



EMPOWERING AGRICULTURE FOR A SUSTAINABLE FUTURE

ANNUAL
REPORT
2022





Food Security and Agriculture Center of Excellence (FACE)

is pleased to present it's annual report for the year 2022. This report highlights the key initiatives, achievements, and progress made by FACE in promoting food security and advancing agricultural practices. Throughout the year, FACE remained committed to it's mission of addressing food security challenges and fostering sustainable agricultural development.

TABLE OF CONTENT

01

Mission & Vision

02

Message from COO-FACE

03

FACE at a Glance

04

Connecting People and
Achieving SDGs

05

What Is FACE Trying
to Achieve?

06

Partnership & Collaboration

07

Projects

08

Social Activities

09

Financial Statements

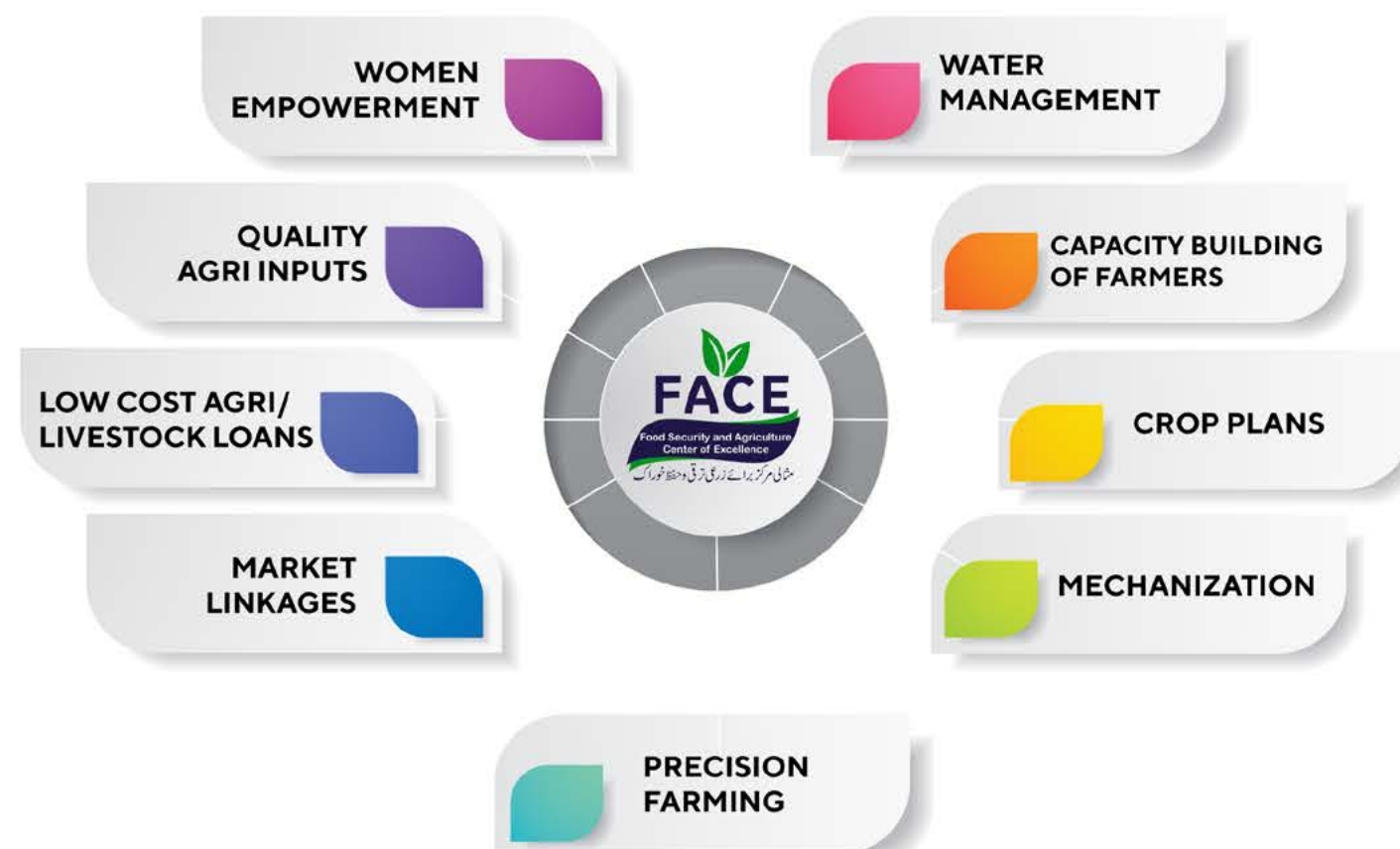


Vision

To contribute towards food security of Pakistan

Mission

Improving food security through modern farming practices, improved knowledge base & quality inputs, simultaneously contributing to social uplift of the farmers



Message from **Chief Operating Officer**

I am pleased to present the annual report for Food Security and Agriculture Center of Excellence (FACE) for the year 2022. This report serves as a testament to our collective efforts and the remarkable progress we have made in advancing our mission of improving food security and sustainable agriculture practices in Pakistan.

In a world facing complex challenges, the importance of our work at FACE cannot be overstated. Food security is not merely a goal; it is a fundamental human right and a critical foundation for a prosperous nation. It is our unwavering commitment to contribute towards the food security of Pakistan that drives us forward each day.

The year 2022 was marked by several notable achievements and milestones. One of our key achievements was the alignment of our projects with the Sustainable Development Goals (SDGs). The SDGs provide a global framework for addressing poverty, hunger, gender inequality, and climate change, and we have embraced this framework to ensure that our initiatives have a lasting impact on communities across Pakistan.

Our projects and initiatives in 2022 encompassed a wide spectrum of activities, from precision farming and collaborative farming models to reclamation of saline sodic land and support for key crops like wheat and cotton. We have extended our reach to farmers in need, providing them with the tools, knowledge, and resources necessary to thrive in an ever-changing agricultural landscape.

Additionally, our social activities, including relief efforts, gender inclusion programs, farmer training, medical camps, and educational initiatives, have underscored our commitment to holistic development and our desire to make a positive impact on the lives of those we serve.

In closing, I want to express my heartfelt gratitude to our partners, donors, and the dedicated FACE team. Your support and unwavering belief in our mission have been instrumental in our success. As we move forward, let us remain resolute in our determination to empower agriculture for a sustainable future.

The theme for this year's report, "Empowering Agriculture for a Sustainable Future," encapsulates our vision and mission. Together, we will continue to sow the seeds of change, nurture growth, and harvest a future where food security is a reality for all of Pakistan.

Thank you for your trust and continued support.

