



Annual Report

2021

The Future is **Brighter**  
with Agritech **Fertilizers**





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Agritech Limited owns and operates Pakistan's one of the newest and most efficient urea manufacturing plant at Mianwali, Punjab Province. The Company also operates the manufacturing facility of GSSP (Granular Single Super Phosphate) at Haripur Hazara, Khyber Pakhtunkhwa (KPK) Province. The Company markets its fertilizers from these plants under one of the most trusted brand name "TARA" in the fertilizer industry.



***Agritech Urea Fertilizer Plant  
Daudkhel***

A conceptual image featuring a zipper that has been pulled open. The zipper is positioned horizontally across the middle of the frame. Above the zipper, the ground is dark, cracked, and arid, representing a state of drought or lack of vision. Below the zipper, the ground is a vibrant, lush green, representing growth, life, and a clear mission. The zipper pull is on the left side, and the teeth of the zipper are visible on both sides of the opening.

**VISION**

**MISSION**



To become a  
major regional  
diversified fertilizer  
company

To become a diversified  
manufacturer of both  
nitrogenous and  
phosphatic fertilizers,  
significantly contributing  
to the development of  
the agricultural sector  
of Pakistan.



# COMPANY INFORMATION

## Board of Directors

Mr. Sardar Azmat Babar Chauhan

*Chairman (Resigned on 21.02.2022)*

Mr. Shahid Iqbal Choudhri

*Chairman (Appointed on 22.02.2022)*

Mr. Hassan Raza

Mr. Asim Murtaza Khan

Mr. Ghazzanfar Ahsan

Mr. Asim Jilani

Ms. Sarwat Salahuddin Khan

Mr. Osman Malik *(Appointed on 22.02.2022)*

Ms. Amena Zafar Cheema *(Retired on 16.07.2021)*

Mr. Abdul Karim Sultanali *(Retired on 16.07.2021)*

Mr. Muhammad Faisal Muzammil

*Chief Executive Officer*

*(Resigned as Director on 21.02.2022)*

## Audit Committee

Mr. Asim Murtaza Khan

*Chairman*

Mr. Hassan Raza

Mr. Asim Jilani

Mr. Ghazzanfar Ahsan

## HR & Remuneration Committee

Ms. Sarwat Salahuddin Khan

*Chairperson*

Mr. Asim Jilani

Mr. Ghazzanfar Ahsan

## Chief Financial Officer

Syed Taneem Haider

## Company Secretary & Head of Legal

Mr. Hafiz Mudassar Hassan Kamran

## Legal Advisor

Mr. Mian Muhammad Osama Hanif

## Shares Registrar

Hameed Majeed Associates (Private) Limited

## Auditors

Grant Thornton Anjum Rahman  
*Chartered Accountants, Lahore.*

## Bankers

National Bank of Pakistan  
Faysal Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Albaraka Bank Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Summit Bank Limited  
Silk Bank Limited  
Allied Bank Limited  
Bank Alfalah Limited  
The Bank of Punjab  
Bank Islami Pakistan Limited  
Askari Bank Limited  
Pak Libya Holding Company (Pvt.) Limited  
Soneri Bank Limited  
Citi Bank N.A.  
Meezan Bank Limited  
United Bank Limited  
JS Bank Limited  
Habib Bank Limited  
MCB Bank Limited

## Registered Office

2nd Floor, Asia Centre, 8-Babar Block,  
New Garden Town, Lahore.

Ph: +92 (0) 42 35860341-44

Fax: +92 (0) 42 35860339-40

Email: corporate@pafl.com.pk

## Project Locations

### Unit-I

Urea Plant

Iskanderabad, District Mianwali.

Ph: +92 (0) 459 392346-49

### Unit-II

GSSP Plant

Hattar Road, Haripur.

Ph: +92 (0) 995 353544 -353641





**We remain focused on harmonizing the Company with fresh challenges and encompasses diversification and embarking on ventures within and beyond the territorial limits of the Country in collaboration with leading business partners.**

## CHAIRMAN'S REVIEW



It gives me immense pleasure to present the Annual Report of Agritech Limited for the year 2021 illustrating the overall performance and achievements of the Company.

The outgoing year saw the resurgence of the COVID-19 pandemic, affecting the team members of the company. A positive vaccination drive across the country and by the members of our AGL family has helped to contain the drastic effects of COVID. Our heartfelt condolences go out to all those who have lost their loved ones during this turbulent time. I truly appreciate the management's support to help our people and community in uncertain economic conditions arising due to outbreak of global pandemic.

The Company continued to exhibit another year of sheer resilience despite challenging business environment in the country particularly on account of gas supply to the company's Urea plant. The Company started the year 2021 on a positive note as Government of Pakistan (GOP) approved the operationalization of the Company's Urea plant, post winter curtailment, from March till November to ensure the sustained urea production in the country. However, after a brief suspension during summer (end June to mid Sep), the gas supply remained fairly consistent and plant continued to operate even during the winter months unlike past year when gas supply during winter was curtailed. The consistent flow of gas supply is attributed to the growing demand & supply gap in the offtake of Urea in the country. Higher demand coupled with global Urea shortages required uninterrupted production from all urea plants in the country. In order to support the GOP drive of meeting the urea shortage in the country, Agritech has contributed through supply of Urea at controlled rates in the key markets of Punjab and KPK which also helped to save precious foreign exchange and subsidy on expensive imports by GOP.

I pay my profound regards to the Government of Pakistan, particularly Ministry of Industries & Production (MoIP) and Ministry of Energy (MOE) Petroleum Division for their support on the supply of gas to the northern Urea plants including Agritech that has been very helpful for the sustained urea supply in the country.

Phosphate business also saw significant changes in terms of continuous rise in all the phosphate fertilizers due to the global demand supply gap; trade restrictions from exporting countries owing to Covid and increasing commodity prices. The Company's SSP business has performed exceptionally well as the sustained indigenous phosphate production amid the global shortages provided locally available alternatives to the farmers. The Company maintained its

leadership position in the SSP category and the business's improved profitability contributed to reduce consolidated losses of the company.

I extend my appreciation to the company and its management for its relentless focus on adhering to the Code of Corporate Governance as per Listed Companies (Code of Corporate Governance) Regulations, 2019. The board members present and outgoing continued to ensure and extend their guidance to the management to meet all legal and regulatory requirements.

