transparent relationship	1. Investor Meetings 2. Financial reporting 3. Head Office / Plant visits 4. Circulation of Minutes 5. Circulation of Company Reports	1. As and when required 2. Periodic Basis 3. As and when required 4. Periodic Basis 5. Periodic Basis	Financing requirements are met for expansion projects
Customers	1. Enhance farmer knowledge base about technological advancements in Agri sector 2. Educate farmer about potential benefits of balanced fertilizer use	1. Farmer call center 2. Farmer education events 3. Demonstration plots 4. Corporate website 5. Effective reward system place for customers and distributors 6. Office meetings	1. Continuous 2. Occasionally 3. Continuous 4. Continuous 5. Occasionally 6. Occasionally	1. Valuable feedback helps in understanding what farmers want 2. Helps in bridging the gap between farmers and Company
Media	To benefit from the most effective means of communication with our customers and other stakeholders	1. Advertisements through print and electronic media campaigns 2. Announcements through Company website and social media	1. Continuous 2. Continuous	1. Helps in building Company's image, resulting in maximizing shareholders wealth 2. Engagement of all stakeholders
Employees		1. Sale and other events 2. Cultural activities 3. Trainings 4. Workshops	1. Annually 2. Occasionally 3. Annually 4. As and when required	Satisfied and engaged employees become valuable assets for the Company resulting in higher efficiency and productivity
Shareholders	1. Timely delivery of material and price sensitive information in a transparent manner 2. To address concerns and queries in a timely manner	1. Annual general meetings 2. Annual report 3. Quarterly reports 4. One-on-One meetings with investors 5. Investor relations section on website	1. Annually 2. Annually 3. Quarterly 4. As and when required 5. Continuous	1. Results in the stock price trading at intrinsic value 2. To encourage equity participation in expansion project
Regulators	1. Ensure full compliance with legal and regulatory requirements 2. To develop and sustain transparent means of communication with the regulator	1. Filing of statutory returns 2. Annual / Quarterly reports submission 3. Written communication with respect to queries 4. One-on-one meetings with representatives of regulators	1. Periodic basis 2. As and when required 3. As and when required 4. As and when required	1. Full compliance leads to positive projection of Company's image, in-turn maximizing shareholders' value 2. Responsible corporate citizen

Investor Relations Section on the Corporate Website

Comprehensive information and a dedicated investor relations section is available on our corporate website i.e. www.fatima-group.com/fatimafertilizer for its investors to facilitate existing and prospective investor queries and concerns with regards to information related to financial results and highlights, financial calendar, and share value. Moreover, the investor relations desk at Fatima ensures that the information under this section is updated on regular basis, by complying with the guidelines provided by SECP. Investors can also use the investor relations desk to contact the Company for any grievance using the email; investor.relations@fatima-group.com

Annual Report Accessibility

Annual and quarterly reports are available on the corporate website at (http://fatima-group.com/ffcl/)

Investor Grievance Policy

Fatima's core values stress on ethical business practices with transparency and accountability, devoted investor service and frugal productive policies since commencement. As one of the leading fertilizer company, we believe in establishing and preserving interests of our investors. Therefore, the Investors' Grievance Policy has been drafted with the sole purpose to protect the interests of the investors.

Process:

1. All investor grievances received are handled by an Investor Relations Officer at the Corporate Head Office. An email ID i.e. investor.relations@fatima-group.com has been created for this purpose and is also mentioned on the Company's website.
2. Investors can lodge their complaints by sending via soft copy on the said email ID and can also send their complaints / grievances via hard copy addressed to Corporate Head Office.
3. All investor grievances that are received are incorporated in the Register of Grievance and are appropriately considered and action is initiated immediately.
4. The complainant is informed about the time that the compliance department will take to resolve within a span of 5-7 working days from the date of receipt of grievance / complaints, as the case may be.
5. The Investor Relation's Officer ensures that all complaints / grievances and recorded in the Register of Grievance and resolved within the stipulated time period and its record is kept for future reference.

Annual Evaluation of Board's Performance

Fatima constantly finds ways to make its directors become more strategic, make better decisions and be seen to be undertaking best practice governance. The primary purpose of this exercise is for our board members to want to be even better at what they do. Board performance is assessed by the Pakistan Institute of Corporate Governance (PICG) annually. The annual evaluation encompasses the following broad areas:

- Board Composition
- Board Committees
- Board Procedures
- Board Interaction
- Strategic Planning
- Board and CEO Effectiveness
- Board Information
- Board and CEO Compensation

The Board assesses the effectiveness of its own collective working and that of its individual members. Board evaluations are based around directors rating the board as collective. This represents a true picture as rating is done on a series of questions related to their responsibilities and functions as a Board. As part of this exercise, Capabilities and Constraints are identified and the next part involves the Board members meeting and discussing the findings of the data gathered and analysis to reach an agreement on governance challenges facing the Board and the development of appropriate action plans designed to address the problems. The results are then compiled and analyzed, and the report is delivered to the Chairman. The results also serve as a benchmark for Fatima for the next time a board evaluation is held. It helps the Company to gauge whether improvements which were suggested in the last report were taken forward and changes were implemented or not.

Role and Responsibilities of the Chairman and Chief Executive

The role of the Chairman and the Chief Executive are segregated and they have distinct responsibilities.

The Chairman of the Board has responsibilities and powers vested in him by law and the Articles of Association of the Company, as well as duties assigned to him by the Board. In particular, the Chairman coordinates the activities of the Board and presides over the meetings of the Board of Directors and shareholders. The

Chairman also controls all meetings procedures and processes, guiding discussion and decision making along with enhancing relations with members and staff. The Chairman's role and responsibilities are briefly described as under:

I. Leadership and control of Board of Directors;

II. Ensuring that the Board as a whole plays an effective role in the determination of the Company strategy and overall business objectives;

III. Guardian of the Board's decision making process;

IV. Promoting highest level of morale, integrity, excellence, corporate governance and ethics to assure investors that the money invested by them is put to appropriate and profitable use;

V. Approval of Company policies;

VI. Approves risk mitigation plan; and

VII. Leads and motivates CEO and Management Team.

The Chief Executive Officer (CEO) is responsible for all day-to-day management decisions and ensures that effective internal controls and management information systems are in place. The CEO also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public. The primary role and responsibilities of the CEO are given as under:

I. Effective running of the Company affairs;

II. Development of Company's strategy and business objectives;

III. Conducting the affairs of the Company with the highest standards of integrity and Corporate Governance;

IV. Policy formulation;

V. Risk assessment and risk management; and

VI. Sound financial management

Conflicts of Interests Relating to Members of the Board and How Such Conflicts are Managed

Fatima's Board of Directors is held to the highest level of conflict of interest standards, as members have ultimate responsibility for all activities of the Company and have the highest public visibility as representatives. Conflict of Interest Policy for its Board of Directors provides general guidelines on avoiding conflicts of interest with the Company. The Board has adopted the following policies and procedures with respect to any potential or actual conflict of interest involving directors:

Policy: A director owes certain fiduciary duties, including the duties of loyalty, diligence, and confidentiality to Fatima, which requires a director to act in good faith on behalf of Fatima and to exercise the powers conferred upon his / her by its shareholder's interest and not for him / her own or others' interest.

Disclosure: A director shall promptly disclose to the Board any personal or outside interest, relationship or responsibility (financial, professional or otherwise) held by the director with respect to any potential or actual transaction, agreement or other matter which is or may be presented to the Board for consideration, even if such interest, relationship or responsibility has otherwise generally been disclosed to Fatima or the Board.

Board Action: For any potential conflict, the Board, with the abstention of the interested director, may decide whether such director may participate in any reporting, discussion or vote on the issue that gave rise to the potential conflict.

Whistle Blowing Policy

Fatima encourages its associates to raise a matter at any appropriate time. To give guidance on how to raise concerns, a "Whistle-Blowing Policy and Procedure" is in place which is primarily for concerns where, due to malpractice, fraud, abuse or other inappropriate acts / omissions, the interest of Fatima or its associates is at risk. The objective of having this policy is to ensure that employees highlight and share any suspicious or illegal act being carried out to harm the Company immediately or in the long run so that damages caused to the Company, if any, are minimized. The scope of the Whistle-Blowing Policy covers the concerns for behavior / practice conflicting with the principles set out in Fatima's Code of Conduct.

Formal Orientation at the induction of New Directors and Director's Training Program from Institutes approved from SECP

The Company is fully aware of the requirement of the Code of Corporate Governance. Directors having the requisite experience and qualifications are exempt from the Directors' Training Program. Furthermore, appropriate arrangements are made by Fatima for detailed orientation of new Directors to familiarize them with their duties and responsibilities. A formal acclimatization program primarily includes amongst other things giving briefings relating to the Company's visions and strategies, the Company's core competencies, organizational structure, role and responsibility of the director as per the Companies' Act, including the Code of Corporate Governance and any other regulatory laws applicable in Pakistan.

Share Price Sensitivity Analysis

Share price of the Company can be influenced by variable internal and external factors, some of which are discussed in the table below:

Factor	Change	Impact on Share Price
Sales Volume	Increase	Would lead to economies of scales resulting in higher profitability leaving a positive impact on the share price through higher EPS
Cost of Raw Material	Increase	Would negatively affect the profitability which in turn would have a negative impact of the share price
Discount Rate	Increase	Finance cost of the Company would increase, impacting the shareholder value negatively. Thus lower EPS would negatively affect share price.
Government Policies	Increase in political stability	Would lead to consistent policies resulting in higher confidence of buyers and investors. Share price may move upwards in times of political stability.

Information Technology

The Information Technology (IT) Division at Fatima strives to provide technological excellence and innovative solutions to our customers in a secure and reliable manner. Amongst many important achievements of the IT Division in 2021, it's ISO recertifications were internationally recognized by leading governance bodies as one of the longest successfully running certifications in the fertilizer industry and one of only a handful in the entire manufacturing industry, all of which are testimonies to the advancement and maturity that this organization has shown in the recent past.

IT security has always been a top priority for the company. In order to further strengthen the controls, a comprehensive IT security roadmap was developed, and implementation started to continue to strengthen and secure the environment. Internationally recognized global firms have partnered with Fatima IT on many of these initiatives.

Oracle ERP is the core back-office application for the company, IT division has not only scaled up the application through new version upgrades but have also extended its reach to external stakeholders through HR recruitment process, advanced procurement techniques to engage suppliers, and customers engagement through integrated mobile application.

IT organization partnered with manufacturing organization to digitalize numerous new processes and bring efficiencies in plant operations, securing assets through production and maintenance activities as well as planning for future turnaround activities. Some of the major benefits achieved are:

- 70% reduction in time spent for maintaining and recording inventory items and synergize 145,000 SKUs across different plants
- Introduction of comprehensive Reliability Enhancement and Asset Management Program (REAP) for all plant assets by providing integrated analytical reporting for assets health, parts availability and future planning capabilities
- 30% reduction in time spent through analytical reporting for Safety Management Information System (SMIS)
- 10 years maintenance planning capabilities
- Decreased risk of unplanned shutdowns through a centralized system for collection, tracking and closure of all action, observations and recommendations.

Fatima has always been a pioneer in adopting advanced digital solutions. We implemented Oracle fusion cloud demand management and Oracle cloud sales and operational planning modules. These advanced tools have helped Fatima in successfully anticipating and planning demand to gain competitive advantage, have improved demand forecasting for improved supply chain operations and helped generate revenues through proactive decision-making.

Fatima IT team conceived and launched Sarsabz Asaan mobile application for its customers. This provides capability to enter and view all business transactions and analytical reporting, integrates with banks for seamless money transfers, tracks orders fulfilment process and provides flexibility of electronic approvals. This app has significantly improved customer experience, decreased fund remittance time by 75%, reduced payment cycles for transporters by 65%, reduced human dependency and increased controls.

Our digitalization journey for sales operations at warehouses helped achieve a seamless, real-time integration of our core sales operations that created value in terms of on-demand availability of information, paperless operations, and easy buying process for customers with improved compliance and electronic approvals. It's all about real-time integration of all sales data for continuous analysis of customer, product/service and channel data to predict sales, monitor performance, adjust dynamically and prioritize new capabilities that lead to sales improvements.

Automation of DAP and bulk warehouse operations through oracle transportation management (OTM) has enormously decreased workload for warehouse and port operations. Fatima has executed more than 52,000 shipments covering 2.9 million metric tons of fertilizer in 2021.

In 2021, Fatima IT invested in the deployment of a cutting-edge, highly available and scalable computing infrastructure. The core architecture of the data center is being replaced by the latest technology available in the world and a cloud environment is being introduced to provide increased resilience and reliability to business critical functions.

Enterprise backup capabilities were increased and new critical services were included under disaster recovery program. To ensure service continuity in case of a disaster, multiple drills simulating a variety of scenarios were carried out throughout the year.

IT has taken substantial steps for improving data mining techniques through provisioning of comprehensive data warehouse and minimization of dependencies; powerful reporting and critical insights resulted in data driven decision-making across the organization.

To ensure benefits realization and successful delivery of IT projects, a PMO is in place aligned with international best practices and standards of project management that ensures successful delivery of projects using robust enterprise project management tools and techniques.

NOTICE OF THE 19TH ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of the shareholders of FATIMA FERTILIZER COMPANY LIMITED will be held on Friday, April 29, 2022 at 11:00 a.m. both physically and through electronic means.

Due to COVID-19 cases and to avoid large public gatherings at one place to control the spread of the virus and in compliance with the precautionary measures suggested by the SECP the shareholders are encouraged to attend the Meeting online as per the instructions given in the Notes.

The arrangements for the physical gathering of shareholders have been made at the registered office of the Company at E-110 Khayaban-e-Jinnah, Lahore Cantt.

The following business will be transacted at the meeting:

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on April 26, 2021, and Extraordinary General Meeting held on September 17, 2021.

2. To receive, consider and adopt the standalone and consolidated audited financial statements of the Company for the year ended December 31, 2021, together with the Directors' and Auditors' Reports thereon and the Chairman's review report.

3. To consider and approve the final cash dividend for the year ended December 31, 2021, at PKR 3.50 per share i.e., 35% as recommended by the Board of Directors.

4. To appoint Auditors for the year ending December 31, 2022, and to fix their remuneration. The Audit Committee and the Board of Directors have recommended for reappointment of M/s Yousuf Adil Chartered Accountants as external auditors.

Special Business

5. To consider and approve renewal of running finance facility limit extended to associated company namely Reliance Commodities (Pvt) Limited for a further period of one year and to pass the following Special Resolution(s) with or without modification(s):

   Resolved, that the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of Running Finance Facility limit of up-to an aggregate amount of PKR 5,000 million extended to Reliance Commodities (Pvt) Limited, an associated company, for a further period of one year on terms as are noted in the statement of material facts under Section 134(3) annexed herewith. The limit in the nature of Running Finance Facility shall be renewable in the next general meeting(s) for a further period(s) of one year.

   Resolved further, that the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and/or Company Secretary of the Company be and are each hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing any necessary agreements/documents, and any ancillary matters thereto.

6. To consider and approve the renewal of running finance facility limit extended to associated company namely Pakarab Fertilizers Limited for a further period of one year and to pass the following Special Resolution(s) with or without modification(s):

   Resolved, that the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of Running Finance Facility limit of up-to an aggregate amount of PKR 2,000 million extended to Pakarab Fertilizers Limited, an associated company, for a further period of one year on terms as are noted in the statement of material facts under Section 134(3) annexed herewith. The limit in the nature of Running Finance Facility shall be renewable in the next general meeting(s) for a further period(s) of one year.

   Resolved further, that the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and/or Company Secretary of the Company be and are each hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing any necessary agreements/documents, and any ancillary matters thereto.

7. To ratify and approve the transactions carried out by the Company with related parties for the year ended December 31, 2021, and to pass the following Special Resolution(s) with or without modification(s):

   Resolved, that related party transactions carried out by the Company with all the related parties during the year ended December 31, 2021, and as disclosed in Financial Statements for the year ended December 31, 2021, be and are hereby ratified and approved.

8. To approve transactions with related parties and to authorize the Board of Directors of the Company to carry out such related party transactions from time to time which require approval of shareholders u/s 207 and/or 208 of the Companies Act, 2017 and to pass the following Special Resolution(s) with or without modification(s):

   Resolved, that the Company may carry out transactions including but not limited to sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/ raw material and purchase of packaging material, payment against sales collections, lease rentals and license fee, fee for services, with related parties from time to time including but not limited to Pakarab Fertilizers Limited, Fatima Packaging Limited, and other such related parties during the year ending December 31, 2022.

Resolved further, that details of transactions incurred up to date of the next meeting of shareholders shall be presented in the next meeting of shareholders for ratification.

Resolved further, that within the parameters approved above by the shareholders of the Company, the Board of Directors of the Company may approve specifically related party transactions from time to time in compliance with the Company's policy pertaining to related party transactions and notwithstanding any interest of the directors of the Company in any related party transaction(s) which has been noted by the shareholders and the transactions approved by the Board shall be deemed to have been approved by the shareholders u/s 207 and/or 208 of the Companies Act, 2017.

9. To consider and approve the renewal of facility limit in the nature of Corporate Guarantee(s) extended to Pakarab Fertilizers Limited for a further period of one year and to pass the following Special Resolution(s) with or without modification(s):

   "Resolved, that the consent, approval and ratification be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for enhancement of Facility limit in the nature of Corporate Guarantee(s) extended to Pakarab Fertilizers Limited from PKR 2,000 million to an aggregate amount of PKR 4,000 million and renewal thereof for a further period of one year, issued/ to be issued by Fatima Fertilizer Company Limited in favor of any bank / financial institution/company, etc. in connection with financing or other facilities availed / to be availed by Pakarab Fertilizers Limited. The limit in the nature of the Corporate Guarantee(s) Facility shall be renewable in the next general meeting(s) for a further period(s) of one year.

   Resolved further, that the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and/or Company Secretary of the Company be and are each hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing any necessary agreements/documents, and any ancillary matters thereto.

10. To consider and approve extension in grace and repayment period of long term loan extended to Pakarab Fertilizers Limited for further three years and to pass the following Special Resolution(s) with or without modification(s):

    Resolved, that the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for the extension in grace and repayment period of PKR 3,000 million long term loan extended to associated Company namely Pakarab Fertilizers Limited for further three year period on terms as are noted in the statement of material facts under Section 134(3) annexed herewith.

    Resolved further, that the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and/or Company Secretary of the Company be and are each hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing any necessary agreements/documents, and any ancillary matters thereto.

11. To consider and approve equity investment in associated company Fatima Cement Limited by way of acquisition of all its issued share capital and to pass the following Special Resolution(s) with or without modification(s):

    Resolved, that pursuant to the provisions of Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 and subject to such other consents and approvals, as may be required under the applicable laws, the approval of the shareholders be and is hereby accorded for investment in Fatima Cement Limited (FCL), an associated company, by way of acquisition of 30,003,000 ordinary shares of Rs. 10 each of FCL from all the existing shareholders of FCL at par value, to make FCL a 100% owned subsidiary of Fatima Fertilizer Company Limited (hereinafter referred to as "the Acquisition").

Resolved further, that upon the Acquisition, the existing directors of FCL be and are hereby nominated as representative directors of the Company on the Board of FCL.

Resolved further, that the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and/or Company Secretary of the Company be and are each hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing any necessary agreements/documents/deeds, and any ancillary matters thereto to give effect to the Acquisition.

Other Business

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

    The statements under Section 134(3) of the Companies Act, 2017 setting out the material facts are annexed herewith.

By order of the Board

Anil Zia
Deputy Company Secretary

Lahore
April 07, 2022

Notes:

1. The Share Transfer Books of the Company will remain closed from April 23, 2022, to April 29, 2022 (both days inclusive). Transfers received in order at the office of our Share Registrar/Transfer Agent CDC Share Registrar Services Limited by the close of business on April 22, 2022, will be treated in time for the aforesaid purpose.

2. A member entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.

3. An individual beneficial owner of shares from CDC must bring his/her original CNIC or Passport, Account, and Participant's I.D. numbers to prove his/her identity. A representative of corporate members from CDC, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.

4. Online participation in the Annual General Meeting

a) For online participation in the Annual General Meeting, the shareholders are requested to get themselves registered with the Company's Share Registrar latest by April 27, 2022 till 05:00 p.m. on cdcsr@cdcsrsl.com by providing the following details:

Full Name of Shareholder / Proxy Holder	Company	CNIC Number	Folio / CDC A/c No.	** Email ID	** Mobile Phone No.
	Fatima Fertilizer Company Limited				

**Shareholders/proxyholders are requested to provide active email addresses and mobile phone number.

Login facility will be opened thirty minutes before the meeting time to enable the participants to join the meeting after the identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders.

b) Shareholders may send their comments and suggestions relating to the agenda items of the AGM to the Company's share registrar latest by April 27, 2022 till 05:00 p.m , at above-given email address or WhatsApp,# 0321-820-0864. Shareholders are required to mention their full name, CNIC No and Folio No. for this purpose.

c) Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.

5. Withholding Tax on Dividends

Prevailing rates prescribed for deduction of withholding tax on the amount of dividend paid by the Company is as under:

(a) For persons appearing on active taxpayer's list: 15%

(b) For persons not appearing on active taxpayer's list: 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names do not appear on the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL by April 22, 2022 otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

Withholding tax exemption from the dividend income, shall only be allowed if a copy of the valid tax exemption certificate is made available to Company's Share Registrar by Close of Business day as on April 22, 2022.

The shareholders who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold an equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the AGM date.

Folio/CDC Account No.	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholder

For any further assistance, the members may contact the Share Registrar at the following phone numbers, email addresses:

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

The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTNs) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar i.e. CDC Share Registrar Services Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote the Company name and their respective folio numbers.

6. Payment of Cash Dividend through Electronic Mode

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay a cash dividend to its shareholders only through electronic mode directly into the bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to provide their IBAN by filling the Electronic Credit Mandate Form provided in the Annual Report and also available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company CDC Share Registrar Services Limited, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400 in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to the shareholder's broker/participant/CDC account services.

7. E-Voting

Members can exercise their right to poll subject to meeting the requirement of Section 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.

8. Dissemination of Annual Audited Accounts and Notice of Annual General Meeting

The Company shall place the financial statements and reports on the Company's website: http://fatima-group.com/ffcl/page.php/financial-results-ffcl at least twenty-one (21) days prior to the date of the Annual General Meeting.

Further, this is to inform that in accordance with SRO 470(I)/2016 dated 31 May 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses, subject to the consent of shareholders and compliance with certain other conditions, the Company has obtained shareholders' approval in its Extraordinary General Meeting held on December 23, 2016. Accordingly, the Annual Report of the Company for the year ended December 31, 2020 is dispatched to the shareholders through CD. However, if a shareholder requests for a hard copy of Annual Accounts, the same shall be provided free of cost within seven days of receipt of such request. Further, in terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditors' report and directors' report, etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same at your valid email ID.

For the convenience of shareholders, a Standard Request Form for provision of Annual Accounts has also been made available on the Company's website http://fatima-group.com/updata/others/standard_request_form_ffcl.pdf.

9. Conversion of physical shares into the Book-Entry Form

As per Section 72 of the Companies Act, 2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Act, i.e., May 30, 2017.

The Shareholders having physical shareholding are encouraged to open CDC sub - account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form.

10. Unclaimed dividend / shares

Shareholders who have not collected their dividend / physical shares are advised to contact our shares registrar to collect / enquire about their unclaimed dividend or shares, if any.

11. Change of Address

1. Members having physical shareholding are requested to notify changes in address immediately, if any, in their registered addresses to our Share Registrar, CDC Share Registrar Services Limited, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400.

2. In case shares are held in CDC then the request notifying the change in address must be submitted directly to broker/participant/CDC Investor Account Services.

12. Submission of Copy of CNIC

1. Individual members having physical shareholding and who have not yet submitted photocopy of their valid CNIC are requested to send notarized copy of their valid CNIC immediately to our Share Registrar, CDC Share Registrar Services Limited.

2. In case shares are held in CDC then the request to update CNIC must be submitted directly to broker/participant/CDC Investor Account Services.

13. Proxy

1. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a attested copy of power of attorney must be deposited at the Registered Office of the Company situated at E 110 Khayaban e Jinnah Lahore Cantt. at least 48 hours before the time of the meeting.

2. For appointing proxies, the shareholders will further have to follow the under mentioned guidelines:

a. In case of individuals having physical shareholding or the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form accordingly.

b. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.

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

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

MARKETING AND SALES

Year 2021 was a challenging period for the Marketing Division. With recurring waves of COVID19 making it difficult to implement plans with any semblance of certainty or consistency, the team nevertheless tried its best to operate as efficiently as it could. In a rapidly evolving world, Sarsabz Fertilizers continued to invest in technology and making it easier for all stakeholders to do business with the company. The Sales Team continued to service our dealers through cloud-based CRM systems whereas the Marketing Team increased its focus on digital communication leveraging increased penetration of smart phones and internet in rural areas of Pakistan where majority of our customers i.e., farmers are based.

Amidst the volatility, the Marketing Division did not compromise on its objectives or values. It made sure that the year ended with a record highest sale and over-achievement of targets. The team also made sure that despite the pressure on the dealer network, the business relationship did not suffer and continued to flourish. It has resulted in mutual respect and trust which augurs well for the future.

For the fifth year running, Fatima continued with its support to the premier Pakistan Super League (PSL) competition through its sponsorship of the Multan Sultans franchise which ended up as the winner of the 2021 edition. Marketing activities were carried out on-ground through billboards, streamers, floats, stadium and mall activations. Content pieces and Digital Videos were also developed in addition to daily posts, audience engagement and match updates.

Throughout the year, Sarsabz Fertilizers made its presence felt on important days such as Mothers' Day, Pakistan Day, World Water Day, World Health Day, World Food Day, Fathers' Day, International Day of Forests through digital content and social media posts.

An important initiative was Sarsabz Ramazan Dua – a rendition of Qaseeda Burdah Shareef which was aired on regional TV channels, radio and popular social media platforms such as Facebook, Instagram and Tiktok. The Dua was an effort to spread positivity and blessings to our Country and to Muslims all around the world. It is our first campaign which involved global collaborations and has received views and acknowledgment from around the world.

On the product development end, we continued to focus on our brand promise of giving more than 10% yields against conventional fertilizers. We brought to mass media farmer testimonials from regional level and executed focused campaigns in areas with high potential. By creating such influential reference groups within the farmer community we have effectively managed to grow our relationship and eventually sales. By continuing the partnership between brands and our on-ground technical advisory team, we managed to execute over 20 technical seminars in partnership with Federal and Provincial governments. These events serve as a platform to not only disseminate useful crop production technology but also recognize the achievements of our hardworking farmers who are achieving record yields in their districts, regions and provinces!

This year we continued reaping rewards of our hallmark loyalty program for our dealers, Sarsabz Royals! A total of 9 events were held at regional level ensuring participation of 1500+ dealers. Closing ceremony in shape of a mega event was held in Bhurban where top 100 dealers of the country were hosted. We as a company are committed to pursuing excellence when it comes to servicing our dealers and winning their trust and loyalty. Sarsabz Royals to-date stands as the most innovative and unparalleled loyalty program in the industry.

Continuing on our legacy of paying tribute to our farmers, Fatima Fertilizers celebrated 3rd Kissan Day at the President House, Islamabad. The President of Pakistan, Ministers, important government dignitaries, dealers and farmers honoured the event with their presence. The event was covered in state, national as well as regional media. On social media, #Sarsabz Pakistan was trending at No. 1 in Pakistan. We are proud to have effectively created a platform for the farmers to not only be recognized but also be at the forefront in influencing policy making and setting a long term vision for Agriculture in Pakistan.

Sarsabz Kahani is another initiative of Fatima Fertilizers that seeks to bring true stories from Pakistan's rural community to the world in a series of short films. Nazo is the first episode of the web series. It's a story of a valiant girl, Nazo, who represents the courageous and incredibly resilient women from rural Pakistan who fought for her land. The story has resonated with not just rural community but also urban folks who are realizing how empowered, courageous and determined women are in the rural sector of Pakistan.

Fatima Fertilizer went global this year by actively participating and showcasing Pakistan's agricultural economy at the Dubai Expo! We participated in Climate Week, Impact of Women Empowerment in Urban & Rural Development. The key highlight remained celebrating Pakistan's National Farmer Day at the Expo on 18th December. The event showcased our agronomy, culture and paid a glowing tribute to farmers the world over. It was attended by visitors from around the globe, all effectively realizing the role of farmers in today's globalized food chain and the role Pakistan as a country is playing in becoming the food basket of the world.

This year, Fatima Fertilizer became a Guinness World Record Holder for clocking 60,2200,000 safe man hours – the first Fertilizer Company in the world to achieve this landmark by demonstrating the highest safety performance. Marketing team worked with the plant teams to successfully highlight this achievement across all mediums. We leveraged our relationships and media presence to help build not just our fertilizer brand but also our corporate and employer brand. We as a team are committed to positioning Sarsabz as the most premium fertilizer brand in the market and helping Fatima Fertilizer lead the pursuit for a 'Sarsabz Pakistan'!

SUSTAINABILITY OVERVIEW

"We continue to work beyond Corporate Social Responsibility and strive for a higher level of sustainability for creating value for the shareholders and the communities we work and live with. We endeavour to bring continuous excellence in our operations, energy efficiency, reducing environmental footprint and bringing more safety and better occupational health standards at work."

Sustainability Strategy

Fatima's sustainability strategy incorporates the key principles of responsible business initiatives, which focus on the following parameters:

a) Ensuring Health, Safety and Environmental protection at its productions facilities, for its employees and for the communities it works and live with;

b) Ensuring employee safety and welfare at all levels;

c) Conserve energy, water and reduce carbon emissions;

d) Supporting communities for socio-economic and environmental development, with particular focus on health and education, and by supporting projects through in-house resources and volunteer staff;

e) By supporting other institutions and NGO's working for social sector;

f) By raising awareness on social and environmental causes within and outside the Company; and

g) Top level involvement of the Board of Directors and Key Management in philanthropic initiatives.

Key Sustainability Indicators (GRI 3.1 Specific)

Key performance indicator	GRI	2021 Consolidated	2021 Sadiqabad Plant	2021 Multan Plant	2021 Sheikhupura Plant	2020
Economic						
Total Fertilizer Sales	EC1	2,677 (MT in 000)	-	-	-	1,867 (MT in 000)
Net Profit	EC1	18,474 (Rs in million)	-	-	-	13,275 (Rs in million)
Revenue	EC1	112,488 (Rs in million)	-	-	-	71,267 (Rs in million)
Contribution to national exchequer		12,200 (Rs in million)	-	-	-	7,025 (Rs in million)
Rural development and responsible sourcing						
Farms addressed for capacity building (numbers)		25,496	-	-	-	18,589
Water						
Total water withdrawal (m^3)	EN8	18,992,280	8,956,560	6,935,640	3,100,000	17,171,269
Environmental sustainability						
Materials						
Raw Material used (Natural gas, Metric Tons)	EN1	1,349,476	802,402	392,850	154,224	1,449,175
Materials for packaging purposes (Metric Tons)	EN1	7,124	4,047	2,238	839	6,061

Key performance indicator	GRI	2021 Consolidated	2021 Sadiqabad Plant	2021 Multan Plant	2021 Sheikhupura Plant	2020
Energy						
Total direct energy consumption (gigajoules)	EN3	49,027,481	25,049,927	15,521,293	8,456,261	49,903,49
Total direct energy consumption from renewable sources (% total direct)	EN3	N/A	N/A	N/A	N/A	N/A
Energy saved due to conservation and efficiency improvement	EN5	Nil	Nil	Nil	Nil	Nil
Biodiversity						
Total size of manufacturing sites located in projected areas (Acres)	EN11	1,524	1,114	302	108	1,524
Trees Planted		26,800	18,300	500	8,000	14,500
Emissions, Effluents and Waste						
Direct GHG emissions (Metric Tons CO_2 eq), (i.e. Surplus CO_2 from Ammonia Plant + CO_2 emissions from other sources)	EN16	714,961 + 1,250,572	323,265 + 774,097	391,696 + 187,177	0 + 289,298	746,036 + 1,121,175
Indirect GHG emissions (million tons CO_2eq)	EN16	N/A	N/A	N/A	N/A	N/A
Environmental Sustainability Governance						
Human rights and compliance						
Total number of incidents of non compliance with regulations and voluntary codes concerning marketing communications including advertising.	PR7	Nil	Nil	Nil	Nil	Nil
Total number of significant products recalls or incidents of non-Compliance	PR2	Nil	Nil	Nil	Nil	Nil
Our People						
Total Workforce - Permanent (number of employees)	LA1	1,548	-	-	-	1,125
Lost time injuries and illnesses rate (per million hours worked) (employees, on site contractors and on site	LA7	Nil	Nil	Nil	Nil	Nil
Total number of fatalities (employees, on site contractors and on site members of public)	LA7	Nil	Nil	Nil	Nil	Nil
Man Hours of training per year (All functions)	LA10	113,314	-	-	-	97,754
Female staff at the head office	LA13	56	-	-	-	59

HEALTH, SAFETY AND ENVIRONMENT STANDARDS, SYSTEMS AND POLICIES

Health, Safety and Environment

Fatima is committed to the highest standards of corporate governance. Our plants not only comply with requirements of applicable Regulations but also aims towards implementing the globally recognized standards while benchmarking with industrial best practices.

60,220,000

Safe Man-Hours

We are pleased to announce that the Sadiqabad plant is now a Guinness World Records® title holder for clocking 60,220,000 Safe Man-Hours, the highest in the global fertilizer industry. We are the first fertilizer company in the world to achieve this landmark by demonstrating the highest safety performance through implementation of world class safety standards and industry best practices.