Sincerely,

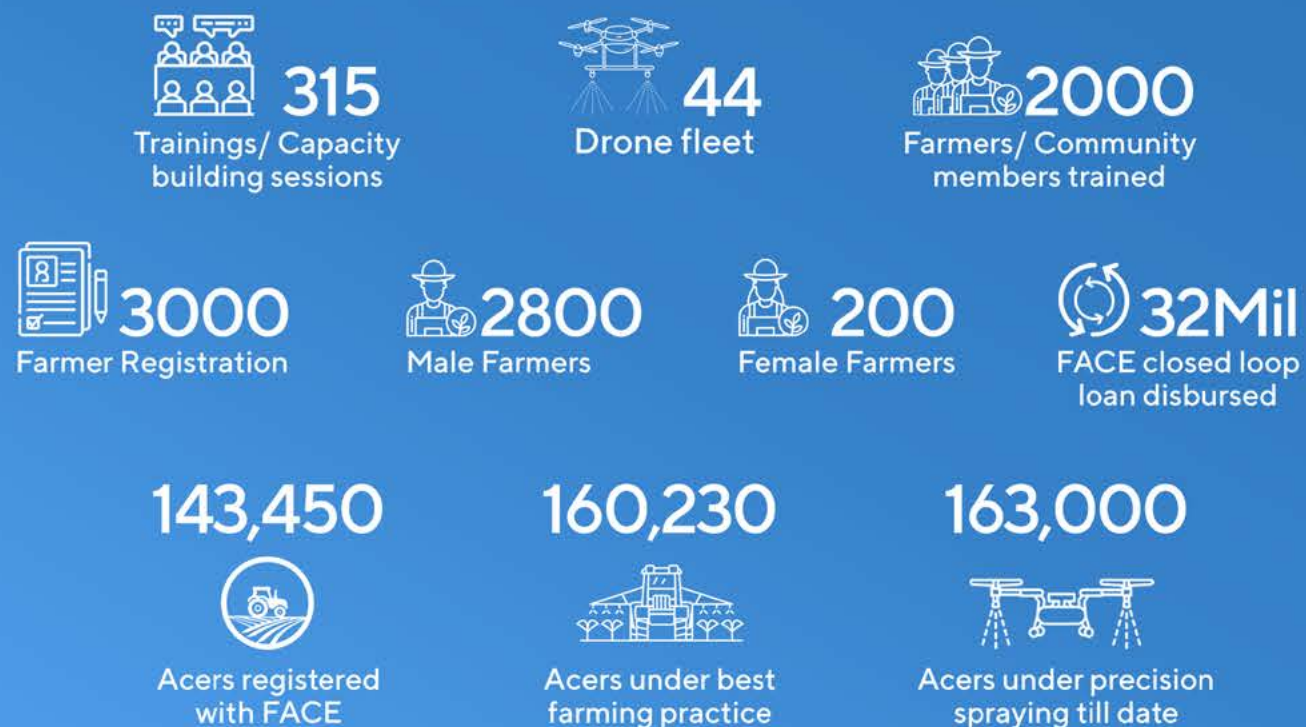
Hasan Akram
Chief Operating Officer



FACE AT A GLANCE

Established with the aim of becoming a leading authority in food security and agriculture, FACE has actively worked towards improving agricultural practices, enhancing productivity, and ensuring food availability for all. Through collaborations, research, and innovative approaches, FACE has strived to contribute to a resilient and sustainable agricultural sector.

-**2019** Conceptualized as SWF - FACE for welfare of farming community. ●.....
- First FACE centre became operational at Ahmadpur Lamma, Rahim Yar Khan. **2020** ●.....
-**2021** FACE became an independent registered NPO. ●.....



GEOGRAPHICAL PRESENCE



*FACE - Sahiwal to be operational on May 1st, 2023





Connecting People & Achieving SDGs

The Sustainable Development Goals (SDGs) have become a global rallying cry for a more equitable and sustainable future. With a focus on inclusivity, the SDGs aim to eradicate poverty, food insecurity, and ensure prosperity for all. The adoption of SDGs by countries and communities around the world signifies a widespread commitment to creating a better world for everyone, leaving no one behind. From governments and businesses to civil society and individuals, the SDGs provide a framework for collective action towards a more just and sustainable future.

Keeping SDG framework as its core, Food Security and Agriculture Centre of Excellence (FACE) has aligned its projects to reduce poverty, food insecurity and gender inequality. Helping farming community of Pakistan in adapting to the climate change through introduction of climate smart agriculture, best farming practices and mechanization.



Adding value
to the labour of farmers
and engaging community
in sustainable projects
using self-help models.

What Is FACE Trying to Achieve?

Food Security has been recognized globally as a top challenge towards a sustainable and progressive future, as highlighted in UN Sustainable Development Goal “Zero Hunger”. With an alarming population growth rate of almost 2% per annum , the responsibility of enabling quality, sufficient and affordable food supply chain is a pre-requisite for national progress and stability

FACE, being an all-inclusive model for our farmers, banks upon provision of quality agriculture and social services to build resilience of farmers through Climate Smart Agriculture.

- Provision of certified and balance inputs
- Provision of hi-tech agricultural implements
- Facilitating skill and capacity-building
- Enabling farmers to access financial capital
- Promoting climate-smart agriculture and renewable energy
- Arranging for better health and education services
- Women empowerment through livestock management
- Trainings on effective water management
- Contributing to the economic development of the farmer communities, among other proposed solutions



Partnership & Collaboration with Local Organizations

FACE has been actively engaged with government agencies, research institutions, NGOs, and private sector stakeholders to foster collaboration and synergy. These partnerships have facilitated knowledge-sharing, resource mobilization, and the development of joint initiatives. By working together, we have been able to leverage expertise and resources for the benefit of the agricultural sector in following areas.

AWARENESS

Climate change
Water & land management
Integrated pest management
Organic agriculture

TECHNOLOGIES

Basic education & functional literacy
Mother & child nutrition
Agri-based skill development
Women employability

SOCIAL DEVELOPEMENT

Renewable energy
Water harvesting
Livestock management
Agribusiness & value chain

ECONOMIC EMPOWERMENT

Access to finance
Support for disadvantaged producers
Small & micro enterprise development



FACE PARTNERS



Partnership & Collaboration with International Organizations

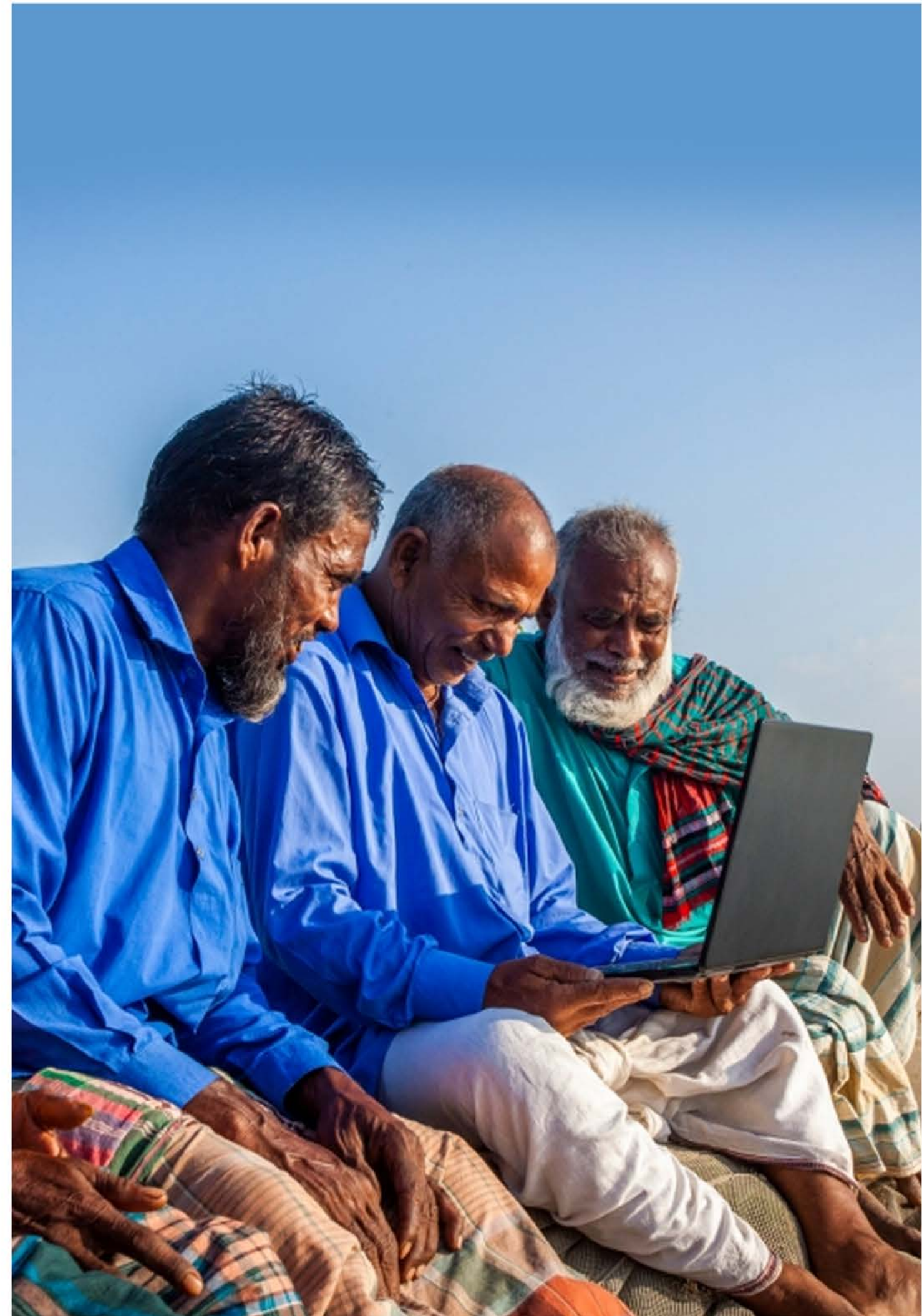
FACE has established partnerships with prominent international organizations, including the UN Food and Agriculture Organization (FAO), German Mission to Pakistan, Syngenta, and CIMMYT. These collaborations have enabled us to implement initiatives such as the FAO's Digital Village Initiative, precision farming projects, and the scale-up of bio-fortified wheat seed production in Pakistan and development of Ground Water Recharge System for community of Rahim Yar Khan.



a) UN Food and Agriculture Organization (FAO)

In Pakistan, FAO is actively collaborating with prominent stakeholders to integrate climate-smart agriculture and sustainable practices among farmers. The objective is to mitigate the adversities posed by climate change and enhance resilience against its impacts. FACE has established a partnership with FAO and is actively engaged in promoting and implementing FAO's Digital Village Initiative (DVI). This initiative follows an integrated model to provide farmers with high-quality applications that can contribute to their agricultural activities.