My resolve as the Chairman of the Company shall be that the board continues with the culture of openness and constructive debates with diverse views on all the matters of the company. Compliance to all relevant statutory laws and regulations shall be the key component of my working as Chairman of the board followed by inculcating the right decision making with the management for the sustainable and long term wellbeing of company. We aim to conduct the business on Arm's length basis at all times.

The Company continues to engage with all stakeholders and GOP for the resolution of the gas supply and its pricing matters that is based on fairness and equitable grounds. Besides meeting present demand of Urea, the industry if operated regularly, can also meet the country's demand in foreseeable future.

I would also like to thank and acknowledge the contribution of all our stakeholders, including but not limited to our shareholders, employees, customers, suppliers, banks for their support during the year. I believe the collective efforts of all the stakeholders will surely be instrumental in overcoming all the challenges of the company in the future.

**Shahid Iqbal Choudhri**

Chairman- Board of Directors



# DIRECTORS' REPORT

*For the year ended December 31, 2021*



## DIRECTORS' REPORT

## ڈائریکٹرز رپورٹ

The Board of Directors of Agritech Limited, henceforth called the Company, along with the Management Team is pleased to present the Company's Annual Report accompanied with the Audited Financial Statements for the year ended December 31, 2021.

This Director's Report and financial statements have been endorsed by the Chief Executive Officer, Chief Financial Officer and one of the directors in accordance with requirements of Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019, having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

ایگریٹیک لمیٹڈ، کمپنی کے بورڈ آف ڈائریکٹرز اور مینجمنٹ ٹیم، 31 دسمبر 2021ء کو ختم ہونے والے سال کے لئے نظر ثانی شدہ مالیاتی گوشواروں کے ہمراہ کمپنی کی سالانہ رپورٹ پیش کرتے ہوئے مسرت کا اظہار کرتے ہیں۔

یہ ڈائریکٹرز رپورٹ اور مالیاتی گوشوارے، کمپنی ایکٹ 2017 اور مندرجہ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تقاضوں کے مطابق چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر اور ایک ڈائریکٹر کی طرف سے توثیق کئے گئے ہیں جو کہ بورڈ کی آڈٹ کمیٹی کی طرف سے سفارش کردہ ہیں اور بورڈ آف ڈائریکٹرز کی طرف سے منظور شدہ ہیں۔

### Business Review

### کاروباری جائزہ

#### Principal Activities

The main business of the Company is the manufacturing and marketing of fertilizers. The Company owns and operates the country's one of the newest and most efficient urea manufacturing plants at Mianwali, Punjab. The Company also manufactures the GSSP (Granular Single Super Phosphate) at its Haripur Hazara, Khyber Pakhtunkhwa (KPK) plant. The Company markets its fertilizers from these plants under one of the most trusted brand name "TARA" in the fertilizer industry.

### پرنسپل سرگرمیاں

کمپنی کا بنیادی کاروبار کھاد کی پیداوار اور ترسیل ہے۔ کمپنی ملک میں موجود پلانٹس میں سے جدید اور موثر ترین کھاد کا پلانٹ چلاتی ہے جو کہ میانوالی پنجاب میں واقع ہے۔ کمپنی ہری پور ہزارہ صوبہ خیبر پختونخواہ (کے پی) میں جی ایس ایس پی (دائے دار سنگل سپر فاسفیٹ) کی پیداوار بھی کرتی ہے۔ کمپنی کھاد کی صنعت میں قابل اعتماد برانڈ "تارا" کے تحت ان پلانٹس سے کھاد کو مارکیٹ کرتی ہے۔

#### Year in Review

### سال کا جائزہ

Financial Results of Agritech Limited for the year ending:

### ایگریٹیک لمیٹڈ کے مالیاتی نتائج سال اختتام

		December 31, 2021	December 31, 2020
Sales - Net	خالص فروخت	10,100,923,848	5,699,723,002
Operating (Loss)	آپریٹنگ (نقصان)	(212,481,553)	(1,541,384,093)
Finance cost	مالیاتی لاگت	(2,805,272,707)	(2,945,134,522)
(Loss) before Tax	قبل از ٹیکس (نقصان)	(3,017,754,260)	(4,486,518,615)
(Loss) after Tax	بعد از ٹیکس (نقصان)	(2,681,237,690)	(4,296,900,455)
(Loss) per share	فی حصص (نقصان)	(6.83)	(10.95)

### Overview of Fertilizer Industry

#### Urea industry

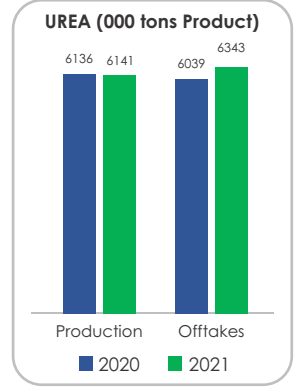
The year 2021 witnessed very strong recovery of Urea demand and Urea offtakes showed an increase of 5% over last year (2021: 6343 KT vs 2020: 6039 KT) on the back of strong returns on all major crops. Increase in support price of Wheat crop by Provincial and Federal Governments resulted in



strong urea demand during Rabi.

Moreover, the development of Hybrid seed varieties of Rice and Maize that require higher per acre Urea requirement than conventional crops also added additional Urea demand in the country. Production of Urea registered a modest increase of 0.1% versus last year (2021: 6141 KT vs 2020: 6131 KT), however, Gas Supply to the fertilizer sector was provided unabated by GOP even during the peak winter months and gas supply to Agritech and other plants was higher than last year. Urea market remained stressed due to higher and strong offtakes and very low buffer stock in the country despite the higher gas supply to the sector.

The Company was greatly benefited from the regular RLNG supplies by GOP and urea plant was operated for 206 days in 2021 and produced 227 KT Urea (2020: 125KT) vs installed capacity of 433 KT. The Company sold 230 KT urea (2020: 139 KT). Gas supply to the company Urea plant was initially started in March 2021 and remained suspended for more than two months including July and August and later on resumed in September 2021. Subsequently the plant remained operational till date.