We also take pride in mentioning that our fertilizer plants achieved the following certifications and awards in 2021:

Sadiqabad Plant:

- First plant in Pakistan to sustain DuPont PSM Excellence Level
- Fire and Safety Award by NFEH & PFPA
- 18^{th} AEEA Award for Environment Excellence
- 7^{th} International Summit Awards for EM and HSE

Multan Plant:

- Perfect Record Award by US National Safety Council
- Fire & Safety Excellence Award by National Forum for Environment & Health (NFEH)

Sheikhupura Plant:

- Achieved DuPont PSM Compliance level
- Fire and Safety Award by NFEH & PFPA
- Annual Environment Excellence Award (AEEA)
- Best Tree Plantation Campaign Award by NFEH

Certifications and awards won by all Fertilizer Plants:

- British Safety Council Award
- RoSPA Gold Category Award
- International Fertilizer Association (IFA) Protect and Sustain Stewardship
- Quality Management System (QMS) ISO 9001:2015
- Environment Management System (EMS) ISO 14001:2015
- Occupational Health and Safety Management Systems (OHSAS) ISO 45001:2018
- WWF Green Office Program

Fatima is in the process of transition to Risk Based Process Safety model at its fertilizer plants to further improve our process safety performance. The Company is also moving towards the world's leading DuPont Environment Management System (EMS).

Policy on Quality, Health, Safety and Environment (QHSE)

Fatima considers the Health, Safety, and Environment of its employees, stakeholders, contractors, and the community equal to its production targets. The long-term business success of the organization depends on the ability to continually improve the quality of the products while protecting people and the environment. Fatima emphasizes ensuring quality enhancement, occupational health, operational and process safety, environmental protection, and community well-being.

Fatima is committed to:

- Conduct its business in a manner that protects the health and safety of employees, contractors, and others involved in our operations and the community in which we live and operate.
- Conform to the requirements of all legislation, regulations, and codes of practice pertaining to quality, health, safety, and environment.
- Implement environmental protection measures that address pollution prevention in all aspects of our business.

- Prevent injuries, occupational illnesses, safety incidents, and environmental excursions.
- Encourage off-the-job safety awareness among employees and their families.
- Ensure that quality, health, safety, and environment is a major responsibility of appropriately trained, empowered, and accountable employees and management.
- Encourage and promote a culture where best quality, health, safety, and environment practices and lessons learned from internal and external incidents are transparently shared with the stakeholders.
- Reaffirm its corporate sustainability commitments towards business excellence and be a responsible global corporate organization throughout its lifecycle.
- Maintain a high standard of quality, health, safety, and environment in all aspects of its business conduct and continuously improve its performance.
- Recognize and reward outstanding quality, health, safety, and environmental performance.

Global Benchmarking on Systems and Standards

Fatima benchmarks with global industry standards and best practices to achieve the highest levels of excellence in its businesses. In 2021, the plants efforts remained focused to sustain and improve already implemented systems like Process Safety Management (PSM) and Integrated Management System (IMS).

Fatima fertilizer plants' HSE performance is a true reflection of the dedicated efforts in developing an interdependent HSE culture. These efforts have yielded promising and fruitful rewards including accumulation of more than 91 combined Safe Million Man-Hours. The urge of continual improvement is the driving force of the whole mechanism.

Fatima's Contribution to the International Process Safety Forums

Fatima teams made presentations related to plants operations, safety, reliability and technological advancements in the international conferences and forums including 17th Global Conference on Process Safety (GCPS), CCPS Global Summit, AIChE, CRU Phosphates and shared the knowledge and learnings.

Research papers were presented on the following topics:

a. Importance of Safety Critical Devices and Emergency Shutdown Systems in a Process Plant

b. Bouncing Back from a Heart-Wrenching Process Safety Incident

c. Integrated Leading Indicators and Their Effectiveness Evaluation

d. Progressive Approach to Promote Hazards Reporting at Grass-Root Level

e. Identification of the Process Hazards By Way of Technical Integration

f. Keeping Process Safety Management Intact during Global Pandemic

g. Addressing Aging Processes and Equipment.

h. Digital Technology for Asset Monitoring for Aid in Integrity, Proactive Approach Towards Process Safety and Carbon Footprint Reduction

i. Measuring Vital Signs for Process Safety Culture

j. Drastic Reduction in Repeat Incidents Using Neuroscience Approach

Innovative Safety Programs

a. Implemented the digitalized "Mukhlis" Observation Program for reporting HSE observations, stewardship and feedback for closure. Also, initiated Social Media Broadcasting through WhatsApp and Facebook for engaging employees and their families on HSE related matters.

b. 'Fit for Life' and 'Fit Body Challenge' programs are one of the finest example of employee's health and physical fitness initiatives of operating sites leadership under the guidance of Medical officers.

c. Health Bulletins issued to communicate Health and Safety measures to all employees. Multiple HSE days celebrated to raise awareness on Health and Safety related matters among employees. For Stakeholders like neighbouring community and industries, Mutual Aid Program and Community Awareness on Emergency Response (CAER) are devised.

TALENT SUSTAINABILITY

The year 2021 proved to be one the most successful years for Fatima Group. During the year, our organization not only achieved the highest ever sales of 2.67 MMT but also secured the distinction of the Guinness World record for delivering 60M+ safe manhours. The achievement of these strategic milestones is a true representation of our leadership's strategic intent and of our capable people. Human Resources function of Fatima Fertilizer played a pivotal role as strategic partner and key enabler to the business in delivering and driving organizations strategic agenda.

Fatima Group takes prides in its talent and their capability to achieve newer heights year on year. Our strategic wins are outcomes of our ongoing laser focus on building leadership capability of our employees. In 2021, more than 35,000 manhours have been invested in leadership, managerial, team and individual performance excellence. World class international and top-class national development partners and online platforms were leveraged to provide high quality, intellectually stimulating programs to all employee groups.

International interventions like Blue Ocean Strategy, Harvard Mentor Manager, Stanford Coaching & Mentoring, were deployed for well-rounded development of High performing employees, which also dovetails into Fatima Groups, own Mentorship Program; Ascend, with the purpose of continuing to "reach down and pull up" talent by supporting functional progression, competency building and behavioural alignment with FGs Purpose and Values.

Value Based Culture

Our corporate values are well weaved into our organization's fabric, and it is quite evident through our consistent business performance, trust of our key stakeholders, engagement of our employees & achievement of Guinness World record.

In 2021, multiple values inculcation interventions were implemented and sustained. More than 650+ values round tables were conducted along with implementation of governance mechanism to ensure "Zero" tolerance for corporate values violations.

Building Future Leadership Pipeline

Empower to lead program focuses on short- & long-term business sustainment by building a future leadership pipeline through hiring and onboarding fresh Business & Engineering graduates from leading local and international universities. The program has evolved over the years with an intent of continuous improvement and in 2021 end to end process has been digitized.

More than 4000 business and engineering graduates participated in the program across multiple local and international universities. Total of 71 candidates were onboarded after a rigorous selection process covering initial candidate's tests, interviews, and assessment center followed by structured onboarding.

E2L program has continued to gain strength and momentum and as a result, in last 3 years there has been an 80% increase in candidates applying for the program. Additionally, there has been a 55% increase in foreign applicant aspiring to join Fatima group.

In addition to Management Trainee program, 850+ candidates were assessed for summer internships at Fatima Group out of which 61 students were onboarded.

Ensuring Robust Career Progression and Sustained Leadership Bench

People enablement and ensuring robust career progression is the core of our people strategy. Building upon the momentum of offering exciting career growth opportunities, a well-rounded career progression framework has been implemented. The framework not only focuses on the capability development of employees but also offers a structured career growth based on performance and potential of an employee.

Further supplementing the leadership bench development, in depth Talent Review meetings were conducted for more than 650+ employees followed by development of individual career plans. Structured Leadership development interventions including but not limited to; Management Development & Transformation program, Lead from the Front Batch – II, Stanford Coaching, Stanford Power of Stories to fuel innovation, business simulation on building high performance teams and Harvard Manage Mentor were offered to potential successors to ensure capability development for strengthening leadership bench against key critical roles of C-1 & C-2.

Employee Capability Development

Continued investment on talent development & building employee capability through structured training interventions, rotations, critical experiences and stretched assignments is the DNA of FG career growth philosophy. In this regard, 85+ rotations were implemented & more than 30,000 training manhours delivered on sharpening leadership skills in 2021 with satisfaction index of 4.24 out of 5. Whereas employee development framework for 2021 was mainly focused on driving the learning strategy by delivering majority of E-Learning interventions and as a result 72% out of total training manhours were based on e-learning.

FG Business Academy

As part of vision 2K25, FG academy was launched for building mid-career level talent as well-rounded managers and individual contributors and strengthen our long-term succession pipeline. The intervention is powered by the expertise and knowledge of our senior talent and is driven by the agenda of enhancing the core business capabilities of M.9 and M.10 employees. This development intervention is a 5 stretch days program and is built on 13 comprehensive modules, covering end-to-end business and People processes.

FG Mentorship Program (Ascend)

Ascend is a structured in-house mentorship program that enables our future leaders to develop themselves in the light of their Mentor's advice and guidance on top of Manager's coaching and counselling hence a great opportunity for ExCom to reach down and pull up the talent identified for bigger challenges and placed on FG Succession charts. Initially 40 employees have been enrolled in the program and 50+ mentorship sessions have been conducted so far.

FG Power Hour

Creating value for the society is one of our key strategic intent and in this regard, FG power hour was launched. Leaders at FG drive this intervention and share their key insights on our external social media platforms. A session on "Food Security" was conducted with a reach of 300+ audience including farmers, aspiring agricultural entrepreneurs, multi-industry professionals & young university graduates.

CORPORATE SOCIAL RESPONSIBILITY

Using our scale, reach, and expertise we are building a more sustainable future to meet the needs of the 21st Century. We are committed to delivering excellence for all our stakeholders. At the same time, we remain firmly committed to the communities we operate in as we staunchly believe our growth depends on the growth of the communities around us.

We have outlined six key initiatives to smoothly carry out our corporate social responsibilities i.e. Community development, Environment protection, Governance and Ethical Practices, Employee growth and wellbeing, Customers service & Working relationship with Shareholders/ Investors for Community development.

Fatima Group believes in uplifting the society with collective efforts and social responsiveness.

At Fatima, we not only acknowledge our responsibilities towards the society but we thrive on them. We have a rich history of giving back to the society, for we recognize the unique position that we are in to create a positive social impact, particularly in the Health and Education sectors. Our various initiatives for the social welfare of Pakistan are a testament that our corporate social responsibility is not merely confined to statements.

We staunchly believe that the growth of our business operations depends on the growth of the communities around us. We have outlined six key initiatives to smoothly carry out our corporate social responsibilities:

- Community development
- Environment protection
- Governance and Ethical Practices
- Employee growth and wellbeing
- Customers service
- Working relationship with Shareholders/ Investors for Community development,

Fatima Flagship Health Project - Mukhtar A. Sheikh Hospital

Located in the heart of Southern Punjab, Mukhtar A. Sheikh Hospital (MASH) is a multidisciplinary tertiary care hospital that aims to provide exceptional healthcare services through its state of the art facility. Mash's goal is to provide unparalleled services by employing cutting edge technology in its operations.

Mukhtar A. Sheikh Hospital strives to embrace best international healthcare practices by aligning with the most notable medical professionals both nationally and internationally. With compassion and commitment at its heart, Mukhtar A. Sheikh Hospital opens its door to serve individuals from all walks of life. MASH strives to become a pioneer in the healthcare industry, with a special focus on infection prevention and control and a paperless environment. Complying with the International standards of quality, MASH aims to bring value-based patient-centered healthcare to the Southern Punjab

For more details please visit website www.mashospital.org

Spring Clinic Spring Clinic / Institute of Psychiatry

Spring Clinic is a medium sized medical facility for psychiatric / psychological patients. Its medical team comprises Psychiatrists, Clinical Psychologists and Speech Therapists. The patient mix include adults (both genders) and children. Spring is a subsidiary of Mukhtar A. Sheikh Hospital. Spring has its own identity and separate infrastructure.

Fatima Fertilizer Welfare Trust Hospital

The main objective of purpose of Fatima Fertilizer Welfare Trust Hospital is to eradicate hepatitis in the vicinity of Plant areas and the district Rahim Yar Khan.

Our Contributions to the Education Sector

At Fatima, our aim has always been to ensure that quality education accessible and affordable to the deserving children of Pakistan. In the post pandemic world, the need to invest in education sector is critical and it is now imperative more than ever that we divert our resources to constantly introduce new technologies and adopt innovative, creative methodologies so that our youth may flourish and we, as a country, can realize our true potential.

In 2021, we have actively sponsored the students of following Institutes, besides operating our own schools inside our plants premises.

- Care Foundation
- TCF (The Citizens Foundation)
- Lahore University of Management Sciences (LUMS)

OUR REPORTING PARAMETERS

This report contains the Directors' Report to shareholders along with the audited financial statements as per the statuary requirements for disclosure for listed companies in Pakistan. Additionally, the report also contains the voluntary reporting on sustainability and is published as part with the Company Annual Report. In general the sustainability highlights uses the G3.1 reporting framework issued by the Global Reporting Initiative (GRI) on volunteer basis and is aiming for a B Level report as per this framework. The Company also considered the requirements of Association of Chartered Certified Accountants (ACCA), World Wide Fund for Nature - Pakistan (WWF-P) and Pakistan Environment Reporting Awards (PERA) in order to adopt best sustainability reporting practices within the Country.

Report Boundary

This report covers all fertilizer production facilities and the Corporate Head Office in Lahore.

Reporting Period

The reporting period is January 01, 2021 to December 31, 2021 and the data has mainly been obtained from Finance, Operations, Marketing and Sales, Human Resources, Corporate Secretariat, Internal Audit, Information Technology, Supply Chain, External Auditors, HSE and CSR Functions.

Report Content

The Company identified key issues to be responded on as corporate strategy by using its materiality matrix. The purpose of the engagement was to prioritize the materiality of outcomes for management attention and further actions. All the issues which are significant in nature considering the concerns of the stakeholders and the Company are analyzed and covered in detail in the report.

Data Measurement Techniques

All numeric indicators are reported on actual basis except for a few environmental KPIs which are reported on management best estimates in accordance with international standards and best practices.

Contact Us

Feedback on the Company's annual and sustainability reporting is encouraged. For comments and feedback, please contact the Corporate HSE / Corporate Communications Department at:
sustainability.reporting@fatima-group.com and
communications@fatima-group.com

SEPARATE FINANCIAL STATEMENTS

REPORT OF THE AUDIT COMMITTEE

on Adherence to the Listed Companies (Code of Corporate Governance), Regulations, 2019

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2021, and reports that:

- The Company has issued a “Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019” which has also been reviewed and certified by the External Auditors of the Company.

- The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures. Equitable treatment of shareholders has also been ensured.

- The Board has developed a Vision / Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

- The Company has complied with all the corporate and financial reporting requirements. Appropriate accounting policies have been consistently applied. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, for the financial year ended December 31, 2021, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company.

- The Directors’ Report for this year has been prepared in compliance with the requirements of the Listed Companies (Code of Corporate Governance), Regulations, 2019 and fully describes the salient matters required to be disclosed.

- The Chief Executive and the CFO have reviewed the financial statements of the Company and the Directors’ Report.

- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with Management processes and adequate for shareholder needs.

- Directors, CEO and executives or their spouses do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

INTERNAL AUDIT

- The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.

- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board’s attention where required.

- The Company’s system of internal control is adequate and effective. The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory Auditors of the Company, Yousuf Adil, Chartered Accountants have completed their Audit assignment of the "Company's Financial Statements" and the "Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019" for the financial year ended December 31, 2021 and shall retire on the conclusion of the 19th Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on financial statements under the listing regulations and shall therefore accordingly be discussed in the next Audit Committee Meeting.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Audit Committee had a meeting with the external auditors without the presence of the CFO and the Head of Internal Audit. The Auditors attended the General Meeting of the Company during the Year and have confirmed attendance of the 19th Annual General Meeting scheduled for April 29, 2022 and have indicated their willingness to continue as Auditors.

- Being eligible for reappointment as Auditors of the Company, the Audit Committee recommends their reappointment for the financial year ending December 31, 2022.

- The Firm has no financial or other relationship of any kind with the Company except that of External Auditors.

For and on behalf of Audit Committee

Tariq Jamali
Chairman-Audit Committee

Lahore
April 07, 2022

STATEMENT OF COMPLIANCE

with Listed Companies (Code of Corporate Governance) Regulations, 2019

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:

a. Male: 6 members

b. Female: 1 member

2. The composition of the Board is as follows:

i	Independent directors (excluding female director)	Mr. Tariq Jamali
ii	Other Non-executive directors	Mr. Arif Habib Mr. Faisal Ahmed Mukhtar Mr. Muhammad Kashif Habib
iii	Executive directors	Mr. Fawad Ahmed Mukhtar Mr. Fazal Ahmed Sheikh
iv	Female directors (Independent)	Ms. Malika Nait Oukhedou

For a Board comprising of seven members, one-third equates to 2.33. Two independent directors have been appointed, however, the fraction of 0.33 in such one-third is not rounded up as one since the fraction is below half (0.5). Furthermore, the two independent directors have the requisite skills, knowledge and are capable of protecting the interests of minority shareholders. Casual vacancy of Independent/Female Director, Ms. Anja Elisabeth Nielsen, was filled out by the appointment of an Independent/ Female Director, Ms. Malika Nait Oukhedou, subsequent to the year-end.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. Two directors of the Company, Mr. Tariq Jamali (Independent / Non Executive Director) and Mr. Muhammad Kashif Habib (Non Executive Director) have already completed the formal Directors Training Program ("DTP"). New Board member, Ms. Malika Nait Oukhedou will obtain the requisite training during the year 2022 whereas the remaining four directors fall under the exemption from the mandatory requirement for acquiring DTP certification.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There is no new appointment of Company Secretary or Head of Internal Audit during the year;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a) Audit Committee

1.	Mr. Tariq Jamali	Chairman
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Faisal Ahmed Mukhtar	Member
4.	Ms. Malika Nait Oukhedou	Member

b) HR and Remuneration Committee

1.	Ms. Malika Nait Oukhedou	Chairperson
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Fawad Ahmed Mukhtar	Member

c) Nomination and Risk Management Committee

1.	Mr. Fazal Ahmed Sheikh	Chairman
2.	Mr. Muhammad Kashif Habib	Member
3.	Mr. Tariq Jamali	Member

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee

Four meetings of the Audit Committee were held during the year prior to approval of interim and final results of the Company during second, third and fourth quarter of the financial year.

b) HR and Remuneration Committee

The meeting of the HR and Remuneration Committee was held once during the year.

c) Nomination and Risk Management Committee

There was no meeting of the Nomination and Risk Management Committee during the year.

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 8, 27, 32, 33 and 36 of the Regulations have been complied with. Further, the requirements of regulations 3, 6 and 7 of the Regulations were in non compliance as at reporting date due to casual vacancy. This has been complied with subsequent to year end with appointment of a new Independent/female director.

Place: Lahore April 07, 2022	Fawad Ahmed Mukhtar CEO	Arif Habib Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

On The Statement Of Compliance Contained In Listed Companies (Code Of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Fatima Fertilizer Company Limited** (the Company) for the year ended December 31, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2021.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance.

Paragraph	Reference	Description
i-	Paragraph 2 Paragraph 18	The requirement of two independent directors was not in compliance as at reporting date due to casual vacancy which was complied with subsequent to year end by new appointment.
ii-	Paragraph 2 Paragraph 18	The requirement of one women director was not in compliance as at reporting date due to casual vacancy which was complied with subsequent to year end by new appointment.
iii-	Paragraph 2 Paragraph 18	The requirement of minimum number of directors was not in compliance due to casual vacancy which was complied with subsequent to year end by new appointment

Yousuf Adil

Chartered Accountants

Engagement Partner:

Shahzad Ali

Lahore

Date: April 07, 2022

UDIN: CR202110134vTOx5AF0c

INDEPENDENT AUDITOR'S REPORT

To the members of Fatima Fertilizer Company Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Fatima Fertilizer Company Limited (the Company), which comprise of statement of financial position as at December 31, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key matters:

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>1 Revenue Recognition

The Company's revenue comprises sale of fertilizer, mid products and toll manufacturing which has been disclosed in note 26 to the financial statements.

Revenue from the sale of fertilizer, mid products and toll manufacturing is recognized, when the Company satisfies the performance obligation under the contract by transferring the promised goods to the customers. Revenue recognition criteria has been explained in note 4.22 to the financial statements.

We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on the satisfaction of the performance obligation under the contract with the customer in line with the accounting policy adopted or may not have been recognized in the appropriate period.</td><td>Our audit procedures to address this Key Audit Matter included the following:

- obtaining an understanding of and assessing the design and implementation and operating effectiveness of key internal controls over recognition of revenue;

- assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;

- checking on a sample basis the recorded sales transactions with underlying sales invoices;

- testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents; and

- assessed the adequacy of related disclosures in the financial statements.</td></tr>
<tr><td>2. Valuation of Brand

The Company's intangible assets contain a brand with indefinite useful life which has been disclosed in note 15 to the financial statements. The recognition and subsequent measurement policy has been disclosed in note 4.5 to the financial statements.

The Company had initially recorded the brand at Rs 5,900 million in the financial statements on which an impairment of Rs 2,360 million has been recognized during the period.

We identified Valuation of the brand as a Key Audit Matter because its amount is material to the financial statements. In addition, annual testing of impairment of Brand is complex and judgmental process which involves assumptions and methods affected by future economic and market conditions.</td><td>Our audit procedures to address this Key Audit Matter included the following:

- obtaining an understanding of and assessing the design and implementation and operating effectiveness of key internal controls over recognition and subsequent measurement of brand value;

- reviewed valuation report of the independent valuer and evaluated appropriateness of assumptions and methodologies used by the valuer.

- evaluated the competence and independence of valuer;

- compared recoverable amount with carrying amount; and

- assessed the adequacy of disclosures related to valuation of brand in notes to the consolidated financial Statements.</td></tr>
</table>

Information Other than the Financial Statements and Auditor's Report Thereon

Management of the Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 the Company's management.
- Conclude on the appropriateness of the Company's management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Shahzad Ali.

Yousuf Adil

Chartered Accountants

Lahore

Dated: April 07, 2022

UDIN: AR202110134bjAk0TvhZ

STATEMENT OF FINANCIAL POSITION

as at December 31, 2021

	Note	2021	2020
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,700,010,000 (2020: 2,700,010,000) shares of Rs 10 each		27,000,100	27,000,100
Issued, subscribed and paid up share capital			
2,100,000,000 (2020: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Reserves	6	79,263,440	66,102,656
		100,263,440	87,102,656
NON CURRENT LIABILITIES			
Long term finances	7	5,172,276	3,114,067
Lease liabilities		1,437,025	1,901,472
Deferred liabilities	8	23,522,297	24,115,708
Deferred government grant	9	–	61,440
Long term deposits		175,104	110,370
		30,306,702	29,303,057
CURRENT LIABILITIES			
Trade and other payables	10	38,469,330	22,871,117
Income tax payable		4,968,065	–
Accrued finance cost	11	307,184	450,579
Short term finances - secured	12	6,465,772	11,443,557
Unpaid dividend		1,738,864	–
Unclaimed dividend		44,951	40,853
Current portion of:			
- Long term finances	7	1,892,328	5,803,222
- Lease liabilities		375,273	480,323
- Deferred government grant	9	61,440	61,526
		54,323,207	41,151,177
CONTINGENCIES & COMMITMENTS	13		
		184,893,349	157,556,890

The annexed explanatory notes from 1 to 46 form an integral part of these financial statements.

	Note	2021	2020
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	105,422,464	104,937,733
Intangible assets	15	3,608,877	5,991,019
Investment property	16	775,339	756,189
		109,806,680	111,684,941
Long term investments	17	795,511	201,641
Long term loan to an associated company	18	1,999,333	2,999,000
Long term advances and deposits		518,424	113,679
		3,313,268	3,314,320
		113,119,948	114,999,261
CURRENT ASSETS			
Stores and spares	19	11,565,833	8,273,834
Stock in trade	20	18,331,781	13,530,945
Trade debts	21	9,654,308	4,450,476
Short term loans	22	6,999,723	3,241,723
Advances, deposits, prepayments and other receivables	23	15,635,845	8,675,690
Advance income tax		–	1,305,337
Short term investments	24	2,242,710	2,523,862
Cash and bank balances	25	7,343,201	555,762
		71,773,401	42,557,629
		184,893,349	157,556,890

Chief Executive Officer **Director** **Chief Financial Officer**

STATEMENT OF PROFIT OR LOSS
for the year ended December 31, 2021

	Note	2021	2020
		(Rupees in thousand)	
Sales	26	112,488,420	71,267,316
Cost of sales	27	(69,403,976)	(42,472,530)
Gross profit		43,084,444	28,794,786
Distribution cost	28	(5,048,813)	(3,890,808)
Administrative expenses	29	(3,899,598)	(3,368,500)
		34,136,033	21,535,478
Finance cost	30	(2,006,559)	(3,469,303)
Other operating expenses	31	(4,676,977)	(1,677,558)
		27,452,497	16,388,617
Other income	32	1,210,189	1,810,074
Other gains / (losses):			
- Gain on remeasurement of GIDC	8.3	–	877,513
- Unwinding of provision for GIDC	8.3	(367,524)	–
- Loss allowance on subsidy receivable from GoP	23.2	(109,721)	(360,244)
Share of (loss) / profit from associates	17.1	(348)	26,795
Profit before tax		28,185,093	18,742,755
Taxation	33	(9,710,827)	(5,468,064)
Profit for the year		18,474,266	13,274,691
Earnings per share - basic and diluted (Rupees)	34	8.80	6.32

The annexed explanatory notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2021

	2021	2020
	(Rupees in thousand)	
Profit for the year	18,474,266	13,274,691
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Surplus on remeasurement of investments classified as fair value through other comprehensive income (FVTOCI)	–	7,124
Related tax thereon	–	(2,071)
	–	5,053
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement of post retirement benefits obligation	(82,249)	20,584
Related tax thereon	23,852	(5,970)
Share of other comprehensive loss from associate	(5,982)	–
Related tax thereon	897	–
	(63,482)	14,614
Other comprehensive income - net of tax	(63,482)	19,667
Total comprehensive income for the year	18,410,784	13,294,358

The annexed explanatory notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2021

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Deficit on remeasurment of investment - FVTOCI	Total
		Share premium	Unappropriated profit			
	(Rupees in thousand)					
Balance at December 31, 2019	21,000,000	1,790,000	55,299,651	(76,300)	(5,053)	78,008,298
Profit for the year	–	–	13,274,691	–	–	13,274,691
Other comprehensive income	–	–	–	14,614	5,053	19,667
Total comprehensive income	–	–	13,274,691	14,614	5,053	13,294,358
Transactions with owners:						
- Final dividend for the year ended December 31, 2019 @ Rs 2.00 per share	–	–	(4,200,000)	–	–	(4,200,000)
Balance at December 31, 2020	21,000,000	1,790,000	64,374,342	(61,686)	–	87,102,656
Profit for the year	–	–	18,474,266	–	–	18,474,266
Other comprehensive income	–	–	(5,085)	(58,397)	–	(63,482)
Total comprehensive income	–	–	18,469,181	(58,397)	–	18,410,784
Transactions with owners:						
- Final dividend for the year ended December 31, 2020 @ Rs 2.50 per share	–	–	(5,250,000)	–	–	(5,250,000)
Balance at December 31, 2021	21,000,000	1,790,000	77,593,523	(120,083)	–	100,263,440

The annexed explanatory notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

STATEMENT OF CASH FLOWS

for the year ended December 31, 2021

	Note	2021	2020
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	38	31,427,289	24,987,515
Net increase in long term deposits		64,734	49,103
Finance cost paid		(1,962,636)	(3,735,840)
Taxes paid		(2,988,233)	(4,663,505)
Employee retirement benefits paid		(242,330)	(78,632)
Net cash generated from operating activities		26,298,824	16,558,641
Cash flows from investing activities			
Additions in property, plant and equipment		(5,730,994)	(2,035,699)
Addition in investment property		(20,056)	(129,521)
Additions in intangible assets		(19,741)	(51,911)
Proceeds from disposal of property, plant and equipment		3,430	45,315
Long term investments made		(600,200)	–
Short term investments made		(673,802)	(2,172,605)
Proceeds from short term investments		868,243	598,052
Short term loan to an associated company		(3,758,000)	–
Profit received on short term loans and saving accounts		1,977,017	289,347
Net increase in long term advances and deposits		(404,745)	(31,916)
Net cash used in investing activities		(8,358,848)	(3,488,938)
Cash flows from financing activities			
Repayment of long term finances	7.1	(5,857,386)	(4,966,641)
Proceeds from long term finances	7.1	3,920,362	1,462,438
Repayment of lease liabilities		(730,690)	(353,954)
Dividend paid		(3,507,038)	(4,349,097)
Decrease in short term finances - net		(2,584,266)	(2,409,918)
Net cash used in financing activities		(8,759,018)	(10,617,172)
Net increase in cash and cash equivalents		9,180,958	2,452,531
Cash and cash equivalents at the beginning of the year		(3,538,222)	(5,990,753)
Cash and cash equivalents at the end of the year		5,642,736	(3,538,222)
Cash and cash equivalents comprises of following:			
Cash and bank balances	25	7,343,201	555,762
Running finance	12	(1,700,465)	(4,093,984)
Cash and cash equivalents at the end of the year		5,642,736	(3,538,222)

The annexed explanatory notes from 1 to 46 form an integral part of these financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

1 Legal Status and nature of business

1.1 Fatima Fertilizer Company Limited ('the Company'), was incorporated in Pakistan on December 24, 2003 as a public company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is listed on Pakistan Stock Exchange. The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals.

Registered office of the Company is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facilities of the Company are located at Mukhtargarh - Sadiqabad, Khanewal Road - Multan and Chichoki Mallian - Sheikhupura, Pakistan.

1.2 These financial statements are the separate financial statements of the Company in which investment in subsidiary company is accounted for on the basis of actual cost incurred to acquire subsidiary and investment in associates are accounted for under equity method. Consolidated financial statements are prepared separately.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 New accounting standards / amendments and IFRSs interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	Effective from annual period beginning on or after:
Amendments to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.	April 01, 2021
IBOR 2 'Interest Rate Benchmark Reform — Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	January 01, 2021

2.3 New accounting standards, amendments and IFRSs interpretations that are not yet effective

'The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	Effective from annual period beginning on or after:
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021.	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting the Company from deducting from the cost of property plant and equipment, amount received from selling items produce while the Company is preparing the asset for its intended use.	January 01, 2022
Amendments to IFRS 3 'Business Combinations' that updated an outdated reference in IFRS 3 without significantly changing its requirements.	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs of fulfilling the contract to include when assessing whether a contract is Onerous.	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non current.	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - regarding the disclosure of accounting policies.	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - regarding the definition of accounting estimates.	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3 Basis of measurement

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Critical accounting estimates and judgements

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgements or estimates.

The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgement of estimation involved in their application and their impact on these financial statements. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgements involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

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The areas involving a higher degree of judgements or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Employee retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2 (a).

b) Useful life and residual values of property, plant and equipment and intangible assets

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

c) Provision for taxation

In making the estimates for income taxes payable by the Company, the management considers the applicable laws and the decisions of the appellate tax authorities on certain issues in the past.

3.3 Change in accounting estimate

During the year, the Company has reviewed residual value estimate of its Plant and Machinery, the change has been accounted for as a 'change in estimate' in accordance with IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. As a result of the change, the depreciation charged to statement of profit or loss will be higher by approximately Rs 2,100.22 million per annum.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability 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 the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax 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 or substantively enacted by the reporting date. Deferred tax is charged or credited to the statement of profit and loss, except in the case of items recognised in other comprehensive income or directly in equity in which case it is included in other comprehensive income or equity, as the case may be.

4.2 Employee retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

a) Defined benefit plan - Gratuity

The Company operates a funded gratuity scheme for all employees of Sheikhupura plant and non funded gratuity scheme for Sadiqabad plant according to the terms of employment, subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as at December 31, 2021. Projected unit credit method is used for valuation of the scheme.

All actuarial gains and losses are recognized in 'Other Comprehensive Income' as they occur.

b) Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to statement of profit or loss.

c) Defined contribution plan - Provident Fund

The Company operates provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees. Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these schemes.

4.3 Property, plant and equipment

Property, plant and equipment "PPE" except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to own manufactured assets includes direct cost of materials, labor and applicable manufacturing overheads. Cost also includes capitalized borrowing costs as referred to in note 4.17.

Depreciation on property, plant and equipment is charged to statement of profit or loss on straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in note 14.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or made available for use, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted prospectively, if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.4 Capital work in progress

Capital work in progress and stores held for capital expenditure are stated at cost less any recognized impairment loss. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

4.5 Intangibles assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such an asset can also be measured reliably. Subsequently asset is measured as follows:

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With indefinite useful life

Intangibles assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the intangible is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized as an expense in the statement of profit or loss immediately.

With finite useful life

Expenditure incurred to acquire intangible assets are capitalized and stated at cost less accumulated amortization and any identified impairment loss. Computer software is amortized using the straight line method over a period of four years. Amortization on additions to computer software is charged from the month in which the asset is available for use while no amortization is charged for the month in which asset is disposed off.

4.6 Investment property

Investment property, which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss. Depreciation on buildings is charged to income on straight line method at the rate of 4%. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed. The difference between present value of the proceeds from disposal and the carrying amount is recognized in the statement of profit or loss.

Rental income from investment property that is leased to a third party under an operating lease is recognised in the statement of profit or loss on a straight line basis over the lease term and is included in 'other income'.

4.7 Investments in associates - at equity method

The Company's long term investments are investments in associates, entities over which the Company exercise significant influence. These investments are initially recognized at cost and subsequently carrying amount is increased or decreased to recognize the Company's share of the profit or loss or other comprehensive income or loss of the associates using the equity method. The Company's share of the associates profit or loss is recognised in the Company's statement of profit or loss and the Company`s share of other comprehensive income or loss is recognised in the Company`s other comprehensive income. At each 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 statement of profit or loss.