Furthermore, FAO is working closely with FACE to assess the repercussions of the 2022 floods and formulate a strategy that fosters a unified approach in tackling future challenges. By joining forces, FAO and FACE aim to develop effective measures and responses that address the consequences of natural disasters and ensure the long-term well-being of farmers and the agricultural sector.



b) Syngenta Pakistan

FACE and Syngenta joined forces in a collaborative effort to enhance the adoption of precision farming practices among farmers. The initiative concluded in Oct 2022 and focused on providing spraying services across 4,800 acres throughout the country.

Following the successful completion of the project, the management teams of FACE and Syngenta conducted a thorough review of the outcomes to develop a strategic roadmap for future collaborations. By leveraging their collective expertise and resources, FACE and Syngenta aim to continue driving advancements in precision farming and supporting farmers in their pursuit of sustainable and efficient agricultural practices.



c) International Maize and Wheat Improvement Center (CIMMYT)

In pursuit of expanding the production and distribution of bio-fortified wheat seed in Pakistan, FACE has established a strategic partnership with CIMMYT, a renowned agricultural research organization based in Mexico. This collaboration aims to enhance the scale and multiplication of bio-fortified wheat seed across the country.

Through this partnership, FACE and CIMMYT worked together to leverage their respective expertise and resources to promote the cultivation of bio-fortified wheat.



d) German Mission to Pakistan

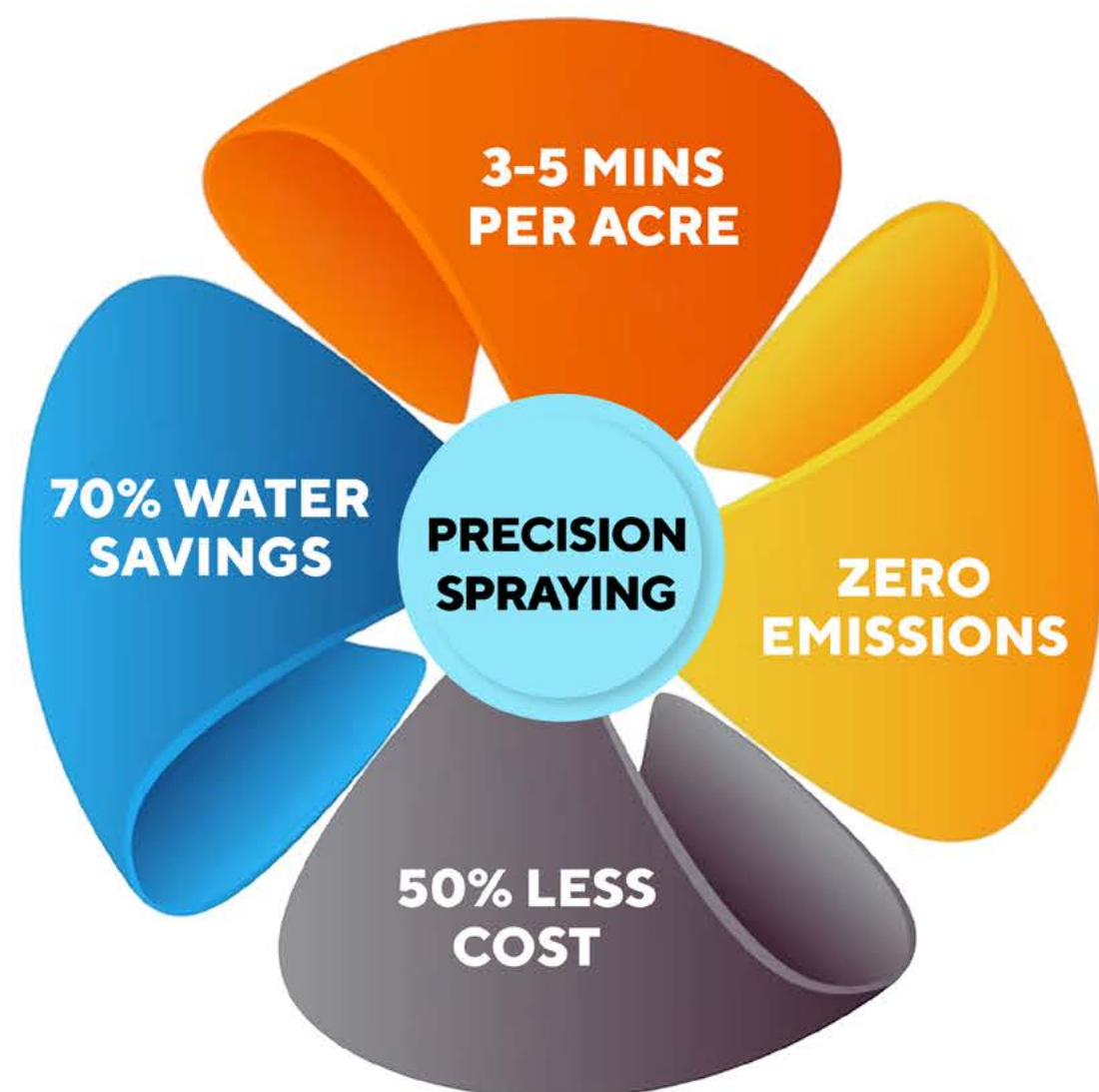
FACE, in collaboration with the German Mission to Pakistan, implemented a project on Groundwater Recharge System. The program involved the setup of 10 model groundwater recharge systems in Rahim Yar Khan to address the declining water level in the Indus Basin. This initiative contributes to mitigating water scarcity and ensuring sustainable water management in the region.

Projects

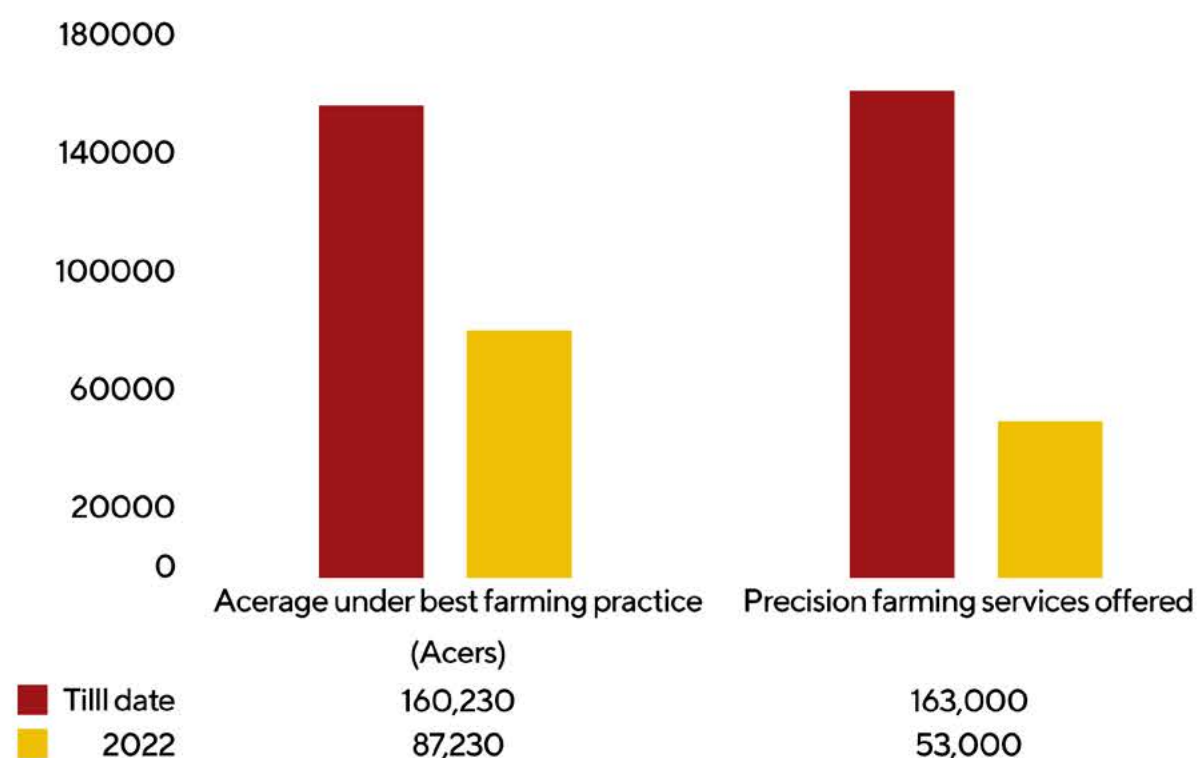
a. Precision Farming Services

FACE and Sapphire Farm Services (SFS) have been in collaboration for provision of precision farming services since the last quarter of 2020. Agriculture hexacopters are the key to meeting future challenges. These hexacopters are capable of precise spraying of fertilizers, seeds, pesticides in addition to their capacity to analyze and monitor crop development using high-tech. multi spectral cameras.