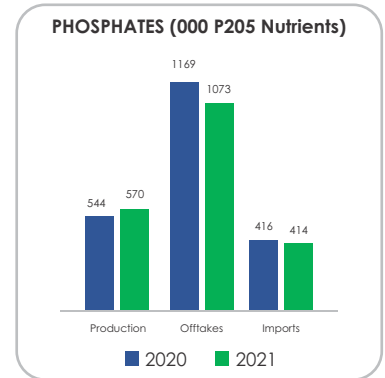
## کھاد کی صنعت کا مجموعی جائزہ یوریا انڈسٹری

سال 2021 میں یوریا کی طلب میں بہت مضبوط بحالی دیکھنے میں آئی اور تمام اہم فصلوں پر خاطر خواہ منافع کی وجہ سے گزشتہ سال (2021: 6343 ہزار ٹن) بمقابلہ 2020: 6039 ہزار ٹن) کے مقابلے یوریا کی خریداری میں 5% کا اضافہ ہوا۔ صوبائی اور وفاقی حکومتوں کی جانب سے گندم کی فصل کی امدادی قیمت میں اضافے کے نتیجے میں بیج کے دوران یوریا کی طلب میں مضبوط اضافہ ہوا۔ مزید برآں، چاول اور مکئی کے باہر ڈھنگ کے بیجوں کی ترقی جس میں روایتی فصلوں کے مقابلے میں نی ایگز یوریا کی زیادہ ضرورت ہوتی ہے، نے بھی ملک میں یوریا کی اضافی طلب میں اضافہ کیا۔ یوریا کی پیداوار میں پچھلے سال (2021: 6141 ہزار ٹن) بمقابلہ 2020: 6131 ہزار ٹن) کے مقابلے میں 0.1 فیصد کا معمولی اضافہ درج کیا گیا، تاہم، کھاد کے شعبے کو گیس کی سپلائی GOP کی جانب سے سردیوں کے مہینوں میں بھی بلا تعطل فراہم کی گئی اور ایگریٹیک اور دوسرے پلانٹس کو گیس کی فراہمی پچھلے سال کے مقابلے زیادہ تھی۔ سیکٹر کو زیادہ گیس کی فراہمی کے باوجود ملک میں زیادہ اور مضبوط آفٹیکس اور بہت کم بفر اسٹاک کی وجہ سے یوریا مارکیٹ تازہ کا شکار رہی۔

کمپنی کو GOP کی طرف سے آر ایل این جی کی باقاعدہ فراہمی سے بہت فائدہ ہوا اور یوریا پلانٹ 2021 میں 206 دنوں تک چلایا گیا اور اس نے 433 ہزار ٹن کی نصب صلاحیت کے مقابلے 227 ہزار ٹن یوریا (2020: 125 ہزار ٹن) پیدا کیا۔ کمپنی نے 230 ہزار ٹن یوریا (2020: 139 ہزار ٹن) فروخت کیا۔ کمپنی کے یوریا پلانٹ کو گیس کی سپلائی ابتدائی طور پر مارچ 2021 میں شروع کی گئی تھی اور جولائی اور اگست سمیت دو ماہ سے زائد عرصے تک معطل رہی اور بعد ازاں ستمبر 2021 میں دوبارہ شروع کی گئی جس کے بعد یہ پلانٹ آج تک فعال رہا ہے۔

## Phosphates Industry

Phosphates Nutrient consumption saw a decrease of 8% (2021: 1073KT vs 2019: 1169KT) due to record high phosphate prices in the country that has resulted into demand destruction particularly of DAP with 13% offtake decline. DAP prices in the world market remained at US\$ 350-400 per ton CFR KHI in 2020 and then increased and peaked to US\$ 900-950 per ton CFR KHI in 2021 which coupled with gradual rupee devaluation resulted exponential increases in DAP prices in the country affecting the farmers affordability to use. However, offtakes of other alternative phosphates fertilizers i.e. NP, NPK and SSP saw increase of 19%, 17% and 68% respectively. Production of Phosphates fertilizer increased by 5% during the year (2021: 573KT vs 2020: 544KT) with production increased registered by DAP and SSP whereas production of NP declined. Phosphates Imports registered a decline of 3% in 2021 vs last year (2021: 414KT vs 2020: 426KT) due to availability of last year's carryover stocks.



The Company, being a major SSP player, produced 73 K tons SSP (2020: 66Ktons) and sold 80 K ton (2020: 60Ktons).

## فاسفیٹ انڈسٹری

ملک میں فاسفیٹ کی ریکارڈ زیادہ قیمتوں کی وجہ سے فاسفیٹ نیوٹریٹ کی کھپت میں 8% کی کمی دیکھی گئی (2021: 1073 ہزار ٹن) بمقابلہ 2019: 1169 ہزار ٹن) جس کے نتیجے میں ڈی اے پی کی طلب میں 13 فیصد کمی واقع ہوئی ہے۔ عالمی منڈی میں ڈی اے پی کی قیمتیں 2020 میں 350-400 امریکی ڈالر فی ٹن CFR KHI پر رہیں اور پھر 2021 میں بڑھ کر 900-950 امریکی ڈالر فی ٹن CFR KHI تک پہنچ گئیں چونکہ روپے کی قدر میں بتدریج کمی کے نتیجے میں ڈی اے پی کی قیمتوں میں غیر معمولی اضافہ



ہوا جس نے ملک میں کسانوں کی کھاد استعمال کرنے کی صلاحیت کو متاثر کیا۔ تاہم، فاسفیٹس کی دیگر متبادل کھادوں یعنی NP، NPK اور SSP کے استعمال میں بالترتیب 19%، 17% اور 68% اضافہ دیکھا گیا۔ فاسفیٹس کھاد کی پیداوار میں سال کے دوران 5% اضافہ ہوا (2021: 573 ہزار ٹن بمقابلہ 2020: 544 ہزار ٹن) ڈی اے پی اور ایس ایس پی کی پیداوار میں اضافہ جبکہ این پی کی پیداوار میں کمی واقع ہوئی۔ فاسفیٹس کی درآمدات 2021 میں پچھلے سال کے مقابلے (2021: 414 ہزار ٹن بمقابلہ 2020: 426 ہزار ٹن) میں گزشتہ سال کے کیری اور اسٹاک کی دستیابی کی وجہ سے 3% کی کمی درج کی گئی۔

کمپنی نے، SSP کے اہم مینوفیکچر ہونے کے ناطے، 73 ہزار ٹن SSP (2020: 66 ہزار ٹن) پیدا کی اور 80 ہزار ٹن (2020: 60 ہزار ٹن) فروخت کی ہے۔