4.8 Investments in subsidiaries - at cost

Investments in subsidiaries are initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

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.

4.9 Government grant

The Company recognizes the benefit of a government loan at below market rate of interest as a Government grant. The benefit of the below market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received and is presented as deferred grant. The recognition of government grants in the statement of profit or loss is done on a systematic basis over the period of the loan.

4.10 Leases

As a lessee, the Company recognises right of use asset and lease liability at the lease commencement date.

Right of use asset

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

Lease liability

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

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

- fixed payments, including in substance fixed payments;

- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;

- amount expected to be payable under a residual guarantee; and

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

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

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

4.11 Financial instruments

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

4.11.1 Financial assets

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).

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

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

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

Recognition and derecognition

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

Measurement

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

Debt instruments

a) Debt instruments measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

The financial asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at fair value through other comprehensive income (FVTOCI).

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains / (losses). Interest income from these financial assets is included in other operating income using the effective interest rate method. Impairment expenses are presented as a separate line item in the statement of profit or loss.

c) Debt instruments designated as at fair value through profit or loss (FVTPL)

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

Equity instruments

On initial recognition, the Company may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Company's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in other gains / (losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets

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

For trade debts, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade debts, 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 direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets general 3 stage approach is used i.e. to measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

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.

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

4.11.2 Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

1- At fair value through profit or loss; and

2- Amortized cost.

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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:

a) 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.

b) Other financial liabilities

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

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4.12 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.13 Stores and spares

Stores and spares are valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.14 Stock in trade

All stocks are valued at the lower of cost and net realizable value. Cost in relation to raw and packing materials, except for those in transit, signifies moving average cost and that relating to mid products and finished goods, monthly average cost comprising cost of direct materials, labor and appropriate manufacturing overheads based on normal operating capacity. Materials in transit are stated at cost comprising invoice value plus other charges incurred thereon. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

4.15 Trade debts and other receivables

These are recognized and carried at the original invoice amounts, being the fair value and subsequently measured at amortized cost using the effective interest rate method, less loss allowance, if any. For measurement of loss allowance for trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses.

4.16 Cash and cash equivalents

Cash and bank balances are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement, cash and cash equivalents comprises of cash in hand, bank balances and short term highly liquid investments that are readily convertible to known amounts of cash.

4.17 Borrowings and their costs

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

4.18 Trade and other payables

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

4.19 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for in financial statements.

4.20 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the statements of profit or loss. Amounts accumulated in equity are recognized in statement of profit or loss in the periods when the hedged item will affect profit or loss.

4.21 Impairment of non financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation / amortization and are tested annually for impairment. Assets that are subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

4.22 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when or as performance obligations are satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Scrap sales and miscellaneous receipts are recognized on realized amounts.

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Revenue from sale of goods is recognised at the point in time when control of the fertilizers products and chemical is transferred to the customer, generally on delivery of the goods.

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

Revenue from sale of Certified Emission Reductions (CERs) is recognized on the satisfaction of performance obligation i.e. generation of the Emission Reductions when a firm commitment for sale of CERs exists with a buyer.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Interest income is recognized on accrual basis.

4.23 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Foreign exchange gain and losses on retranslation are recognized in the statement of profit or loss. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.24 Dividend

Dividend distribution to the Company's members is recognised as a liability in the reporting period in which dividends are declared.

4.25 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit by weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting for the effects of all dilutive potential ordinary shares.

5 Issued, subscribed and paid up share capital

2021	2020		2021	2020
(Number of shares)			(Rupees in thousand)	
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	20,000,000
100,000,000	100,000,000	Ordinary shares of Rs 10 each issued on conversion of fully paid preference shares @ Rs 20 each	1,000,000	1,000,000
2,100,000,000	2,100,000,000		21,000,000	21,000,000

5.1 Ordinary shares of the Company held by associates at year end are as follows:

	2021	2020
	(Number of Shares)	
Arif Habib Corporation Limited	319,000,206	319,000,206
Arif Habib Equity (Private) Limited	19,409,500	19,409,500
Fatima Holding Limited	66,969,373	62,967,373
Fazal Cloth Mills Limited	69,114,031	69,114,031
Reliance Weaving Mills Limited	2,625,166	2,625,166
Farrukh Trading Company Limited (Formerly Fatima Trade Company Limited)	160,430,261	160,430,261
Fatima Management Company Limited	160,430,261	160,430,261
Fatima Trading Company (Private) Limited	97,462,890	97,462,890
Reliance Commodities (Private) Limited	500,000	–
	895,941,688	891,439,688

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

	Note	2021	2020
		(Rupees in thousand)	
6 Reserves			
Capital reserve:			
Share premium	6.1	1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		77,593,523	64,374,342
Post retirement benefit obligation reserve		(120,083)	(61,686)
		79,263,440	66,102,656

6.1 This reserve can be utilised by the Company only for the purposes specified in section 81 of Companies Act, 2017.

	Note	2021	2020
		(Rupees in thousand)	
7 Long term finances			
Rated, listed and secured Ijarah Sukuk certificates	7.2	–	2,100,000
Secured loans from banking companies / financial institutions	7.3	7,064,604	6,817,289
		7,064,604	8,917,289
Less: Current portion		1,892,328	5,803,222
		5,172,276	3,114,067
7.1 Movement of long term finances			
Opening balance		8,917,289	12,478,721
Disbursements during the year		3,920,362	1,462,438
Repayments during the year		(5,857,386)	(4,966,641)
Classified as deferred government grant	9	–	(150,433)
Accreditation of loan under SBP Islamic Refinance Scheme		87,651	44,521
Exchange (gain) / loss on translation of foreign currency loan		(3,312)	48,683
Closing balance		7,064,604	8,917,289

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		2021	2020
		(Rupees in thousand)	
7.2	**Rated, listed and secured Ijarah Sukuk certificates**		
	Opening balance	2,100,000	4,200,000
	Repayments during the year	(2,100,000)	(2,100,000)
		–	2,100,000
	Less: Current portion	–	2,100,000
		–	–

The Sukuks were listed on Pakistan Stock Exchange. These Certificates were issued with face value of Rs 5,000 per certificate for the principal purpose of repayment of the outstanding balance of Senior Facility (SF) - an existing long term loan of the Company.

The profit was payable at the rate of 6 month KIBOR plus 1.10% per annum, (subject to a floor of 3% and a cap of 25% per annum). The effective rate of markup charged during the year ranged from 8.45% to 8.82% (2020: 8.45% to 14.70%) per annum.

The Sukuks were secured by pari passu charge over all present and future fixed assets of the Company. The credit rating of the Sukuks was maintained at 'AA -' (Double A Minus) by PACRA on July 30, 2021.

The tenure of the Sukuks was 5 years and were redeemed in ten (10) equal semi annual installments. Last repayment was made on November 26, 2021.

		Note	2021	2020
			(Rupees in thousand)	
7.3	**Secured loans from banking companies / financial institutions**			
	These are composed of:			
	Export Credit Agency Finance	7.3.1	–	143,954
	Musharaka Arrangement	7.3.2	–	1,488,667
	BAHL Term Loan	7.3.3	192,714	578,141
	BOP Term Loan	7.3.4	1,500,000	2,250,000
	ABL Term Loan - II	7.3.5	750,000	1,000,000
	SBP LTF - Faysal Bank Limited	7.3.6	344,199	667,154
	SBP LTF - The Bank of Punjab	7.3.7	357,339	689,373
	ABL Term Loan - III	7.3.8	1,000,000	–
	Diminishing Musharakah	7.3.9	2,000,000	–
	SBP Temporary Economic Refinance Facility (TERF) 1	7.3.10	372,235	–
	SBP Temporary Economic Refinance Facility (TERF) 2	7.3.11	527,328	–
	SBP Temporary Economic Refinance Facility (TERF) 3	7.3.12	20,789	–
			7,064,604	6,817,289
	Less: Current portion		1,892,328	3,703,222
			5,172,276	3,114,067

7.3.1 Export Credit Agency Finance

This facility of USD 22 million was obtained from Standard Chartered Bank (UK) for the purpose of purchase of Waste Gas Boiler and Cold Box Purifier for Ammonia Debottlenecking Project at Ammonia plant.

The facility carried markup rate of 3 months LIBOR plus 4.25% per annum. The effective rate of markup charged during the year was 4.47% (2020: 4.47% to 6.14%) per annum.

The facility was secured by pari passu charge over all present and future fixed assets of the Company amounting to Rs 2,992 million.

This loan was repayable in twenty one equal quarterly installments with grace period of one year. Last repayment was due and made on March 15, 2021. During the year, the Company has paid installments aggregating to USD 1.35 million (2020: USD 5.39 million).

7.3.2 Musharaka Arrangement

The Company had entered into a Musharaka agreement for long term finance facility of Rs 4,466 million based on Islamic Mode of Diminishing Musharaka (Shirkat ul Milk) with Meezan Bank Limited acting as Investment Agent against the Musharak Assets.

Initially, the facility was for a period of 5 years, inclusive of a grace period of 2 years, while the first Musharaka buyout was due at the end of the 30th month from the date of first drawdown i.e. March 29, 2018. However, on June 26, 2020 outstanding payment of loan was deferred for a period of one year as per terms of BPRD circular letter no. 13 issued by the State Bank of Pakistan dated March 26, 2020.

The profit was payable semi annually in arrears at the markup rate of six months KIBOR plus 1.5%. KIBOR to be set on last working day prior to the beginning of each quarterly markup period.

The finance facility was secured by all present and future movable fixed assets (excluding land and buildings) of the Company. The effective rate of markup charged during the year on Musharaka arrangements ranged from 8.80% to 9.38% (2020: 8.80% to 15.40%) per annum.

This loan was repayable in six equal semi annual installments. Last repayment was due and made on September 29, 2021. During the year, the Company has paid installments aggregating to Rs 1,489 million (2020: Rs 1,489 million).

7.3.3 BAHL Term Loan

This facility is obtained from Bank Al Habib Limited, for an amount of Rs 1,300 million for purchase of Low Pressure Boosting Compressor.

The facility carries markup at the rate of 6 months KIBOR plus 1.10% per annum. The effective rate of markup charged during the year ranged from 8.25% to 8.77% (2020: 8.05% to 14.23%) per annum.

The facility is secured by pari passu charge over plant and machinery of the Company amounting to Rs 1,733.34 million.

The loan is repayable in three years in six semi annual equal installments starting from October 29, 2019. Last repayment is due on April 28, 2022. During the year, the Company has paid installments amounting to Rs 385.43 million (2020: Rs 385.43 million).

7.3.4 BOP Term Loan

This facility has been obtained from The Bank of Punjab, for an amount of Rs 3,000 million to finance / reimburse BMR.

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The facility carries markup at the rate of 6 months KIBOR plus 0.70% per annum. The effective rate of markup charged during the year ranged from 7.81% to 8.31% (2020: 7.79% to 14.70%) per annum.

The facility is secured by pari passu charge over plant and machinery of the Company amounting to Rs 4,000 million.

The loan is repayable in four years in eight semi annual equal installments starting from January 31, 2020. Last repayment is due on July 31, 2023. During the year the Company has paid installments amounting to Rs 750 million (2020: Rs 750 million).

7.3.5 ABL Term Loan - II

This facility has been obtained from Allied Bank Limited, for an amount of Rs 1,000 million to finance CAPEX in the Company.

The facility carries markup at the rate of 6 months KIBOR plus 0.70% per annum. The effective rate of markup charged during the year ranged from 8.01% to 8.85% (2020: 7.99% to 14.60%) per annum.

The facility is secured by pari passu charge over plant and machinery of the Company amounting to Rs 1,334 million.

The loan is repayable in five years with one year grace period in eight semi annual equal installments starting from March 25, 2021. Last repayment is due on September 25, 2024. During the year, the Company has paid installments aggregating to Rs 250 million (2020: Rs 250 million).

7.3.6 SBP LTF - Faysal Bank Limited

This facility has been obtained from Faysal Bank Limited for an amount of Rs 718.11 million for disbursement of salaries and wages for the month of April, May and June 2020, in line with SBP Islamic Refinance Scheme.

The facility carries markup at the rate of SBP base rate + 1% per annum. The effective interest rate is calculated at 8.22% and the loan has been recognised at the present value.

The facility is secured by pari passu charge over Plant and Machinery of the Company amounting to Rs 1,000 million.

The loan is repayable in two and half years including six months grace period in eight quarterly installments. Last repayment is due on December 30, 2022. During the year the Company has paid installments aggregating to Rs 359.05 million (2020: nil).

7.3.7 SBP LTF - The Bank of Punjab

This facility has been obtained from The Bank of Punjab for an amount of Rs 744.33 million for disbursement of salaries and wages for the month of July, August and September 2020, in line with SBP Islamic Refinance Scheme.

The facility carries markup at the rate of SBP base rate + 0.8% per annum. The effective interest rate is calculated at 8.26% and the loan has been recognised at the present value.

The facility is secured by pari passu charge over Plant and Machinery of the Company amounting to Rs 1,000 million.

The loan is repayable in two and half years including six months grace period in eight quarterly installments. Last repayment is due on October 31, 2022. During the year, the Company has paid installments aggregating to Rs 372.16 million (2020: nil).

7.3.8 ABL Term Loan - III

This facility has been obtained during the year from Allied Bank Limited for an amount of Rs 1,000 million to finance CAPEX in the Company.

The facility carries markup at the rate of 6 months KIBOR plus 0.80% per annum. The effective rate of markup charged during the year at 8.96% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Company amounting to Rs 1,334 million.

The loan is repayable in five years including one year grace period in eight half yearly installments. Last repayment is due on September 30, 2026.

7.3.9 Diminishing Musharakah

This facility has been obtained during the year from Meezan Bank Limited for an amount of Rs 2,000 million to refinance CAPEX already incurred by the Company.

The facility carries markup at the rate of 6 months KIBOR plus 0.85% per annum. The effective rate of markup charged during the year at 9.01% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Company amounting to Rs 2,667 million.

The loan is repayable in five years including one year grace period in eight half yearly installments. Last repayment is due on September 30, 2026.

7.3.10 SBP Temporary Economic Refinance Facility (TERF) 1

This facility has been obtained during the year from Askari Bank Limited for an amount of Rs 372.25 million out of total limit of Rs 550 million, under SBP TERF Scheme.

The facility carries markup at the rate of 3.00% per annum (SBP base rate + 2.00%) / 6 month KIBOR plus 2.00% per annum. The effective rate of markup charged during the year ranged from 3.00% to 13.53% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Company amounting to Rs 733.33 million.

The loan is repayable in ten years including two years grace period in sixteen semi annual installments. Last repayment is due on March 31, 2031.

7.3.11 SBP Temporary Economic Refinance Facility (TERF) 2

This facility has been obtained during the year from National Bank of Pakistan for an amount of Rs 527.33 million out of total limit of Rs 1,000 million, under SBP TERF Scheme.

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The facility carries markup at the rate of 2.50% per annum (SBP base rate + 1.50%) / 6 month KIBOR plus 1.50% per annum. The effective rate of markup charged during the year ranged from 9.15% to 9.28% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Company amounting to Rs 1,333.34 million.

The loan is repayable in ten years including two years grace period in sixteen semi annual installments. Last repayment is due on June 21, 2031.

7.3.12 SBP Temporary Economic Refinance Facility (TERF) 3

This facility has been obtained during the year from Bank Al Habib Limited for an amount of Rs 20.79 million out of total limit of Rs 500 million, under SBP TERF Scheme.

The facility carries markup at the rate of 5.00% per annum (SBP base rate + 4.00%) / 6 month KIBOR plus 1.10% per annum. The effective rate of markup charged during the year ranged from 11.39% to 11.40% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Company amounting to Rs 666.67 million.

The loan is repayable in ten years including two years grace period in sixteen semi annual installments. Last repayment is due on December 01, 2031.

7.4 The aggregate unavailed long term financing facilities amounting to Rs 1,129.63 million (2020: Rs nil).

	Note	2021	2020
		(Rupees in thousand)	
8 Deferred liabilities			
Deferred taxation	8.1	20,274,052	19,541,661
Employee retirement benefits	8.2	955,419	986,830
Provision for Gas Infrastructure Development Cess (GIDC)	8.3	2,292,826	3,587,217
		23,522,297	24,115,708
8.1 Deferred taxation			
This is composed of the following:			
Taxable temporary difference:			
Accelerated tax depreciation		20,174,542	19,565,247
Gas Infrastructure Development Cess (GIDC)		147,897	–
Investment in associates		16,111	17,060
		20,338,550	19,582,307
Deductible temporary difference:			
Remeasurement of defined benefit obligation		(64,498)	(40,646)
		20,274,052	19,541,661

8.1.1 Movement in temporary differences for the year is as follows:

	Balance as at December 31, 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance as at December 31, 2021
	(Rupees in thousand)			
Taxable temporary difference				
Accelerated tax depreciation allowances	19,565,247	609,295	–	20,174,542
Gas Infrastructure Development Cess (GIDC)	–	147,897	–	147,897
Investments in associates	17,060	(52)	(897)	16,111
	19,582,307	757,140	(897)	20,338,550
Deductible temporary difference				
Remeasurement of defined benefit obligation	(40,646)	–	(23,852)	(64,498)
	19,541,661	757,140	(24,749)	20,274,052

	Note	2021	2020
		(Rupees in thousand)	
8.2 Employee retirement benefits			
Gratuity	8.2.1	877,217	681,870
Accumulating compensated absences	8.2.2	78,202	304,960
		955,419	986,830
8.2.1 Gratuity			
a) Amount recognized in the statement of financial position			
Present value of defined benefit obligations	(f)	1,011,303	819,879
Fair value of plan assets	(g)	(134,086)	(138,009)
Net liability at the end of the year		877,217	681,870
b) Movement in net liability			
Net liability at the beginning of the year		681,870	595,392
Charge for the year	(c)	163,305	154,688
Benefits paid during the year		(50,207)	(47,626)
Remeasurement changes chargeable to other comprehensive income	(e)	82,249	(20,584)
Net liability at the end of the year		877,217	681,870
c) Charge for the year			
Current service cost		99,443	90,530
Net interest cost		63,862	64,158
		163,305	154,688

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		2021	2020
		(Rupees in thousand)	
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	127,050	120,476
	Administrative expenses	36,255	34,212
		163,305	154,688
e)	**Total remeasurement chargeable to other comprehensive income**		
	Remeasurement of plan obligation:		
	Actuarial gains from changes in financial assumptions	3,930	(2,459)
	Experience adjustments	69,715	(18,914)
	Remeasurements of fair value of plan assets	8,604	789
		82,249	(20,584)
f)	**Movement in the present value of defined benefit obligations**		
	Defined benefit obligations at beginning of the year	819,879	728,490
	Current service cost	99,443	90,530
	Interest cost	76,932	78,638
	Benefits due but not paid	(469)	–
	Benefit paid during the year	(58,128)	(56,406)
	Remeasurement of plan obligation	73,646	(21,373)
	Defined benefit obligations at end of the year	1,011,303	819,879
g)	**Movement in the fair value of plan assets**		
	Fair value at beginning of the year	(138,009)	(133,098)
	Contributions	(12,629)	(11,395)
	Interest income on plan assets	(13,070)	(14,480)
	Return on plan assets excluding interest income	8,604	789
	Benefits due but not paid	469	–
	Benefits paid	20,549	20,175
	Fair value at end of the year	(134,086)	(138,009)
h)	**Plan assets comprise of:**		
	Deposit with banks	46,279	65,597
	Mutual funds	70,715	66,628
	Investment in TDRs	17,561	9,086
	Payables	(469)	(3,302)
		134,086	138,009

		2021	2020
i)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	9.75%	11.25%
	Discount rate for year end obligation	11.75%	9.75%
	Salary increase used for year end obligation	11.75%	9.75%
	Retirement assumption	60 years	60 years

		Impact on defined benefit obligation		
		Change in assumption	Increase in assumption	Decrease in assumption
		% age	(Rupees in thousand)	
j)	**Sensitivity analysis**			
	Discount rate	1%	(77,808)	86,308
	Salary growth rate	1%	87,529	(80,313)

k) The expected contribution to defined benefit obligation for the year ending December 31, 2022 will be Rs 214.88 million.

		Note	2021	2020
			(Rupees in thousand)	
8.2.2	**Accumulating compensated absences**			
a)	**Amount recognized in the statement of financial position**			
	Present value of defined benefit obligations	(e)	78,202	304,960
	Net liability at the end of the year		78,202	304,960
b)	**Movement in net liability**			
	Net liability at the beginning of the year		304,960	277,741
	Charge for the year	(c)	(34,635)	58,225
	Benefits paid during the year		(192,123)	(31,006)
	Net liability at the end of the year		78,202	304,960
c)	**Charge for the year**			
	Current service cost		2,995	36,078
	Gain / losses on arising on plan settlements		(41,764)	–
	Interest cost		20,671	30,071
	Experience adjustment		(16,537)	(7,924)
			(34,635)	58,225
d)	**Charge for the year has been allocated as follows:**			
	Cost of sales		(21,574)	48,421
	Administrative expenses		(13,061)	9,804
			(34,635)	58,225
e)	**Movement in the present value of obligation**			
	Obligation at beginning of the year		304,960	277,741
	Current service cost		2,995	36,078
	Interest cost		20,671	30,071
	Gain on plan assets		(41,764)	–
	Benefit paid during the year		(192,123)	(31,006)
	Experience adjustment		(16,537)	(7,924)
	Defined benefit obligations at end of the year		78,202	304,960

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		2021	2020
f)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	9.75%	11.25%
	Discount rate for year end obligation	11.75%	9.75%
	Salary increase used for year end obligation	11.75%	9.75%
	Retirement assumption	60 years	60 years

		Impact on defined benefit obligation		
		Change in assumption	**Increase in assumption**	**Decrease in assumption**
		% age	(Rupees in thousand)	
g)	**Sensitivity analysis**			
	Discount rate	1%	4,574	(5,988)
	Salary growth rate	1%	(5,940)	4,993

		Note	2021	2020
			(Rupees in thousand)	
8.3	**Provision for Gas Infrastructure Development Cess (GIDC)**			
	Provision for GIDC		5,359,025	4,991,501
	Less: Current portion	10	3,066,199	1,404,284
			2,292,826	3,587,217

8.3.1 The Company has accrued Rs 5,869.01 million (2020: Rs 5,869.01 million) on account of Gas Infrastructure Development Cess (GIDC). On August 13, 2020 the Supreme Court of Pakistan (SCP) through its order declared GIDC Act as intra vires to the constitution and directed all the industrial and commercial entities to pay the Cess that have become due up to July 31, 2020. However, as a concession, the same was allowed to be recovered in twenty four equal monthly installments starting from August 01, 2020.

Subsequently, SCP also dismissed all review petitions on November 02, 2020, against the gas consumers including the Company and stated that the Government of Pakistan is agreeable to recover the arrears in forty eight monthly installments instead of twenty four equal monthly installments.

Although, the Company has filed a suit for declaration and injunction in the High Court of Sindh and obtained a stay on October 06, 2020 against collection / recovery of GIDC by Mari Petroleum Company Limited on fuel stock on account of issues of computation of the liability. On a prudent basis the Company has continued to recognize the provision against GIDC on fuel stock.

Company's Sadiqabad Plant, entitled to receive feed stock at fixed price inclusive of all taxes, duties, levies, fees and charges under Sovereign Commitment from Government of Pakistan pursuant to Fertilizer Policy 2001, has not booked GIDC on feed stock.

The Company has also filed a suit for declaration and permanent injunction in the High Court of Sindh on these grounds on September 29, 2020 and obtained a stay on October 06, 2020 against collection / recovery of GIDC on feed stock.

The management has applied the requirements of IAS 37 and "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) for recognition, measurement and presentation of the provision for GIDC and had recognized a temporary gain on remeasurement of such provision amounting to Rs 877.51 million in 2020. During the year, this temporary gain has been reversed by Rs 367.52 million in accordance with the requirements of IFRS and the guidance referred above.

		2021	2020
		(Rupees in thousand)	
9	**Deferred government grant**		
	Government grant recognised	122,966	150,433
	Amortization of deferred government grant	(61,526)	(27,467)
		61,440	122,966
	Less: Current portion of deferred government grant	61,440	61,526
		–	61,440

9.1 This represents deferred government grant in respect of term finance facilities obtained under SBP Salary Refinance Scheme as disclosed in note 7.3.6 and 7.3.7 to the financial statements. These facilities carry markup at subsidised rates, as specified by SBP. These loans have been recognised at their fair value which is the present value of the loan proceeds received and discounted at the market interest rates for similar instruments. The differential between the fair value and the present value has been recognised as deferred government grant, which will be amortised over the term of the respective facilities at the effective interest rate.

		Note	2021	2020
			(Rupees in thousand)	
10	**Trade and other payables**			
	Creditors		12,972,742	4,001,508
	Deferred payable to an associated company		–	2,250,000
	Current portion of provision for GIDC	8.3	3,066,199	1,404,284
	Contract liabilities	10.1	11,039,853	6,965,290
	Accrued liabilities		6,112,629	4,622,675
	Withholding tax		69,199	115,856
	Workers' profit participation fund	10.2	4,260,908	2,991,057
	Workers' welfare fund	10.3	757,668	391,409
	Retention money payable		64,954	55,752
	Provident fund payable		19,232	14,932
	Others		105,946	58,354
			38,469,330	22,871,117

10.1 Contract liabilities as at the beginning of the year, aggregating to Rs 6,913.10 million, have been recognised as revenue upon meeting the performance obligations.

		Note	2021	2020
			(Rupees in thousand)	
10.2	**Workers' profit participation fund**			
	Balance at January 01		2,991,057	2,261,421
	Charge for the year	31	1,518,911	976,876
	Payments made during the year		(249,060)	(247,240)
	Balance at December 31		4,260,908	2,991,057

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	Note	2021	2020
		(Rupees in thousand)	
10.3 Workers' welfare fund			
Balance at January 01		391,409	345,670
Charge for the year		739,805	373,547
Reversal of provision during the year		(65,598)	(4,344)
Net charge for the year		674,207	369,203
Payments made during the year		(307,948)	(323,464)
Balance at December 31		757,668	391,409
11 Accrued finance cost			
On long term finances		160,323	246,462
On short term finances		146,861	204,117
		307,184	450,579
12 Short term finances			
Secured loans from banking companies			
Cash finance	12.1	850,000	3,889,804
Finance against imported merchandise	12.2	3,915,307	3,459,769
		4,765,307	7,349,573
Running finance	12.3	1,700,465	4,093,984
		6,465,772	11,443,557

12.1 These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of raw material and finished goods. The facilities carry markup ranging from 7.90% to 11.09% (2020: 7.63% to 15.16%) per annum.

12.2 These facilities have been obtained from various banks against imported merchandise. These facilities carry markup ranging from 7.61% to 10.47% (2020: 7.76% to 14.56%) per annum.

12.3 These facilities have been obtained from various banks for working capital requirements, and are secured by pari passu charge of Rs 19,468.68 million (2020: Rs 14,002.35 million) on present and future current assets and by personal guarantees of sponsoring directors. These facilities carry markup ranging from 7.55% to 10.52% (2020: 7.13% to 15.12%) per annum.

12.4 The aggregate unavailed short term borrowing facilities amount to Rs 19,472.97 million (2020: Rs 8,838.04 million).

13 Contingencies and commitments

13.1 Contingencies

(i) Till final decision in the matter, the Honorable Lahore High Court (the Court) has suspended the operation of the impugned order of the Commissioner Inland Revenue, Multan, who rejected the Company's application under section 65 of the Sales Tax Act, 1990 regarding exemption of sales tax estimating Rs 690 million inadvertently short levied / paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011.

The court had ordered the Company to file a fresh application under the said section after declaring the earlier rejection of the Company's application filed with FBR as unlawful and ultra vires.

(ii) The Company has filed appeal with the Customs Appellate Tribunal, Lahore against the following three cases decided against the Company by the Collector of Customs (Adjudication), Faisalabad. Earlier these cases were remanded back to Collector of Customs (Adjudication), Faisalabad for rehearing the case by the Customs Appellate Tribunal, Lahore:

– Alleged irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.96 million.

– Alleged irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs 150.60 million.

– Alleged irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. The Company has filed an appeal before the Custom Appellate Tribunal, Lahore against the order passed by the Collector (Adjudication), Faisalabad in which he again raised a demand of Rs 495.90 million. Earlier the case had been remanded back to Collector of Customs (Adjudication), Faisalabad for rehearing by the Custom Appellate Tribunal, Lahore.

(iii) The Customs department has filed an appeal before the Lahore High Court against of Order passed by the Custom Appellate Tribunal which had annulled the order passed by the Collector of Customs (Adjudication), Faisalabad, alleging that the Company applied incorrect exchange rate of Rs 60.85 per USD instead of Rs 79 per USD on import clearance of 7 consignments of deformed steel bars. Total demand raised was Rs 17.94 million.

(iv) The Department has filed an appeal in the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the Commissioner Inland Revenue ('CIR (A)'), whereby the order passed under section 122(5) of the Income Tax Ordinance 2001 by the Deputy Commissioner Inland Revenue (DCIR) Multan amounting to Rs 1,055 million was annulled. The DCIR had declared the Company's Trial run production / gain as 'Commercial production' thereby imposing consequential income tax towards taxable income for Tax Year 2011.

(v) The Company has preferred an appeal before the ATIR against the order passed by the CIR(A), whereby the adverse order passed u/s 122(5A) of the Income Tax Ordinance 2001 by the assessing officer amounting to Rs 1,577 million was confirmed. The assessing officer disallowed and added back various admissible deductions and credits claimed by the Company towards its taxable income for Tax Year 2016.

(vi) The Department has filed an appeal in the ATIR against the order passed by the CIR(A) whereby the order passed under section 122(5A) of the Income Tax Ordinance passed by the Additional Commissioner Inland Revenue ('ACIR') Multan amounting to Rs 1,592 million was annulled. The ACIR had disallowed and added back various admissible deductions claimed by the Company towards its taxable income for Tax Year 2017.

(vii) The Company has preferred an appeal before the ATIR against the order passed by the CIR(A), whereby the adverse order passed under section 122(5A) of the Income Tax Ordinance 2001 by the assessing officer amounting to Rs 930 million was confirmed. The assessing officer earlier raised the alleged demand by disallowing tax credits and adding back various admissible deductions of the Company towards its taxable income thereby imposing consequential income tax for Tax Year 2018.

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(viii) The Department has filed an appeal before the ATIR against the order passed by the CIR(A), whereby the order passed under section 11 of the of Sales Tax Act, 1990 (STA) passed by the assessing officer amounting to Rs 501 million was set aside. The assessing officer had raised the demand by charging sales tax on advances received from customers.

(ix) The Company has filed an Intra Court Appeal at the Honorable Lahore High Court against dismissal of the petition challenging levy of Alternative Corporate Tax (ACT). Alternative Corporate Tax (ACT) was imposed at the rate of 17% of 'accounting profit before tax' through Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001. The Company has challenged the levy of ACT for Tax years 2014 and 2015, on grounds that it deprived the Company of certain rights already accrued to it.

(x) The Company has filed an appeal before CIR (A) against the adverse order passed by the assessing officer u/s 11 of STA. The assessing officer had raised an alleged demand against the Company by selecting it for the sales tax audit u/s 25 of STA for the tax periods from July 2016 to June 2017. Total demand raised was Rs 7,745 million.

(xi) The Company has issued Corporate Guarantee in favor of Pakarab Fertilizers Limited (an associated undertaking) amounting to Rs 5,271 million, whereas has obtained shareholders' approval to the extent of Rs 2,000 million. In light of the legal advice, the management is of the opinion that ultimate beneficiary of corporate guarantees amounting to Rs 1,687 million is Fatima Fertilizer Company Limited and therefore does not require any shareholder approval, however the Company intends to obtain approval of the shareholders for the excess amount in the forthcoming Annual General Meeting. Further, more than 88.93% of its shareholders have already given consent to vote in favor of the proposed special resolution.

Based on the advice of the Company's legal counsels and tax advisor, management considers that reasonable grounds exist that all the above appeals will succeed. Consequently, no provision has been recognized for the above mentioned amounts.