In a short timeframe, the program has received overwhelming response from farmers across the country. The drones are capable of spraying 1 acre in average 5-8 minutes, using 70% less water and agri. inputs including pesticide, fertilizer etc. During 2022, spraying services was carried out on 53,000 acres.



Area under best farming practice & precision farming



b. Closed Loop Loans

FACE in partnership with financing partner AKBL, introduced a “Closed Loop Loan Model” in 2019 to support farmers in accessing financial resources. Two types of loans are being extended to the farmers.

- i. Agri. Inputs Loan
- ii. Livestock Loan

This model aims to address the challenges faced by farmers in obtaining conventional loans. Through this innovative approach, we have streamlined the loan process, eliminated lengthy banking procedures, and provided loans with lowest average mark-up rates.

Our closed loop loans not only offer financial support but also include provision for quality agricultural inputs, expert supervision, and crop/livestock insurance. This holistic approach has empowered farmers and contributed to their overall profitability.





c. Collaborative Farming: A Partnership for Sustainable Agriculture

Collaborative farming is an approach that brings together the expertise of the Food Security and Agriculture Center of Excellence (FACE) and the landowners/farmers in a mutually beneficial partnership. Under this model, FACE bears the expenses of cultivation, including inputs, technology, and necessary resources, while the farmers provide their land and actively participate in the crop management process.

This collaboration allows farmers to benefit from FACE's extensive knowledge, resources, and technical support, enabling them to enhance their agricultural practices and improve productivity. FACE's experts work closely with the farmers, providing guidance on modern farming techniques, climate-smart practices, and precision farming methods.

By shouldering the financial burden of cultivation, FACE alleviates the economic constraints faced by farmers, particularly smallholders who may struggle to invest in quality inputs or advanced farming technologies. This partnership model empowers farmers to focus on the day-to-day management of their crops, ensuring their active involvement and ownership in the agricultural process.

Collaborative farming promotes sustainable agriculture by combining traditional farming practices with modern advancements. FACE's support includes access to certified seeds, balanced fertilizers, pest management solutions, and other essential inputs. Additionally, FACE provides training and capacity-building opportunities to farmers, equipping them with the skills and knowledge to implement best farming practices.

Through this partnership, FACE aims to improve agricultural productivity, enhance the quality of produce, and create a pathway towards sustainable and profitable farming. By sharing resources and expertise, we are fostering a stronger agricultural sector, ensuring food security, and empowering farmers to thrive in a changing climate.

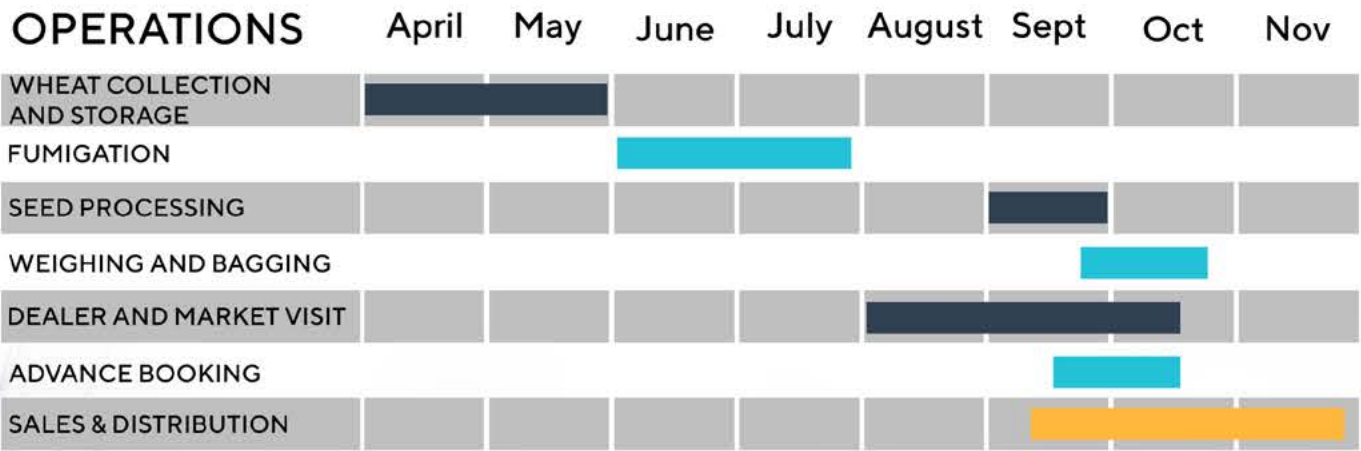


i.Promotion of Wheat

Wheat, being a staple food crop in Pakistan, plays a vital role in ensuring food security for the nation's growing population.

Having achieved success in 2021, where FACE facilitated the production of bio-fortified wheat seed, the "collaborative farming" project has been expanded for 2022. The project now targets production of wheat seed for wheat cultivation on 6,000-8,000 acres. This project incorporates a comprehensive FACE intervention, which includes a technology pack consisting of land profiling, the provision of high-quality inputs, and a training module designed to educate and empower farmers on the best farming practices.

WHEAT SEED PROCESSING TIMELINE





Quality Cotton Project

Pakistan is confronted with numerous challenges stemming from climate change, including the issue of water scarcity. In order to address this, farmers are being encouraged to adopt crops that rely less on natural resources while promoting productivity and profitability. The decline in quality and production of cotton, a key crop for Pakistani farmers, has been a significant concern. Persistent crop failures have prompted farmers to transition to more marketable crops, resulting in the country losing out on the highly lucrative textile market.

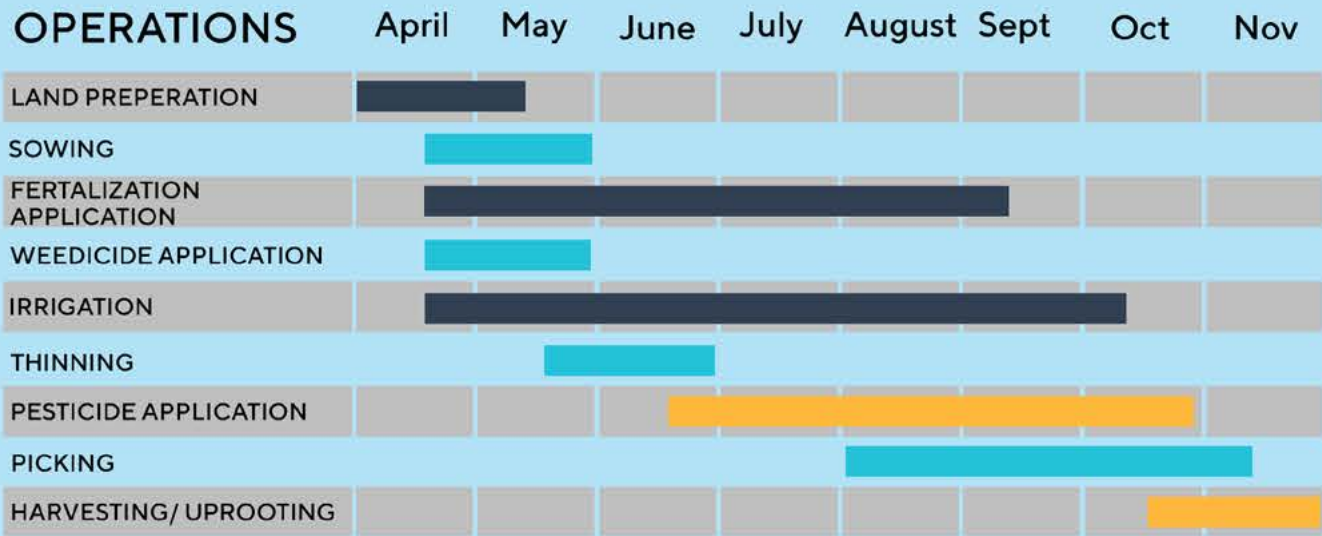
To tackle this situation, FACE initiated its cotton program in 2020. The program focused on capacity building for farmers to implement best farming practices, employing precision farming techniques to overcome challenges, managing pests effectively, and providing access to quality inputs such as high germination seeds and low-cost agriculture loans.