## Future Outlook

Strong and robust farm returns for the major crops particularly Wheat, Sugarcane & somewhat recovery of Cotton crop and switching to Hybrid Seed varieties form the conventional seed varieties for Maize and Rice crops will surely help ensure very strong offtakes in the near future for Urea in the country. Stressed and shortage psyche of Urea likely to prevail during the year 2022 due to the strong local demand and global higher prices as well as shortages. Therefore, Supply Demand gap of Urea likely to persist which will be bridged through the continuous gas supplies to all plants. GOP is committed to avoid the recurrence of shortage like situation and in addition to running all plants at full capacity has secured some 100KT of Urea imports through Government to Government arrangement from China in order to buildup buffer stock before the upcoming Kharif season. Recent increase in international urea prices coupled with the devaluation of the PKR has resulted in very high cost of imported Urea that negatively impacts the Foreign Exchange reserves of the country and imports to only suffice to develop the buffer stock inventory by GOP. Local production of Urea helps GOP save the precious Foreign Exchange as well as in terms of subsidy saving on expensive imports besides further improving the large scale manufacturing in the country.

phosphate prices are likely to remain strong in the world market which will keep the local DAP prices higher in the country and may negatively affect the demand. However, the reopening of exports by China in second half of the year and any possible settlement of Russia Ukraine conflict likely to increase DAP supplies in the world market which may reduce DAP prices. Demand of other phosphates alternatives indigenously produced like NP, NPK and SSP likely to be maintained or increased. Higher phosphates prices are likely to prevail in the near term that may negatively affect farmers' economics that could lead to decline or stagnant phosphate consumption, however, GOP is working to provide subsidy on phosphates to mitigate the sharp increases in the prices and necessary allocating budgetary support on phosphate use in the country is likely to be made by GOP. The Company maintains its leadership position in the SSP category and will strengthen its position with improved sales and margins.

Urea plants on SNGPL Network including Agritech presently continue to operate since their restoration in September 2021 after brief closure for couple of months due to diversion of gas in the peak summer months and as per the approval of the Cabinet, these plants shall continue to operate till 31 March 2022. However, during the Fertilizer Review Committee (FRC) under GOP the continuation of gas supply has already been recommended to GOP for which necessary approvals are being sought in order to meet the growing urea demand in the country. The scenario likely to be helpful for Agritech to streamline its gas supply issue on consistent basis with GOP to bridge the likely urea shortages in the country.

## مستقبل کا نقطہ نظر

اہم فصلوں بالخصوص گندم، گنے اور کپاس کی فصل کی کسی حد تک بحالی اور کئی اور چاول کی فصلوں کے لیے روایتی بیج کی اقسام کو ہائبرڈ بیجوں کی طرف منتقلی فارم کے مستحکم اور مضبوط ریٹرنز کو یقینی طور پر مستقبل قریب میں ملک میں یوریا کے لیے بہت مضبوط حصول کو یقینی بنانے میں مدد کرے گی۔ سال 2022 کے دوران مضبوط مقامی طلب اور عالمی قیمتوں میں اضافے کے ساتھ ساتھ قلت کی وجہ سے یوریا کے تناؤ اور قلت کی نفسیات غالب رہنے کا امکان ہے۔ اس لیے یوریا کی طلب ورسد کا گیپ برقرار رہنے کا امکان ہے جسے تمام پلانٹس کو گیس کی مسلسل فراہمی کے ذریعے پورا کیا جائے گا۔ GOP قلت جیسی صورت حال سے بچنے کے لیے پرعزم ہے اور تمام پلانٹس کو پوری صلاحیت کے ساتھ چلانے کے ساتھ ساتھ چین سے حکومت کی طرف سے حکومتی انتظامات کے ذریعے تقریباً 100 ہزار ٹن یوریا کی درآمدات حاصل کر لی ہیں تاکہ آنے والے خریف سیزن سے پہلے بفرسٹاک کو تیار کیا جاسکے۔ پاکستانی روپیہ کی قدر میں کمی کے ساتھ بین الاقوامی یوریا کی قیمتوں میں حالیہ اضافے کے نتیجے میں درآمدی یوریا کی قیمت بہت زیادہ ہے جو ملک کے زرمبادلہ کے ذخائر پر منفی اثر ڈالتی ہے اور درآمدات صرف GOP کی طرف سے بفرسٹاک انویسٹری تیار کرنے کے لیے کافی ہیں۔ یوریا کی مقامی پیداوار GOP کو قیمتی زرمبادلہ بچانے اور



مہنگی درآمدات پرسبسڈی کی بچت کے ساتھ ساتھ ملک میں بڑے پیمانے پر مینوفیکچرنگ کو مزید بہتر بنانے میں مدد کرتی ہے۔

عالمی منڈی میں فاسفیٹ کی قیمتیں مستحکم رہنے کا امکان ہے جس سے ملک میں مقامی ڈی اے پی کی قیمتیں زیادہ رہیں گی اور طلب پر منفی اثر پڑ سکتا ہے۔ تاہم، سال کی دوسری ششماہی میں چین کی طرف سے درآمدات دوبارہ کھولنے اور روس کے یوکرین تنازعہ کے کسی بھی ممکنہ تصفیے سے عالمی منڈی میں ڈی اے پی کی سپلائی میں اضافہ ہونے کا امکان ہے جس سے ڈی اے پی کی قیمتیں کم ہو سکتی ہیں۔ مقامی طور پر تیار کردہ دیگر فاسفیٹ متبادلات جیسے کہ NP، NPK اور SSP کی طلب برقرار رکھنے یا بڑھانے کا امکان ہے۔ فاسفیٹ کی زیادہ قیمتیں جو کسانوں کی معاشیات کو منفی طور پر متاثر کر سکتی ہیں جو کہ فاسفیٹ کی کھپت میں کمی یا جمود کا باعث بن سکتا ہے، تاہم، GOP قیمتوں میں تیزی سے اضافے کو کم کرنے کے لیے فاسفیٹ پرسبسڈی فراہم کرنے کے لیے کام کر رہی ہے اور GOP کی طرف سے ملک میں فاسفیٹ کے استعمال پر تعاون کے لئے ضروری بجٹ مختص کر رہی ہے۔ کمپنی SSP کیٹگری میں اپنی قائدانہ پوزیشن کو برقرار رکھتی ہے اور بہتر سیلز اور مارجن کے ساتھ اپنی پوزیشن کو مضبوط بنائے گی۔