		Note	2021	2020
			(Rupees in thousand)	
13.2	**Commitments in respect of**			
(i)	Contracts for capital expenditure		3,880,314	840,709
(ii)	Contracts for other than capital expenditure		3,605,830	374,600
(iii)	The amount of future payments under ijarah rentals and short term / low value leases:			
	Not later than one year		231,860	247,331
	Later than one year but not later than five years		144,174	303,398
			376,034	550,729
14	**Property, plant and equipment**			
	Operating fixed assets	14.1	99,741,174	100,724,565
	Capital work in progress	14.2	5,681,290	4,213,168
			105,422,464	104,937,733

14.1 Operating fixed assets

2021

	Note	Cost			Accumulated Depreciation			Book value	Depreciation
		December 31, 2020	Additions / (deletions)	December 31, 2021	December 31, 2020	Charge / (deletions)	December 31, 2021	December 31, 2021	rate
		(Rupees in thousand)							%
Freehold land	14.1.1	2,480,836	65,870	2,546,706	–	–	–	2,546,706	–
Building on freehold land		5,585,412	347,620	5,933,032	1,567,351	229,806	1,797,157	4,135,875	4
Building on leasehold land		30,445	–	30,445	8,119	3,044	11,163	19,282	10
Plant and machinery		103,365,328	3,725,907	107,091,235	14,239,598	4,203,766	18,443,364	88,647,871	4
Aircraft		1,567,285	–	1,567,285	208,971	78,365	287,336	1,279,949	10
Catalysts		3,079,712	99,457	3,179,169	2,648,433	220,946	2,869,379	309,790	10 - 33.33
Furniture and fixtures		114,335	16,076	125,824	76,320	9,136	80,869	44,955	10
			(4,587)			(4,587)			
Office equipment		77,144	20,612	97,022	50,936	6,210	56,419	40,603	10
			(734)			(727)			
Electrical installations and appliances		1,247,387	203,040	1,448,688	840,817	85,299	924,485	524,203	10
			(1,739)			(1,631)			
Computers		562,908	124,656	671,940	393,659	83,424	461,887	210,053	25
			(15,624)			(15,196)			
Vehicles		425,025	218,020	643,045	303,812	56,604	360,416	282,629	20
Right of use assets - plant and machinery		1,858,971	–	1,156,485	165,381	138,799	157,829	998,656	5 - 12.5
			(702,486)			(146,351)			
Right of use assets - land and building		992,149	–	985,208	158,975	130,321	284,606	700,602	10 - 33.33
			(6,941)			(4,690)			
		121,386,937	4,821,258	125,476,084	20,662,372	5,245,720	25,734,910	99,741,174	
			(732,111)			(173,182)			

2020

	Cost			Accumulated Depreciation			Book value	Depreciation
	December 31, 2019	Additions / (deletions)	December 31, 2020	December 31, 2019	Charge / (deletions)	December 31, 2020	December 31, 2020	rate
	(Rupees in thousand)							%
Freehold land	2,413,335	67,501	2,480,836	–	–	–	2,480,836	–
Building on freehold land	5,537,692	47,720	5,585,412	1,344,239	223,112	1,567,351	4,018,061	4
Building on leasehold land	30,445	–	30,445	5,074	3,045	8,119	22,326	10
Plant and machinery	89,201,273	14,487,185	103,365,328	12,391,324	1,883,304	14,239,598	89,125,730	4
		(323,130)			(35,030)			
Aircraft	1,567,285	–	1,567,285	130,607	78,364	208,971	1,358,314	10
Catalysts	2,947,650	132,062	3,079,712	2,314,929	333,504	2,648,433	431,279	10 - 33.33
Furniture and fixtures	107,513	7,079	114,335	67,354	9,223	76,320	38,015	10
		(257)			(257)			
Office equipment	72,879	4,265	77,144	35,649	15,287	50,936	26,208	10
Electrical installations and appliances	1,135,623	112,062	1,247,387	769,503	71,612	840,817	406,570	10
		(298)			(298)			
Computers	445,291	123,474	562,908	342,052	57,199	393,659	169,249	25
		(5,857)			(5,592)			
Vehicles	353,157	72,480	425,025	268,618	35,806	303,812	121,213	20
		(612)			(612)			
Right of use assets - plant and machinery	702,486	1,156,485	1,858,971	35,124	130,257	165,381	1,693,590	5 - 12.5
Right of use assets - land and building	366,100	631,741	992,149	67,730	91,957	158,975	833,174	10 - 50
		(5,692)			(712)			
	104,880,729	16,842,054	121,386,937	17,772,203	2,932,670	20,662,372	100,724,565	
		(335,846)			(42,501)			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

14.1.1 Particulars of land in the name of the Company are as follows:

Descriptions	Location	Land Area
Free hold Land	Sadiqabad District Rahim Yar Khan	1,190 acres and 22 marlas
Free hold Land	Jahangirabad District Multan	113 kanals and 17 marlas
Free hold Land	Chichoki Mallian at Sheikhupura Road	222 acres
Free hold Land	Dherki, District Ghotki, Sindh	26 acres and 7 kanals

	2021	2020
	(Rupees in thousand)	
14.2 Capital work in progress		
Civil works	175,861	369,297
Plant and machinery	1,882,284	1,605,107
Capital stores	1,799,228	1,662,334
Advances:		
- Freehold land	756,240	17,887
- Plant and machinery	1,067,677	558,543
	1,823,917	576,430
	5,681,290	4,213,168
14.2.1 Movement of capital work in progress		
Opening balance	4,213,168	13,612,134
Addition during the year	4,751,907	1,457,760
	8,965,075	15,069,894
Capitalized during the year	(3,270,316)	(10,850,929)
Provision for slow moving capital stores	(13,469)	(5,797)
Closing balance	5,681,290	4,213,168
14.3 The depreciation charge for the year has been allocated as follows:		
Cost of sales	4,998,414	2,719,658
Administrative expenses	238,610	206,731
Distribution cost	8,696	6,281
	5,245,720	2,932,670

14.4 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal
			(Rupees in thousand)			
Items having net book value below Rs 500,000						
Furniture and fixture	4,587	4,587	–	1,672	1,672	Company policy
Office equipments	734	727	7	–	(7)	Company policy
Computers	15,624	15,196	428	1,152	724	Company policy
Electrical installations and appliances	1,739	1,631	108	606	498	Through tender
2021	22,684	22,141	543	3,430	2,887	
2020	330,154	41,789	288,365	289,479	1,114	

15 Intangible assets

2021

	Note	Cost			Accumulated amortization / impairment				Book value	Amortization
		December 31, 2020	Additions / (deletions)	December 31, 2021	December 31, 2020	Charge / (deletions)	Impairment / (reversal)	December 31, 2021	December 31, 2021	rate
		(Rupees in thousand)								%
Bubber Sher brand	15.2	5,900,000	–	5,900,000	–	–	2,360,000	2,360,000	3,540,000	–
Computer software		246,929	19,741	266,670	155,910	41,883	–	197,793	68,877	25
		6,146,929	19,741	6,166,670	155,910	41,883	2,360,000	2,557,793	3,608,877	

2020

	Cost			Accumulated amortization / impairment				Book value	Amortization
	December 31, 2019	Additions / (deletions)	December 31, 2020	December 31, 2019	Charge / (deletions)	Impairment / (reversal)	December 31, 2020	December 31, 2020	rate
	(Rupees in thousand)								%
Bubber Sher brand	5,900,000	–	5,900,000	–	–	–	–	5,900,000	–
Computer software	195,018	51,911	246,929	121,470	34,440	–	155,910	91,019	25
	6,095,018	51,911	6,146,929	121,470	34,440	–	155,910	5,991,019	

15.1 The amortization charge for the year has been allocated to administrative expenses.

15.2 During the year 2021, the Company has reassessed recoverable amount of its Bubber Sher brand, through its value in use, to be in excess of carrying value and has booked an impairment loss of Rs 2,360 million. The value in use of the brand has been calculated by discounting the cost savings at the weighted average cost of capital of the Company.

16 Investment property

2021

	Note	Cost			Accumulated depreciation			Book value	Amortization
		December 31, 2020	Additions / (deletions)	December 31, 2021	December 31, 2020	Charge / (deletions)	December 31, 2021	December 31, 2021	rate
		(Rupees in thousand)							%
Freehold land	16.1	734,521	20,056	754,577	–	–	–	754,577	–
Building		22,650	–	22,650	982	906	1,888	20,762	4
		757,171	20,056	777,227	982	906	1,888	775,339	

2020

	Cost			Accumulated depreciation			Book value	Amortization
	December 31, 2019	Additions / (deletions)	December 31, 2020	December 31, 2019	Charge / (deletions)	December 31, 2020	December 31, 2020	rate
	(Rupees in thousand)							%
Freehold land	605,000	129,521	734,521	–	–	–	734,521	–
Building	22,650	–	22,650	77	905	982	21,668	4
	627,650	129,521	757,171	77	905	982	756,189	

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16.1 Freehold land consists of 11,499.5 Kanals situated in District Dera Ismail Khan, Khybar Pakhtunkhwa. The land is in possession and control of the Company and currently it is in the name of the three Directors of the Company, Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar, which will be transferred in the name of the Company in due course of time.

16.2 The fair value of investment property is not significantly different from carrying amount, as this was purchased recently.

	Note	2021	2020
		(Rupees in thousand)	
17 Long term investments			
In associates			
Fatima Agri Sales & Services (Pvt) Limited	17.2	110,301	115,755
Multan Real Estate Company (Pvt) Limited	17.3	84,987	85,851
Fatima Electric Company Limited	17.4	23	35
Singfert PTE. Limited	17.5	–	–
Silk Islamic Development REIT	17.6	600,000	–
		795,311	201,641
In wholly owned subsidiary company - at cost			
Fatimafert Limited	17.7	200	–
Pan-Africa Fertilizers Limited	17.8	–	–
		795,511	201,641

17.1 Movement in investment in associates

	2021				
	Opening	Purchased during the year	Share of profit / (loss)	Share of other comprehensive income	Closing
	(Rupees in thousand)				
Fatima Agri Sales & Services (Pvt) Limited	115,755	–	528	(5,982)	110,301
Multan Real Estate Company (Pvt) Limited	85,851	–	(864)	–	84,987
Fatima Electric Company Limited	35	–	(12)	–	23
Singfert PTE. Limited	–	–	–	–	–
Silk Islamic Development REIT	–	600,000	–	–	600,000
	201,641	600,000	(348)	(5,982)	795,311

	2020				
	Opening	Purchased during the year	Share of profit / (loss)	Share of other comprehensive income	Closing
	(Rupees in thousand)				
Fatima Agri Sales & Services (Pvt) Limited	88,900	–	26,855	–	115,755
Multan Real Estate Company (Pvt) Limited	85,806	–	45	–	85,851
Fatima Electric Company Limited	140	–	(105)	–	35
Singfert PTE. Limited	–	–	–	–	–
Silk Islamic Development REIT	–	–	–	–	–
	174,846	–	26,795	–	201,641

17.2 This represents investment in 196,000 fully paid ordinary shares of Rs 10 each of Fatima Agri Sales & Services (Pvt) Limited (FASS). The investment represents 49% (2020: 49%) of the total issued, subscribed and paid up share capital of FASS.

The principal activity of FASS is to carry on business as a sellers, marketers, importers, exporters, wholesalers, retailers and dealers in all types of agri inputs including fertilizers, micronutrients, pesticides and insecticides, seeds, vaternity and live stock feeds and feeds supplements, fish feeds and its supplements. The registered office of FASS is located at Lahore, Pakistan.

17.3 This represents investment in 858,056 fully paid ordinary shares of Rs 100 each of Multan Real Estate Company (Pvt) Limited (MREC). The investment represents 39.5% (2020: 39.5%) of the total issued, subscribed and paid up share capital of MREC. The main business of MREC is establishing and designing housing and commercial schemes, to carry on business of civil engineers for construction of private and governmental buildings and infrastructure and provision of labor and building material. The registered office of MREC is located at Lahore, Pakistan.

17.4 This represents investment in 14,000 fully paid ordinary shares of Rs 10 each of Fatima Electric Company Limited (FECL). The investment represents 40% (2020: 40%) of the total issued, subscribed and paid up share capital of FECL.

The main business of FECL is transmission, manufacture, supply, generation and distribution of electricity and all forms of energy and power. The registered office of FECL is located at Lahore, Pakistan.

17.5 This represents investment in 1 fully paid ordinary share of SGD 1 each of Singfert PTE. Limited (Singfert), a company formed and registered in the Republic of Singapore. The investment represents 25% (2020: 25%) of the total issued, subscribed and paid up share capital of Singfert. No dividend has been paid by Singfert during the year.

Singfert is a Special Purpose Vehicle (SPV) which will be used to route equity investment in Midwest Fertilizer Company (MFC), USA. MFC is setting up a nitrogen fertilizer project in the State of Indiana, USA.

17.6 This represents investment in 60,000,000 units of Rs 10 each of Silk Islamic Development REIT (REIT). The investment represents 20% (2020: nil) of the total units of the REIT.

The principal activity of the REIT is to develop real estate and to construct and sell apartments and commercial units. The registered office of the REIT is located in Karachi, Pakistan.

17.7 This represents investment in 20,000 (2020: nil) fully paid ordinary shares of Rs 10 each of its wholly owned subsidiary company Fatimafert Limited (FFT).

The principal line of business of FFT is to carry on business of manufacture, produce, treat, refine, reduce and process all kinds of artificial manures and fertilizers, chemicals and minerals and any products and by-products which may be prepared therefrom. The registered office of the FFT is located at E-110, Khayaban-e-Jinnah, Lahore Cantt., Lahore, Pakistan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

17.8 This represents incorporation of a wholly owned subsidiary company in Kenya. The principal business of the Company is trade marketing services including but not limited to manufacturing and / or sales / provision of fertilizer products or alike or any other business. The registered address of the company is located at Westlands District, Nairobi, Kenya.

	2021	2020
	(Rupees in thousand)	
18 Long term loan to an associated company		
Long term loan to an associated company	2,999,000	2,999,000
Less: Current portion	999,667	–
	1,999,333	2,999,000

18.1 This represents loan of Rs 3,000 million approved in the Extra Ordinary General Meeting of the Company held on December 23, 2016 in favour of Pakarab Fertilizers Limited, an associated Company. As per the terms of the agreement, the loan was for 5 years period with two and a half years as grace period. However in 16th annual general meeting held on April 30, 2019 it was resolved that grace and repayment period is extended for further 3 years. The loan is receivable in 6 semi annual equal installments. Interest is to be settled semi annually. The maximum amount of loan outstanding during the year was Rs 2,999 million.

The loan carries markup rate at 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 9.47% to 13.62% (2020: 9.34% to 15.60%).

The loan is fully secured against ranking charge on all present and future fixed assets of the associated Company excluding immovable property i.e. land and buildings and complete carbon dioxide recovery / liquefaction plant (along with storage tank, tools, spares and accessories).

	2021	2020
	(Rupees in thousand)	
19 Stores and spares		
Stores	495,097	354,267
Spares {including in transit Rs 565.69 million (2020: nil)}	7,498,447	5,243,101
Catalyst and chemicals	3,672,827	2,709,713
	11,666,371	8,307,081
Provision for slow moving stores and spares	(100,538)	(33,247)
	11,565,833	8,273,834

	Note	2021	2020
		(Rupees in thousand)	
20 Stock in trade			
Raw material {including in transit Rs 3,871.03 million (2020: Rs 1,412.14 million)}		10,558,828	2,634,574
Packing material		28,981	123,572
		10,587,809	2,758,146
Mid products			
Ammonia		95,189	290,865
Nitric acid		22,425	19,489
Others		4,950	699
		122,564	311,053
Finished goods			
Own manufactured			
Urea		247,278	805,240
NP		5,185,720	5,906,647
CAN		29,333	1,639,528
Certified Emission Reductions		51,981	21,785
		5,514,312	8,373,200
Purchased for resale		2,107,096	2,088,546
		18,331,781	13,530,945
21 Trade debts			
Secured against bank guarantees		5,574,393	4,400,603
Un secured - considered good	21.1	4,079,915	49,873
		9,654,308	4,450,476

21.1 This includes Rs 4,008.44 million (2020: nil) pertaining to Pakarab Fertilizers Limited, an associated company, on account of toll manufacturing in the normal course of business. There is no past due debt at the reporting date. Maximum amount outstanding at any time during the year was Rs 6,171.21 million.

	Note	2021	2020
		(Rupees in thousand)	
22 Short term loans			
Reliance Commodities (Pvt) Limited	22.1	4,999,723	1,241,723
Pakarab Fertilizers Limited	22.2	2,000,000	2,000,000
		6,999,723	3,241,723

22.1 This represents loan given to an associated company Reliance Commodities (Pvt) Limited, against an approved limit of Rs 1,250 million, which was enhanced to Rs 5,000 million at the Annual General Meeting dated April 26, 2021. The loan is repayable within 30 business days notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2% per annum. Effective rate of markup charged during the year ranged from 9.41% to 10.85% (2020: 9.41% to 16.02%). The loan is fully secured against a ranking charge over the present and future current assets of the associated Company. The maximum amount of loan outstanding during the year was Rs 4,999.72 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

22.2 This represents loan against aggregate approved facility of Rs 2,000 million provided to an associated Company Pakarab Fertilizers Limited to support functionality and business requirements. The loan is repayable within 30 business days notice of demand. The loan is fully secured against a ranking charge over the present and future current assets of the associated Company. The markup rate on the said loan is 6 months KIBOR plus 2% per annum. Effective rate of markup charged during the year ranged from 9.47% to 10.85% (2020: 9.47% to 15.46%). The maximum amount of loan outstanding during the year was Rs 2,000 million.

	Note	2021	2020
		(Rupees in thousand)	
23 Advances, deposits, prepayments and other receivables			
Advances - considered good			
- to employees		17,710	13,986
- to suppliers	23.1	2,631,781	820,241
		2,649,491	834,227
Margin deposits held by banks		463,595	64,434
Prepayments		138,624	62,040
Receivable from Government of Pakistan (GoP)			
- Advance sales tax		9,283,706	3,899,702
- Subsidy receivable		1,838,075	1,838,075
Loss allowance on subsidy receivable	23.2	(469,965)	(360,244)
		10,651,816	5,377,533
Advance sales tax on receipts		25,131	111,548
Markup receivable		339,290	1,380,367
Current portion of long term loan to an associated company		999,667	–
Others		368,231	845,541
		15,635,845	8,675,690

23.1 These advances to suppliers include balance of Rs 545.78 million (2020: nil) to Pakarab Fertilizers Limited, Rs 345.62 million (2020: nil) to Fatima Packaging Limited and Rs 283.14 million (2020: Rs 47.05 million) to Fatima Agri Sales & Services (Pvt) Limited, which are related parties of the Company and are in the nature of normal trading business.

23.2 This represents loss allowance on subsidy receivable from GoP in accordance with requirement of IFRS 9. However, management is confident of recovering the full amount from GoP.

	Note	2021	2020
		(Rupees in thousand)	
24 Short term investments			
Investment - FVTPL	24.1	2,242,710	2,324,222
Investment - FVTOCI	24.2	–	199,640
		2,242,710	2,523,862

24.1 These consist of investments made in equity instruments of various companies.

24.2 Profit rate on these term finance certificates was 7.71% (2020: 7.71% to 14.58%) per annum.

		Note	2021	2020
			(Rupees in thousand)	
25	**Cash and bank balances**			
	Cash in hand		7,415	3,195
	At banks			
	- saving accounts	25.1	120,392	289,723
	- current accounts		4,515,394	262,844
	- term deposit receipt		2,700,000	–
			7,343,201	555,762

25.1 Balances in saving accounts carry profit rates ranging from 5.50% to 8.50% (2020: 5.50% to 12.50%) per annum.

		Note	2021	2020
			(Rupees in thousand)	
26	**Sales**			
	Revenue from contracts with customers			
	Local sales	26.1	112,488,420	71,117,229
	Export sales - Certified Emission Reductions		–	150,087
			112,488,420	71,267,316

26.1 Local sales

	2021	2020
Own manufactured	90,264,959	62,040,598
Toll manufacturing	19,688,180	–
Mid products	1,186,215	863,636
Purchased for resale	5,402,141	11,049,223
	116,541,495	73,953,457
Less: Sales tax	2,488,713	1,557,228
Discounts	1,564,362	1,279,000
	112,488,420	71,117,229

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

		Note	2021	2020
			(Rupees in thousand)	
27	**Cost of sales**			
	Raw material consumed		33,894,924	22,848,385
	Packing material consumed		2,435,781	1,330,108
	Salaries, wages and other benefits	27.1	6,035,077	4,430,574
	Fuel and power		7,705,650	6,330,031
	Chemicals and catalyst consumed		2,177,509	1,172,764
	Stores and spares consumed		2,560,802	1,891,292
	Depreciation	14.3	4,998,414	2,719,658
	Technical assistance		477,832	162,389
	Repair and maintenance		1,724,118	2,131,497
	Insurance		841,210	717,812
	Travelling and conveyance		155,026	127,142
	Rent, rates and taxes		386,755	164,127
	Vehicle running and maintenance		137,654	94,318
	Others		147,582	131,444
	Subsidy on RLNG released by GoP to SNGPL	27.2	(1,532,564)	(5,741,609)
	Manufacturing cost		62,145,770	38,509,932
	Opening stock of mid products		311,053	203,837
	Closing stock of mid products		(122,564)	(311,053)
	Cost of goods manufactured		62,334,259	38,402,716
	Opening stock of finished goods		8,373,200	2,851,480
	Closing stock of finished goods		(5,514,312)	(8,373,200)
	Cost of sales - own manufactured		65,193,147	32,880,996
	Cost of sales - purchased for resale		4,210,829	9,591,534
			69,403,976	42,472,530

27.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 194.48 million (2020: Rs 244.73 million).

27.2 This represents subsidy related to prior year, released by Government of Pakistan (GoP) to SNGPL, as the difference between full RLNG price billed to the Company (Sheikhupura Plant) by SNGPL and the Gas price capped by GoP for fertilizer plants operating on RLNG.

		Note	2021	2020
			(Rupees in thousand)	
28	**Distribution cost**			
	Salaries, wages and other benefits		248,087	228,488
	Fee for services	28.1	998,240	691,523
	Rent, rates and taxes	28.2	333,020	254,167
	Advertisement and sales promotion		481,973	372,688
	Transportation and freight		2,854,070	2,270,461
	Technical services to farmers		51,556	24,088
	Others		81,867	49,393
			5,048,813	3,890,808

28.1 The company has outsourced its marketing and distribution function. The amount represents fee for marketing and distribution services charged by an associated company - Fatima Agri Sales and Services (Pvt.) Limited.

28.2 This includes rental paid for short term leases (less than one year) amounting to Rs 332.20 million (2020: Rs 253.90 million).

		Note	2021	2020
			(Rupees in thousand)	
29	**Administrative expenses**			
	Salaries, wages and other benefits	29.1	1,776,621	1,225,327
	Travelling and conveyance		233,863	134,450
	Vehicles running and maintenance		51,588	28,835
	Insurance		10,550	10,705
	Communication and postage		47,280	37,971
	Printing and stationery		25,270	15,245
	Repair and maintenance		66,741	44,882
	Rent, rates and taxes	29.2	64,734	48,352
	Fees and subscription		119,556	161,286
	Entertainment		20,798	13,704
	Legal and professional		74,576	264,811
	Auditors' remuneration	29.3	7,936	7,340
	Utilities		35,119	24,844
	Aircraft operating expenses		275,780	231,262
	Depreciation on operating fixed assets	14.3	238,610	206,731
	Depreciation on investment property	16	906	905
	Amortization	15.1	41,883	34,440
	Charity and donation	29.4	712,796	811,566
	Others		94,991	65,844
			3,899,598	3,368,500

29.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 59.57 million (2020: Rs 71.85 million).

29.2 This includes rental paid for low value leases amounting to Rs 20.38 million (2020: Rs 14.52 million) and ijarah lease rentals amounting to Rs 42.15 million (2020: Rs 32.58 million).

29.3 The breakup of auditors' remuneration including non adjustable sales tax is as follows:

	Note	2021	2020
		(Rupees in thousand)	
Annual audit fee		4,124	3,928
Half yearly review fee		578	525
Others	29.3.1	2,558	2,248
Out of pocket expenses		676	639
		7,936	7,340

29.3.1 Others include special audit fee of Rs 2.07 million (2020: Rs 1.82 million).

29.4 Donations

29.4.1 Donations paid to Mian Mukhtar A. Sheikh Trust (the Trust) exceeds 10% of the Company's total amount of donation.

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29.4.2 Donations include the following in which certain directors are interested:

Name of directors	Interest in donee	Name of donees	2021	2020
			(Rupees in thousand)	
Mr. Fawad Ahmed Mukhtar Mr. Faisal Ahmed Mukhtar Mr. Fazal Ahmed Sheikh	Trustees	Mian Mukhtar A. Sheikh Trust	528,000	564,000
Mr. Fawad Ahmed Mukhtar	Member of the Board of Governors of National Management Foundation (NMF) the sponsoring body of LUMS.	Lahore University of Management Sciences (LUMS)	10,960	4,687

		Note	2021	2020
			(Rupees in thousand)	
30	**Finance cost**			
	Markup on long term finances		712,359	1,307,495
	Markup on short term finances		878,625	1,665,470
	Interest on lease liabilities		161,193	102,572
	Bank charges and others		254,382	393,766
			2,006,559	3,469,303
31	**Other operating expenses**			
	Workers' Profit Participation Fund	10.2	1,518,911	976,876
	Workers' Welfare Fund	10.3	674,207	369,203
	Exchange loss - net		6,211	331,479
	Impairment of brand	15.2	2,360,000	–
	Loss on remeasurement of investment classified as FVTPL		117,648	–
			4,676,977	1,677,558
32	**Other income**			
	Income from financial assets			
	Profit on loan to related parties		839,424	1,200,505
	Gain on remeasurement of investment classified as FVTPL		–	324,315
	Gain on sale of investment classified as FVTPL		30,937	87,736
	Profit on short term investments and saving accounts		96,516	53,574
	Dividend income		217,225	56,391
			1,184,102	1,722,521
	Income from non financial assets			
	Scrap sales		18,535	10,662
	Gain on disposal of property, plant and equipment		2,887	1,114
	Others		4,665	75,777
			26,087	87,553
			1,210,189	1,810,074

	2021	2020
	(Rupees in thousand)	
33 Taxation		
Current tax		
- Current year	9,900,868	5,093,089
- Prior year	(947,181)	(89,225)
	8,953,687	5,003,864
Deferred tax	757,140	464,200
	9,710,827	5,468,064

33.1 Assessments for Tax Years upto 2021 (Financial Year ended December 31, 2020) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

	2021	2020
	(%)	
33.2 Tax charge reconciliation		
Numerical reconciliation between the average tax rate and the applicable tax rate:		
Applicable tax rate	29.00	29.00
Tax effect of:		
Income exempt from income tax or taxed at lower rate	(0.11)	(0.25)
Prior year adjustments	(3.36)	(0.48)
Deductions disallowed	7.10	0.01
Others	1.82	0.89
	5.45	0.17
Average effective tax rate charged to statement of profit or loss	34.45	29.17

		2021	2020
34 Earnings per share - basic and diluted			
Profit attributable to ordinary shareholders	(Rupees in thousand)	18,474,266	13,274,691
Weighted average number of shares	(Number of shares)	2,100,000,000	2,100,000,000
Basic and diluted earnings per share	(Rupees)	8.80	6.32

35 Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Company. Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties have been disclosed in the relevant notes to the financial statements. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended December 31, 2021

Relationship with the Company	Nature of transaction	2021	2020
		(Rupees in thousand)	
Associated Companies	Purchase of packing material	2,554,662	1,490,814
	Purchase of raw material	2,222,372	343,438
	Purchase of catalysts	272,373	745,934
	Purchase of stores and spares	462,560	200,077
	Purchase of mid products	–	144,666
	Purchase of finished goods	–	3,278,368
	Sale of mid products	118,602	125,977
	Lease rental and license fee	345,095	48,000
	Payment against sales collection	33,636,365	–
	Toll manufacturing revenue	19,688,180	–
	Fee for services	3,059,353	1,363,368
	Miscellaneous expenses	26,740	16,176
	Markup income	839,424	1,200,467
	Markup expense	148,429	87,765
	Purchase of plant and machinery	–	9,000,000
	Purchase of CWIP and immoveable property	–	328,136
	Settlement related to gas pipeline and allied costs	–	3,537,918
	Short term loan given	3,758,000	–
	Dividend paid	1,618,502	1,782,879
Key management personnel	Remuneration	353,194	255,604
	Dividend paid	688,791	753,805
Retirement benefit plans	Retirement benefit contribution	254,055	316,581

35.1 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.

Name	Basis of Relationship	Aggregate % of shareholding in the Company
Fatima Agri Sales & Services (Private) Limited	Associated company	Nil
Pakarab Fertilizers Limited	Common directorship	Nil
Fatima Packaging Limited	Common directorship	Nil
Air One (Private) Limited	Common directorship	Nil
Arif Habib Corporation Limited	Common directorship	15.19%
Fatima Holding Limited	Common directorship	3.19%
Fazal Cloth Mills Limited	Common directorship	3.29%
Reliance Weaving Mills Limited	Common directorship	0.13%
Reliance Commodities (Pvt.) Limited	Common directorship	0.02%
Fatima Management Company Limited	Common directorship	7.64%
Arif Habib Equity (Private) Limited	Common directorship	0.92%
Fatima Trading Company (Private) Limited	Common directorship	4.64%
Farrukh Trading Company Limited (Formerly Fatima Trade Company Limited)	Common directorship	7.64%

35.2 The Company considers its Chief Executive Officer, Executive Director, and Functional Heads as its key management personnel.

	2021	2020
	Metric ton	
36 Capacity and production		
Urea		
Designed production capacity	1,037,900	1,037,900
Actual production	800,634	680,889
CAN		
Designed production capacity	870,000	870,000
Actual production	792,438	577,975
NP		
Designed production capacity	664,500	664,500
Actual production	829,822	637,418

36.1 Sadiqabad and Multan plant remained down for 28 days and 23 days respectively for planned maintenance. Sheikhupura plant remained operational as per availability of Natural Gas (RLNG).

37 Remuneration of directors and management personnel

37.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to full time working Directors and Executives of the Company are as follows:

	Chief Executive		Executive Director		Executives	
	2021	2020	2021	2020	2021	2020
			(Rupees in thousand)			
Short term employee benefits						
Managerial remuneration	20,355	18,852	18,957	18,255	875,853	656,426
Housing	9,160	8,484	8,531	8,215	362,148	276,643
Utilities	–	–	–	–	80,471	59,016
Conveyance allowance and site allowance	–	–	–	–	195,052	150,819
Leave fare assistance and bonus	9,310	6,207	9,310	6,207	441,977	244,887
Others	20,910	5,733	1,189	1,592	33,999	35,763
	59,735	39,276	37,987	34,269	1,989,500	1,423,554
Retirement benefits						
Contribution to provident fund and gratuity	–	–	–	–	207,461	132,452
Accumulating compensated absences	–	–	–	–	–	29,850
	59,735	39,276	37,987	34,269	2,196,961	1,585,856
Number of persons	1	1	1	1	289	243

37.2 Non Executive Directors were paid meeting fee aggregating to Rs 1.70 million (2020: Rs 1.40 million).

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37.3 The Company also provides the Chief Executive, Executive Director and some of the Executives with Company maintained cars.

	Note	2021	2020
		(Rupees in thousand)	
38 Cash generated from operations			
Profit before tax		28,185,093	18,742,755
Adjustments for:			
Depreciation on property, plant and equipment	14.1	5,245,720	2,932,670
Amortization of intangible assets	15	41,883	34,440
Impairment of brand	15	2,360,000	–
Depreciation on investment property at cost	16	906	905
Finance cost	30	2,006,559	3,469,303
Unwinding of provision / (gain on remeasurement) of GIDC	8.3	367,524	(877,513)
Loss allowance on subsidy receivable from GoP	23.2	109,721	360,244
Provision for staff retirement benefits	8.2	128,670	212,913
Exchange (gain) / loss on translation of foreign currency loan	7.1	(3,312)	48,683
Loss / (gain) on sale of investment - through profit or loss	31 & 32	86,711	(412,051)
Provision for slow moving stores and spares		74,964	39,043
Profit on loan to related parties	32	(839,424)	(1,200,505)
Share of loss / (profit) from associates	17.1	348	(26,795)
Profit on short term investments and saving accounts	32	(96,516)	(53,574)
Gain on disposal of property, plant and equipment	14.4	(2,887)	(1,114)
		9,480,867	4,526,649
Operating cash flows before working capital changes		37,665,960	23,269,404
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		(3,366,963)	(599,421)
Stock in trade		(4,800,836)	(2,013,034)
Trade debts		(5,203,832)	2,756,494
Advances, deposits, prepayments and other receivables		(7,111,286)	3,773,620
Increase / (decrease) in creditors, accrued and other liabilities		14,244,246	(2,199,548)
		(6,238,671)	1,718,111
		31,427,289	24,987,515

39 Financial risk management

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro (EUR). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2021	2020
	(FCY in thousand)	
Cash at banks – USD	39	13
Trade and other payables – USD	(1,526)	(1,374)
Export Credit Agency Finance – USD	–	(895)
Net exposure – USD	(1,487)	(2,256)
Trade and other payables – EUR	(981)	(818)
Net exposure – EUR	(981)	(818)

The following significant exchange rates were applied during the year:

	2021	2020
Rupees per USD		
Average rate	169.74	158.08
Reporting date rate	178.67	160.80
Rupees per EUR		
Average rate	200.35	185.86
Reporting date rate	203.03	197.67

If the functional currency, at reporting date, had fluctuated by 5% against the USD and EUR with all other variables held constant, the impact on profit after taxation for the year would have been Rs 23.24 million (2020: Rs 26.22 million), respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is also exposed to equity price risk since there are investments in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

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Fair value sensitivity analysis - Investments through Profit or Loss

In case of 5% change in KSE 100 index on December 31, 2021, with all other variables held constant, net profit for the period would increase / decrease by Rs 112.14 million (2020: Rs 116.21 million) as a result of gains / losses on equity securities classified as at fair value through profit or loss.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long term interest bearing assets. The Company's interest rate risk arises from long term financing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

Interest rate sensitivity analysis - FVTOCI

In case of 5% change in fair value of TFCs on December 31, 2021, with all other variables held constant, net profit for the period would increase / decrease by Rs nil (2020: Rs 9.98 million) as a result of gains / losses on TFCs classified at FVTOCI.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	2021	2020
	(Rupees in thousand)	
Fixed rate instruments		
Cash at bank - saving accounts	120,392	289,723
Term deposit receipt	2,700,000	–
Floating rate instruments		
Financial assets		
Long term loan to associated company	2,999,000	2,999,000
Short term loans	6,999,723	3,241,723
Short term investment	–	199,640
Financial liabilities		
Long term finance	7,064,604	8,917,289
Short term finance - secured	6,465,772	11,443,557

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the statement of profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If the markup rate on net finance at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit after taxation for the year would have been Rs 24.45 million (2020: Rs 115.56 million) respectively higher / lower.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and loans, advances, deposits, prepayments and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2021	2020
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,999,000
Long term advances and deposits	518,424	113,679
Short term loan to associated companies	6,999,723	3,241,723
Advances, deposits and other receivables	1,171,116	2,290,342
Trade debts	9,654,308	4,450,476
Short term investments	2,242,710	2,523,862
Bank balances	7,335,786	552,567
	30,921,067	16,171,649

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2021	2020
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Allied Bank Limited	A-1+	AAA	PACRA	354	3,025
Askari Bank Limited	A-1+	AA+	PACRA	13,524	2,150
Bank Alfalah Limited	A-1+	AA+	PACRA	566,787	189
Bank Al Habib Limited	A-1+	AAA	PACRA	747,108	8,258
Citibank N.A	P-1	Aa3	Moody's	46	46
Dubai Islamic Bank Limited	A-1+	AA	VIS	6	–
Faysal Bank Limited	A-1+	AA	PACRA	42,866	50,016
Habib Bank Limited	A-1+	AAA	VIS	524,100	61,657
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	–	13
JS Bank Limited	A-1+	AA-	PACRA	63,244	137
MCB Bank Limited	A-1+	AAA	PACRA	30,870	14,130
Meezan Bank Limited	A-1+	AAA	VIS	882,594	36,990
National Bank of Pakistan	A-1+	AAA	VIS	1,558,375	1,617
Sindh Bank Limited	A-1	A+	VIS	–	15
Soneri Bank Limited	A-1+	AA-	PACRA	424	10
Summit Bank Limited	A-3	BBB-	VIS	183,587	112,089
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	2,714,509	225,272
The Bank of Punjab	A-1+	AA+	PACRA	503	31,163
The Royal Bank of Scotland	P-1	Aa3	Moody's	2,820	–
United Bank Limited	A-1+	AAA	VIS	4,069	5,791

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

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(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2021 the Company has Rs 20,602.60 million (2020: Rs 8,838.04 million) unutilized borrowing limits from financial institutions and Rs 7,343.20 million (2020: Rs 555.76 million) cash and cash equivalents.

