

NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PRIVATE) LIMITED

Summary of Annual Report 2023-2024

OVERVIEW OF FINANCIAL AND OPERATIONAL PERFORMANCE

During FY 2023-2024, the company had earned an income of Rs.1,225.556 million which mainly comprise of profit on bank deposits and dividend income. Income for the year 2023-2024 had increased by 36% as compared to income of Rs.901.733 million for the year 2022-2023 which is mainly due to increase in profit rates offered by the banks. The admn. & general expenses had increased by 19% as compared to 2022-2023 due to Grant of Adhoc Relief Allowance-2023 @ 35% (G-I & G-II) and 30% (G-III to D-III) to executive / supervisory staff w.e.f 1st July 2023, director's fee and related expenses, office rent and utility charges. The profit after tax of the company for financial year 2023-2024 was Rs.612.070 million as compared to Rs.490.573 million for the last year showing an increase of 25%.

APPROPRIATIONS OF NET PROFIT FOR THE YEAR 2023-2024

	<u>Rs./Million</u>
- Profit before taxation	1,008.121
- Less: Taxation	(396.051)
- Profit after taxation	<u>612.070</u>
- Add: Incremental depreciation	0.337
- Total comprehensive income for the year	<u>612.407</u>
- Add: Un-appropriated profit brought forward	0.149
- Profit available for appropriation	<u>612.556</u>
<u>Appropriation</u>	
- Transfer to Revenue Reserves	(412.000)
- Dividend paid to GOP for the year 2023-2024	(200.000)
- Un-appropriated profit carried forward	<u>0.556</u>

SUMMARY OF THREE YEARS FINANCIAL DATA

(Rs./Million)

	2023-24	2022-23	2021-22
<u>Balance Sheet</u>			
- Non-current assets	925.469	697.701	922.078
- Cash & bank balance	19.196	17.275	9.682
- Current assets	6,522.944	6,121.499	5,612.247
- Long-term liabilities	4.088	7.490	80.381
- Current liabilities	63.478	93.041	41.792
- Accumulated profit	412.556	21.648	165.188
<u>Statement of Profit & Loss</u>			
- Income	1,225,556	901.733	509.121
- Less: Expenditure	217.435	183.483	138.692
- Profit before taxation	1,008.121	718.250	370.398
- Less: Taxation	396.051	227.677	106.151
- Profit after taxation	612.070	490.573	264.246

DIVIDEND

The Board had recommended a cash dividend of Rs.200 million to GOP during the year 2023-2024.

FINANCIAL STATEMENTS

The financial statements have been initialled by M/s. Naveed Zafar Ashfaq Jaffery & Co., Chartered Accountants, the external auditors of the company for approval by the Board Audit Committee and Board of Directors for presenting before the members for consideration, approval and adoption in Annual General Meeting (AGM). The auditors of the company, M/s. Naveed Zafar Ashfaq Jaffery & Co., Chartered Accountants have audited the financial statements and issued a qualified report to the members.

PRINCIPAL RISK AND UNCERTAINTIES

A risk management assessment was conducted for National Fertilizer Corporation of Pakistan (Pvt.) Limited, while considering that the company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest risk

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

a. Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposures to its customers and employees. All the financial assets except cash in hand, are subject to credit risk. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company obtains securities / bank guarantees from its employees.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company can obtain short-term financial facilities from bank to meet any deficit, if required, to meet the short term liquidity commitments.

c. Interest risk

The Company is exposed to interest rate risk as the Company hold investment in term deposit receipts and bank balances. At the reporting date, interest rate profile of the Company's significant markup bearing financial instruments was 15.69% to 22.85%.

COMPLIANCES WITH CODE OF CORPORATE GOVERNANCE

Composition of Board of Directors

During the year 2023-2024, NFC Board comprised of ten (10) directors including Chairman and Chief Executive Officer. The role of Chairman and Chief Executive Officer is separate as per the Code of Corporate Governance.

Chief Executive Officer

Mr. Socrat Aman Rana was assigned the look after charge for the post of Chief Executive Officer of the company with effect from 09.05.2024.

REMUNERATION OF BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The remuneration policy guideline applicable for Board of Directors and Executive Management was approved by the Board of Directors of NFC. The present meeting fee for attending Board / Committee meetings is Rs.95,000/- per meeting inclusive of taxes.

ADEQUACY OF INTERNAL CONTROLS

NFC has a sound system of internal control and risk management. The Board assumes the overall responsibility of overseeing the internal control processes. The Risk Management and internal control processes are designed to safeguard the Company's assets and to appropriately address and / or mitigate emerging risks being faced by the Company. The Company maintains a clear organizational structure with a well-defined chain of authority. Senior management is responsible for implementing procedures, monitoring risk and assessing the effectiveness of various controls.

RELATED PARTY TRANSACTIONS

Details of related party transactions during the year are disclosed in Note-28 of the financial statements attached herewith.

EMPLOYEE END OF SERVICE BENEFITS

Details of Employee End of Service Benefits accrued during the year are disclosed in Note-10 & 29 of the financial statements attached herewith.