SNGPL نیٹ ورک پر یوریا پلانٹس بشمول ایگریٹیک فی الحال کام جاری رکھے ہوئے ہیں ستمبر 2021 میں ان کی بحالی کے بعد بھر پور گرمیوں کے مہینوں میں گیس کی تبدیلی کی وجہ سے چند مہینوں کی مختصر بندش کے بعد اور کابینہ کی منظوری کے مطابق، یہ پلانٹس 31 مارچ 2022 تک کام کرتے رہیں گے۔ تاہم، GOP کے تحت فرنیٹائزر جائزہ کمیٹی (FRC) کے دوران GOP کو پہلے ہی گیس کی سپلائی جاری رکھنے کی سفارش کی جا چکی ہے جس کے لیے ملک میں یوریا کی بڑھتی ہوئی طلب کو پورا کرنے کے لیے ضروری منظوری طلب کی جا رہی ہے۔ ملک میں ممکنہ یوریا کی قلت کو پورا کرنے کے لیے GOP کے ساتھ مستقل بنیادوں پر گیس کی فراہمی کے معاملے کو ہموار کرنے میں ایگریٹیک کے لیے یہ منظر نامہ مددگار ثابت ہوگا۔

2022





## Changes in accounting policy / Amendments

There are certain amendments to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on January 01, 2021. However, there is no significant implication of such amendments adopted during the year.

### اکاؤٹنگ پالیسی میں تبدیلیاں / اصطلاحات:

یہاں کچھ ترمیمات اور منظور شدہ اکاؤٹنگ اور رپورٹنگ معیارات کی تشریح کی گئی ہے جو کمپنی کے سالانہ اکاؤٹنگ مدت کے لئے لازمی ہیں جو یکم جنوری، 2021 کو شروع ہوئی تھی۔ تاہم، اس سال کے دوران اپنائے گئے نئے معیارات کا کوئی اطلاق نہیں ہے۔

## Modifications in the Auditor's report

### آڈیٹر کی رپورٹ میں ترمیمات

#### Qualification

In auditor's report for the period, auditors raised following concern which states as " the management has assessed the recoverability of deferred tax assets on tax losses and tested the impairment of goodwill based on five years business plan approved by the Board of Directors and asserts that no impairment is required in these financial statements. However, we are unable to obtain sufficient appropriate audit evidence with respect to key assumption used in the business plan i.e. operational days based on the availability of natural gas and cost of raw material based on gas rates since approval from Government of Pakistan for supply of gas to the Company at subsidized rates is available only till 31 March, 2022. Management is, however, confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustment in respect of impairment was necessary for goodwill amounting to Rs. 2,567 million and deferred tax asset amounting to Rs. 6,419 million recognized on tax losses of Rs. 22,135 million in these financial statements."

#### کوالیفیکیشن

اس مدت کے لئے آڈیٹر کی رپورٹ میں، آڈیٹرز نے درج ذیل تشویش کا اظہار کیا جس میں کہا گیا ہے کہ "انتظامیہ نے ٹیکس نقصانات پر مؤخر ٹیکس اثاثوں کی واپسی کا اندازہ لگایا ہے اور بورڈ آف ڈائریکٹرز کی طرف سے منظور شدہ پانچ سالہ کاروباری منصوبے کی بنیاد پر ٹیکس خیر سگالی کی خرابی ٹیکس کا جائزہ لیا ہے اور یہ دعویٰ کیا ہے کہ ان مالیاتی حسابات میں کوئی نقص ضروری نہیں ہے۔ تاہم، کاروباری منصوبے میں استعمال ہونے والے کلیدی مفروضے کے لحاظ سے ہم مناسب آڈٹ ثبوتوں کو حاصل کرنے سے قاصر ہیں یعنی قدرتی گیس کی دستیابی اور گیس کی شرحوں پر مبنی خام مال کی قیمت پر مبنی آپریشنل دن چونکہ حکومت پاکستان کی طرف سے کمپنی کو سبسڈی نرخوں پر گیس کی فراہمی صرف 31 مارچ 2022 تک ہی دستیاب ہے۔ تاہم انتظامیہ کو یقین ہے کہ گیس کی فراہمی طویل مدتی بنیاد پر دستیاب ہوگی۔ چنانچہ ہم یہ تعین کرنے سے قاصر تھے کہ ان مالی گوشواروں میں ٹیکس نقصانات 22,135 ملین روپے پر خرابی کے سلسلے میں 2,567 ملین روپے خیر سگالی اور مؤخر ٹیکس اثاثوں کی مالیت 6,419 ملین روپے تسلیم شدہ کی ایڈجسٹمنٹ ضروری ہے یا نہیں۔

## Material Uncertainty relating to Going Concern

Auditors also raised concern about company ability to operate as going concern which states as "Notwithstanding the matter discussed in Basis for the Qualified Opinion section, the Company, during the year ended 31 December 2021, has incurred loss before tax amounting to Rs. 3,017 million and, as of that date, its current liabilities exceeded its current assets by Rs. 44,662 million, and its accumulated losses stood at Rs. 23,613 million. These conditions, along with other matters as set forth in note 2.2 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter."

#### گوٹنگ کنسرن کی بابت مادی غیر یقینی

آڈیٹرز نے کمپنی کے چلنے رہنے کی صلاحیت کے بارے میں بھی تشویش کا اظہار کیا جس میں کہا گیا ہے کہ "قابلیت کے بارے میں رائے کے سیکشن بارے میں اس معاملے کے باوجود، کمپنی نے 31 دسمبر 2021 کو ختم ہونے والے سال کے دوران ٹیکس سے پہلے 3,017 ملین روپے کا نقصان اٹھایا ہے اور اب تک، اس کے موجودہ واجبات اس کے موجودہ اثاثوں سے 44,662 ملین روپے سے زائد اور اس کا مجموعی خسارہ 23,613 ملین روپے ہے۔ مالی گوشواروں کے نوٹ 2.2 میں بیان کردہ دیگر امور کے ساتھ یہ صورت حال، مادی غیر یقینی صورتحال کی نشاندہی کرتے ہیں جس سے کمپنی کی حیثیت سے جاری رہنے کی صلاحیت کے بارے میں اہم شک پیدا ہو سکتا ہے۔ اس معاملے میں ہماری رائے کو الفائیڈ نہیں ہے۔





## Emphasis of Matter

Auditors have also given Emphasis of matter which states; "We draw attention to note 18.1.2 to the accompanying financial statements, wherein it is stated that the Company could not pay its liabilities on due dates and is now defending legal suits filed by certain financial institutions for recovery of their dues. Our opinion is not qualified in this respect."