The following are the contractual maturities of financial liabilities as at December 31, 2021:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	7,064,604	1,892,328	4,607,803	564,473
Lease liabilities	2,414,760	334,537	2,080,223	–
Short term finance - secured	6,465,772	6,465,772	–	–
Trade and other payables	30,315,356	30,315,356	–	–
Unpaid dividend	1,738,864	1,738,864	–	–
Unclaimed dividend	44,951	44,951	–	–
Long term deposits	175,104	–	175,104	–
Accrued finance cost	307,184	307,184	–	–
	48,526,595	41,098,992	6,863,130	564,473

The following are the contractual maturities of financial liabilities as at December 31, 2020:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	8,917,289	5,803,222	3,114,067	–
Lease liabilities	2,734,040	319,280	2,414,760	–
Short term finance - secured	11,443,557	11,443,557	–	–
Trade and other payables	17,968,511	17,968,511	–	–
Unpaid dividend	–	–	–	–
Unclaimed dividend	40,853	40,853	–	–
Long term deposits	110,370	–	110,370	–
Accrued finance cost	450,579	450,579	–	–
	41,665,199	36,026,002	5,639,197	–

39.2 Fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Fair value hierarchy

The company is required to classify financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

– Level 1: Quoted market 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 the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Investments of the Company carried at fair value are categorised as follows:

	2021			
	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Investment - FVTPL	2,242,710	–	–	2,242,710
Investment - FVTOCI	–	–	–	–
Total financial assets at fair value	2,242,710	–	–	2,242,710

	2020			
	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Investment - FVTPL	2,324,222	–	–	2,324,222
Investment - FVTOCI	199,640	–	–	199,640
Total financial assets at fair value	2,523,862	–	–	2,523,862

39.3 Financial instruments by categories

	2021			2020		
	Amortized Cost	Fair value Through P & L	Fair value Through OCI	Amortized Cost	Fair value Through P & L	Fair value Through OCI
	(Rupees in thousand)					
Financial assets as per statement of financial position						
Long term loan to an associated company	2,999,000	–	–	2,999,000	–	–
Long term advances and deposits	518,424	–	–	113,679	–	–
Short term loan to related parties	6,999,723	–	–	3,241,723	–	–
Loans, advances, deposits and other receivables	1,171,116	–	–	2,290,342	–	–
Trade debts	9,654,308	–	–	4,450,476	–	–
Short term investment	–	2,242,710	–	–	2,324,222	199,640
Cash and bank balances	7,343,201	–	–	555,762	–	–
	28,685,772	2,242,710	–	13,650,982	2,324,222	199,640

Financial liabilities as per statement of financial position - at amortised cost

	2021	2020
	(Rupees in thousand)	
Long term finance	7,064,604	8,917,289
Short term finance - secured	6,465,772	11,443,557
Unpaid dividend	1,738,864	–
Unclaimed dividend	44,951	40,853
Lease liabilities	1,812,298	2,381,795
Long term deposits	175,104	110,370
Trade and other payables	30,315,356	17,968,511
Accrued finance cost	307,184	450,579
	47,924,133	41,312,954

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39.4 Capital risk management

The Company's objectives when managing capital are to safeguard Company's ability to continue as a going concern in order to provide maximum return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure as required by the lenders. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of debt to equity ratio.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, issue new ordinary / preference shares, or obtain / repay loans.

	2021	2020
	(Rupees in thousand)	
Total debt	15,342,674	22,742,641
Cash and cash equivalents	(7,343,201)	(555,762)
Net debt	7,999,473	22,186,879
Total equity	100,263,440	87,102,656
Total capital	108,262,913	109,289,535
Debt to capital ratio	7.39%	20.30%

40 Provident fund

The following information is based on latest unaudited financial statements of the fund:

	2021	2020
Size of the fund	1,982,661	1,755,058
Cost of investments made	1,760,220	1,556,856
Fair value of investments	1,818,992	1,619,556
Percentage of investments made	89%	89%

40.1 The breakup of fair value of investments is as follows:

	2021		2020	
	(Rupees in thousand)	% age	(Rupees in thousand)	% age
Mutual funds	1,148,752	63%	1,123,983	69%
Scheduled banks	670,240	37%	494,543	31%
Redeemable capital	–	0%	1,030	0%
	1,818,992	100%	1,619,556	100%

40.2 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

40.3 An amount of Rs 123.72 million (2020: Rs 134.79 million) has been contributed during the year to the provident fund.

	2021	2020

41 Number of employees

	2021	2020
Average number of employees during the year	2,750	2,502
Number of employees at end of the year	2,895	2,604

42 Shariah compliance disclosure

	2021		
	Conventional	Shariah Compliant	Total
	(Rupees in thousand)		
Finance cost			
Long term loans	475,711	236,648	712,359
Short term borrowings	752,531	126,094	878,625
Lease liabilities	161,193	–	161,193
Liabilities			
Long term loans	4,720,405	2,344,199	7,064,604
Short term borrowings	6,039,212	426,560	6,465,772
Lease liabilities	1,812,298	–	1,812,298
Accrued markup			
Long term loans	113,282	47,041	160,323
Short term borrowings	121,851	25,010	146,861
Finance income			
Long term loan	289,901	–	289,901
Short term loan	549,523	–	549,523
Banks	94,450	–	94,450
Term finance certificates	2,066	–	2,066
Cash at bank	7,154,852	180,934	7,335,786

	2020		
	Conventional	Shariah Compliant	Total
	(Rupees in thousand)		
Finance cost			
Long term loans	694,657	612,838	1,307,495
Short term borrowings	1,590,482	74,988	1,665,470
Lease liabilities	102,572	–	102,572
Liabilities			
Long term loans	3,972,095	4,945,194	8,917,289
Short term borrowings	11,013,861	429,696	11,443,557
Lease liabilities	2,381,795	–	2,381,795
Accrued markup			
Long term loans	194,146	52,316	246,462
Short term borrowings	179,058	25,059	204,117
Finance income			
Long term loan	410,545	–	410,545
Short term loan	789,960	–	789,960
Banks	30,042	–	30,042
Term finance certificates	23,532	–	23,532
Cash at bank	552,567	–	552,567

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

43 Non adjusting events after reporting date

The Board of Directors of the Company in its meeting held on April 07, 2022 proposed a final dividend of Rs 3.50 (2020: Rs 2.50) per share for the year ended December 31, 2021, aggregating Rs 7,350 million (2020: Rs 5,250 million) for approval of the members at the Annual General Meeting to be held on April 29, 2022.

44 COVID-19 impact assessment

During COVID-19 Pandemic, The Company has taken appropriate measures to keep its human resource and assets safe and secure. Consequently, the Company's plants have continued uninterrupted operations during the year. The management believes that there is no significant financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income or expenses, as disclosed in these financial statements. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

45 Date of authorization of issue

These financial statements have been authorized for issue on April 07, 2022 by the Board of Directors of the Company.

46 General

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

Chief Executive Officer	Director	Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the members of Fatima Fertilizer Company Limited

Opinion

We have audited the annexed financial statements of Fatima Fertilizer Company Limited and its subsidiaries (the Group), which comprise of the consolidated statement of financial position as at December 31, 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion consolidated financial statements give a true and fair view of consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key matters:

Key audit matter	How the matter was addressed in our audit
1 Revenue Recognition The Group's revenue comprises sale of fertilizer, mid products and toll manufacturing which has been disclosed in note 26 to the consolidated financial statements. Revenue from the sale of fertilizer, mid products and toll manufacturing is recognized, when the Group satisfies the performance obligation under the contract by transferring the promised goods to the customers. Revenue recognition criteria has been explained in note 4.22 to the consolidated financial statements. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not have been recognized based on the satisfaction of the performance obligation under the contract with the customer in line with the accounting policy adopted or may not have been recognized in the appropriate period.	Our audit procedures to address this Key Audit Matter included the following: - obtaining an understanding of and assessing the design and implementation and operating effectiveness of key internal controls over recognition of revenue; - assessing the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; - checking on a sample basis the recorded sales transactions with underlying sales invoices; - testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents; and - assessed the adequacy of related disclosures in the consolidated financial statements.
2. Valuation of Brand The Group's intangible assets contain a brand with indefinite useful life which has been disclosed in note 15 to the consolidated financial statements. The recognition and subsequent measurement policy has been disclosed in note 4.6 to the consolidated financial statements. The Group had initially recorded the brand at Rs 5,900 million in the consolidated financial statements on which an impairment of Rs 2,360 million has been recognized during the period. We identified Valuation of the brand as a Key Audit Matter because its amount is material to the consolidated financial statements. In addition, annual testing of impairment of Brand is complex and judgmental process which involves assumptions and methods affected by future economic and market conditions.	Our audit procedures to address this Key Audit Matter included the following: - obtaining an understanding of and assessing the design and implementation and operating effectiveness of key internal controls over recognition and subsequent measurement of brand value; - reviewed valuation report of the independent valuer and evaluated appropriateness of assumptions and methodologies used by the valuer. - evaluated the competence and independence of valuer; - compared recoverable amount with carrying amount; and - assessed the adequacy of disclosures related to valuation of brand in notes to the consolidated financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management of the Group is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management.
- Conclude on the appropriateness of the Group's management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shahzad Ali.

Yousuf Adil

Chartered Accountants

Lahore

Dated: April 07, 2022

UDIN: AR202110134WXF1Sodzn

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2021

	Note	2021	2020
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
2,700,010,000 (2020: 2,700,010,000) shares of Rs 10 each		27,000,100	27,000,100
Issued, subscribed and paid up share capital			
2,100,000,000 (2020: 2,100,000,000) ordinary shares of Rs 10 each	5	21,000,000	21,000,000
Reserves	6	79,263,264	66,102,656
		100,263,264	87,102,656
NON CURRENT LIABILITIES			
Long term finances	7	5,172,276	3,114,067
Lease liabilities		1,437,025	1,901,472
Deferred liabilities	8	23,522,297	24,115,708
Deferred government grant	9	–	61,440
Long term deposits		175,104	110,370
		30,306,702	29,303,057
CURRENT LIABILITIES			
Trade and other payables	10	38,469,418	22,871,117
Income tax payable		4,968,065	–
Accrued finance cost	11	307,184	450,579
Short term finances - secured	12	6,465,772	11,443,557
Unpaid dividend		1,738,864	–
Unclaimed dividend		44,951	40,853
Current portion of:			
- Long term finances	7	1,892,328	5,803,222
- Lease liabilities		375,273	480,323
- Deferred government grant	9	61,440	61,526
		54,323,295	41,151,177
CONTINGENCIES & COMMITMENTS	13		
		184,893,261	157,556,890

The annexed explanatory notes from 1 to 46 form an integral part of these consolidated financial statements.

	Note	2021	2020
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	105,422,464	104,937,733
Intangible assets	15	3,608,877	5,991,019
Investment property	16	775,339	756,189
		109,806,680	111,684,941
Long term investments	17	795,311	201,641
Long term loan to an associated company	18	1,999,333	2,999,000
Long term advances and deposits		518,424	113,679
		3,313,068	3,314,320
		113,119,748	114,999,261
CURRENT ASSETS			
Stores and spares	19	11,565,833	8,273,834
Stock in trade	20	18,331,781	13,530,945
Trade debts	21	9,654,308	4,450,476
Short term loans	22	6,999,723	3,241,723
Advances, deposits, prepayments and other receivables	23	15,635,757	8,675,690
Advance income tax		–	1,305,337
Short term investments	24	2,242,710	2,523,862
Cash and bank balances	25	7,343,401	555,762
		71,773,513	42,557,629
		184,893,261	157,556,890

Chief Executive Officer **Director** **Chief Financial Officer**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2021

	Note	2021	2020
		(Rupees in thousand)	
Sales	26	112,488,420	71,267,316
Cost of sales	27	(69,403,976)	(42,472,530)
Gross profit		43,084,444	28,794,786
Distribution cost	28	(5,048,813)	(3,890,808)
Administrative expenses	29	(3,899,774)	(3,368,500)
		34,135,857	21,535,478
Finance cost	30	(2,006,559)	(3,469,303)
Other operating expenses	31	(4,676,977)	(1,677,558)
		27,452,321	16,388,617
Other income	32	1,210,189	1,810,074
Other gains / (losses):			
- Gain on remeasurement of GIDC	8.3	–	877,513
- Unwinding of provision for GIDC	8.3	(367,524)	–
- Loss allowance on subsidy receivable from GoP	23.2	(109,721)	(360,244)
Share of (loss) / profit from associates	17.1	(348)	26,795
Profit before tax		28,184,917	18,742,755
Taxation	33	(9,710,827)	(5,468,064)
Profit for the year		18,474,090	13,274,691
Earnings per share - basic and diluted (Rupees)	34	8.80	6.32

The annexed explanatory notes from 1 to 46 form an integral part of these consolidated financial statements.

Chief Executive Officer | **Director** | **Chief Financial Officer**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2021

	2021	2020
	(Rupees in thousand)	
Profit for the year	18,474,090	13,274,691
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Surplus on remeasurement of investments classified as fair value through other comprehensive income (FVTOCI)	–	7,124
Related tax thereon	–	(2,071)
	–	5,053
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement of post retirement benefits obligation	(82,249)	20,584
Related tax thereon	23,852	(5,970)
Share of other comprehensive loss from associate	(5,982)	–
Related tax thereon	897	–
	(63,482)	14,614
Other comprehensive income - net of tax	(63,482)	19,667
Total comprehensive income for the year	18,410,608	13,294,358

The annexed explanatory notes from 1 to 46 form an integral part of these consolidated financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2021

	Ordinary share capital	Capital Reserve	Revenue Reserve	Post retirement benefit obligation reserve	Deficit on remeasurment of investment - FVTOCI	Total
		Share premium	Unappropriated profit			
	(Rupees in thousand)					
Balance at December 31, 2019	21,000,000	1,790,000	55,299,651	(76,300)	(5,053)	78,008,298
Profit for the year	–	–	13,274,691	–	–	13,274,691
Other comprehensive income	–	–	–	14,614	5,053	19,667
Total comprehensive income	–	–	13,274,691	14,614	5,053	13,294,358
Transactions with owners:						
- Final dividend for the year ended December 31, 2019 @ Rs 2.00 per share	–	–	(4,200,000)	–	–	(4,200,000)
Balance at December 31, 2020	21,000,000	1,790,000	64,374,342	(61,686)	–	87,102,656
Profit for the year	–	–	18,474,090	–	–	18,474,090
Other comprehensive income	–	–	(5,085)	(58,397)	–	(63,482)
Total comprehensive income	–	–	18,469,005	(58,397)	–	18,410,608
Transactions with owners:						
- Final dividend for the year ended December 31, 2020 @ Rs 2.50 per share	–	–	(5,250,000)	–	–	(5,250,000)
Balance at December 31, 2021	21,000,000	1,790,000	77,593,347	(120,083)	–	100,263,264

The annexed explanatory notes from 1 to 46 form an integral part of these consolidated financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2021

	Note	2021	2020
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	38	31,427,289	24,987,515
Net increase in long term deposits		64,734	49,103
Finance cost paid		(1,962,636)	(3,735,840)
Taxes paid		(2,988,233)	(4,663,505)
Employee retirement benefits paid		(242,330)	(78,632)
Net cash generated from operating activities		26,298,824	16,558,641
Cash flows from investing activities			
Additions in property, plant and equipment		(5,730,994)	(2,035,699)
Addition in investment property		(20,056)	(129,521)
Additions in intangible assets		(19,741)	(51,911)
Proceeds from disposal of property, plant and equipment		3,430	45,315
Long term investments made		(600,000)	–
Short term investments made		(673,802)	(2,172,605)
Proceeds from short term investments		868,243	598,052
Short term loan to an associated company		(3,758,000)	–
Profit received on short term loans and saving accounts		1,977,017	289,347
Net increase in long term advances and deposits		(404,745)	(31,916)
Net cash used in investing activities		(8,358,648)	(3,488,938)
Cash flows from financing activities			
Repayment of long term finances	7.1	(5,857,386)	(4,966,641)
Proceeds from long term finances	7.1	3,920,362	1,462,438
Repayment of lease liabilities		(730,690)	(353,954)
Dividend paid		(3,507,038	(4,349,097)
Decrease in short term finances - net		(2,584,266)	(2,409,918)
Net cash used in financing activities		(8,759,018)	(10,617,172)
Net increase in cash and cash equivalents		9,181,158	2,452,531
Cash and cash equivalents at the beginning of the year		(3,538,222)	(5,990,753)
Cash and cash equivalents at the end of the year		5,642,936	(3,538,222)
Cash and cash equivalents comprises of following:			
Cash and bank balances	25	7,343,401	555,762
Running finance	12	(1,700,465)	(4,093,984)
Cash and cash equivalents at the end of the year		5,642,936	(3,538,222)

The annexed explanatory notes from 1 to 46 form an integral part of these consolidated financial statements.

Chief Executive Officer **Director** **Chief Financial Officer**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2021

1 Legal Status and nature of business

1.1 Fatima Fertilizer Company Limited (the Holding Company) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange. Fatimafert Limited (FFT) is wholly owned subsidiary and it was incorporated in Pakistan under the Companies Act, 2017. Collectively, both would be referred to as 'the Group' in these consolidated financial statements.

The principal activity of the Group is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Registered offices of the Holding and Subsidiary companies are situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facilities of the Holding Company are located at Mukhtargarh - Sadiqabad, Khanewal Road - Multan and Chichoki Mallian - Sheikhupura, Pakistan.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 New accounting standards / amendments and IFRSs interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures:

	Effective from annual period beginning on or after:
Amendments to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.	April 01, 2021
IBOR 2 'Interest Rate Benchmark Reform — Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.	January 01, 2021

2.3 New accounting standards, amendments and IFRSs interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures:

	Effective from annual period beginning on or after:
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021.	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting the Company from deducting from the cost of property plant and equipment, amount received from selling items produce while the Company is preparing the asset for its intended use.	January 01, 2022
Amendments to IFRS 3 'Business Combinations' that updated an outdated reference in IFRS 3 without significantly changing its requirements.	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs of fulfilling the contract to include when assessing whether a contract is Onerous.	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non current.	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - regarding the disclosure of accounting policies.	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - regarding the definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3 Basis of measurement

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 Critical accounting estimates and judgements

The Group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgements or estimates.

The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgement of estimation involved in their application and their impact on these consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgements involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2021

The areas involving a higher degree of judgements or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

a) Employee retirement benefits

The Group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2 (a).

b) Useful life and residual values of property, plant and equipment and intangible assets

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

c) Provision for taxation

In making the estimates for income taxes payable by the Group, the management considers the applicable laws and the decisions of the appellate tax authorities on certain issues in the past.

3.3 Change in accounting estimate

During the year, the Group has reviewed residual value estimates of its Plant and Machinery, the change has been accounted for as a 'change in estimate' in accordance with IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. As a result of the change, the depreciation charge to consolidated statement of profit or loss will be higher by approximately Rs 2,100.22 million per annum.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax 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 or substantively enacted by the reporting date. Deferred tax is charged or credited to the statement of profit and loss, except in the case of items recognised in other comprehensive income or directly in equity in which case it is included in other comprehensive income or equity, as the case may be.

4.2 Employee retirement benefits

The main features of the schemes operated by the Group for its employees are as follows:

a) Defined benefit plan - Gratuity

The Group operates a funded gratuity scheme for all employees of Sheikhupura plant and non funded gratuity scheme for Sadiqabad plant according to the terms of employment, subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

The latest actuarial valuation for gratuity scheme was carried out as at December 31, 2021. Projected unit credit method is used for valuation of the scheme.

All actuarial gains and losses are recognized in 'Other Comprehensive Income' as they occur.

b) Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to statement of profit or loss.

c) Defined contribution plan - Provident Fund

The Group operates provident fund for all its permanent employees. Equal monthly contributions are made both by the Group and the employees. Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these schemes.

4.3 Basis of consolidation

These consolidated financial statements include the financial statements of Holding Company and its wholly owned subsidiary company, Fatimafert Limited (FFT).

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These consolidated financial statements include Fatima and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

4.3.1 Business Combination

Fatima owns the 100% equity shares of the FFT. The control was obtained on January 01, 2021 against cash consideration.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognizes any non controlling interest in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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4.4 Property, plant and equipment

Property, plant and equipment "PPE" except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to own manufactured assets includes direct cost of materials, labor and applicable manufacturing overheads. Cost also includes capitalized borrowing costs as referred to in note 4.16.

Depreciation on property, plant and equipment is charged to statement of profit or loss on straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in note 14.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or made available for use, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted prospectively, if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.5 Capital work in progress

Capital work in progress and stores held for capital expenditure are stated at cost less any recognized impairment loss. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

4.6 Intangibles assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and that the cost of such an asset can also be measured reliably. Subsequently asset is measured as follows:

With indefinite useful life

Intangibles assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the intangible is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized as an expense in the statement of profit or loss immediately.

With finite useful life

Expenditure incurred to acquire intangible assets are capitalized and stated at cost less accumulated amortization and any identified impairment loss. Computer software is amortized using the straight line method over a period of four years. Amortization on additions to computer software is charged from the month in which the asset is available for use while no amortization is charged for the month in which asset is disposed off.

4.7 Investment property

Investment property, which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss. Depreciation on buildings is charged to income on straight line method at the rate of 4%. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed. The difference between present value of the proceeds from disposal and the carrying amount is recognized in the statement of profit or loss.

Rental income from investment property that is leased to a third party under an operating lease is recognised in the statement of profit or loss on a straight line basis over the lease term and is included in 'other income'.

4.8 Investments in associates - at equity method

The Group's long term investments are investments in associates, entities over which the Group exercise significant influence. These investments are initially recognized at cost and subsequently carrying amount is increased or decreased to recognize the Group's share of the profit or loss or other comprehensive income or loss of the associates using the equity method. The Group's share of the associates profit or loss is recognised in the Group's statement of profit or loss and the Group's share of other comprehensive income or loss is recognised in the Group's other comprehensive income. At each 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 statement of profit or loss.

4.9 Government grant

The Group recognizes the benefit of a government loan at below market rate of interest as a Government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received and is presented as deferred grant. The recognition of government grants in the statement of profit or loss is done on a systematic basis over the period of the loan.

4.10 Leases

As a lessee, the Group recognises right of use asset and lease liability at the lease commencement date.

Right of use asset

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

Lease liability

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

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

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Group is reasonably certain not to terminate early.

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

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

4.11 Financial instruments

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

4.11.1 Financial assets

Classification

The Group 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.

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

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

Recognition and derecognition

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

Measurement

At initial recognition, the Group 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 the statement of profit or loss.

Debt instruments

a) Debt instruments measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

The financial asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at fair value through other comprehensive income (FVTOCI).

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains / (losses). Interest income from these financial assets is included in other operating income using the effective interest rate method. Impairment expenses are presented as a separate line item in the statement of profit or loss.

c) Debt instruments designated as at fair value through profit or loss (FVTPL)

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

Equity instruments

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in other gains / (losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets

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

For trade debts, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade debts, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and other direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets general 3 stage approach is used i.e. to measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

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.

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

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4.11.2 Financial liabilities

Classification, initial recognition and subsequent measurement

The Group classifies its financial liabilities in the following categories:

1- At fair value through profit or loss; and

2- Amortized cost.

The Group 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:

a) 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.

b) Other financial liabilities

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

4.12 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set off the recognized amount and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.13 Stores and spares

Stores and spares are valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.14 Stock in trade

All stocks are valued at the lower of cost and net realizable value. Cost in relation to raw and packing materials, except for those in transit, signifies moving average cost and that relating to mid products and finished goods, monthly average cost comprising cost of direct materials, labor and appropriate manufacturing overheads based on normal operating capacity. Materials in transit are stated at cost comprising invoice value plus other charges incurred thereon. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision is made in the consolidated financial statements for obsolete and slow moving stock in trade based on management estimate.

4.15 Trade debts and other receivables

These are recognized and carried at the original invoice amounts, being the fair value and subsequently measured at amortized cost using the effective interest rate method, less loss allowance, if any. For measurement of loss allowance for trade debts, the Group applies IFRS 9 simplified approach to measure the expected credit losses.

4.16 Cash and cash equivalents

Cash and bank balances are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement, cash and cash equivalents comprises of cash in hand, bank balances and short term highly liquid investments that are readily convertible to known amounts of cash.

4.17 Borrowings and their costs

Borrowings are initially recorded at the proceeds received. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

4.18 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Group.

4.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for in consolidated financial statements.

4.20 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss. Amounts accumulated in equity are recognized in statement of profit or loss in the periods when the hedged item will affect profit or loss.

4.21 Impairment of non financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation / amortization and are tested annually for impairment. Assets that are subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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4.22 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when or as performance obligations are satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Revenue from sale of goods is recognised at the point in time when control of the fertilizers products and chemical is transferred to the customer, generally on delivery of the goods.

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

Revenue from sale of Certified Emission Reductions (CERs) is recognized on the satisfaction of performance obligation i.e. generation of the Emission Reductions when a firm commitment for sale of CERs exists with a buyer.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Interest income is recognized on accrual basis.

4.23 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Foreign exchange gain and losses on retranslation are recognized in the statement of profit or loss. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.24 Dividend

Dividend distribution to the Group's members is recognised as a liability in the reporting period in which dividends are declared.

4.25 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit by weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting for the effects of all dilutive potential ordinary shares.

5 Issued, subscribed and paid up share capital

2021	2020		2021	2020
(Number of shares)			(Rupees in thousand)	
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	20,000,000
100,000,000	100,000,000	Ordinary shares of Rs 10 each issued on conversion of fully paid preference shares @ Rs 20 each	1,000,000	1,000,000
2,100,000,000	2,100,000,000		21,000,000	21,000,000

5.1 Ordinary shares of the Group held by associates at year end are as follows:

	2021	2020
	(Number of Shares)	
Arif Habib Corporation Limited	319,000,206	319,000,206
Arif Habib Equity (Private) Limited	19,409,500	19,409,500
Fatima Holding Limited	66,969,373	62,967,373
Fazal Cloth Mills Limited	69,114,031	69,114,031
Reliance Weaving Mills Limited	2,625,166	2,625,166
Farrukh Trading Company Limited (Formerly Fatima Trade Company Limited)	160,430,261	160,430,261
Fatima Management Company Limited	160,430,261	160,430,261
Fatima Trading Company (Private) Limited	97,462,890	97,462,890
Reliance Commodities (Private) Limited	500,000	–
	895,941,688	891,439,688

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

	Note	2021	2020
		(Rupees in thousand)	
6 Reserves			
Capital reserve:			
Share premium	6.1	1,790,000	1,790,000
Revenue reserve:			
Unappropriated profit		77,593,347	64,374,342
Post retirement benefit obligation reserve		(120,083)	(61,686)
		79,263,264	66,102,656

6.1 This reserve can be utilised by the Group only for the purposes specified in section 81 of Companies Act, 2017.

	Note	2021	2020
		(Rupees in thousand)	
7 Long term finances			
Rated, listed and secured Ijarah Sukuk certificates	7.2	–	2,100,000
Secured loans from banking companies / financial institutions	7.3	7,064,604	6,817,289
		7,064,604	8,917,289
Less: Current portion		1,892,328	5,803,222
		5,172,276	3,114,067
7.1 Movement of long term finances			
Opening balance		8,917,289	12,478,721
Disbursements during the year		3,920,362	1,462,438
Repayments during the year		(5,857,386)	(4,966,641)
Classified as deferred government grant	9	–	(150,433)
Accreditation of loan under SBP Islamic Refinance Scheme		87,651	44,521
Exchange (gain) / loss on translation of foreign currency loan		(3,312)	48,683
Closing balance		7,064,604	8,917,289

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		2021	2020
		(Rupees in thousand)	
7.2	**Rated, listed and secured Ijarah Sukuk certificates**		
	Opening balance	2,100,000	4,200,000
	Repayments during the year	(2,100,000)	(2,100,000)
		–	2,100,000
	Less: Current portion	–	2,100,000
		–	–

The Sukuks were listed on Pakistan Stock Exchange. These Certificates were issued with face value of Rs 5,000 per certificate for the principal purpose of repayment of the outstanding balance of Senior Facility (SF) - an existing long term loan of the Group.

The profit was payable at the rate of 6 month KIBOR plus 1.10% per annum, (subject to a floor of 3% and a cap of 25% per annum). The effective rate of markup charged during the year ranged from 8.45% to 8.82% (2020: 8.45% to 14.70%) per annum.

The Sukuks were secured by pari passu charge over all present and future fixed assets of the Group. The credit rating of the Sukuks was maintained at 'AA -' (Double A Minus) by PACRA on July 30, 2021.

The tenure of the Sukuks was 5 years and were redeemed in ten (10) equal semi annual installments. Last repayment was made on November 26, 2021.

		Note	2021	2020
			(Rupees in thousand)	
7.3	**Secured loans from banking companies / financial institutions**			
	These are composed of:			
	Export Credit Agency Finance	7.3.1	–	143,954
	Musharaka Arrangement	7.3.2	–	1,488,667
	BAHL Term Loan	7.3.3	192,714	578,141
	BOP Term Loan	7.3.4	1,500,000	2,250,000
	ABL Term Loan - II	7.3.5	750,000	1,000,000
	SBP LTF - Faysal Bank Limited	7.3.6	344,199	667,154
	SBP LTF - The Bank of Punjab	7.3.7	357,339	689,373
	ABL Term Loan - III	7.3.8	1,000,000	–
	Diminishing Musharakah	7.3.9	2,000,000	–
	SBP Temporary Economic Refinance Facility (TERF) 1	7.3.10	372,235	–
	SBP Temporary Economic Refinance Facility (TERF) 2	7.3.11	527,328	–
	SBP Temporary Economic Refinance Facility (TERF) 3	7.3.12	20,789	–
			7,064,604	6,817,289
	Less: Current portion		1,892,328	3,703,222
			5,172,276	3,114,067

7.3.1 Export Credit Agency Finance

This facility of USD 22 million was obtained from Standard Chartered Bank (UK) for the purpose of purchase of Waste Gas Boiler and Cold Box Purifier for Ammonia Debottlenecking Project at Ammonia plant.

The facility carried markup rate of 3 months LIBOR plus 4.25% per annum. The effective rate of markup charged during the year was 4.47% (2020: 4.47% to 6.14%) per annum.

The facility was secured by pari passu charge over all present and future fixed assets of the Group amounting to Rs 2,992 million.

This loan was repayable in twenty one equal quarterly installments with grace period of one year. Last repayment was due and made on March 15, 2021. During the year, the Group has paid installments aggregating to USD 1.35 million (2020: USD 5.39 million).

7.3.2 Musharaka Arrangement

The Group had entered into a Musharaka agreement for long term finance facility of Rs 4,466 million based on Islamic Mode of Diminishing Musharaka (Shirkat ul Milk) with Meezan Bank Limited acting as Investment Agent against the Musharak Assets.

Initially, the facility was for a period of 5 years, inclusive of a grace period of 2 years, while the first Musharaka buyout was due at the end of the 30th month from the date of first drawdown i.e. March 29, 2018. However, on June 26, 2020 outstanding payment of loan was deferred for a period of one year as per terms of BPRD circular letter no. 13 issued by the State Bank of Pakistan dated March 26, 2020.

The profit was payable semi annually in arrears at the markup rate of six months KIBOR plus 1.5%. KIBOR to be set on last working day prior to the beginning of each quarterly markup period.

The finance facility was secured by all present and future movable fixed assets (excluding land and buildings) of the Group. The effective rate of markup charged during the year on Musharaka arrangements ranged from 8.80% to 9.38% (2020: 8.80% to 15.40%) per annum.

This loan was repayable in six equal semi annual installments. Last repayment was due and made on September 29, 2021. During the year, the Group has paid installments aggregating to Rs 1,489 million (2020: Rs 1,489 million).

7.3.3 BAHL Term Loan

This facility is obtained from Bank Al Habib Limited, for an amount of Rs 1,300 million for purchase of Low Pressure Boosting Compressor.

The facility carries markup at the rate of 6 months KIBOR plus 1.10% per annum. The effective rate of markup charged during the year ranged from 8.25% to 8.77% (2020: 8.05% to 14.23%) per annum.