In 2022, FACE successfully completed the cultivation of high-quality cotton under the "collaborative model" in partnership with farmers. Despite the detrimental impact of floods on cotton crops across Pakistan, the farmers involved in the FACE partnership achieved exceptional yields and maintained high quality standards. The devastation caused by the cotton crop's decline has posed a significant obstacle to the promotion of the cotton program in Pakistan. Nevertheless, FACE remains committed to allocating all available resources in 2023 to support and revitalize this program.

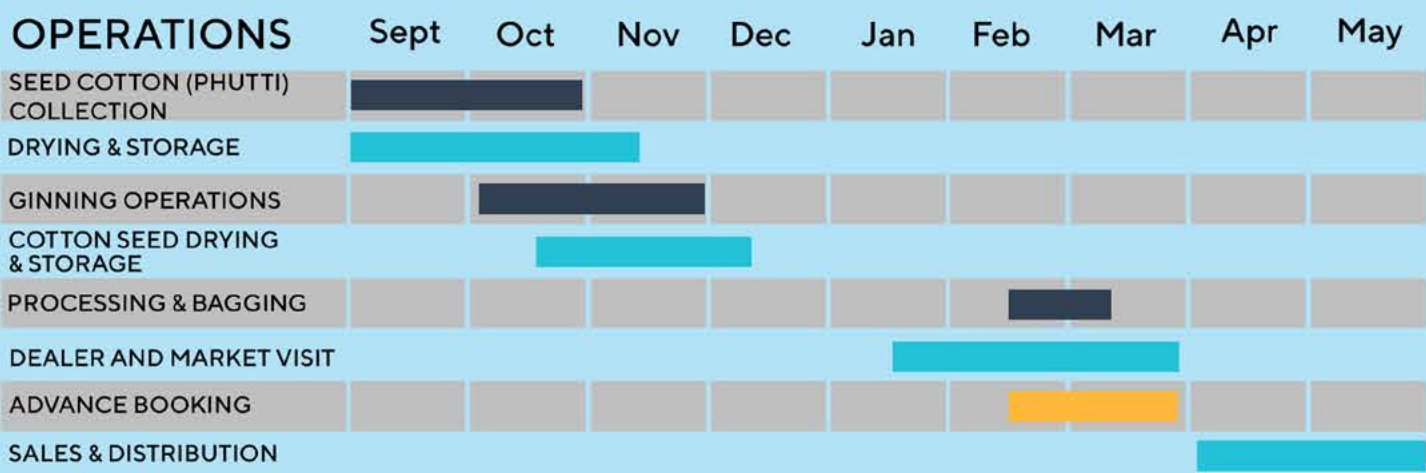
Furthermore, through the assistance of like-minded development partners, FACE has provided technical support and other services, including low-cost loans and precision farming, to 1,732 farmers participating in the Quality Cotton Project. These farmers collectively cultivate an area of 15,865 acres, contributing to the overall success and impact of the program.



GANTT CHART - COTTON CROP OPERATIONS



GANTT CHART - COTTON SEED PROCESSING



QUANTATIVE PARAMETERS OF COTON CROP

1. Number of plants per acre
2. Plant height (cm)
3. Number of bolls per plant
4. Average boll weight (g)



d. Model Reclamation Project for Saline Sodic Land

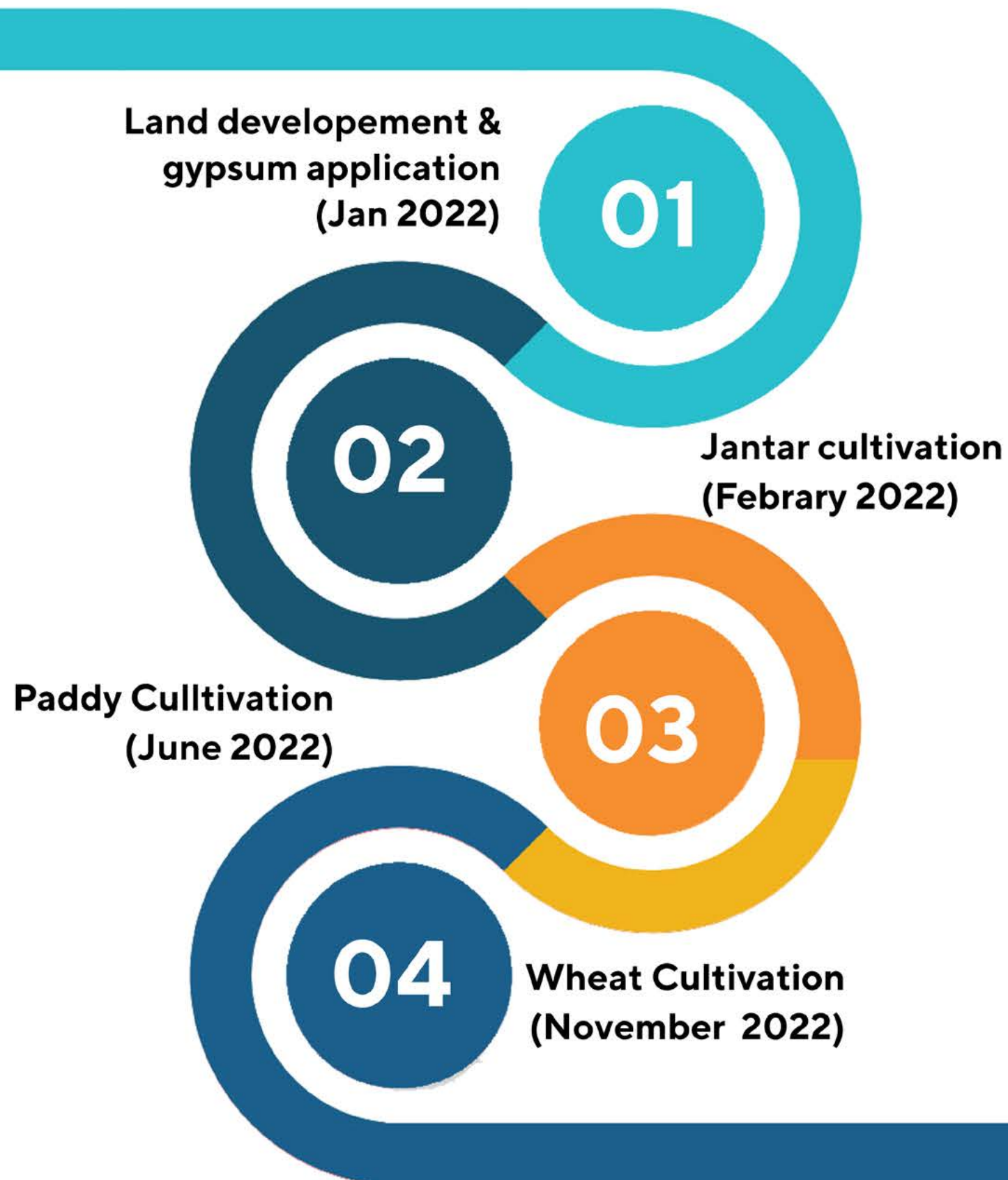
Pakistan possesses a vast total area of 79.6 million hectares (mha), out of which 22.05 mha is under cultivation. However, it is concerning that 6.28 mha is affected by salinity, posing a significant challenge. The high salinity of the soil is a crucial environmental issue as it leads to the creation of wastelands that hinder agricultural development.

To address this issue and convert these unproductive wastelands into fertile agricultural territories, FACE initiated a model reclamation project in Rahim Yar Khan in 2022. This project area remained barren for nearly a decade due to salinity. By implementing the most effective farming methods for reclamation, FACE through pool of experts available in the country was able to achieve a remarkable turnaround within a record time of 12 months. The successful cultivation of rice crops concluded in September 2022, yielding production of over 40 maunds per acre. Such remarkable results on saline-affected land are truly exceptional.