## Explanation of Modifications of Auditor's Report

Gas supply at subsidized price to the company's Urea plant is the most critical aspect of Urea business and its scarcity is major cause for past few years' operational and liquidity issues of the Company. Although after facing unprecedented gas curtailment during past many years, the gas supply situation has been improved up to some extent mainly due to RLGN supplies at subsidized rates by the Government of Pakistan 'GOP' to meet Urea demand in Pakistan, however, price of such RLNG charged to the Urea plants including Agritech was remained higher when benchmarked with other fertilizer plants operating on other gas networks. This situation had forced the Company to finance its assets and operations through high level of borrowings since past many years.

At the same time, overall gas shortage in Pakistan had also forced the GOP to divert natural gas from fertilizer sector to other sectors particularly power sector during summer season and domestic sector during winters resulting into low Urea output triggering Urea shortages during the year ended 31 Dec 2021. Such gas curtailments has also caused low urea production from the Company's plant versus its available capacity which resultantly causes the operational and liquidity issues including breaches of loan covenants (as referred to in Note 42 to the financial statements).

As earlier stated, during past three years, gas supply to the Company has witnessed improvements with regular imports of Liquefied Natural Gas ("LNG") by the Government of Pakistan ("GOP"). Consistent LNG imports improved RLNG flow to Sui Northern Gas Pipelines Limited ("SNGPL") benefitting consumers including fertilizer sector. Gas supply to the Company's urea plant was restored in the March 2021 for consistent supply till Nov, 2021 at subsidized rate but later it was diverted for few months to power sector but GOP restored in Sep 2021 when the urea shortages occurred in the country. RLNG supply since then is continuously being supplied despite Winter demand surge and plant at present is operational. For the year 2022 the Fertilizer Review Committee (FRC) under Ministry of Industries & Production held dated March 08, 2022 has evaluate the Urea demand supply situation in the country and recommended that northern plants on SNGPL Network including Agritech Urea plant for the supply of system gas which is likely to operate on regular basis without any subsidy cost to GOP. Necessary approval of GOP are being sought by the relevant ministries.

The GOP has recently got approved the 'Weighted Average Cost of Gas (WACOG) bill' from the parliament that will help take RLNG, earlier ring fenced, into the overall System Gas baskets to determine overall cost of total gas flows in Pakistan. Implementation of WACOG at SNGPL level will be beneficial to the fertilizer sector of Pakistan particularly for plants being operated on RLNG /SNGPL network as well as also reduce subsidy cost for the GOP.

GOP's renewed focus on the Food Security is the most critical aspect of feeding the population of more than 220 million and fertilizer, especially Urea plays a critical role in enhancing the production and yield of the crops. Urea demand in recent past has increased from an average 5.8 million tons to 6.34 million tons in 2021. Due to diversion of RLNG, earlier earmarked for the urea plants on SNGPL Network, to power sector during the last year's summer, the country faced Urea shortages during the Wheat sowing season. The situation further compounded with the global urea shortages as well as historically high international urea prices and the RLNG supply was restored back to the closed urea plants including Agritech to attain maximum Urea production in the country. The distribution of urea was monitored by GOP through provincial rations for uniform urea supply across all the demand centers. Growing urea demand and likely shortages in the country in subsequent years can only be met if all the plants in the country are operated on regular basis. Local production helps save the country from unprecedented volatility of international supply and prices and direct benefits to GOP exchequer in the form of significant savings on precious Foreign Exchange as well as lower subsidy on cost effective local urea production versus expensive urea imports. The company is confident that on these basis, continuous gas supply solution likely to be worked out with GOP for the sustained urea production at the Company's urea plant.

Litigations with banks is discussed in following paragraph.



## تاکید

آڈیٹرز نے اس معاملے پر بھی زور دیا ہے جس میں کہا گیا ہے کہ "ہم اس کے ساتھ ساتھ مالی گوشواروں کے نوٹ 18.1.2 کی طرف توجہ مبذول کراتے ہیں، جس میں بتایا گیا ہے کہ کمپنی مقررہ تاریخوں پر اپنے ذمہ واجبات کی ادائیگی نہیں کر سکی اور اب وہ چند مالی اداروں کی طرف سے ان کے واجبات کی ریکوری کے لئے دائر قانونی مقدمات کا دفاع کر رہی ہے۔ اس بابت ہماری رائے کو ایفائیڈ نہیں ہے۔"

## آڈیٹر کی رپورٹ کی ترمیمات کی وضاحت

کمپنی کے یوریا پلانٹ کو رعایتی قیمت پر گیس کی فراہمی یوریا کے کاروبار کا سب سے اہم پہلو ہے اور اس کی کمی کمپنی کے پچھلے کچھ سالوں کے آپریشنل اور لیکویڈیٹی مسائل کی بڑی وجہ ہے۔ اگرچہ گزشتہ کئی سالوں کے دوران گیس کی غیر معمولی کمی کا سامنا کرنے کے بعد، گیس کی فراہمی کی صورت حال میں کچھ حد تک بہتری آئی ہے جس کی بنیادی وجہ پاکستان میں یوریا کی طلب کو پورا کرنے کے لیے حکومت پاکستان 'GOP' کی جانب سے رعایتی نرخوں پر آر ایل جی این کی فراہمی ہے، تاہم، ایگریٹیک سمیت یوریا پلانٹس سے چارج کی جانے والی RLNG کی اس طرح کی قیمتیں دیگر گیس نیٹ ورکس پر کام کرنے والے دیگر کھاد پلانٹس کے ساتھ بیچ مارک کرنے پر زیادہ رہیں۔ اس صورت حال نے کمپنی کو گزشتہ کئی سالوں سے اپنے اثاثوں اور آپریشنز کو اعلیٰ سطح کے قرضوں کے ذریعے فنانس کرنے پر مجبور کر دیا تھا۔