The facility is secured by pari passu charge over plant and machinery of the Group amounting to Rs 1,733.34 million.

The loan is repayable in three years in six semi annual equal installments starting from October 29, 2019. Last repayment is due on April 28, 2022. During the year, the Group has paid installments amounting to Rs 385.43 million (2020: Rs 385.43 million).

7.3.4 BOP Term Loan

This facility has been obtained from The Bank of Punjab, for an amount of Rs 3,000 million to finance / reimburse BMR.

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The facility carries markup at the rate of 6 months KIBOR plus 0.70% per annum. The effective rate of markup charged during the year ranged from 7.81% to 8.31% (2020: 7.79% to 14.70%) per annum.

The facility is secured by pari passu charge over plant and machinery of the Group amounting to Rs 4,000 million.

The loan is repayable in four years in eight semi annual equal installments starting from January 31, 2020. Last repayment is due on July 31, 2023. During the year the Group has paid installments amounting to Rs 750 million (2020: Rs 750 million).

7.3.5 ABL Term Loan - II

This facility has been obtained from Allied Bank Limited, for an amount of Rs 1,000 million to finance CAPEX in the Group.

The facility carries markup at the rate of 6 months KIBOR plus 0.70% per annum. The effective rate of markup charged during the year ranged from 8.01% to 8.85% (2020: 7.99% to 14.60%) per annum.

The facility is secured by pari passu charge over plant and machinery of the Group amounting to Rs 1,334 million.

The loan is repayable in five years with one year grace period in eight semi annual equal installments starting from March 25, 2021. Last repayment is due on September 25, 2024. During the year, the Group has paid installments aggregating to Rs 250 million (2020: Rs 250 million).

7.3.6 SBP LTF - Faysal Bank Limited

This facility has been obtained from Faysal Bank Limited for an amount of Rs 718.11 million for disbursement of salaries and wages for the month of April, May and June 2020, in line with SBP Islamic Refinance Scheme.

The facility carries markup at the rate of SBP base rate + 1% per annum. The effective interest rate is calculated at 8.22% and the loan has been recognised at the present value.

The facility is secured by pari passu charge over Plant and Machinery of the Group amounting to Rs 1,000 million.

The loan is repayable in two and half years including six months grace period in eight quarterly installments. Last repayment is due on December 30, 2022. During the year the Group has paid installments aggregating to Rs 359.05 million (2020: nil).

7.3.7 SBP LTF - The Bank of Punjab

This facility has been obtained from The Bank of Punjab for an amount of Rs 744.33 million for disbursement of salaries and wages for the month of July, August and September 2020, in line with SBP Islamic Refinance Scheme.

The facility carries markup at the rate of SBP base rate + 0.8% per annum. The effective interest rate is calculated at 8.26% and the loan has been recognised at the present value.

The facility is secured by pari passu charge over Plant and Machinery of the Group amounting to Rs 1,000 million.

The loan is repayable in two and half years including six months grace period in eight quarterly installments. Last repayment is due on October 31, 2022. During the year, the Group has paid installments aggregating to Rs 372.16 million (2020: nil).

7.3.8 ABL Term Loan - III

This facility has been obtained during the year from Allied Bank Limited for an amount of Rs 1,000 million to finance CAPEX in the Group.

The facility carries markup at the rate of 6 months KIBOR plus 0.80% per annum. The effective rate of markup charged during the year at 8.96% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Group amounting to Rs 1,334 million.

The loan is repayable in five years including one year grace period in eight half yearly installments. Last repayment is due on September 30, 2026.

7.3.9 Diminishing Musharakah

This facility has been obtained during the year from Meezan Bank Limited for an amount of Rs 2,000 million to refinance CAPEX already incurred by the Group.

The facility carries markup at the rate of 6 months KIBOR plus 0.85% per annum. The effective rate of markup charged during the year at 9.01% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Group amounting to Rs 2,667 million.

The loan is repayable in five years including one year grace period in eight half yearly installments. Last repayment is due on September 30, 2026.

7.3.10 SBP Temporary Economic Refinance Facility (TERF) 1

This facility has been obtained during the year from Askari Bank Limited for an amount of Rs 372.25 million out of total limit of Rs 550 million, under SBP TERF Scheme.

The facility carries markup at the rate of 3.00% per annum (SBP base rate + 2.00%) / 6 month KIBOR plus 2.00% per annum. The effective rate of markup charged during the year ranged from 3.00% to 13.53% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Group amounting to Rs 733.33 million.

The loan is repayable in ten years including two years grace period in sixteen semi annual installments. Last repayment is due on March 31, 2031.

7.3.11 SBP Temporary Economic Refinance Facility (TERF) 2

This facility has been obtained during the year from National Bank of Pakistan for an amount of Rs 527.33 million out of total limit of Rs 1,000 million, under SBP TERF Scheme.

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The facility carries markup at the rate of 2.50% per annum (SBP base rate + 1.50%) / 6 month KIBOR plus 1.50% per annum. The effective rate of markup charged during the year ranged from 9.15% to 9.28% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Group amounting to Rs 1,333.34 million.

The loan is repayable in ten years including two years grace period in sixteen semi annual installments. Last repayment is due on June 21, 2031.

7.3.12 SBP Temporary Economic Refinance Facility (TERF) 3

This facility has been obtained during the year from Bank Al Habib Limited for an amount of Rs 20.79 million out of total limit of Rs 500 million, under SBP TERF Scheme.

The facility carries markup at the rate of 5.00% per annum (SBP base rate + 4.00%) / 6 month KIBOR plus 1.10% per annum. The effective rate of markup charged during the year ranged from 11.39% to 11.40% per annum.

The facility is secured by pari passu charge over Plant and Machinery of the Group amounting to Rs 666.67 million.

The loan is repayable in ten years including two years grace period in sixteen semi annual installments. Last repayment is due on December 01, 2031.

7.4 The aggregate unavailed long term financing facilities amounting to Rs 1,129.63 million (2020: Rs nil).

	Note	2021	2020
		(Rupees in thousand)	
8 Deferred liabilities			
Deferred taxation	8.1	20,274,052	19,541,661
Employee retirement benefits	8.2	955,419	986,830
Provision for Gas Infrastructure Development Cess (GIDC)	8.3	2,292,826	3,587,217
		23,522,297	24,115,708

8.1 Deferred taxation

This is composed of the following:

	2021	2020
Taxable temporary difference:		
Accelerated tax depreciation	20,174,542	19,565,247
Gas Infrastructure Development Cess (GIDC)	147,897	–
Investment in associates	16,111	17,060
	20,338,550	19,582,307
Deductible temporary difference:		
Remeasurement of defined benefit obligation	(64,498)	(40,646)
	20,274,052	19,541,661

8.1.1 Movement in temporary differences for the year is as follows:

	Balance as at December 31, 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance as at December 31, 2021
	(Rupees in thousand)			
Taxable temporary difference				
Accelerated tax depreciation allowances	19,565,247	609,295	–	20,174,542
Gas Infrastructure Development Cess (GIDC)	–	147,897	–	147,897
Investments in associates	17,060	(52)	(897)	16,111
	19,582,307	757,140	(897)	20,338,550
Deductible temporary difference				
Remeasurement of defined benefit obligation	(40,646)	–	(23,852)	(64,498)
	19,541,661	757,140	(24,749)	20,274,052

		Note	2021	2020
			(Rupees in thousand)	
8.2	**Employee retirement benefits**			
	Gratuity	8.2.1	877,217	681,870
	Accumulating compensated absences	8.2.2	78,202	304,960
			955,419	986,830
8.2.1	**Gratuity**			
a)	**Amount recognized in the statement of financial position**			
	Present value of defined benefit obligations	(f)	1,011,303	819,879
	Fair value of plan assets	(g)	(134,086)	(138,009)
	Net liability at the end of the year		877,217	681,870
b)	**Movement in net liability**			
	Net liability at the beginning of the year		681,870	595,392
	Charge for the year	(c)	163,305	154,688
	Benefits paid during the year		(50,207)	(47,626)
	Remeasurement changes chargeable to other comprehensive income	(e)	82,249	(20,584)
	Net liability at the end of the year		877,217	681,870
c)	**Charge for the year**			
	Current service cost		99,443	90,530
	Net interest cost		63,862	64,158
			163,305	154,688

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		2021	2020
		(Rupees in thousand)	
d)	**Charge for the year has been allocated as follows:**		
	Cost of sales	127,050	120,476
	Administrative expenses	36,255	34,212
		163,305	154,688
e)	**Total remeasurement chargeable to other comprehensive income**		
	Remeasurement of plan obligation:		
	Actuarial gains from changes in financial assumptions	3,930	(2,459)
	Experience adjustments	69,715	(18,914)
	Remeasurements of fair value of plan assets	8,604	789
		82,249	(20,584)
f)	**Movement in the present value of defined benefit obligations**		
	Defined benefit obligations at beginning of the year	819,879	728,490
	Current service cost	99,443	90,530
	Interest cost	76,932	78,638
	Benefits due but not paid	(469)	–
	Benefit paid during the year	(58,128)	(56,406)
	Remeasurement of plan obligation	73,646	(21,373)
	Defined benefit obligations at end of the year	1,011,303	819,879
g)	**Movement in the fair value of plan assets**		
	Fair value at beginning of the year	(138,009)	(133,098)
	Contributions	(12,629)	(11,395)
	Interest income on plan assets	(13,070)	(14,480)
	Return on plan assets excluding interest income	8,604	789
	Benefits due but not paid	469	–
	Benefits paid	20,549	20,175
	Fair value at end of the year	(134,086)	(138,009)
h)	**Plan assets comprise of:**		
	Deposit with banks	46,279	65,597
	Mutual funds	70,715	66,628
	Investment in TDRs	17,561	9,086
	Payables	(469)	(3,302)
		134,086	138,009

		2021	2020
i)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	9.75%	11.25%
	Discount rate for year end obligation	11.75%	9.75%
	Salary increase used for year end obligation	11.75%	9.75%
	Retirement assumption	60 years	60 years

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	% age	(Rupees in thousand)	
j) Sensitivity analysis			
Discount rate	1%	(77,808)	86,308
Salary growth rate	1%	87,529	(80,313)

k) The expected contribution to defined benefit obligation for the year ending December 31, 2022 will be Rs 214.88 million.

	Note	2021	2020
		(Rupees in thousand)	
8.2.2 Accumulating compensated absences			
a) Amount recognized in the statement of financial position			
Present value of defined benefit obligations	(e)	78,202	304,960
Net liability at the end of the year		78,202	304,960
b) Movement in net liability			
Net liability at the beginning of the year		304,960	277,741
Charge for the year	(c)	(34,635)	58,225
Benefits paid during the year		(192,123)	(31,006)
Net liability at the end of the year		78,202	304,960
c) Charge for the year			
Current service cost		2,995	36,078
Gain / losses on arising on plan settlements		(41,764)	–
Interest cost		20,671	30,071
Experience adjustment		(16,537)	(7,924)
		(34,635)	58,225
d) Charge for the year has been allocated as follows:			
Cost of sales		(21,574)	48,421
Administrative expenses		(13,061)	9,804
		(34,635)	58,225
e) Movement in the present value of obligation			
Obligation at beginning of the year		304,960	277,741
Current service cost		2,995	36,078
Interest cost		20,671	30,071
Gain on plan assets		(41,764)	–
Benefit paid during the year		(192,123)	(31,006)
Experience adjustment		(16,537)	(7,924)
Defined benefit obligations at end of the year		78,202	304,960

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		2021	2020
f)	**The principal assumptions used in the actuarial valuation are as follows:**		
	Discount rate for interest cost	9.75%	11.25%
	Discount rate for year end obligation	11.75%	9.75%
	Salary increase used for year end obligation	11.75%	9.75%
	Retirement assumption	60 years	60 years

		Impact on defined benefit obligation		
		Change in assumption	**Increase in assumption**	**Decrease in assumption**
		% age	(Rupees in thousand)	
g)	**Sensitivity analysis**			
	Discount rate	1%	4,574	(5,988)
	Salary growth rate	1%	(5,940)	4,993

		Note	2021	2020
			(Rupees in thousand)	
8.3	**Provision for Gas Infrastructure Development Cess (GIDC)**			
	Provision for GIDC		5,359,025	4,991,501
	Less: Current portion	10	3,066,199	1,404,284
			2,292,826	3,587,217

8.3.1 The Group has accrued Rs 5,869.01 million (2020: Rs 5,869.01 million) on account of Gas Infrastructure Development Cess (GIDC). On August 13, 2020 the Supreme Court of Pakistan (SCP) through its order declared GIDC Act as intra vires to the constitution and directed all the industrial and commercial entities to pay the Cess that have become due up to July 31, 2020. However, as a concession, the same was allowed to be recovered in twenty four equal monthly installments starting from August 01, 2020.

Subsequently, SCP also dismissed all review petitions on November 02, 2020, against the gas consumers including the Holding Company and stated that the Government of Pakistan is agreeable to recover the arrears in forty eight monthly installments instead of twenty four equal monthly installments.

Although, the Holding Company has filed a suit for declaration and injunction in the High Court of Sindh and obtained a stay on October 06, 2020 against collection / recovery of GIDC by Mari Petroleum Company Limited on fuel stock on account of issues of computation of the liability. On a prudent basis the Group has continued to recognize the provision against GIDC on fuel stock.

Group's Sadiqabad Plant, entitled to receive feed stock at fixed price inclusive of all taxes, duties, levies, fees and charges under Sovereign Commitment from Government of Pakistan pursuant to Fertilizer Policy 2001, has not booked GIDC on feed stock.

The Holding Company has also filed a suit for declaration and permanent injunction in the High Court of Sindh on these grounds on September 29, 2020 and obtained a stay on October 06, 2020 against collection / recovery of GIDC on feed stock.

The management has applied the requirements of IAS 37 and "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) for recognition, measurement and presentation of the provision for GIDC and had recognized a temporary gain on remeasurement of such provision amounting to Rs 877.51 million in 2020. During the year, this temporary gain has been reversed by Rs 367.52 million in accordance with the requirements of IFRS and the guidance referred above.

	2021	2020
	(Rupees in thousand)	
9 Deferred government grant		
Government grant recognised	122,966	150,433
Amortization of deferred government grant	(61,526)	(27,467)
	61,440	122,966
Less: Current portion of deferred government grant	61,440	61,526
	–	61,440

9.1 This represents deferred government grant in respect of term finance facilities obtained under SBP Salary Refinance Scheme as disclosed in note 7.3.6 and 7.3.7 to the consolidated financial statements. These facilities carry markup at subsidised rates, as specified by SBP. These loans have been recognised at their fair value which is the present value of the loan proceeds received and discounted at the market interest rates for similar instruments. The differential between the fair value and the present value has been recognised as deferred government grant, which will be amortised over the term of the respective facilities at the effective interest rate.

	Note	2021	2020
		(Rupees in thousand)	
10 Trade and other payables			
Creditors		12,972,742	4,001,508
Deferred payable to an associated company		–	2,250,000
Current portion of provision for GIDC	8.3	3,066,199	1,404,284
Contract liabilities	10.1	11,039,853	6,965,290
Accrued liabilities		6,112,717	4,622,675
Withholding tax		69,199	115,856
Workers' profit participation fund	10.2	4,260,908	2,991,057
Workers' welfare fund	10.3	757,668	391,409
Retention money payable		64,954	55,752
Provident fund payable		19,232	14,932
Others		105,946	58,354
		38,469,418	22,871,117

10.1 Contract liabilities as at the beginning of the year, aggregating to Rs 6,913.10 million, have been recognised as revenue upon meeting the performance obligations.

	Note	2021	2020
		(Rupees in thousand)	
10.2 Workers' profit participation fund			
Balance at January 01		2,991,057	2,261,421
Charge for the year	31	1,518,911	976,876
Payments made during the year		(249,060)	(247,240)
Balance at December 31		4,260,908	2,991,057

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	Note	2021	2020
		(Rupees in thousand)	
10.3 Workers' welfare fund			
Balance at January 01		391,409	345,670
Charge for the year		739,805	373,547
Reversal of provision during the year		(65,598)	(4,344)
Net charge for the year		674,207	369,203
Payments made during the year		(307,948)	(323,464)
Balance at December 31		757,668	391,409

11 Accrued finance cost

	Note	2021	2020
On long term finances		160,323	246,462
On short term finances		146,861	204,117
		307,184	450,579

12 Short term finances

	Note	2021	2020
Secured loans from banking companies			
Cash finance	12.1	850,000	3,889,804
Finance against imported merchandise	12.2	3,915,307	3,459,769
		4,765,307	7,349,573
Running finance	12.3	1,700,465	4,093,984
		6,465,772	11,443,557

12.1 These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of raw material and finished goods. The facilities carry markup ranging from 7.90% to 11.09% (2020: 7.63% to 15.16%) per annum.

12.2 These facilities have been obtained from various banks against imported merchandise. These facilities carry markup ranging from 7.61% to 10.47% (2020: 7.76% to 14.56%) per annum.

12.3 These facilities have been obtained from various banks for working capital requirements, and are secured by pari passu charge of Rs 19,468.68 million (2020: Rs 14,002.35 million) on present and future current assets and by personal guarantees of sponsoring directors. These facilities carry markup ranging from 7.55% to 10.52% (2020: 7.13% to 15.12%) per annum.

12.4 The aggregate unavailed short term borrowing facilities amount to Rs 19,472.97 million (2020: Rs 8,838.04 million).

13 Contingencies and commitments

13.1 Contingencies

(i) Till final decision in the matter, the Honorable Lahore High Court (the Court) has suspended the operation of the impugned order of the Commissioner Inland Revenue, Multan, who rejected the Holding Company's application under section 65 of the Sales Tax Act, 1990 regarding exemption of sales tax estimating Rs 690 million inadvertently short levied / paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011.

The court had ordered the Holding Company to file a fresh application under the said section after declaring the earlier rejection of the Holding Company's application filed with FBR as unlawful and ultra vires.

(ii) The Holding Company has filed appeal with the Customs Appellate Tribunal, Lahore against the following three cases decided against the Holding Company by the Collector of Customs (Adjudication), Faisalabad. Earlier these cases were remanded back to Collector of Customs (Adjudication), Faisalabad for rehearing the case by the Customs Appellate Tribunal, Lahore:

– Alleged irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.96 million.

– Alleged irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs 150.60 million.

– Alleged irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. The Holding Company has filed an appeal before the Custom Appellate Tribunal, Lahore against the order passed by the Collector (Adjudication), Faisalabad in which he again raised a demand of Rs 495.90 million. Earlier the case had been remanded back to Collector of Customs (Adjudication), Faisalabad for rehearing by the Custom Appellate Tribunal, Lahore.

(iii) The Customs department has filed an appeal before the Lahore High Court against of Order passed by the Custom Appellate Tribunal which had annulled the order passed by the Collector of Customs (Adjudication), Faisalabad, alleging that the Holding Company applied incorrect exchange rate of Rs 60.85 per USD instead of Rs 79 per USD on import clearance of 7 consignments of deformed steel bars. Total demand raised was Rs 17.94 million.

(iv) The Department has filed an appeal in the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the Commissioner Inland Revenue ('CIR (A)'), whereby the order passed under section 122(5) of the Income Tax Ordinance 2001 by the Deputy Commissioner Inland Revenue (DCIR) Multan amounting to Rs 1,055 million was annulled. The DCIR had declared the Holding Company's Trial run production / gain as 'Commercial production' thereby imposing consequential income tax towards taxable income for Tax Year 2011.

(v) The Holding Company has preferred an appeal before the ATIR against the order passed by the CIR(A), whereby the adverse order passed u/s 122(5A) of the Income Tax Ordinance 2001 by the assessing officer amounting to Rs 1,577 million was confirmed. The assessing officer disallowed and added back various admissible deductions and credits claimed by the Holding Company towards its taxable income for Tax Year 2016.

(vi) The Department has filed an appeal in the ATIR against the order passed by the CIR(A) whereby the order passed under section 122(5A) of the Income Tax Ordinance passed by the Additional Commissioner Inland Revenue ('ACIR') Multan amounting to Rs 1,592 million was annulled. The ACIR had disallowed and added back various admissible deductions claimed by the Holding Company towards its taxable income for Tax Year 2017.

(vii) The Holding Company has preferred an appeal before the ATIR against the order passed by the CIR(A), whereby the adverse order passed under section 122(5A) of the Income Tax Ordinance 2001 by the assessing officer amounting to Rs 930 million was confirmed. The assessing officer earlier raised the alleged demand by disallowing tax credits and adding back various admissible deductions of the Holding Company towards its taxable income thereby imposing consequential income tax for Tax Year 2018.

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(viii) The Department has filed an appeal in the ATIR against the order passed by the CIR(A), whereby the order passed under section 11 of the of Sales Tax Act, 1990 (STA) passed by the assessing officer amounting to Rs 501 million was set aside. The assessing officer had raised the demand by charging sales tax on advances received from customers.

(ix) The Holding Company has filed an Intra Court Appeal at the Honorable Lahore High Court against dismissal of the petition challenging levy of Alternative Corporate Tax (ACT). Alternative Corporate Tax (ACT) was imposed at the rate of 17% of 'accounting profit before tax' through Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001. The Holding Company has challenged the levy of ACT for Tax years 2014 and 2015, on grounds that it deprived the Holding Company of certain rights already accrued to it.

(x) The Holding Company has filed an appeal before CIR (A) against the adverse order passed by the assessing officer u/s 11 of STA. The assessing officer had raised an alleged demand against the Holding Company by selecting it for the sales tax audit u/s 25 of STA for the tax periods from July 2016 to June 2017. Total demand raised was Rs 7,745 million.

(xi) The Holding Company has issued Corporate Guarantee in favor of Pakarab Fertilizers Limited (an associated undertaking) amounting to Rs 5,271 million, whereas has obtained shareholders' approval to the extent of Rs 2,000 million. In light of the legal advice, the management is of the opinion that ultimate beneficiary of corporate guarantees amounting to Rs 1,687 million is Fatima Fertilizer Company Limited and therefore does not require any shareholder approval, however the Holding Company intends to obtain approval of the shareholders for the excess amount in the forthcoming Annual General Meeting. Further, more than 88.93% of its shareholders have already given consent to vote in favor of the proposed special resolution.

Based on the advice of the Group's legal counsels and tax advisor, management considers that reasonable grounds exist that all the above appeals will succeed. Consequently, no provision has been recognized for the above mentioned amounts.

		Note	2021	2020
			(Rupees in thousand)	
13.2	**Commitments in respect of**			
(i)	Contracts for capital expenditure		3,880,314	840,709
(ii)	Contracts for other than capital expenditure		3,605,830	374,600
(iii)	The amount of future payments under ijarah rentals and short term / low value leases:			
	Not later than one year		231,860	247,331
	Later than one year but not later than five years		144,174	303,398
			376,034	550,729

14 Property, plant and equipment

	Note	2021	2020
Operating fixed assets	14.1	99,741,174	100,724,565
Capital work in progress	14.2	5,681,290	4,213,168
		105,422,464	104,937,733

14.1 Operating fixed assets

2021

	Note	Cost			Accumulated Depreciation			Book value	Depreciation rate
		December 31, 2020	Additions / (deletions)	December 31, 2021	December 31, 2020	Charge / (deletions)	December 31, 2021	December 31, 2021	
		(Rupees in thousand)							%
Freehold land	14.1.1	2,480,836	65,870	2,546,706	–	–	–	2,546,706	–
Building on freehold land		5,585,412	347,620	5,933,032	1,567,351	229,806	1,797,157	4,135,875	4
Building on leasehold land		30,445	–	30,445	8,119	3,044	11,163	19,282	10
Plant and machinery		103,365,328	3,725,907	107,091,235	14,239,598	4,203,766	18,443,364	88,647,871	4
Aircraft		1,567,285	–	1,567,285	208,971	78,365	287,336	1,279,949	10
Catalysts		3,079,712	99,457	3,179,169	2,648,433	220,946	2,869,379	309,790	10 - 33.33
Furniture and fixtures		114,335	16,076	125,824	76,320	9,136	80,869	44,955	10
			(4,587)			(4,587)			
Office equipment		77,144	20,612	97,022	50,936	6,210	56,419	40,603	10
			(734)			(727)			
Electrical installations and appliances		1,247,387	203,040	1,448,688	840,817	85,299	924,485	524,203	10
			(1,739)			(1,631)			
Computers		562,908	124,656	671,940	393,659	83,424	461,887	210,053	25
			(15,624)			(15,196)			
Vehicles		425,025	218,020	643,045	303,812	56,604	360,416	282,629	20
Right of use assets - plant and machinery		1,858,971	–	1,156,485	165,381	138,799	157,829	998,656	5 - 12.5
			(702,486)			(146,351)			
Right of use assets - land and building		992,149	–	985,208	158,975	130,321	284,606	700,602	10 - 33.33
			(6,941)			(4,690)			
		121,386,937	4,821,258	125,476,084	20,662,372	5,245,720	25,734,910	99,741,174	
			(732,111)			(173,182)			

2020

	Cost			Accumulated Depreciation			Book value	Depreciation rate
	December 31, 2019	Additions / (deletions)	December 31, 2020	December 31, 2019	Charge / (deletions)	December 31, 2020	December 31, 2020	
	(Rupees in thousand)							%
Freehold land	2,413,335	67,501	2,480,836	–	–	–	2,480,836	–
Building on freehold land	5,537,692	47,720	5,585,412	1,344,239	223,112	1,567,351	4,018,061	4
Building on leasehold land	30,445	–	30,445	5,074	3,045	8,119	22,326	10
Plant and machinery	89,201,273	14,487,185	103,365,328	12,391,324	1,883,304	14,239,598	89,125,730	4
		(323,130)			(35,030)			
Aircraft	1,567,285	–	1,567,285	130,607	78,364	208,971	1,358,314	10
Catalysts	2,947,650	132,062	3,079,712	2,314,929	333,504	2,648,433	431,279	10 - 33.33
Furniture and fixtures	107,513	7,079	114,335	67,354	9,223	76,320	38,015	10
		(257)			(257)			
Office equipment	72,879	4,265	77,144	35,649	15,287	50,936	26,208	10
Electrical installations and appliances	1,135,623	112,062	1,247,387	769,503	71,612	840,817	406,570	10
		(298)			(298)			
Computers	445,291	123,474	562,908	342,052	57,199	393,659	169,249	25
		(5,857)			(5,592)			
Vehicles	353,157	72,480	425,025	268,618	35,806	303,812	121,213	20
		(612)			(612)			
Right of use assets - plant and machinery	702,486	1,156,485	1,858,971	35,124	130,257	165,381	1,693,590	5 - 12.5
Right of use assets - land and building	366,100	631,741	992,149	67,730	91,957	158,975	833,174	10 - 50
		(5,692)			(712)			
	104,880,729	16,842,054	121,386,937	17,772,203	2,932,670	20,662,372	100,724,565	
		(335,846)			(42,501)			

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for the year ended December 31, 2021

14.1.1 Particulars of land in the name of the Group are as follows:

Descriptions	Location	Land Area
Free hold Land	Sadiqabad District Rahim Yar Khan	1,190 acres and 22 marlas
Free hold Land	Jahangirabad District Multan	113 kanals and 17 marlas
Free hold Land	Chichoki Mallian at Sheikhupura Road	222 acres
Free hold Land	Dherki, District Ghotki, Sindh	26 acres and 7 kanals

	2021	2020
	(Rupees in thousand)	
14.2 Capital work in progress		
Civil works	175,861	369,297
Plant and machinery	1,882,284	1,605,107
Capital stores	1,799,228	1,662,334
Advances:		
- Freehold land	756,240	17,887
- Plant and machinery	1,067,677	558,543
	1,823,917	576,430
	5,681,290	4,213,168
14.2.1 Movement of capital work in progress		
Opening balance	4,213,168	13,612,134
Addition during the year	4,751,907	1,457,760
	8,965,075	15,069,894
Capitalized during the year	(3,270,316)	(10,850,929)
Provision for slow moving capital stores	(13,469)	(5,797)
Closing balance	5,681,290	4,213,168
14.3 The depreciation charge for the year has been allocated as follows:		
Cost of sales	4,998,414	2,719,658
Administrative expenses	238,610	206,731
Distribution cost	8,696	6,281
	5,245,720	2,932,670

14.4 Disposal of property, plant and equipment

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal
			(Rupees in thousand)			
Items having net book value below Rs 500,000						
Furniture and fixture	4,587	4,587	–	1,672	1,672	Group policy
Office equipments	734	727	7	–	(7)	Group policy
Computers	15,624	15,196	428	1,152	724	Group policy
Electrical installations and appliances	1,739	1,631	108	606	498	Through tender
2021	22,684	22,141	543	3,430	2,887	
2020	330,154	41,789	288,365	289,479	1,114	

15 Intangible assets

2021

	Note	Cost			Accumulated amortization / impairment				Book value	Amortization
		December 31, 2020	Additions / (deletions)	December 31, 2021	December 31, 2020	Charge / (deletions)	Impairment / (reversal)	December 31, 2021	December 31, 2021	rate
		(Rupees in thousand)								%
Bubber Sher brand	15.2	5,900,000	–	5,900,000	–	–	2,360,000	2,360,000	3,540,000	–
Computer software		246,929	19,741	266,670	155,910	41,883	–	197,793	68,877	25
		6,146,929	19,741	6,166,670	155,910	41,883	2,360,000	2,557,793	3,608,877	

2020

	Cost			Accumulated amortization / impairment				Book value	Amortization
	December 31, 2019	Additions / (deletions)	December 31, 2020	December 31, 2019	Charge / (deletions)	Impairment / (reversal)	December 31, 2020	December 31, 2020	rate
	(Rupees in thousand)								%
Bubber Sher brand	5,900,000	–	5,900,000	–	–	–	–	5,900,000	–
Computer software	195,018	51,911	246,929	121,470	34,440	–	155,910	91,019	25
	6,095,018	51,911	6,146,929	121,470	34,440	–	155,910	5,991,019	

15.1 The amortization charge for the year has been allocated to administrative expenses.

15.2 During the year 2021, the Group has reassessed recoverable amount of its Bubber Sher brand, through its value in use, to be in excess of carrying value and has booked an impairment loss of Rs 2,360 million. The value in use of the brand has been calculated by discounting the cost savings at the weighted average cost of capital of the Group.

16 Investment property

2021

	Note	Cost			Accumulated depreciation			Book value	Amortization
		December 31, 2020	Additions / (deletions)	December 31, 2021	December 31, 2020	Charge / (deletions)	December 31, 2021	December 31, 2021	rate
		(Rupees in thousand)							%
Freehold land	16.1	734,521	20,056	754,577	–	–	–	754,577	–
Building		22,650	–	22,650	982	906	1,888	20,762	4
		757,171	20,056	777,227	982	906	1,888	775,339	

2020

	Cost			Accumulated depreciation			Book value	Amortization
	December 31, 2019	Additions / (deletions)	December 31, 2020	December 31, 2019	Charge / (deletions)	December 31, 2020	December 31, 2020	rate
	(Rupees in thousand)							%
Freehold land	605,000	129,521	734,521	–	–	–	734,521	–
Building	22,650	–	22,650	77	905	982	21,668	4
	627,650	129,521	757,171	77	905	982	756,189	

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16.1 Freehold land consists of 11,499.5 Kanals situated in District Dera Ismail Khan, Khybar Pakhtunkhwa. The land is in possession and control of the Group and currently it is in the name of the three Directors of the Group, Mr. Fawad Ahmed Mukhtar, Mr. Fazal Ahmed Sheikh and Mr. Faisal Ahmed Mukhtar, which will be transferred in the name of the Group in due course of time.

16.2 The fair value of investment property is not significantly different from carrying amount, as this was purchased recently.

	Note	2021	2020
		(Rupees in thousand)	
17 Long term investments			
In associates			
Fatima Agri Sales & Services (Pvt) Limited	17.2	110,301	115,755
Multan Real Estate Company (Pvt) Limited	17.3	84,987	85,851
Fatima Electric Company Limited	17.4	23	35
Singfert PTE. Limited	17.5	–	–
Silk Islamic Development REIT	17.6	600,000	–
		795,311	201,641

17.1 Movement in investment in associates

	2021				
	Opening	Purchased during the year	Share of profit / (loss)	Share of other comprehensive income	Closing
	(Rupees in thousand)				
Fatima Agri Sales & Services (Pvt) Limited	115,755	–	528	(5,982)	110,301
Multan Real Estate Company (Pvt) Limited	85,851	–	(864)	–	84,987
Fatima Electric Company Limited	35	–	(12)	–	23
Singfert PTE. Limited	–	–	–	–	–
Silk Islamic Development REIT	–	600,000	–	–	600,000
	201,641	600,000	(348)	(5,982)	795,311

	2020				
	Opening	Purchased during the year	Share of profit / (loss)	Share of other comprehensive income	Closing
	(Rupees in thousand)				
Fatima Agri Sales & Services (Pvt) Limited	88,900	–	26,855	–	115,755
Multan Real Estate Company (Pvt) Limited	85,806	–	45	–	85,851
Fatima Electric Company Limited	140	–	(105)	–	35
Singfert PTE. Limited	–	–	–	–	–
Silk Islamic Development REIT	–	–	–	–	–
	174,846	–	26,795	–	201,641

17.2 This represents investment in 196,000 fully paid ordinary shares of Rs 10 each of Fatima Agri Sales & Services (Pvt) Limited (FASS). The investment represents 49% (2020: 49%) of the total issued, subscribed and paid up share capital of FASS.

The principal activity of FASS is to carry on business as a sellers, marketers, importers, exporters, wholesalers, retailers and dealers in all types of agri inputs including fertilizers, micronutrients, pesticides and insecticides, seeds, vaternity and live stock feeds and feeds supplements, fish feeds and its supplements. The registered office of FASS is located at Lahore, Pakistan.