COMPOSITION OF COMMITTEES OF THE BOARD

In compliance with the Code of Corporate Governance, the Board constituted the following committees:

1	Human Resource Committee	1. Mr. Tanvir Ashraf Kaira 2. Mr. Asad Islam Mahni 3. Mr. Ahmad Buksh Tarar 4. Mr. Abdul Qayum Malik 5. Mr. Rana Tariq Mehmood	Chairman Member Member Member Member
2	Audit Committee	1. Mr. Kabool Muhammad Khatian 2. Mr. Munir Ahmad 3. Mr. Ahmad Buksh Tarar 4. Mr. Arshad Illahi Diyal 5. Mr. Rana Tariq Mahmood	Chairman Member Member Member Member
3	Procurement Committee	1. Ms. Adila Durrani 2. Chief Executive Officer - NFC 3. Mr. Asad Islam Mahni 4. Kabool Muhammad Khatian 5. Mr. Arshad Illahi Diyal	Chairman Member Member Member Member
4	Risk Management Committee	1. Mr. Tanvir Ashraf Kaira 2. Chief Executive Officer - NFC 3. Mr. Munir Ahmad 4. Ms. Adila Durrani 5. Mr. Abdul Qayum Malik	Chairman Member Member Member Member

PATTERN OF SHAREHOLDING

No of Share-Holders	Shareholding	Total Shares Held	Category	Share Price	% Age
3	One share each	3	Individual	Rs.10/- each	-
1	More than one	105,881,416	Government of Pakistan	Rs.10/- each	100%

ATTENDANCE OF BOARD OF DIRECTORS IN BOARD & COMMITTEE MEETINGS

During the year 2023-2024, seven (7) meetings of the Board of Directors, three (3) meetings of Human Resource Committee, three (3) meetings of Audit Committee and one (1) meeting of Risk Management Committee were held. The attendance of board / committee meetings was as under:

Directors	Board Meeting			HR Meeting			Audit Committee			Risk Management Committee		
	Members	Meetings	Attendance	Members	Meetings	Attendance	Members	Meetings	Attendance	Members	Meetings	Attendance
Prince Muhammad Isa Jan Baloch	✓	7	2	✓	3	1	-	-	-	-	-	-
Mr. Momin Agha	✓	7	2	✓	3	1	-	-	-	-	-	-
Mr. Iftikhar Ahmed Jomezai	✓	7	2	-	-	-	✓	3	1	-	-	-
Mr. Munir Ahmad	✓	7	7	✓	3	1	✓	3	3	✓	1	1
Mr. Muhammad Asif	✓	7	2	✓	3	1	✓	3	1	-	-	-
Mr. Tanvir Ashraf Kaira	✓	7	5	✓	3	2	-	-	-	✓	1	1
Mr. Asad Rehman Gilani	✓	7	1	-	-	-	-	-	-	-	-	-
Mr. Abdul Qayum Malik	✓	7	5	✓	3	2	-	-	-	✓	1	1
Mr. Ahmad Buksh Tarar	✓	7	5	✓	3	2	✓	3	2	-	-	-
Rana Tariq Mehmood	✓	7	5	✓	3	2	✓	3	2	-	-	-
Mr. Kabool Muhammad Khatian	✓	7	5	-	-	-	✓	3	2	-	-	-
Mr. Arshad Illahi	✓	7	5	-	-	-	✓	3	2	-	-	-
Ms. Adila Durrani	✓	7	5	-	-	-	-	-	-	✓	1	1
Mr. Asad Islam Mahni	✓	7	5	✓	3	2	-	-	-	-	-	-
Ms. Sarah Aslam	✓	7	2	-	-	-	-	-	-	✓	1	1
Mr. Socrat Aman Rana	✓	7	1	-	-	-	-	-	-	-	-	-

STATEMENT OF COMPLIANCE UNDER PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES 2013

- (a) The Board has complied with the relevant principles of corporate governance.
- (b) The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (c) Proper books of accounts of the company have been maintained.
- (d) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- (e) The appointment of chairman and other members of Board and the terms of their appointment alongwith the remuneration policy adopted are in the best interests of company as well as in line with the best practices.
- (f) The annual report of company contains a statement on the remuneration policy and details of the remuneration of members of the Board. Separate figures has been shown for salary, fees, other benefits and other performance-related elements.
- (g) Significant deviations from last year in operating results of the company has been highlighted and reasons thereof has been explained.
- (h) Key performance indicators of the company relating to its social objectives and outcomes which significantly reflect the work and impact of company and a comparison of actual results with the budgeted figures. Such indicators have focus on as to how well the company has responded to accountability requirements, improved service delivery, reduced costs and adherence to the principles of environmental and corporate social responsibilities.
- (i) Where any statutory payment on account of taxes, duties, levies and charges is overdue or outstanding, the amount together with a brief description and reasons for the same has been disclosed.
- (j) A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, has been included.
- (k) The number of Board meetings held during the year and attendance by each director has been disclosed.
- (l) The pattern of shareholding has been reported to disclose the aggregate number of shares alongwith details held by Government and executives.
- (m) The system of internal control is reviewed and monitored.
- (n) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on 30th June, 2024 except for those disclosed in financial statements.

SUBSEQUENT MATERIAL EVENTS

No subsequent material event has occurred during the year 2023-2024.

EARNINGS PER SHARE

EPS of the company for financial year ended June 30, 2024 is Rs.5.78/- per share.

RECOMMENDATIONS OF EXTERNAL AUDITORS

The present auditors of the company M/s. Naveed Zafar Ashfaq Jaffery & Co., Chartered Accountants audited the financial statements of the company and have issued report to the members.

The auditors will retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The auditors shall be appointed on the recommendations of the Board and subject to approval of the members in the forthcoming Annual General Meeting.