This project not only signifies FACE's commitment to transforming wastelands into cultivatable areas but also empowers the organization to proactively support farmers across Pakistan who are affected by saline land. By leveraging their expertise and experience, FACE along with the interventions of agricultural experts aims to assist these farmers in overcoming the challenges posed by salinity, ultimately transforming wastelands into vibrant green agricultural spaces.



Land Reclamation Model



Social Activities

a) Relief Efforts

In response to the devastating floods in 2022, FACE provided immediate relief to flood-affected farmers by distributing free wheat seeds. This initiative aimed to support farmers in recovering from the impacts of natural disasters and ensuring their continued productivity.



b) Gender Inclusion

FACE, in collaboration with REEDS and Giving Joy Foundation, launched a project for the capacity building of women farmers in dairy value addition. This project equips women farmers with the necessary skills and knowledge to enhance their involvement in the agricultural value chain.



c) Farmer Trainings

FACE conducted numerous farmer trainings in villages across Rahim Yar Khan. These trainings focused on raising awareness about climate-smart agricultural practices and educating farmers about FACE's various programs, including agricultural and livestock loans, precision farming, and more.



d) Medical Camps

FACE organized periodic medical camps to provide free checkups and diagnoses for the local community. These medical camps addressed various health issues, including TB screening, mother and child healthcare, and population control.



e) Education

In collaboration with Ghazali Trust and PAGE, FACE established three non-formal schools for out-of-school children in Ahmedpur Lamma. These schools provide quality education through the Accelerated Learning Program, ensuring that children have access to educational opportunities..



The year 2022 had been a year of significant progress and achievements for FACE. Through our diverse range of services, including capacity building, precision farming, collaborative projects, and partnerships with international organizations, we have made a positive impact on the agricultural sector in Pakistan. We extend our gratitude to our partners, donors, and dedicated staff who have contributed to our success. Together, we will continue working towards a sustainable and food-secure future for our nation

Food Security and Agriculture
Center of Excellence

Financial Statement

For the period of
August 25th 2021 - December 31st 2022



September 19, 2023
257

The Board of Trustees
Food Security and Agriculture Centre of Excellence (FACE)
Sona tower, 156, The Mall
Rawalpindi

Dear Sirs

FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2022

We enclose three copies of the above referred financial statements with our draft report thereon initiated by us for identification purposes. We shall be pleased to sign our report in present or amended form after:

- the financial statements have been approved by the Board of Trustees (the Board) and signed by the Chairman and a trustee authorized by the Board in this behalf;
- we have seen the Board's specific approval for recognition of transferred assets/ grants (deferred and restricted) and balances upon incorporation of FACE, including as per note 1.2 to these financial statements;
- we have received the Board's specific approval for the items listed in Annexure I to this letter.
- we have received satisfactory reply from Sapphire Farms Limited of the grant transferred of Rs 5,978,204 as at December 31, 2022;
- we have reviewed trustees report presented to the Board along with these financial statements; and
- we have received a representation letter on the lines of the enclosed draft, duly signed by the Chief Operation Officer and Finance Manager of the FACE.

2. Responsibilities of the auditors and the management in relation to the financial statements

The responsibilities of the independent auditors, in a usual examination of financial statements, are explained in the International Standard on Auditing – 200 "Overall Objectives of the Independent Auditor and Conduct of an Audit in Accordance with International Standards on Auditing". While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of the financial statements is primarily that of the FACE's Board of Trustees. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding the assets of the FACE and prevention and detection of frauds and irregularities.



3. Tax status of FACE

No provision for income tax is carried in the enclosed financial statements on the premise that presently FACE does not have any taxable income. We have also been apprised that the FACE intends to seek approval of a Not-for-Profit Organization (NPO), under section 2(36) of the Income Tax Ordinance, 2001. In this respect, we may caution to evaluate precondition and compliance requirements associated with obtaining aforesaid approval and the way forward be decided accordingly.

4. Facility availed without consideration

We noted that the FACE is using various resources and facilities of the Fauji Fertilizer Company (the Company). In this respect, we have been confirmed that the related amounts are insignificant for the Company and neither any amount in this respect is charged by the Company nor would be charged to FACE thus no such amount is recognized as expense by the management of the FACE.

We recommend that the related matter be appropriately assessed in light of respective requirements including taxation and accounting covenants. Further, terms of business and support by the Company be formally documented and approved by the concerned.

5. Fixed Asset Register

Technical release 6 (TR-6) "Fixed Assets Inventory and record", issued by Institute of Chartered Accountants of Pakistan guides that the fixed asset register of the entity shall contain adequate itemized record. However, we noted that fixed asset register maintained by the FACE does not contain all the specialized details.

We recommend that the fixed asset register be maintained in compliance to TR-6 in order to comply with laws and regulations.

6. Pre numbered vouchers

We noted that vouchers prepared by the management to record financial transactions along with supporting documents were not pre numbered. We recommend that the relevant vouchers and relevant supporting documents attached with vouchers should be pre numbered at the time of recording of transactions and thereafter preserved in accordance with the requirements of applicable industry norms.

7. Deficiencies in financial reporting system

We noted that entity has used MS Excel for preparation and reporting of financial data which can be prone to errors. We have been apprised by the management that a specialized reporting software has been implemented subsequent to year end and management is in the process of transferring the balances to that software.



8. Management and operations of the Fund

We have been apprised that the operational procedures of the entity are substantially inspired from the policies and practices of the Company. Further, the FACE is yet to finalize its own policies and procedures manual.

We recommend that an updated procedures manual is developed by the FACE to facilitate its operations, welfare action to ensure timely compliance with various statutory and governance requirements. Further need for appropriately functional internal audit department as well as monitoring and evaluation team should also be assessed in light of plans of the FACE and steps taken to strengthen these functions accordingly.

9. We may add that our normal audit/review procedures are designed primarily with a view to expressing our opinion on the year-end financial statements as a whole and not to provide an independent assurance on the internal control structure. Further, an audit/review is undertaken on a test basis thus due to sampling and inherent limitation all items under a specific account head may not be subject to our procedures. Accordingly, the matters identified in this letter represent only certain of those items which came to our notice during the course of the review and same should not be construed to have included all the possible accounting and critical matters which a more extensive or directional special examination might reveal.

10. We wish to place on record our appreciation of the cooperation and courtesy extended to us by all concerned during the audit.

Yours truly



encls

Annexure I

FOOD SECURITY AND AGRICULTURE CENTRE OF EXCELLENCE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2022

List of the items requiring the Board's approval as referred to in our letter 257 dated September 19, 2023.

| | Rupees |
|---|------------|
| i) Additions to assets under deferred grant arrangements | 30,348,357 |
| ii) Restricted grant | |
| - Received during the year | 75,669,502 |
| - Transferred to deferred grant | 30,348,357 |
| iii) Transactions with related parties as disclosed in note 15 to the financial statements. | |



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF FACE

Opinion

We have audited the financial statements of the Food Security and Agriculture center of excellence (FACE), which comprise the statement of financial position as at December 31, 2022, statement of comprehensive income for the period August 25, 2021 to December 31, 2022, statement of changes in funds and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the FACE as at December 31, 2022 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards for Small & Medium Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) and the Accounting Standard for Not for Profit Organization (NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP).

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 FACE in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs and Accounting Standard for NPOs, and for such internal control as trustees 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, trustees are responsible for assessing the FACE's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate FACE or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing FACE'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 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.



A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
74-East, 2nd Floor, Blue Arco, Jinnah Avenue, P.O.Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2279457-60/2604934-37; Fax: +92 (51) 2279244, 2206423; < www.pwc.com/pk >

As part of an audit in accordance with ISAs, 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 FACE's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on FACE'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 FACE 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Accountants
Islamabad: September 28, 2023

Engagement Partner: JehanZeb Amin
UDIN: AR202210083QRcUVAZ72

FOOD SECURITY AND AGRICULTURE CENTRE OF EXCELLENCE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

| | Note | 2022 Rupees |
|--|------|--------------------|
| ASSETS | | |
| NON CURRENT ASSETS | | |
| Property and equipment | 4 | 128,506,517 |
| CURRENT ASSETS | | |
| Advances and Other receivables | 10 | 28,179,730 |
| Bank balances | 11 | 58,290,990 |
| | | 86,470,720 |
| TOTAL ASSETS | | 214,977,237 |
| LIABILITIES AND FUNDS | | |
| CURRENT LIABILITIES | | |
| Accrued and other liabilities | 8 | 949,723 |
| NON CURRENT LIABILITIES | | |
| Deferred grant | 6 | 128,506,517 |
| RESTRICTED DONOR'S FUND / GRANT | 5 | 85,520,997 |
| TOTAL LIABILITIES AND FUND | | 214,977,237 |
| CONTINGENCIES AND COMMITMENTS | 9 | |

The annexed notes from 1 to 19 form an integral part of these financial statements.