17.3 This represents investment in 858,056 fully paid ordinary shares of Rs 100 each of Multan Real Estate Company (Pvt) Limited (MREC). The investment represents 39.5% (2020: 39.5%) of the total issued, subscribed and paid up share capital of MREC. The main business of MREC is establishing and designing housing and commercial schemes, to carry on business of civil engineers for construction of private and governmental buildings and infrastructure and provision of labor and building material. The registered office of MREC is located at Lahore, Pakistan.

17.4 This represents investment in 14,000 fully paid ordinary shares of Rs 10 each of Fatima Electric Company Limited (FECL). The investment represents 40% (2020: 40%) of the total issued, subscribed and paid up share capital of FECL.

The main business of FECL is transmission, manufacture, supply, generation and distribution of electricity and all forms of energy and power. The registered office of FECL is located at Lahore, Pakistan.

17.5 This represents investment in 1 fully paid ordinary share of SGD 1 each of Singfert PTE. Limited (Singfert), a company formed and registered in the Republic of Singapore. The investment represents 25% (2020: 25%) of the total issued, subscribed and paid up share capital of Singfert. No dividend has been paid by Singfert during the year.

Singfert is a Special Purpose Vehicle (SPV) which will be used to route equity investment in Midwest Fertilizer Company (MFC), USA. MFC is setting up a nitrogen fertilizer project in the State of Indiana, USA.

17.6 This represents investment in 60,000,000 units of Rs 10 each of Silk Islamic Development REIT (REIT). The investment represents 20% (2020: nil) of the total units of the REIT.

The principal activity of the REIT is to develop real estate and to construct and sell apartments and commercial units. The registered office of the REIT is located in Karachi, Pakistan.

	2021	2020
	(Rupees in thousand)	
18 Long term loan to an associated company		
Long term loan to an associated company	2,999,000	2,999,000
Less: Current portion	999,667	–
	1,999,333	2,999,000

18.1 This represents loan of Rs 3,000 million approved in the Extra Ordinary General Meeting of the Holding Company held on December 23, 2016 in favour of Pakarab Fertilizers Limited, an associated Company. As per the terms of the agreement, the loan was for 5 years period with two and a half years as grace period. However in 16th annual general meeting held on April 30, 2019 it was resolved that grace and repayment period is extended for further 3 years. The loan is receivable in 6 semi annual equal installments. Interest is to be settled semi annually. The maximum amount of loan outstanding during the year was Rs 2,999 million.

The loan carries markup rate at 6 months KIBOR plus 2.12% per annum. Effective rate of markup charged during the year ranged from 9.47% to 13.62% (2020: 9.34% to 15.60%).

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The loan is fully secured against ranking charge on all present and future fixed assets of the associated Company excluding immovable property i.e. land and buildings and complete carbon dioxide recovery / liquefaction plant (along with storage tank, tools, spares and accessories).

		Note	2021	2020
			(Rupees in thousand)	
19	**Stores and spares**			
	Stores		495,097	354,267
	Spares {including in transit Rs 565.69 million (2020: nil)}		7,498,447	5,243,101
	Catalyst and chemicals		3,672,827	2,709,713
			11,666,371	8,307,081
	Provision for slow moving stores and spares		(100,538)	(33,247)
			11,565,833	8,273,834
20	**Stock in trade**			
	Raw material {including in transit Rs 3,871.03 million (2020: 1,412.14 million)}		10,558,828	2,634,574
	Packing material		28,981	123,572
			10,587,809	2,758,146
	Mid products			
	Ammonia		95,189	290,865
	Nitric acid		22,425	19,489
	Others		4,950	699
			122,564	311,053
	Finished goods			
	Own manufactured			
	Urea		247,278	805,240
	NP		5,185,720	5,906,647
	CAN		29,333	1,639,528
	Certified Emission Reductions		51,981	21,785
			5,514,312	8,373,200
	Purchased for resale		2,107,096	2,088,546
			18,331,781	13,530,945
21	**Trade debts**			
	Secured against bank guarantees		5,574,393	4,400,603
	Un secured - considered good	21.1	4,079,915	49,873
			9,654,308	4,450,476

21.1 This includes Rs 4,008.44 million (2020: nil) pertaining to Pakarab Fertilizers Limited, an associated company, on account of toll manufacturing in the normal course of business. There is no past due debt at the reporting date. Maximum amount outstanding at any time during the year was Rs 6,171.21 million.

	Note	2021	2020
		(Rupees in thousand)	

22 Short term loans

	Note	2021	2020
Reliance Commodities (Pvt) Limited	22.1	4,999,723	1,241,723
Pakarab Fertilizers Limited	22.2	2,000,000	2,000,000
		6,999,723	3,241,723

22.1 This represents loan given to an associated company Reliance Commodities (Pvt) Limited, against an approved limit of Rs 1,250 million, which was enhanced to Rs 5,000 million at the Annual General Meeting dated April 26, 2021. The loan is repayable within 30 business days notice of demand. The markup rate on the said loan is 6 months KIBOR plus 2% per annum. Effective rate of markup charged during the year ranged from 9.41% to 10.85% (2020: 9.41% to 16.02%). The loan is fully secured against a ranking charge over the present and future current assets of the associated Company. The maximum amount of loan outstanding during the year was Rs 4,999.72 million.

22.2 This represents loan against aggregate approved facility of Rs 2,000 million provided to an associated Company Pakarab Fertilizers Limited to support functionality and business requirements. The loan is repayable within 30 business days notice of demand. The loan is fully secured against a ranking charge over the present and future current assets of the associated Company. The markup rate on the said loan is 6 months KIBOR plus 2% per annum. Effective rate of markup charged during the year ranged from 9.47% to 10.85% (2020: 9.47% to 15.46%). The maximum amount of loan outstanding during the year was Rs 2,000 million.

23 Advances, deposits, prepayments and other receivables

	Note	2021	2020
		(Rupees in thousand)	
Advances - considered good			
- to employees		17,710	13,986
- to suppliers	23.1	2,631,781	820,241
		2,649,491	834,227
Margin deposits held by banks		463,595	64,434
Prepayments		138,624	62,040
Receivable from Government of Pakistan (GoP)			
- Advance sales tax		9,283,706	3,899,702
- Subsidy receivable		1,838,075	1,838,075
Loss allowance on subsidy receivable	23.2	(469,965)	(360,244)
		10,651,816	5,377,533
Advance sales tax on receipts		25,131	111,548
Markup receivable		339,290	1,380,367
Current portion of long term loan to an associated company		999,667	–
Others		368,143	845,541
		15,635,757	8,675,690

23.1 These advances to suppliers include balance of Rs 545.78 million (2020: nil) to Pakarab Fertilizers Limited, Rs 345.62 million (2020: nil) to Fatima Packaging Limited and Rs 283.14 million (2020: Rs 47.05 million) to Fatima Agri Sales & Services (Pvt) Limited, which are related parties of the Company and are in the nature of normal trading business.

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23.2 This represents loss allowance on subsidy receivable from GoP in accordance with requirement of IFRS 9. However, management is confident of recovering the full amount from GoP.

		Note	2021	2020
			(Rupees in thousand)	
24	**Short term investments**			
	Investment - FVTPL	24.1	2,242,710	2,324,222
	Investment - FVTOCI	24.2	–	199,640
			2,242,710	2,523,862

24.1 These consist of investments made in equity instruments of various companies.

24.2 Profit rate on these term finance certificates was 7.71% (2020: 7.71% to 14.58%) per annum.

		Note	2021	2020
			(Rupees in thousand)	
25	**Cash and bank balances**			
	Cash in hand		7,415	3,195
	At banks			
	- saving accounts	25.1	120,392	289,723
	- current accounts		4,515,594	262,844
	- term deposit receipt		2,700,000	–
			7,343,401	555,762

25.1 Balances in saving accounts carry profit rates ranging from 5.50% to 8.50% (2020: 5.50% to 12.50%) per annum.

		Note	2021	2020
			(Rupees in thousand)	
26	**Sales**			
	Revenue from contracts with customers			
	Local sales	26.1	112,488,420	71,117,229
	Export sales - Certified Emission Reductions		–	150,087
			112,488,420	71,267,316
26.1	**Local sales**			
	Own manufactured		90,264,959	62,040,598
	Toll manufacturing		19,688,180	–
	Mid products		1,186,215	863,636
	Purchased for resale		5,402,141	11,049,223
			116,541,495	73,953,457
	Less: Sales tax		2,488,713	1,557,228
	Discounts		1,564,362	1,279,000
			112,488,420	71,117,229

		Note	2021	2020
			(Rupees in thousand)	
27	**Cost of sales**			
	Raw material consumed		33,894,924	22,848,385
	Packing material consumed		2,435,781	1,330,108
	Salaries, wages and other benefits	27.1	6,035,077	4,430,574
	Fuel and power		7,705,650	6,330,031
	Chemicals and catalyst consumed		2,177,509	1,172,764
	Stores and spares consumed		2,560,802	1,891,292
	Depreciation	14.3	4,998,414	2,719,658
	Technical assistance		477,832	162,389
	Repair and maintenance		1,724,118	2,131,497
	Insurance		841,210	717,812
	Travelling and conveyance		155,026	127,142
	Rent, rates and taxes		386,755	164,127
	Vehicle running and maintenance		137,654	94,318
	Others		147,582	131,444
	Subsidy on RLNG released by GoP to SNGPL	27.2	(1,532,564)	(5,741,609)
	Manufacturing cost		62,145,770	38,509,932
	Opening stock of mid products		311,053	203,837
	Closing stock of mid products		(122,564)	(311,053)
	Cost of goods manufactured		62,334,259	38,402,716
	Opening stock of finished goods		8,373,200	2,851,480
	Closing stock of finished goods		(5,514,312)	(8,373,200)
	Cost of sales - own manufactured		65,193,147	32,880,996
	Cost of sales - purchased for resale		4,210,829	9,591,534
			69,403,976	42,472,530

27.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 194.48 million (2020: Rs 244.73 million).

27.2 This represents subsidy related to prior year, released by Government of Pakistan (GoP) to SNGPL, as the difference between full RLNG price billed to the Group (Sheikhupura Plant) by SNGPL and the Gas price capped by GoP for fertilizer plants operating on RLNG.

		Note	2021	2020
			(Rupees in thousand)	
28	**Distribution cost**			
	Salaries, wages and other benefits		248,087	228,488
	Fee for services	28.1	998,240	691,523
	Rent, rates and taxes	28.2	333,020	254,167
	Advertisement and sales promotion		481,973	372,688
	Transportation and freight		2,854,070	2,270,461
	Technical services to farmers		51,556	24,088
	Others		81,867	49,393
			5,048,813	3,890,808

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28.1 The Group has outsourced its marketing and distribution function. The amount represents fee for marketing and distribution services charged by an associated company - Fatima Agri Sales and Services (Pvt.) Limited.

28.2 This includes rental paid for short term leases (less than one year) amounting to Rs 332.20 million (2020: Rs 253.90 million).

		Note	2021	2020
			(Rupees in thousand)	
29	**Administrative expenses**			
	Salaries, wages and other benefits	29.1	1,776,621	1,225,327
	Travelling and conveyance		233,863	134,450
	Vehicles running and maintenance		51,588	28,835
	Insurance		10,550	10,705
	Communication and postage		47,280	37,971
	Printing and stationery		25,270	15,245
	Repair and maintenance		66,741	44,882
	Rent, rates and taxes	29.2	64,734	48,352
	Fees and subscription		119,556	161,286
	Entertainment		20,798	13,704
	Legal and professional		74,576	264,811
	Auditors' remuneration	29.3	8,112	7,340
	Utilities		35,119	24,844
	Aircraft operating expenses		275,780	231,262
	Depreciation on operating fixed assets	14.3	238,610	206,731
	Depreciation on investment property	16	906	905
	Amortization	15.1	41,883	34,440
	Charity and donation	29.4	712,796	811,566
	Others		94,991	65,844
			3,899,774	3,368,500

29.1 This includes charge on account of employees' retirement benefits namely gratuity, leave encashment and provident fund contribution amounting to Rs 59.57 million (2020: Rs 71.85 million).

29.2 This includes rental paid for low value leases amounting to Rs 20.38 million (2020: Rs 14.52 million) and ijarah lease rentals amounting to Rs 42.15 million (2020: Rs 32.58 million).

29.3 The breakup of auditors' remuneration including non adjustable sales tax is as follows:

	Note	2021	2020
		(Rupees in thousand)	
Annual audit fee		4,300	3,928
Half yearly review fee		578	525
Others	29.3.1	2,558	2,248
Out of pocket expenses		676	639
		8,112	7,340

29.3.1 Others include special audit fee of Rs 2.07 million (2020: Rs 1.82 million).

29.4 Donations

29.4.1 Donations paid to Mian Mukhtar A. Sheikh Trust (the Trust) exceeds 10% of the Group's total amount of donation.

29.4.2 Donations include the following in which certain directors are interested:

Name of directors	Interest in donee	Name of donees	2021	2020
			(Rupees in thousand)	
Mr. Fawad Ahmed Mukhtar Mr. Faisal Ahmed Mukhtar Mr. Fazal Ahmed Sheikh	Trustees	Mian Mukhtar A. Sheikh Trust	528,000	564,000
Mr. Fawad Ahmed Mukhtar	Member of the Board of Governors of National Management Foundation (NMF) the sponsoring body of LUMS.	Lahore University of Management Sciences (LUMS)	10,960	4,687

	Note	2021	2020
		(Rupees in thousand)	
30 Finance cost			
Markup on long term finances		712,359	1,307,495
Markup on short term finances		878,625	1,665,470
Interest on lease liabilities		161,193	102,572
Bank charges and others		254,382	393,766
		2,006,559	3,469,303
31 Other operating expenses			
Workers' Profit Participation Fund	10.2	1,518,911	976,876
Workers' Welfare Fund	10.3	674,207	369,203
Exchange loss - net		6,211	331,479
Impairment of brand	15.2	2,360,000	–
Loss on remeasurement of investment classified as FVTPL		117,648	–
		4,676,977	1,677,558
32 Other income			
Income from financial assets			
Profit on loan to related parties		839,424	1,200,505
Gain on remeasurement of investment classified FVTPL		–	324,315
Gain on sale of investment classified as FVTPL		30,937	87,736
Profit on short term investments and saving accounts		96,516	53,574
Dividend income		217,225	56,391
		1,184,102	1,722,521
Income from non financial assets			
Scrap sales		18,535	10,662
Gain on disposal of property, plant and equipment		2,887	1,114
Others		4,665	75,777
		26,087	87,553
		1,210,189	1,810,074

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	2021	2020
	(Rupees in thousand)	
33 Taxation		
Current tax		
- Current year	9,900,868	5,093,089
- Prior year	(947,181)	(89,225)
	8,953,687	5,003,864
Deferred tax	757,140	464,200
	9,710,827	5,468,064

33.1 Assessments for Tax Years upto 2021 (Financial Year ended December 31, 2020) are deemed to have been finalized under the provisions of the Income Tax Ordinance, 2001.

	2021	2020
	(%)	
33.2 Tax charge reconciliation		
Numerical reconciliation between the average tax rate and the applicable tax rate:		
Applicable tax rate	29.00	29.00
Tax effect of:		
Income exempt from income tax or taxed at lower rate	(0.11)	(0.25)
Prior year adjustments	(3.36)	(0.48)
Deductions disallowed	7.10	0.01
Others	1.82	0.89
	5.45	0.17
Average effective tax rate charged to statement of profit or loss	34.45	29.17

		2021	2020
34 Earnings per share - basic and diluted			
Profit attributable to ordinary shareholders	(Rupees in thousand)	18,474,090	13,274,691
Weighted average number of shares	(Number of shares)	2,100,000,000	2,100,000,000
Basic and diluted earnings per share	(Rupees)	8.80	6.32

35 Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Group. Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties have been disclosed in the relevant notes to the consolidated financial statements. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

Relationship with the Group	Nature of transaction	2021	2020
		(Rupees in thousand)	
Associated Companies	Purchase of packing material	2,554,662	1,490,814
	Purchase of raw material	2,222,372	343,438
	Purchase of catalysts	272,373	745,934
	Purchase of stores and spares	462,560	200,077
	Purchase of mid products	–	144,666
	Purchase of finished goods	–	3,278,368
	Sale of mid products	118,602	125,977
	Lease rental and license fee	345,095	48,000
	Payment against sales collection	33,636,365	–
	Toll manufacturing revenue	19,688,180	–
	Fee for services	3,059,353	1,363,368
	Miscellaneous expenses	26,740	16,176
	Markup income	839,424	1,200,467
	Markup expense	148,429	87,765
	Purchase of plant and machinery	–	9,000,000
	Purchase of CWIP and immoveable property	–	328,136
	Settlement related to gas pipeline and allied costs	–	3,537,918
	Short term loan given	3,758,000	–
	Dividend paid	1,618,502	1,782,879
Key management personnel	Remuneration	353,194	255,604
	Dividend paid	688,791	753,805
Retirement benefit plans	Retirement benefit contribution	254,055	316,581

35.1 Following are the related parties with whom the Group had entered into transactions or have arrangements / agreements in place.

Name	Basis of Relationship	Aggregate % of shareholding in the Group
Fatima Agri Sales & Services (Private) Limited	Associated company	Nil
Pakarab Fertilizers Limited	Common directorship	Nil
Fatima Packaging Limited	Common directorship	Nil
Air One (Private) Limited	Common directorship	Nil
Arif Habib Corporation Limited	Common directorship	15.19%
Fatima Holding Limited	Common directorship	3.19%
Fazal Cloth Mills Limited	Common directorship	3.29%
Reliance Weaving Mills Limited	Common directorship	0.13%
Reliance Commodities (Pvt.) Limited	Common directorship	0.02%
Fatima Management Company Limited	Common directorship	7.64%
Arif Habib Equity (Private) Limited	Common directorship	0.92%
Fatima Trading Company (Private) Limited	Common directorship	4.64%
Farrukh Trading Company Limited (Formerly Fatima Trade Company Limited)	Common directorship	7.64%

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35.2 The Group considers its Chief Executive Officer, Executive Director, and Functional Heads as its key management personnel.

	2021	2020
	Metric ton	
36 Capacity and production		
Urea		
Designed production capacity	1,037,900	1,037,900
Actual production	800,634	680,889
CAN		
Designed production capacity	870,000	870,000
Actual production	792,438	577,975
NP		
Designed production capacity	664,500	664,500
Actual production	829,822	637,418

36.1 Sadiqabad and Multan plant remained down for 28 days and 23 days respectively for planned maintenance. Sheikhupura plant remained operational as per availability of Natural Gas (RLNG).

37 Remuneration of directors and management personnel

37.1 The aggregate amount charged in the consolidated financial statements for the year for remuneration, including certain benefits, to full time working Directors and Executives of the Group are as follows:

	Chief Executive		Executive Director		Executives	
	2021	2020	2021	2020	2021	2020
	(Rupees in thousand)					
Short term employee benefits						
Managerial remuneration	20,355	18,852	18,957	18,255	875,853	656,426
Housing	9,160	8,484	8,531	8,215	362,148	276,643
Utilities	–	–	–	–	80,471	59,016
Conveyance allowance and site allowance	–	–	–	–	195,052	150,819
Leave fare assistance and bonus	9,310	6,207	9,310	6,207	441,977	244,887
Others	20,910	5,733	1,189	1,592	33,999	35,763
	59,735	39,276	37,987	34,269	1,989,500	1,423,554
Retirement benefits						
Contribution to provident fund and gratuity	–	–	–	–	207,461	132,452
Accumulating compensated absences	–	–	–	–	–	29,850
	59,735	39,276	37,987	34,269	2,196,961	1,585,856
Number of persons	1	1	1	1	289	243

37.2 Non Executive Directors were paid meeting fee aggregating to Rs 1.70 million (2020: Rs 1.40 million).

37.3 The Group also provides the Chief Executive, Executive Director and some of the Executives with Group maintained cars.

	Note	2021	2020
		(Rupees in thousand)	
38 Cash generated from operations			
Profit before tax		28,184,917	18,742,755
Adjustments for:			
Depreciation on property, plant and equipment	14.1	5,245,720	2,932,670
Amortization of intangible assets	15	41,883	34,440
Impairment of brand	15	2,360,000	–
Depreciation on investment property at cost	16	906	905
Finance cost	30	2,006,559	3,469,303
Unwinding of provision / (gain on remeasurement) of GIDC	8.3	367,524	(877,513)
Loss allowance on subsidy receivable from GoP	23.2	109,721	360,244
Provision for staff retirement benefits	8.2	128,670	212,913
Exchange (gain) / loss on translation of foreign currency loan	7.1	(3,312)	48,683
Loss / (gain) on sale of investment - through profit or loss	31 & 32	86,711	(412,051)
Provision for slow moving stores and spares		74,964	39,043
Profit on loan to related parties	32	(839,424)	(1,200,505)
Share of loss / (profit) from associates	17.1	348	(26,795)
Profit on short term investments and saving accounts	32	(96,516)	(53,574)
Gain on disposal of property, plant and equipment	14.4	(2,887)	(1,114)
		9,480,867	4,526,649
Operating cash flows before working capital changes		37,665,784	23,269,404
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		(3,366,963)	(599,421)
Stock in trade		(4,800,836)	(2,013,034)
Trade debts		(5,203,832)	2,756,494
Advances, deposits, prepayments and other receivables		(7,111,198)	3,773,620
Increase / (decrease) in creditors, accrued and other liabilities		14,244,334	(2,199,548)
		(6,238,495)	1,718,111
		31,427,289	24,987,515

39 Financial risk management

39.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

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(a) Market risk

(i) Currency risk

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

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro (EUR). Currently, the Group's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. The Group's exposure to currency risk was as follows:

	2021	2020
	(FCY in thousand)	
Cash at banks – USD	39	13
Trade and other payables – USD	(1,526)	(1,374)
Export Credit Agency Finance – USD	–	(895)
Net exposure – USD	(1,487)	(2,256)
Trade and other payables – EUR	(981)	(818)
Net exposure – EUR	(981)	(818)

The following significant exchange rates were applied during the year:

	2021	2020
Rupees per USD		
Average rate	169.74	158.08
Reporting date rate	178.67	160.80
Rupees per EUR		
Average rate	200.35	185.86
Reporting date rate	203.03	197.67

If the functional currency, at reporting date, had fluctuated by 5% against the USD and EUR with all other variables held constant, the impact on profit after taxation for the year would have been Rs 23.24 million (2020: Rs 26.22 million), respectively higher / lower, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is also exposed to equity price risk since there are investments in equity securities. The Group is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

Fair value sensitivity analysis - Investments through Profit or Loss

In case of 5% change in KSE 100 index on December 31, 2021, with all other variables held constant, net profit for the period would increase / decrease by Rs 112.14 million (2020: Rs 116.21 million) as a result of gains / losses on equity securities classified as at fair value through profit or loss.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has no significant long term interest bearing assets. The Group's interest rate risk arises from long term financing. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

Interest rate sensitivity analysis - FVTOCI

In case of 5% change in fair value of TFCs on December 31, 2021, with all other variables held constant, net profit for the period would increase / decrease by Rs nil (2020: Rs 9.98 million) as a result of gains / losses on TFCs classified at FVTOCI.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2021	2020
	(Rupees in thousand)	
Fixed rate instruments		
Cash at bank - saving accounts	120,392	289,723
Term deposit receipt	2,700,000	–
Floating rate instruments		
Financial assets		
Long term loan to associated company	2,999,000	2,999,000
Short term loans	6,999,723	3,241,723
Short term investment	–	199,640
Financial liabilities		
Long term finance	7,064,604	8,917,289
Short term finance - secured	6,465,772	11,443,557

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the statement of profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If the markup rate on net finance at reporting date, had fluctuated by 100 basis points with all other variables held constant, the impact on profit after taxation for the year would have been Rs 24.45 million (2020: Rs 115.56 million) respectively higher / lower.

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(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and loans, advances, deposits, prepayments and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2021	2020
	(Rupees in thousand)	
Long term loan to associated company	2,999,000	2,999,000
Long term advances and deposits	518,424	113,679
Short term loan to associated companies	6,999,723	3,241,723
Advances, deposits and other receivables	1,171,028	2,290,342
Trade debts	9,654,308	4,450,476
Short term investments	2,242,710	2,523,862
Bank balances	7,335,986	552,567
	30,921,179	16,171,649

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2021	2020
	Short term	Long term	Rating Agency	(Rupees in thousand)	
Allied Bank Limited	A-1+	AAA	PACRA	354	3,025
Askari Bank Limited	A-1+	AA+	PACRA	13,724	2,150
Bank Alfalah Limited	A-1+	AA+	PACRA	566,787	189
Bank Al Habib Limited	A-1+	AAA	PACRA	747,108	8,258
Citibank N.A	P-1	Aa3	Moody's	46	46
Dubai Islamic Bank Limited	A-1+	AA	VIS	6	–
Faysal Bank Limited	A-1+	AA	PACRA	42,866	50,016
Habib Bank Limited	A-1+	AAA	VIS	524,100	61,657
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	–	13
JS Bank Limited	A-1+	AA-	PACRA	63,244	137
MCB Bank Limited	A-1+	AAA	PACRA	30,870	14,130
Meezan Bank Limited	A-1+	AAA	VIS	882,594	36,990
National Bank of Pakistan	A-1+	AAA	VIS	1,558,375	1,617
Sindh Bank Limited	A-1	A+	VIS	–	15
Soneri Bank Limited	A-1+	AA-	PACRA	424	10
Summit Bank Limited	A-3	BBB-	VIS	183,587	112,089
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	2,714,509	225,272
The Bank of Punjab	A-1+	AA+	PACRA	503	31,163
The Royal Bank of Scotland	P-1	Aa3	Moody's	2,820	–
United Bank Limited	A-1+	AAA	VIS	4,069	5,791

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Group. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At December 31, 2021 the Group has Rs 20,602.60 million (2020: Rs 8,838.04 million) unutilised borrowing limits from financial institutions and Rs 7,343.20 million (2020: Rs 555.76 million) cash and cash equivalents.

The following are the contractual maturities of financial liabilities as at December 31, 2021:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	7,064,604	1,892,328	4,607,803	564,473
Lease liabilities	2,414,760	334,537	2,080,223	–
Short term finance - secured	6,465,772	6,465,772	–	–
Trade and other payables	30,315,444	30,315,444	–	–
Unpaid dividend	1,738,864	1,738,864	–	–
Unclaimed dividend	44,951	44,951	–	–
Long term deposits	175,104	–	175,104	–
Accrued finance cost	307,184	307,184	–	–
	48,526,683	41,099,080	6,863,130	564,473

The following are the contractual maturities of financial liabilities as at December 31, 2020:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term finances	8,917,289	5,803,222	3,114,067	–
Lease liabilities	2,734,040	319,280	2,414,760	–
Short term finance - secured	11,443,557	11,443,557	–	–
Trade and other payables	17,968,511	17,968,511	–	–
Unpaid dividend	–	–	–	–
Unclaimed dividend	40,853	40,853	–	–
Long term deposits	110,370	–	110,370	–
Accrued finance cost	450,579	450,579	–	–
	41,665,199	36,026,002	5,639,197	–

39.2 Fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Fair value hierarchy

The Group is required to classify financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted market 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 the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments of the Group carried at fair value are categorised as follows:

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	2021			
	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Investment - FVTPL	2,242,710	–	–	2,242,710
Investment - FVTOCI	–	–	–	–
Total financial assets at fair value	2,242,710	–	–	2,242,710

	2020			
	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Investment - FVTPL	2,324,222	–	–	2,324,222
Investment - FVTOCI	199,640	–	–	199,640
Total financial assets at fair value	2,523,862	–	–	2,523,862

39.3 Financial instruments by categories

	2021			2020		
	Amortized Cost	Fair value Through P & L	Fair value Through OCI	Amortized Cost	Fair value Through P & L	Fair value Through OCI
	(Rupees in thousand)					
Financial assets as per statement of financial position						
Long term loan to an associated company	2,999,000	–	–	2,999,000	–	–
Long term advances and deposits	518,424	–	–	113,679	–	–
Short term loan to related parties	6,999,723	–	–	3,241,723	–	–
Loans, advances, deposits and other receivables	1,171,028	–	–	2,290,342	–	–
Trade debts	9,654,308	–	–	4,450,476	–	–
Short term investment	–	2,242,710	–	–	2,324,222	199,640
Cash and bank balances	7,343,401	–	–	555,762	–	–
	28,685,884	2,242,710	–	13,650,982	2,324,222	199,640

Financial liabilities as per statement of financial position - at amortised cost

	2021	2020
	(Rupees in thousand)	
Long term finance	7,064,604	8,917,289
Short term finance - secured	6,465,772	11,443,557
Unpaid dividend	1,738,864	–
Unclaimed dividend	44,951	40,853
Lease liabilities	1,812,298	2,381,795
Long term deposits	175,104	110,370
Trade and other payables	30,315,444	17,968,511
Accrued finance cost	307,184	450,579
	47,924,221	41,312,954

39.4 Capital risk management

The Group's objectives when managing capital are to safeguard Group's ability to continue as a going concern in order to provide maximum return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure as required by the lenders. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of debt to equity ratio.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, issue new ordinary / preference shares, or obtain / repay loans.

	2021	2020
	(Rupees in thousand)	
Total debt	15,342,674	22,742,641
Cash and cash equivalents	(7,343,401)	(555,762)
Net debt	7,999,273	22,186,879
Total equity	100,263,264	87,102,656
Total capital	108,262,537	109,289,535
Debt to capital ratio	7.39%	20.30%

40 Provident fund

	2021	2020
The following information is based on latest unaudited financial statements of the fund:		
Size of the fund	1,982,661	1,755,058
Cost of investments made	1,760,220	1,556,856
Fair value of investments	1,818,992	1,619,556
Percentage of investments made	89%	89%

40.1 The breakup of fair value of investments is as follows:

	2021		2020	
	(Rupees in thousand)	% age	(Rupees in thousand)	% age
Mutual funds	1,148,752	63%	1,123,983	69%
Scheduled banks	670,240	37%	494,543	31%
Redeemable capital	–	0%	1,030	0%
	1,818,992	100%	1,619,556	100%

40.2 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

40.3 An amount of Rs 123.72 million (2020: Rs 134.79 million) has been contributed during the year to the provident fund.

41 Number of employees

	2021	2020
Average number of employees during the year	2,750	2,502
Number of employees at end of the year	2,895	2,604

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42 Shariah compliance disclosure

	2021		
	Conventional	Shariah Compliant	Total
	(Rupees in thousand)		
Finance cost			
Long term loans	475,711	236,648	712,359
Short term borrowings	752,531	126,094	878,625
Lease liabilities	161,193	–	161,193
Liabilities			
Long term loans	4,720,405	2,344,199	7,064,604
Short term borrowings	6,039,212	426,560	6,465,772
Lease liabilities	1,812,298	–	1,812,298
Accrued markup			
Long term loans	113,282	47,041	160,323
Short term borrowings	121,851	25,010	146,861
Finance income			
Long term loan	289,901	–	289,901
Short term loan	549,523	–	549,523
Banks	94,450	–	94,450
Term finance certificates	2,066	–	2,066
Cash at bank	7,155,052	180,934	7,335,986

	2020		
	Conventional	Shariah Compliant	Total
	(Rupees in thousand)		
Finance cost			
Long term loans	694,657	612,838	1,307,495
Short term borrowings	1,590,482	74,988	1,665,470
Lease liabilities	102,572	–	102,572
Liabilities			
Long term loans	3,972,095	4,945,194	8,917,289
Short term borrowings	11,013,861	429,696	11,443,557
Lease liabilities	2,381,795	–	2,381,795
Accrued markup			
Long term loans	194,146	52,316	246,462
Short term borrowings	179,058	25,059	204,117
Finance income			
Long term loan	410,545	–	410,545
Short term loan	789,960	–	789,960
Banks	30,042	–	30,042
Term finance certificates	23,532	–	23,532
Cash at bank	552,567	–	552,567

43 Non adjusting events after reporting date

The Board of Directors of the Holding Company in its meeting held on April 07, 2022 proposed a final dividend of Rs 3.50 (2020: Rs 2.50) per share for the year ended December 31, 2021, aggregating Rs 7,350 million (2020: Rs 5,250 million) for approval of the members at the Annual General Meeting to be held on April 29, 2022.

44 COVID-19 impact assessment

During COVID-19 Pandemic, the Group has taken appropriate measures to keep its human resource and assets safe and secure. Consequently, the Group's plants have continued uninterrupted operations during the year. The management believes that there is no significant financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income or expenses, as disclosed in these financial statements. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

45 Date of authorization of issue

These consolidated financial statements have been authorized for issue on April 07, 2022 by the Board of Directors of the Group.

46 General

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

Chief Executive Officer	Director	Chief Financial Officer

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Item 5 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 1240(I)/2017 dated December 06, 2017, it is informed that the following directors of the Company are also the directors in the investee company, however, the directors have no direct or indirect interest except to the extent of shareholding/directorship in the investee company:

Directors

1) Mr. Fawad Ahmed Mukhtar
2) Mr. Fazal Ahmed Sheikh
3) Mr. Faisal Ahmed Mukhtar

The Directors have carried out the required due diligence for the purpose of this loan.