اسی اثناء میں، پاکستان میں گیس کی مجموعی قلت نے GOP کو بھی مجبور کر دیا کہ گرمیوں کے دوران قدرتی گیس کو کھاد کے شعبے سے دوسرے سیکٹرز یا مخصوص پاور سیکٹرز اور سردیوں میں گھر بیلو سیکٹر کی طرف منتقل کر دے جس کے نتیجے میں 31 دسمبر 2021 کو ختم ہونے والے سال کے دوران یوریا کی کمی پیدا ہوگئی۔ اس طرح کی گیس کی رکاوٹوں کی وجہ سے کمپنی کے پلانٹ سے اس کی دستیاب گنجائش کے مقابلے یوریا کی کم پیداوار ہوئی ہے جس کے نتیجے میں قرض کے معاہدوں کی خلاف ورزیوں سمیت آپریشنل اور لیکویڈیٹی کے مسائل پیدا ہوئے ہیں (جیسا کہ مالیاتی حسابات کے نوٹ 42 میں بیان کیا گیا ہے)۔

جیسا کہ اوپر بیان کیا گیا، گزشتہ تین سالوں کے دوران، کمپنی کو گیس کی فراہمی میں حکومت پاکستان ('GOP') کی جانب سے مائع قدرتی گیس ('LNG') کی باقاعدہ درآمدات کے ساتھ بہتری دیکھی گئی ہے۔ ایل این جی کی مسلسل درآمدات نے سوئی ناردرن گیس پائپ لائنز لمیٹڈ ('SNGPL') میں آر ایل جی این کے بہاؤ کو بہتر کیا جس سے کھاد کے شعبے سمیت صارفین کو فائدہ ہوا۔ کمپنی کے یوریا پلانٹ کو گیس کی سپلائی مارچ 2021 میں بحال کی گئی تھی تاکہ نومبر 2021 تک سبسڈی والے نرخوں پر مسلسل سپلائی ہو لیکن بعد میں اسے چند مہینوں کے لیے پاور سیکٹر کی طرف منتقل کر دیا گیا لیکن جب ملک میں یوریا کی قلت پیدا ہوئی GOP نے ستمبر 2021 میں اسے دوبارہ بحال کر دیا۔ موسم سرما کی طلب میں اضافے کے باوجود اس وقت سے آر ایل جی این کی سپلائی مسلسل جاری ہے اور پلانٹ اس وقت کام کر رہا ہے۔ سال 2022 کے لیے وزارت صنعت و پیداوار کے تحت 08 مارچ 2022 کو قائم کردہ فریڈیلٹیز جواز کمیٹی (FRC) نے ملک میں یوریا کی طلب و رسد کی صورتحال کا جائزہ لیا اور سفارش کی کہ ایس این جی پی ایل نیٹ ورک پر شمالی پلانٹ سمیت ایگریٹیک یوریا پلانٹ سسٹم کی فراہمی کے لیے گیس جو GOP کو بغیر کسی سبسڈی کی لاگت کے مستقل بنیادوں پر کام چلانے کا امکان ہے۔ متعلقہ وزارتوں سے GOP کی ضروری منظوری طلب کی جا رہی ہے۔

GOP نے حال ہی میں پارلیمنٹ سے ویڈیو ایوریج کاسٹ آف گیس (WACOG) بل کی منظوری حاصل کی ہے جو پاکستان میں گیس کے کل بہاؤ کی مجموعی لاگت کا تعین کرنے کے لیے RLNG کو مجموعی طور پر سسٹم گیس باسکٹ میں لے جانے میں مدد کرے گا۔ ایس این جی پی ایل کی سطح پر WACOG کا نفاذ پاکستان کے کھاد کے شعبے کے لیے خاص طور پر آر ایل این جی / ایل این جی پی ایل نیٹ ورک پر چلنے والے پلانٹس کے لیے فائدہ مند ثابت ہوگا اور ساتھ ہی GOP کے لیے سبسڈی کی لاگت کو بھی کم کرے گا۔ GOP کی نوڈ سیکورٹی پر نئی توجہ 220 ملین سے زیادہ آبادی کو خوراک پہنچانے اور کھاد کا سب سے اہم پہلو ہے، خاص طور پر یوریا فصلوں کی پیدائش اور پیداوار کو بڑھانے میں اہم کردار ادا کرتا ہے۔ ماضی قریب میں یوریا کی طلب 2021 میں اوسطاً 5.8 ملین ٹن بڑھ کر 6.34 ملین ٹن ہوگئی ہے۔ RLNG جو پہلے SNGPL نیٹ ورک پر یوریا پلانٹس کے لیے مختص کی گئی تھی، گزشتہ سال کے موسم گرما میں پاور سیکٹر میں منتقلی کی وجہ سے، گندم کی ہوائی کے موسم کے دوران ملک کو یوریا کی قلت کا سامنا کرنا پڑا۔ عالمی یوریا کی قلت کے ساتھ ساتھ تاریخی طور پر بین الاقوامی سطح پر یوریا کی زیادہ قیمتوں کی صورتحال مزید پیچیدہ ہوگئی اور ملک میں یوریا کی زیادہ سے زیادہ پیداوار حاصل کرنے کے لیے ایگریٹیک سمیت بند یوریا پلانٹس کو آر ایل این جی کی سپلائی بحال کر دی گئی۔ یوریا کی تقسیم کی نگرانی GOP کی طرف سے تمام ڈیمانڈ مراکز میں یکساں یوریا کی فراہمی کے لیے صوبائی ریشنگنگ کے ذریعے کی گئی۔ یوریا کی بڑھتی ہوئی طلب اور آنے والے سالوں میں ملک میں ممکنہ قلت کو صرف اسی صورت میں پورا کیا جاسکتا ہے جب ملک کے تمام پلانٹس مستقل بنیادوں پر چلائے جائیں۔ مقامی پیداوار ملک کو بین الاقوامی سپلائی اور قیمتوں کے بے مثال اتار چڑھاؤ سے بچانے میں مدد کرتی ہے اور قیمتی زر مبادلہ میں نمایاں بچت کے ساتھ ساتھ یوریا کی ہنگامی درآمدات کے مقابلے سستی مقامی یوریا کی پیداوار پر کم سبسڈی کی صورت میں GOP کے خزانے کو براہ راست فائدہ پہنچاتی ہے۔ کمپنی کو یقین ہے کہ ان وجوہات کی بنیاد پر کمپنی کے یوریا پلانٹ میں یوریا کی مستقل پیداوار کے لیے GOP کے ساتھ گیس کی مسلسل فراہمی کے حل پر کام کیا جائے گا۔