Signature

Signature
Trustee

Signature
Trustee

FOOD SECURITY AND AGRICULTURE CENTRE OF EXCELLENCE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM AUGUST 25, 2021 TO DECEMBER 31, 2022

| | Note | 2022 Rupees |
|---|------|-------------------|
| INCOME | | |
| Grant income recognized through restricted grant | 5 | 23,424,345 |
| Grant income recognized through deferred grant | 6 | 9,918,890 |
| Other income | 7 | 3,421,019 |
| | | 36,764,254 |
| EXPENDITURE | | |
| Welfare expenses | 12 | 6,775,175 |
| Depreciation expense | 4 | 9,918,890 |
| Administrative and General expenses | 13 | 20,070,189 |
| | | 36,764,254 |
| SURPLUS FOR THE PERIOD | | - |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | |
| Items not to be reclassified to statement of comprehensive income in subsequent periods | | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | - |

The annexed notes from 1 to 19 form an integral part of these financial statements.

Signature

Signature
Trustee

Signature
Trustee

FOOD SECURITY AND AGRICULTURE CENTRE OF EXCELLENCE
STATEMENT OF CHANGES IN FUNDS
FOR THE PERIOD FROM AUGUST 25, 2021 TO DECEMBER 31, 2022

| | Restricted Grant | Total |
|---|---------------------|-------------------|
| Balance as at August 25, 2021 | - | - |
| Transferred from SWF | 63,624,197 | 63,624,197 |
| Receipts during the period | 75,669,502 | 75,669,502 |
| Total comprehensive income for the period | - | - |
| Utilized during the period | (23,424,345) | (23,424,345) |
| Transferred to deferred grant | (30,348,357) | (30,348,357) |
| Balance as at December 31, 2022 | <u>85,520,997</u> | <u>85,520,997</u> |

The annexed notes from 1 to 19 form an integral part of these financial statements.

503728.


Trustee


Trustee

FOOD SECURITY AND AGRICULTURE CENTRE OF EXCELLENCE
STATEMENT OF CASHFLOW
FOR THE PERIOD FROM AUGUST 25, 2021 TO DECEMBER 31, 2022

| | Note | 2022 Rupees |
|--|------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Transferred from SWF | | 63,624,197 |
| Grant received during the period | | 48,742,164 |
| Payment for welfare, administrative and general expenses | | <u>(54,075,371)</u> |
| Net cash used in operating activities | | 58,290,990 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property and equipment | | <u>(30,348,357)</u> |
| | | (30,348,357) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Grant received for property and equipment | | 30,348,357 |
| | | <u>58,290,990</u> |
| Net decrease in cash and cash equivalents | | 58,290,990 |
| Cash and cash equivalents at beginning of the period | | - |
| Cash and cash equivalents at end of the period | 14 | <u>58,290,990</u> |

The annexed notes from 1 to 19 form an integral part of these financial statements.

503728.


Trustee


Trustee

1. THE ENTITY AND ITS OPERATIONS

1.1 Food Security and Agriculture Centre of Excellence "FACE" (the Organisation) was registered in Rawalpindi, Pakistan on August 25, 2021 under the Societies Registration Act, XXI of 1880. In furtherance of the objective to educate farmers on modern agri techniques and to cater basic social need a welfare project was initiated by the Fauji Fertilizer Company Limited (the Company) in 2019 in Ahmedpur Lamma which was subsequently formalized and branded as Food Security and Agriculture Center of Excellence (FACE). The principal office of FACE is situated at Sona Tower, 156 The Mall, Rawalpindi.

The primary aim of the Organisation is to provide to the farming community of Pakistan with technical and educational assistance for capacity building, support advancement and progress of agriculture system to modernize farming techniques and improve crop quality and output to enhance farmer income through technical trainings, assistance in access to micro credit lines and use of quality farming inputs. Further, it also aims to cooperate with other agencies, both government and registered non-government national and international organizations having similar objectives for organizing and administering programs for the benefit of farming community and related Organisation objectives. All the income generated by the Organisation is to be applied towards furtherance of its objectives. The business of the Organisation is conducted under the overall supervision of its Board of Trustees.

1.2 Sona Welfare Foundation (SWF) transferred assets and liabilities comprising of property and equipment, bank balances, deferred grant and restricted grant to FACE upon its incorporation.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are first set of financial statements prepared by FACE in accordance with the accounting and reporting standards as applicable in Pakistan and cover the period of more than 12 months from date of registration of FACE i.e August 25, 2021 to December 31, 2022. The approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB); and
- Accounting standard for Not for Profit Organisations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention.

2.3 Functional and presentation currency

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

Sajid

2.4 Summary of significant accounting estimates

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed in the ensuing paragraphs.

i) Provisions

The Organisation reviews the carrying amount on a regular basis and appropriate amount of provision is made as and when necessary.

ii) Impairment

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are as follows:

3.1 RESTRICTED GRANTS

Restricted grants received for specific purpose are deferred when received and charged to income to the extent of actual expenditure incurred. Expenditure incurred against grant committed but not received is accrued and recognised in income and is reflected as fund receivable. Unspent portion of such fund are reflected as restricted fund in the statement of financial position. Returns, if any accruing or arising on balance of restricted grants are accumulated thereto and unless restricted by the donor, are considered to be utilized for objectives and activities of the Organization upon approval by the Trustees of the Fund. Any surplus / (deficit) after completion of milestone or interest income received on placements with bank is transferred to unrestricted grant if not specifically earmarked by the donor for any other activity.

3.2 ACCRUED AND OTHER LIABILITIES

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

Sajid

3.3 PROVISION

A provision is recognised in the financial statements when the Organisation has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.4 TAXATION

No provision in respect of taxation is recorded in these financial statements as management believes there is no net taxable income for the period. Further, management intends to seek approval as a not for profit organization under section 2(36) of Income Tax Ordinance, 2001.

3.5 ADVANCES AND OTHER RECEIVABLES

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each statement of financial position date to determine whether there is an indication that an asset may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

Disbursements made for the purposes of activity support to recipients / donee are recognised as advances at the time of actual disbursement. These advances are recognised as an expense on the basis of activity performed, details and supporting documents submitted by recipient / donee for the expenditure relating to the year.

3.6 INVESTMENTS

Investments with fixed or determinable payments and fixed maturity, which the Organisation has the positive intent and ability to hold to maturity, are carried at amortised cost, using the effective interest rate method less impairment losses, if so determined.

3.7 CASH AND CASH EQUIVALENTS

Cash in hand and in banks is carried in the statement of financial position at cost. Cash and cash equivalents for the purpose of statement of cash flows comprise of cash and bank balances and short term investments, with a maturity period of less than three months.

3.8 Revenue recognition

(i) Unrestricted grant

Grants received without any conditions are recognized as income during the year of receipt.

(ii) Restricted grant

Grants received to undertake the welfare activities are initially recognised as restricted grant and are recognised as income over the period in which the Organisation recognizes the related costs for which grants are intended to compensate.

Saif

(iii) Deferred grants

Grants received for procurement of assets are initially recorded as deferred grants in the statement of the financial position. Subsequently, these are recognized as income on a systematic basis over periods necessary to match them with the carrying value of the related assets.

(iv) Interest Income

Profit on 'investments at amortised cost' and bank deposits are recognised on time proportion basis by reference to the principal outstanding and the applicable rate of return.

(v) Free of cost facilities provided by the Company are not valued and accordingly, are not recognized in the financial statements as income of the Organisation.

3.9 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income and expenditure account.