The information required under S.R.O 1240(I)/2017 is provided below:

Sr. No.	Description	Information Required
(a)	**Disclosure for all types of Investments**	
(A)	**Disclosure regarding associated company**	
(i)	Name of associated company or associated undertaking	Reliance Commodities (Pvt) Limited (RCL)
(ii)	Basis of relationship	Due to common directorship by the following: 1) Mr. Fawad Ahmed Mukhtar 2) Mr. Fazal Ahmed Sheikh 3) Mr. Faisal Ahmed Mukhtar
(iii)	Earnings per share for the last three years	PKR 26.05 for the year 2019 PKR 25.06 for the year 2020 PKR 45.51 for the year 2021
(iv)	Break-up value per share, based on latest audited financial statements	PKR 354.00
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the un-audited Financial Statements for the period ended December 31, 2021 **PKR in Million** Authorized Capital 350 Paid-up capital and reserves 2,477 Surplus on revaluation of property, plant and equipment 357 Non-Current Liabilities 1.854 Current Liabilities 11,956 Current Assets 13,923 Non-Current Assets 741 Revenue 1,538 Gross Profit 253 Finance Cost 53 Profit After Tax 129

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134(3) of the Companies Act, 2017

<table>
<tr><th>Sr. No.</th><th>Description</th><th>Information Required</th></tr>
<tr><td>(vi)</td><td>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely:
(I) Description of the project and its history since conceptualization;
(II) starting date and expected date of completion of work;
(III) time by which such project shall become commercially operational;
(IV) expected time by which the project shall start paying return on investment; and
(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts</td><td>Not applicable</td></tr>
<tr><td>(B)</td><td colspan="2">General Disclosures</td></tr>
<tr><td>(i)</td><td>Maximum amount of investment to be made</td><td>Loan Investment up to PKR 5,000 Million (Already made).</td></tr>
<tr><td>(ii)</td><td>Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment</td><td>To support the functionality and operations of the associated undertaking and to continue investment of the Company's funds at an attractive rate of mark-up for a further period of one year.</td></tr>
<tr><td>(iii)</td><td>Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:
(I) justification for investment through borrowings;
(II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and
(III) cost benefit analysis</td><td>Already given/Own sources of the Company.</td></tr>
<tr><td>(iv)</td><td>Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment</td><td>Salient terms of the agreement to be entered as follows:
1. The parties agree to extend the repayment period of the Running Finance Facility to be repaid within 30 days of the notice of demand for a further period of one year. The limit in the nature of Running Finance Facility shall be renewable in the next general meeting(s) for a further period(s) of one year.
2. Markup will be charged on the entire loan at the rate of 6M KIBOR+2% but not less than the borrowing cost of Fatima. Markup is payable on a six monthly basis.
3. On repayment of the loan, the charge over the present and future currents assets of the investee company is to be vacated.</td></tr>
<tr><td>(v)</td><td>Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration</td><td>The following directors of the Company are also the directors in the investee company, however, the directors have no direct or indirect interest except to the extent of shareholding/ directorship in the investee company:
Directors
1) Mr. Fawad Ahmed Mukhtar
2) Mr. Fazal Ahmed Sheikh
3) Mr. Faisal Ahmed Mukhtar</td></tr>
</table>

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	A loan of an aggregate amount of up to PKR 5,000 million in the nature of a renewable running finance facility has already been granted to RCL. The Company is now seeking renewal of this running finance facility for a further period of one year at the mark-up rate of 6M KIBOR + 2% but not less than the borrowing cost of Fatima and to be repaid within 30 days of the notice of demand. There is no impairment or write-offs for this loan.
(vii)	Any other important details necessary for the members to understand the transaction	None
(b)	**Additional Disclosures regarding Loan Investment**	
(i)	Category-wise amount of investment	Loan Investment up to PKR 5,000 Million (Already made).
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	The average borrowing cost of investing company is 9.55%.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	6M KIBOR+2% per annum but not less than the borrowing cost of Fatima.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	The security for the loan shall continue in the form of a charge over the present and future current assets of RCL and the charge shall be vacated on the repayment of the entirety of the loan.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	The Loan will be repayable within a year within 30 days of the notice of demand unless renewed by mutual consent of the parties, provided shareholders of Fatima approve any renewal.

Item 6 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 1240(I)/2017 dated December 06, 2017, it is informed that the following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/directorship in the investee company:

Directors

1) Mr. Arif Habib
2) Mr. Fawad Ahmed Mukhtar
3) Mr. Fazal Ahmed Sheikh
4) Mr. Faisal Ahmed Mukhtar
5) Mr. Muhammad Kashif Habib

Relative

1) Mrs. Ambreen Fawad

The Directors have carried out the required due diligence for the purpose of this loan.

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

The information required under S.R.O. 1240(I)/2017 is provided below:

Sr. No.	Description	Information Required
(a)	**Disclosure for all types of Investments**	
(A)	**Disclosure regarding associated company**	
(i)	Name of associated company or associated undertaking	Pakarab Fertilizers Limited (PFL)
(ii)	Basis of relationship	Due to common directorship by the following: 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib
(iii)	Earnings per share for the last three years	PKR (18.25) for the year 2018 PKR (9.17) for the year 2019 PKR 2.46 for the year 2020
(iv)	Break-up value per share, based on latest audited financial statements	PKR 20.72
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the audited Financial Statements for the year ended December 31, 2020 **PKR in Billion** Authorized Capital 10.0 Paid up capital and reserves (3.6) Surplus on revaluation of operating fixed assets 12.9 Non-Current Liabilities 9.1 Current Liabilities 18.2 Current Assets 13.2 Non-Current Assets 23.5 Revenue 19.38 Gross Profit 4 Finance Cost 2.4 Profit After Tax 1.1
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(B)	**General Disclosures**	
(i)	Maximum amount of investment to be made	Loan Investment up to PKR 2,000 Million already made.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To support the functionality and operations of the associated undertaking and to continue investment of Company's funds at an attractive rate of mark-up for a further period of one year.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Already given/Own sources of the Company.
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Agreement: 1. The parties agree to extend the repayment period of the Running Finance Facility to be repaid within 30 days of the notice of demand for a further period of one year. The limit in the nature of Running Finance Facility shall be renewable in the next general meeting(s) for a further period(s) of one year. 2. Markup will be charged on the Loan at the rate of 6M KIBOR+2% per annum but not less than the borrowing cost of Fatima. Markup is payable on a six monthly basis . 3. On repayment of the loan, the charge over the current assets of the investee company is to be vacated
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/directorship in the investee company: **Directors** 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib **Relative** 1) Mrs. Ambreen Fawad
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Long term loan of an aggregate amount of up to PKR 3,000 million and a corporate guarantee facility limit of up to PKR 2.00 billion is already given to PFL. There is no impairment or write-offs for this loan.
(vii)	Any other important details necessary for the members to understand the transaction	None

Sr. No.	Description	Information Required
(b)	**Additional Disclosures regarding Loan Investment**	
(i)	Category-wise amount of investment	Loan investment up to PKR 2,000 million already made.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	The average borrowing cost of investing company is 9.55%.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	6M KIBOR+2% per annum but not less than the borrowing cost of Fatima.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Security for the loan was previously obtained in the form of a charge over the current assets of the investee company. This charge shall be vacated on the repayment of the entirety of the loan.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	The Loan will be repayable within a year within 30 days of the notice of demand unless renewed by mutual consent of the parties, provided shareholders of Fatima approve any renewal.

Item 7 of the Agenda:

The transactions carried out with associated companies/related parties have been approved by the Board as recommended by the Audit Committee on a quarterly basis pursuant to provisions of applicable laws. However, the majority of Company Directors were interested in certain related party transactions due to their common directorship and holding of shares in the associated companies/related parties, the Board has recommended the same for placement before the shareholders of the Company in general meeting for ratification/approval.

All these related party transactions during the mentioned period were executed at Arm's Length Price in a fair and transparent manner and there was no departure from the guidelines mentioned in the Code of Corporate Governance for such transactions.

Pursuant to the above, these transactions have to be approved/ratified by the shareholders in the General Meeting.

The directors and their relatives have no direct or indirect interest in the aforesaid except to the extent of their shareholding/ common directorship with associated companies/related parties.

Item 8 of the Agenda:

Due to the composition of the Board of Directors of the Company, many Directors may be deemed to be treated as interested in transactions with certain related parties due to their common directorships and/or shareholding. Therefore the shareholders are being approached to grant a broad and prior approval for such transactions to be entered into by the Company, from time to time, at the discretion of the Board and irrespective of its composition and interest of directors due to their common directorship and holding of shares in the associated companies/related parties, triggering approval of shareholders under section 207 and/or 208 of the Companies Act, 2017, for the year ending December 31, 2022, which transactions shall be deemed to be approved by the shareholders. The Company shall ensure that such transactions with related parties, if needed, continue to be carried out in a fair and transparent manner and at Arm's Length Basis.

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Transactions intended to be carried out by the Company include, but are not limited to, sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/raw material, and purchase of packaging material with the following related parties but are not limited to:

Company Name and Nature of Relationship

1. Pakarab Fertilizers Limited - Associated company
2. Fatima Packaging Limited - Wholly owned subsidiary of Pakarab Fertilizers Limited (an associated company)

The shareholders should note that it is not possible for the Company or the directors to accurately predict the nature of related party transaction or the specific related party(ies) with which the transaction(s) shall be carried out. In view of the same, the Company seeks the broad/ prior approval of the shareholders that the Board may cause the Company to enter into related party transactions in its discretion and in accordance with the policy of the Company. Such transactions shall be presented in the next annual general meeting of shareholders for their formal approval/ratification.

The following directors of the Company are also the directors in PFL and the following relative of the director is also the shareholder of PFL, however, the directors/relative have no direct or indirect interest except to the extent of their shareholding/directorship in PFL:

Directors	**Relative**
1) Mr. Arif Habib	1) Mrs. Ambreen Fawad
2) Mr. Fawad Ahmed Mukhtar	
3) Mr. Fazal Ahmed Sheikh	
4) Mr. Faisal Ahmed Mukhtar	
5) Mr. Muhammad Kashif Habib	

The Directors are interested in the resolution only to the extent of their shareholding and/or common directorships in such related parties.

Item 9 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 1240(I)/2017 dated December 06, 2017, it is informed that the following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/directorship in the investee company:

Directors	**Relative**
1) Mr. Arif Habib	1) Mrs. Ambreen Fawad
2) Mr. Fawad Ahmed Mukhtar	
3) Mr. Fazal Ahmed Sheikh	
4) Mr. Faisal Ahmed Mukhtar	
5) Mr. Muhammad Kashif Habib	

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

The Directors have carried out the required due diligence for the purpose of issuance of corporate guarantees.

The information required under S.R.O. 1240(I)/2017 is provided below:

Sr. No.	Description	Information Required
(a)	**Disclosure for all types of Investments**	
(A)	**Disclosure regarding associated company**	
(i)	Name of associated company or associated undertaking	Pakarab Fertilizers Limited (PFL)
(ii)	Basis of relationship	Due to common directorship by the following: 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib
(iii)	Earnings per share for the last three years	PKR (18.25) for the year 2018 PKR (9.17) for the year 2019 PKR 2.46 for the year 2020
(iv)	Break-up value per share, based on latest audited financial statements	PKR 20.72
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the audited Financial Statements for the year ended December 31, 2020 **PKR in Billion** Authorized Capital 10.0 Paid up capital and reserves (3.6) Surplus on revaluation of operating fixed assets 12.9 Non-Current Liabilities 9.1 Current Liabilities 18.2 Current Assets 13.2 Non-Current Assets 23.5 Revenue 19.38 Gross Profit 4 Finance Cost 2.4 Profit After Tax 1.1
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	Not applicable

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(B)	**General Disclosures**	
(i)	Maximum amount of investment to be made	Corporate Guarantee(s) limit of up to an aggregate amount of PKR 4,000 Million.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To support the functionality and operations of the associated undertaking.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Not applicable
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Approval and ratification for enhancement of limit for issuance of Corporate Guarantee(s) from PKR 2,000 million to an aggregate amount of up to PKR 4,000 million and renewal thereof for a further period of one year for Corporate Guarantee(s) issued/to be issued by Fatima Fertilizer Company Limited, as and when needed, in favor of any bank / financial institution/company, etc. in connection with financing or other facilities availed / to be availed by Pakarab Fertilizers Limited.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/directorship in the investee company: **Directors** 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib **Relative** 1) Mrs. Ambreen Fawad
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Long-term loan of an aggregate amount of up to PKR 3,000 millon and running finance facility of an aggregate amount of PKR 2,000 million is already given to PFL. There is no impairment or write-offs for this loan.
(vii)	Any other important details necessary for the members to understand the transaction	None
(b)	**Additional Disclosures regarding Loan Investment**	
(i)	Category-wise amount of investment	Corporate Guarantee(s) limit of up to an aggregate amount of PKR 4,000 million.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	The average borrowing cost of investing company is 9.55%.

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	In line with prevailing commercial rates for similar unfunded facilities.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Charge over current assets of the investee company.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	The limit of Corporate Guarantee(s) will be for a period of one year and shall be renewable in the next general meeting(s) for a further period(s) of one year(s).

Item 10 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 1240(I)/2017 dated December 06, 2017, it is informed that the following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/directorship in the investee company:

Directors

1) Mr. Arif Habib
2) Mr. Fawad Ahmed Mukhtar
3) Mr. Fazal Ahmed Sheikh
4) Mr. Faisal Ahmed Mukhtar
5) Mr. Muhammad Kashif Habib

Relative

1) Mrs. Ambreen Fawad

The Directors have carried out the required due diligence for the purpose of this loan.

The information required under S.R.O. 1240(I)/2017 is provided below:

Sr. No.	Description	Information Required
(a)	**Disclosure for all types of Investments**	
(A)	**Disclosure regarding associated company**	
(i)	Name of associated company or associated undertaking	Pakarab Fertilizers Limited (PFL)
(ii)	Basis of relationship	Due to common directorship by the following: 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib
(iii)	Earnings per share for the last three years	PKR (18.25) for the year 2018 PKR (9.17) for the year 2019 PKR 2.46 for the year 2020
(iv)	Break-up value per share, based on latest audited financial statements	PKR 20.72

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

<table>
<tr><th>Sr. No.</th><th>Description</th><th>Information Required</th></tr>
<tr><td>(v)</td><td>Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements</td><td>As per the unaudited Financial Statements for the period ended December 31, 2020
PKR in Billion
Authorized Capital 10.0
Paid up capital and reserves 3.6
Surplus on revaluation of operating fixed assets 12.9
Non-Current Liabilities 9.1
Current Liabilities 18.2
Current Assets 13.2
Non-Current Assets 23.5
Revenue 19.38
Gross Profit 4
Finance Cost 2.4
Profit After Tax 1.1</td></tr>
<tr><td>(vi)</td><td>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely:
(I) Description of the project and its history since conceptualization;
(II) starting date and expected date of completion of work;
(III) time by which such project shall become commercially operational;
(IV) expected time by which the project shall start paying return on investment; and
(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts</td><td>Not applicable</td></tr>
<tr><td>(B)</td><td colspan="2">General Disclosures</td></tr>
<tr><td>(i)</td><td>Maximum amount of investment to be made</td><td>Loan Investment up to PKR 3,000 Million already made.</td></tr>
<tr><td>(ii)</td><td>Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment</td><td>To support the functionality and operations of associated undertaking and to continue investment of Company's funds at attractive rate of mark-up.</td></tr>
<tr><td>(iii)</td><td>Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:
(I) justification for investment through borrowings;
(II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and
(III) cost benefit analysis</td><td>Already given/Own sources of the Company.</td></tr>
<tr><td>(iv)</td><td>Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment</td><td>Agreement:
1. The parties agree to extend the grace and repayment period of the long term loan for further period of three years.
3. Markup will be charged on the Loan at the rate of 6M KIBOR+2% per annum but not less than the borrowing cost of Fatima. Markup is payable on semi-annual basis.
4. On repayment of the Loan, the charge over the fixed assets of investee company is to be vacated.</td></tr>
</table>

Sr. No.	Description	Information Required
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company and the following relative of the director is also the shareholder of the investee company, however, the directors/relative have no direct or indirect interest except to the extent of shareholding/directorship in the investee company: Directors 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib Relative 1) Mrs. Ambreen Fawad
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	A running finance facility and a corporate guarantee facility of an aggregate amount of up to PKR 2,000 million and PKR 2,000 million respectively is already given to PFL. There is no impairment or write offs for this loan.
(vii)	Any other important details necessary for the members to understand the transaction	None
(b)	**Additional Disclosures regarding Loan Investment**	
(i)	Category-wise amount of investment	Loan investment up to PKR 3,000 million already made.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is 9.55%.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	6M KIBOR+2% per annum but not less than the borrowing cost of Fatima.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Security for the loan was previously obtained in the form of a charge over fixed assets of the investee company. This charge shall be vacated on the repayment of the entirety of the loan.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	None
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	Loan already given. Grace and repayment period now being extended from Five and a half years to Eight and a half years grace period, payable in 6 semiannual installments for Principal. Interest to be settled semi-annually.

Item 11 of the Agenda:

As per the disclosure requirement of Para 4(1) of the S.R.O. 1240(I)/2017 dated December 06, 2017, it is informed that the following directors of the Company are also the directors in the investee company, however, the directors have no direct or indirect interest except to the extent of shareholding/directorship in the investee company:

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Directors

1) Mr. Arif Habib
2) Mr. Fawad Ahmed Mukhtar
3) Mr. Fazal Ahmed Sheikh
4) Mr. Faisal Ahmed Mukhtar
5) Mr. Muhammad Kashif Habib

The Directors have carried out the required due diligence for the purpose of this investment.

The information required under S.R.O. 1240(I)/2017 is provided below:

Sr. No.	Description	Information Required	
(a)	**Disclosure for all types of Investments**		
(A)	**Disclosure regarding associated company**		
(i)	Name of associated company or associated undertaking	Fatima Cement Limited (FCL)	
(ii)	Basis of relationship	Due to common directorship by the following: 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib	
(iii)	Earnings per share for the last three years	PKR 26.29 for the year 2019 PKR (629.54) for the year 2020 PKR 0.35 for the year 2021	
(iv)	Break-up value per share, based on latest audited financial statements	PKR 10.28	
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	As per the unaudited Financial Statements for the period ended December 31, 2021	**PKR in Million**
		Authorized Capital	350
		Paid up capital and reserves	314.373
		Surplus on revaluation of operating fixed assets	-
		Non-Current Liabilities	-
		Current Liabilities	22.998
		Current Assets	33.645
		Non-Current Assets	303.726
		Revenue	-
		Gross Profit	-
		Finance Cost / Other Income	(8.216)
		Profit After Tax	5.908

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) Description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and noncash amounts	(I) Fatima Cement Limited ("the Company") was incorporated on 26 July 2016 as a public unlisted company. The objective of the Company is the production and sale of cement by erecting a cement plant with production capacity of 9,000 ~ 10,000 MTPD of clinker. The project is anticipated to provide IRR above 20% (II) Project construction will start in 3rd Quarter 2022 and expected completion date is October 2024 (III) Project will achieve its commercial operation by November / December 2024 (IV) Project will start paying return on investment from 2025 (V) Investment to be made is PKR 300,030,000 in cash only.
(B)	**General Disclosures**	
(i)	Maximum amount of investment to be made	As described above
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	As described above
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis	Investment will be made from its internal funds generation. (I) N/A (II) N/A (III) Project is anticipated to offer an IRR of 20% return
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	None
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company, however, the directors have no direct or indirect interest except to the extent of shareholding/directorship in the investee company: **Directors** 1) Mr. Arif Habib 2) Mr. Fawad Ahmed Mukhtar 3) Mr. Fazal Ahmed Sheikh 4) Mr. Faisal Ahmed Mukhtar 5) Mr. Muhammad Kashif Habib

STATEMENTS UNDER SECTION
134(3) of the Companies Act, 2017

Sr. No.	Description	Information Required
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	N/A
(vii)	Any other important details necessary for the members to understand the transaction	None
(b)	**Additional Disclosures regarding Equity Investment**	
(i)	Maximum price at which securities will be acquired	At cost PKR 10 per share
(ii)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	N/A
(iii)	Maximum number of securities to be acquired	30,003,000 ordinary shares
(iv)	Number of securities and percentage thereof held before and after the proposed investment	Present holding is none. 100% holding after the acquisition of 30,003,000 ordinary shares
(v)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities	N/A
(vi)	Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities	Same as A (iv) above

PATTERN OF SHAREHOLDING
as at December 31, 2021

Category - Wise

Categories of Shareholders		Shares held	Percentage
Directors and their spouse(s) and minor children			
MR. FAWAD AHMED MUKHTAR	3	80,900,389	3.85
MR. FAZAL AHMED SHEIKH	4	101,016,205	4.81
MR. FAISAL AHMED MUKHTAR	4	131,932,979	6.28
MR. MUHAMMAD ARIF HABIB	2	185,994,294	8.86
MRS. AMBREEN FAWAD	2	15,473,526	0.74
MR. ASAD MUHAMMAD SHEIKH	2	24,364,808	1.16
MR. MOHID MUHAMMAD AHMED	2	5,942,301	0.28
FARAH FAISAL	2	56,250	0.00
FATIMA FAZAL	2	70,311	0.00
MOHAMMAD KASHIF	1	62,293,675	2.97
TARIQ JAMALI	1	1	0.00
Associated Companies, undertakings and related parties	13	895,941,688	42.66
Sponsors	44	363,482,818	17.31
Executives	31	448,197	0.02
NIT and ICP	2	596	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions	13	56,748,938	2.70
Insurance Companies	3	245,689	0.01
Modarabas and Mutual Funds	13	6,568,634	0.31
General Public			
a. Local	8,844	51,365,733	2.45
b. Foreign	59	923,393	0.04
Foreign Companies	6	21,882,983	1.04
Others	113	94,346,592	4.49
Totals	9,166	2,100,000,000	100.00

Share holders holding 10% or more	Shares held	Percentage
ARIF HABIB CORPORATION LIMITED	319,000,206	15.19

PATTERN OF SHAREHOLDING
as at December 31, 2021

No. of Shareholders	From	Having Shares	To	Shares Held
2155	1	To	100	78,059
3570	101	To	500	1,456,830
1005	501	To	1000	897,860
1309	1001	To	5000	3,533,498
410	5001	To	10000	3,251,564
177	10001	To	15000	2,230,838
100	15001	To	20000	1,827,110
65	20001	To	25000	1,512,092
28	25001	To	30000	787,797
23	30001	To	35000	754,137
17	35001	To	40000	639,849
16	40001	To	45000	681,752
40	45001	To	50000	1,971,426
12	50001	To	55000	628,000
18	55001	To	60000	1,043,152
11	60001	To	65000	686,342
8	65001	To	70000	551,055
8	70001	To	75000	580,574
3	75001	To	80000	235,250
1	80001	To	85000	85,000
3	85001	To	90000	261,000
2	90001	To	95000	187,900
16	95001	To	100000	1,599,500
2	100001	To	105000	205,187
5	105001	To	110000	541,834
1	110001	To	115000	114,787
2	120001	To	125000	250,000
2	125001	To	130000	258,865
2	135001	To	140000	278,000
2	140001	To	145000	288,008
6	145001	To	150000	896,400
5	155001	To	160000	793,000
1	160001	To	165000	165,000
1	165001	To	170000	168,500
1	170001	To	175000	171,225
2	180001	To	185000	363,000
1	185001	To	190000	185,566
2	195001	To	200000	395,115
1	200001	To	205000	204,250
1	210001	To	215000	210,419
2	220001	To	225000	445,500
1	225001	To	230000	229,000
2	230001	To	235000	464,000
1	235001	To	240000	235,752
1	240001	To	245000	240,784
4	245001	To	250000	1,000,000
4	270001	To	275000	1,100,000
3	295001	To	300000	900,000
1	300001	To	305000	305,000

PATTERN OF SHAREHOLDING
as at December 31, 2021

No. of Shareholders	From	Having Shares	To	Shares Held
1	320001	To	325000	321,500
2	335001	To	340000	672,081
2	345001	To	350000	694,000
1	350001	To	355000	351,000
2	360001	To	365000	730,000
1	365001	To	370000	370,000
1	370001	To	375000	375,000
2	375001	To	380000	754,263
1	415001	To	420000	418,490
1	445001	To	450000	450,000
1	450001	To	455000	454,500
2	475001	To	480000	958,000
1	485001	To	490000	486,000
2	495001	To	500000	1,000,000
1	505001	To	510000	505,241
1	530001	To	535000	531,000
1	550001	To	555000	550,500
2	585001	To	590000	1,176,361
1	600001	To	605000	605,000
1	605001	To	610000	609,292
1	670001	To	675000	675,000
1	745001	To	750000	749,500
1	750001	To	755000	753,687
1	755001	To	760000	758,797
2	780001	To	785000	1,567,950
2	975001	To	980000	1,959,000
2	995001	To	1000000	2,000,000
1	1095001	To	1100000	1,095,270
1	1100001	To	1105000	1,100,542
1	1150001	To	1155000	1,155,000
1	1240001	To	1245000	1,240,017
2	1345001	To	1350000	2,699,050
1	1540001	To	1545000	1,541,878
1	1590001	To	1595000	1,591,500
1	1695001	To	1700000	1,698,357
1	1810001	To	1815000	1,814,000
2	2015001	To	2020000	4,030,430
1	2050001	To	2055000	2,052,000
1	2165001	To	2170000	2,166,000
1	2300001	To	2305000	2,302,000
1	2400001	To	2405000	2,403,669
1	2515001	To	2520000	2,516,000
1	2605001	To	2610000	2,610,000
1	2625001	To	2630000	2,625,166
1	2795001	To	2800000	2,800,000
1	2920001	To	2925000	2,925,000
1	2980001	To	2985000	2,981,177
1	3920001	To	3925000	3,924,459
1	3980001	To	3985000	3,982,000

PATTERN OF SHAREHOLDING
as at December 31, 2021

No. of Shareholders	From	Having Shares	To	Shares Held
1	4000001	To	4005000	4,002,000
1	5115001	To	5120000	5,116,285
3	5155001	To	5160000	15,474,978
2	5355001	To	5360000	10,718,543
1	5370001	To	5375000	5,373,907
3	5375001	To	5380000	16,125,084
1	5655001	To	5660000	5,658,075
1	7425001	To	7430000	7,429,576
2	7735001	To	7740000	15,474,978
1	8035001	To	8040000	8,038,869
1	8865001	To	8870000	8,866,946
2	10015001	To	10020000	20,039,578
1	10065001	To	10070000	10,066,585
1	11925001	To	11930000	11,927,500
1	12490001	To	12495000	12,492,349
2	16625001	To	16630000	33,254,639
1	17910001	To	17915000	17,913,706
2	18785001	To	18790000	37,579,583
1	19405001	To	19410000	19,409,500
1	19610001	To	19615000	19,613,553
1	22890001	To	22895000	22,894,463
1	34995001	To	35000000	35,000,000
1	39255001	To	39260000	39,258,014
1	39510001	To	39515000	39,512,487
1	40210001	To	40215000	40,211,500
1	41160001	To	41165000	41,163,375
1	42135001	To	42140000	42,136,529
1	46610001	To	46615000	46,610,769
1	53875001	To	53880000	53,878,336
1	54905001	To	54910000	54,907,043
1	62290001	To	62295000	62,293,675
1	62965001	To	62970000	62,967,373
1	64795001	To	64800000	64,800,000
1	69110001	To	69115000	69,114,031
2	75535001	To	75540000	151,076,076
1	82635001	To	82640000	82,638,426
2	84890001	To	84895000	169,784,446
1	91900001	To	91905000	91,900,380
1	97460001	To	97465000	97,462,890
1	185990001	To	185995000	185,994,293
1	254200001	To	254205000	254,200,206
9166				2,100,000,000

FINANCIAL CALENDER

The financial results will be announced as per the following tentative schedule:

Annual General Meeting	April 29, 2022
1st Quarter ending March 31, 2022	Third week of April, 2022
2nd Quarter ending June 30, 2022	Third week of August, 2022
3rd Quarter ending September 30, 2022	Third week of October, 2022

FORM OF PROXY

19th Annual General Meeting

I/We ____

of ____

being a member(s) of Fatima Fertilizer Company Limited hold ______________________________

Ordinary Shares hereby appoint Mr. / Mrs. / Miss ______________________________

of ______________________ or falling him / her ______________________________

of ______________________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 19th Annual General Meeting of the Company to be held on April 29, 2022 and / or any adjournment thereof.

As witness my/our hand/seal this ______________________ 2022.

Signed by ____

in the presence of ____

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

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the office of our Shares Registrar not later than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. For CDC Account Holders / Corporate Entities

In addition to the above the following requirements have to be met.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

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

AFFIX
CORRECT
POSTAGE

Company Secretary
FATIMA FERTILIZER COMPANY LIMITED
E-110, Khayaban-e-Jinnah,
Lahore Cantt., Pakistan.

فاطمہ فرٹیلائزر کمپنی لمیٹڈ

پراکسی فارم

19 واں سالانہ عمومی اجلاس

میں / ہم --

ساکن ---بطور ممبر (ز) فاطمہ فرٹیلائزر کمپنی لمیٹڈ

حامل ----------------------------عام حصص، محترم / محترمہ --

ساکن --یا ان کے حاضر نہ ہو سکنے کی صورت میں------------------------------

ساکن ---کو اپنے/ہمارے ایماء پر کمپنی کے مورخہ 29 اپریل 2022 بروز جمعہ کو ہونے والے یا کسی بھی التوا کی صورت میں 19 واں سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

بطور گواہ آج -------------بتاریخ-------------اپریل 2022-----------------------------کی موجودگی میں دستخط ہوئے۔

پانچ روپے کے ریسدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔**

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہو گی۔

AFFIX
CORRECT
POSTAGE

Company Secretary
FATIMA FERTILIZER COMPANY LIMITED
E-110, Khayaban-e-Jinnah,
Lahore Cantt., Pakistan.

If undelivered, please return to:
The Company Secretary
Fatima Fertilizer Company Limited
E-110, Khayaban-e-Jinnah, Lahore Cantt., Pakistan.
UAN:111FATIMA (111-328-462) Fax: 042-36621389
www.fatima-group.com

MANDATORY REQUIREMENT OF BANK ACCOUNT DETAILS FOR ELECTRONIC CREDIT OF CASH DIVIDEND PAYMENT AS PER THE COMPANIES ACT, 2017

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is **mandatory** and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information **to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in Book Entry Form) OR to our Share Registrar CDC Share Registrar Services Limited ,CDC House, 99-B, B lock B,S.M.C.H.S., Main Shahra-e-Faisal, Karachi – 74400 (in case your shareholding is in Physical Form)**:

Details of Shareholder	
Name of shareholder	
Folio / CDS Account No.	
CNIC No. (Copy attached)	
Cell number of shareholder	
Landline number of shareholder, if any	
Email	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "**Mandatory**"	**PK**____ **(24 digits)** (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	
It is stated that the above mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly. ______________________ **Signature of shareholder**	

Fatima
Fertilizer Company Limited
a JV of Fatima and Arif Habib Groups

موصول نہ ہونے کی صورت میں، براہِ کرم یہاں واپس بھیج دیں:

کمپنی سیکرٹری

فاطمہ فرٹیلائزر کمپنی لمیٹڈ

E-110، خیابانِ جناح لاہور کینٹ، پاکستان

یواے این: (111-328-462) 111FATIMA، فیکس: 042-36621389

www.fatima-group.com

کمپنیز ایکٹ 2017 کے مطابق کمپنی منافع (ڈیویڈنڈ) کی نقد ادائیگی کے واسطے الیکٹرانک کریڈٹ کے بینک اکاؤنٹ تفصیلات کی لازمی شرائط

معزز شیئر ہولڈر،

آپ کو مطلع کیا جاتا ہے کہ کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق، **نقد کی صورت میں ادا کیے جانے والے کسی بھی کمپنی منافع کو (ڈیویڈنڈ) صرف الیکٹرانک ذریعہ سے حقدار شیئر ہولڈر کی طرف سے نامزد کردہ بینک اکاؤنٹ میں براہِ راست ادا کیا جائیگا**۔ براہِ مہربانی نوٹ فرمائیں کہ کمپنی منافع (ڈیویڈنڈ) ادائیگیوں کے لئے بینک مینڈیٹ کا دیا جانا **لازمی** ہے اور اس انضباطی شرط کے مطابق عمل در آمد کے لئے نیز کمپنی منافع (ڈیویڈنڈ) کی رقم کی اپنے بینک میں براہ راست منتقلی کی سہولت سے بہرہ مند ہونے کے لئے، آپ سے درخواست کی جاتی ہے کہ براہِ مہربانی **اپنے متعلقہ سی ڈی سی حصہ دار / سی ڈی سی سرمایہ کار اکاؤنٹ سروسز (آپ کے شیئر ہولڈنگ کے بک انٹری فارم میں ہونے کی صورت میں) یا ہمارے شیئر رجسٹرار سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، B-99، بلاک B، ایس ایم سی ایچ ایس، مین شاہراہِ فیصل کراچی۔ 74400 (آپ کا شیئر ہولڈنگ فزیکل فارم میں ہونے کی صورت میں) کو درج ذیل معلومات فراہم کریں:**

شیئر ہولڈر کی تفصیلات	
شیئر ہولڈر کا نام	
فولیو / سی ڈی ایس اکاؤنٹ نمبر	
کمپیوٹرائزڈ شناختی کارڈ نمبر (لف شدہ کاپی)	
شیئر ہولڈر کا سیل فون نمبر	
شیئر ہولڈر کا لینڈ لائن نمبر، اگر کوئی ہو تو	
ای میل	
بینک اکاؤنٹ کی تفصیلات	
بینک اکاؤنٹ کا عنوان	
بین الاقوامی بینک اکاؤنٹ نمبر (آئی بین) **"لازمی"**	**(24 حروف)** **PK**________________________ (براہ مہربانی اپنے متعلقہ بینک برانچ سے مشورہ کر کے اپنا درست آئی بین نمبر فراہم کریں کیونکہ آئی بین نمبر میں کسی بھی غلطی یا بھول چوک کے باعث آپ کے نقد کمپنی منافع (ڈیویڈنڈ) ادائیگی میں نقصان یا دیر ہو جانے کی صورت میں کمپنی کسی بھی طرح ذمہ دار نہ ہو گی)
بینک کا نام	
برانچ کا نام اور پتہ	

فراہم کی گئی درج بالا تمام معلومات بالکل درست ہیں اور ان میں کسی بھی قسم کی تبدیلی واقع ہونے کی صورت میں، میں / ہم فوری طور پر حصہ دار / شیئر رجسٹرار کو مطلع کریں گے۔

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دستخط شیئر ہولڈر

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