Non-financial assets

The carrying amount of the Organisation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the income and expenditure account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Saif

4 Property and equipment

| | Building | Vehicles | Furniture and fixtures | Computer Accessories | Electrical, Gas and Office Equipment | Machinery | Leasehold Improvements | Solar Power System | Total |
|--------------------------------|-------------|----------|------------------------|----------------------|--------------------------------------|-----------|------------------------|--------------------|--------------|
| Balance as at August 25, 2021 | | | | | | | | | |
| Transferred from SMF | 92,455,885 | 151,000 | 11,401,210 | 895,783 | 1,044,350 | 2,491,358 | 1,779,862 | - | 110,218,468 |
| Accumulated depreciation | - | (50,400) | (1,141,921) | (428,657) | (238,894) | (124,588) | (177,988) | - | (2,142,418) |
| Net book value | 92,455,885 | 90,600 | 10,259,289 | 467,126 | 805,456 | 2,366,770 | 1,601,874 | - | 108,077,050 |
| Period ended December 31, 2022 | | | | | | | | | |
| Opening Net Book Value | 92,455,885 | 90,600 | 10,259,289 | 467,126 | 805,456 | 2,366,770 | 1,601,874 | - | 108,077,050 |
| Additions | 7,116,206 | - | 4,998,198 | 3,229,124 | 4,756,610 | 894,282 | 4,204,050 | 5,149,917 | 30,348,357 |
| Disposals / write-off | - | - | - | - | - | - | - | - | - |
| Cost | - | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - | - |
| Depreciation charge | (4,978,905) | (30,200) | (1,638,938) | (1,374,832) | (870,144) | (159,282) | (588,383) | (257,496) | (9,918,890) |
| Closing net book value | 94,583,485 | 60,400 | 13,617,519 | 2,321,418 | 4,721,932 | 3,091,790 | 5,207,551 | 4,892,421 | 128,906,517 |
| As at December 31, 2022 | | | | | | | | | |
| Cost | 99,572,091 | 151,000 | 16,399,378 | 4,124,907 | 5,800,960 | 3,395,640 | 5,983,932 | 5,149,917 | 140,567,825 |
| Accumulated depreciation | (4,978,905) | (90,600) | (2,781,858) | (1,803,489) | (1,078,028) | (293,850) | (778,381) | (257,496) | (12,061,308) |
| Net book value | 94,593,485 | 60,400 | 13,617,519 | 2,321,418 | 4,721,932 | 3,091,790 | 5,207,551 | 4,892,421 | 128,506,517 |

Annual rate of depreciation % 5 20 10 33.3 15 5 10 5

4.1 A purpose built building complex has been constructed on 13 kanal land assigned to FACE by the Fauji Fertilizer Company Limited in Ahmedpur Lamara.

2023/6

5 RESTRICTED DONOR'S FUND / GRANT

| Donor | Project Name | Balance as at August 25, 2021 | Received during the period | Intra project transfers | Transferred to Income and Expense | Transferred to Deferred Grant | Balance |
|---|------------------------------------|-------------------------------|----------------------------|-------------------------|-----------------------------------|-------------------------------|------------|
| Rupees | | | | | | | |
| Note 12 & 13 | | | | | | | |
| Fauji Fertilizer Company Ltd | Fauji Fertilizer Company | 52,300,320 | 58,688,000 | - | - | (28,752,677) | 81,214,643 |
| Embassy of Germany | Zero Energy Cooling Chamber | 1,300,000 | 2,674,000 | - | (3,974,000) | - | - |
| Embassy of Germany | Ground Water Recharge System | - | 4,749,923 | - | (1,395,800) | - | 3,353,123 |
| International Maize and Wheat Improvement center (CIMMYT) | Biofortified seed project | - | 1,404,375 | - | (1,404,375) | - | - |
| Askari Bank Limited | Administrative and General Expense | 10,000,000 | 1,200,000 | - | (10,251,089) | - | 948,911 |
| Sapphire Farm Services | Administrative and General Expense | 14,877 | 5,878,204 | - | (5,993,081) | - | - |
| Ravi Agric (Pvt) Limited | Administrative and General Expense | - | 255,000 | - | (255,000) | - | - |
| Rudolf Life Sciences (Pvt) Limited | Administrative and General Expense | - | 150,000 | - | (150,000) | - | - |
| Fauji Fertilizer Company's KMPs | R/O Plant | - | 500,000 | - | - | (595,680) | 4,320 |
| | | 63,634,187 | 75,689,902 | - | (23,424,345) | (30,348,357) | 85,620,887 |
| | | 63,634,187 | 75,689,902 | - | (23,424,345) | (30,348,357) | 85,620,887 |

2023/6

| | Note | 2022 Rupees |
|---|------|---------------------|
| 6 DEFERRED GRANT | | |
| Capital expenditure | | <u>128,506,517</u> |
| Grant for capital expenditure | | |
| <u>As at August 25, 2021</u> | | |
| Cost | | 110,219,468 |
| Accumulated Amortization | | <u>(2,142,418)</u> |
| | | <u>108,077,050</u> |
| Opening book value | | 108,077,050 |
| Transferred from restricted fund | | 30,348,357 |
| Amortization charge/ Grant Income recognised for the year | 4 | <u>(9,918,890)</u> |
| | | <u>128,506,517</u> |
| <u>As at December 31</u> | | |
| Cost | | 140,567,825 |
| Accumulated Amortization | | <u>(12,061,308)</u> |
| | | <u>128,506,517</u> |
| 7 Other Income | | |
| The other income represents income earned on sales of cotton and wheat seeds. | | |
| 8 ACCRUED AND OTHER LIABILITIES | | |
| Retention money | | 318,903 |
| Audit fee | | 500,000 |
| Other liabilities | | <u>130,820</u> |
| | | <u>949,723</u> |
| 9 CONTINGENCIES AND COMMITMENTS | | |
| 9.1 There are no known contingencies at the year end (2022: Nil). | | |
| 9.2 Commitment for welfare activities spending | | <u>-</u> |
| 10 ADVANCES AND OTHER RECEIVABLES | | |
| Advance to employees | | 75,000 |
| Advance for 450 Acre Wheat project | | 25,801,200 |
| Advance for 72 Acre Cotton project | | <u>2,303,530</u> |
| | | <u>28,179,730</u> |
| 11 BANK BALANCES | | |
| Local currency current account | | <u>58,290,990</u> |
| | | <u>58,290,990</u> |

11.1 Bank Balance amounting to Rs. 63,624,197 were transferred from SWF to FACE on the date of incorporation.



| | Note | 2022 Rupees |
|---|----------------------------------|-------------------------|
| 12 WELFARE EXPENSES | | |
| Through restricted grant | | |
| Ground water recharge system project | | 1,396,800 |
| Construction of zero energy cooling chambers | | 3,974,000 |
| Biofortified seed project | | <u>1,404,375</u> |
| | | <u>6,775,175</u> |
| 13 ADMINISTRATIVE AND GENERAL EXPENSES | | |
| Repair and maintenance | | 5,715,100 |
| Postage and courier | | 44,300 |
| Insurance | | 1,031 |
| Utilities | | 743,360 |
| Consultancy and legal charges | | 4,070,695 |
| Medical Assistance - Welfare - Non Reimbursable | | 247,550 |
| Printing, Stationary & Office Supplies | | 2,121,241 |
| Staff Remuneration - Contract - Reimbursable | | 5,978,548 |
| Advertisement | | 51,600 |
| Audit fee | | 500,000 |
| Bank Charges | | 1,328 |
| Miscellaneous expense | | <u>595,438</u> |
| | | <u>20,070,189</u> |
| 14 CASH AND CASH EQUIVALENTS | | |
| Bank balances | | 58,290,990 |
| | | <u>58,290,990</u> |
| 15 FINANCIAL INSTRUMENTS | | |
| | Amortized cost 2022 Rupees | Total 2022 Rupees |
| Financial assets | | |
| Cash and bank balances | <u>58,290,990</u> | <u>58,290,990</u> |
| Financial liabilities | | |
| Accrued and other liabilities | <u>949,723</u> | <u>949,723</u> |



16 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of trustees, key management personnel, entities under common directorship, group entities of the company and entity with significant influence over the Organisation. Transactions with related party are as follows:

| | 2022 Rupees |
|--|----------------|
| Entity with significant influence over the Organisation - Fauji Fertilizer Company Ltd | |
| Grants received during the period | 58,658,000 |
| Others | |
| Askari Bank Limited | |
| Grants received during the year | 1,200,000 |
| Donation Received from trustees- SWF | |
| Mr.Sarfaraz Ahmed Rehman | 200,000 |
| Mr.Mohammad Munir Malik | 200,000 |
| Mr. Ather Javed | 200,000 |

17 NUMBER OF EMPLOYEES

The employees of the Company extend necessary services to the FACE on voluntary basis.

18 GENERAL

18.1 Figures have been rounded off to the nearest Rupee.

19 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the Board of Trustees of the FACE on




Trustee


Trustee