## Capital Restructuring & Litigations with Banks

Gas curtailment to the Company's Urea plant during the past few years was the major cause of non-servicing of the debt of the Company and the accumulation of mark-ups further increased its debt burden. In addition to this, few banks and financial institutions have filed cases for recovery of loans extended by them along with accrued markup and other related charges against the Company. In order to streamline this debt burden, a Capital Restructuring Plan was envisaged with the cooperation of lenders to devise a sustainable capital structure, which included the conversion of its existing long term debt including mark-ups into Preference Shares. The plan also includes the potential and likely sale of excess land to payoff long term lenders after seeking the necessary approvals. Infrastructure developments plans of GOP around the Company's both plants will likely to increase the value of its land. Particularly, the participation of the Company in CPEC project's section Hakla-Daudkhel-DI Khan through provision of land for the said project looks very exciting and with the completion of CPEC, the surplus land of the Company has potential for commercial and industrial activities for CPEC related trades in the future. The Company is confident that likelihood of any additional liability is remote as markup has already been recognized in these financial statements in accordance with terms of loan agreements.

This Capital Rehabilitation Plan was filed through a petition in Lahore High Court in June 2016 for the enforceability of the scheme under section 284-288 of the Companies Ordinance, 1984. The hearings at the LHC are continued and the Company is confident to obtain decision through the court for the Rehabilitation Plan and committed to implement the plan to improve the financial position of the company.

### سرمایہ کی تنظیم نو اور بینکوں کے ساتھ مقدمات:

گزشتہ چند سالوں کے دوران کمپنی کے یوریا پلانٹ کو گیس کی تخفیف نہ صرف کمپنی کے قرض کی واپسی میں تاخیر کی اہم وجہ ہے بلکہ قرض اور سود میں اضافے کا سبب بھی ہے۔ اس کے علاوہ چند بینکوں اور مالی اداروں نے کمپنی کے خلاف مارک اپ اور دیگر متعلقہ واجبات کے ساتھ ساتھ توسیعی قرضوں کی ریکوری کے مقدمات دائر کئے ہیں۔ اس قرض کی تنظیم نو کے لئے قرض دہندہ کے تعاون سے ایک منصوبہ مرتب کیا گیا ہے۔ جس کا بنیادی مقصد موجودہ طویل مدتی قرض اور اس پر سود کو ترجیحی حصص میں تبدیل کرنا ہے۔ اس منصوبے کا ایک اور مقصد کمپنی کے پاس موجود اضافی اراضی کا فروخت ہے جس کی آمدنی سے طویل مدتی قرض دہندہ کے واجبات کی ادائیگی ممکن ہوگی۔ حکومت کے بنیادی ڈھانچے کی ترقی کے منصوبے سے دونوں پلائٹس کے گرد اراضی کی قیمت میں اضافے کا امکان ہے۔ خاص طور پر سی پیک منصوبے کے سیکشن ہاکلا- داؤد خیل- ڈی آئی خان میں کمپنی کی شرکت، بذریعہ اراضی کی فراہمی، بہت اہم ہے، سی پیک کی تکمیل کے بعد کمپنی کی اضافی اراضی مستقبل میں متعلقہ ٹریڈز کے لئے تجارتی اور صنعتی سرگرمیوں میں اہم کردار ادا کرے گی۔ مزید برآں، قانونی آراء کی بنیاد پر کمپنی کو یقین ہے کہ کسی بھی غیر معمولی صورتحال کا امکان کم ہے کیونکہ قرض کے معاہدوں کی شرائط کے مطابق ان مالیاتی حسابات میں مارک اپ کو پہلے ہی تسلیم کیا گیا ہے۔

سرمایہ کی بحالی کا یہ منصوبہ کمپنیز آرڈیننس 1984 کے سیکشن 284-288 کے تحت اسکیم کے نفاذ کے لئے جون 2016 میں لاہور ہائیکورٹ میں ایک درخواست دائر کی گئی تھی۔ لاہور ہائی کورٹ میں سماعت جاری ہے اور کمپنی پر اعتماد ہے کہ وہ منصوبے کی بحالی کے لئے عدالت سے اس کے حق میں فیصلہ ہوگا اور کمپنی کی مالی حالت کو بہتر بنانے کے منصوبے پر عمل درآمد کرنے کا عزم کیا ہے۔

### Loss per share

Loss per share of the Company for the period ended on 31 December 2021 is Rs. 6.83 per share.

### فی شیئر نقصان

31 دسمبر 2021 کو ختم ہونے والی مدت کے لئے کمپنی کا نقصان 6.83 روپے فی شیئر ہے۔

### Dividend

Due to circumstances already discussed the Board of Directors does not recommend any dividend for the period ended on 31 December 2021.

### ڈیویڈنڈ

مذکورہ بالا حالات کے باعث 31 دسمبر 2021 کو ختم ہونے والی مدت کے لئے بورڈ آف ڈائریکٹرز نے کسی ڈیویڈنڈ کی سفارش نہیں کی ہے۔



## Corporate Review

### Corporate Governance and Financial reporting framework

As required by the Code of Corporate Governance, the Directors are pleased to report that:

- The financial statements prepared by the management of company present accurate state of company's financial position, operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards as applicable in Pakistan have been followed in the preparation of financial statements.
- The system of internal controls is sound and has been effectively implemented and monitored.
- The Board is satisfied that the company is performing well as going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- There are no statutory payment on account of taxes, duties levies and charges which are outstanding as on 31 December 2021, except as those disclosed in the financial statements.
- No material changes and commitments affecting the financial position of the company have occurred between the end of the financial year to which this relates and the date of the Director's report.

#### Investment in retirement benefits

The value of investments made by the employees retirement benefits funds operated by the company as on 31 December 2021 are as follows:

	Value (Rupees)
1. Provident fund	199,237,774
2. Gratuity fund	97,604,845

## Board of Directors

Board of Directors consists of Six (6) male and one (1) female director with following Composition.

Independent Directors: 2

Non-Executive Directors: 4

Executive Director: 1

In July 2021, Election of Directors was held in which Seven New Directors were elected. Details of retiring & newly elected directors are also provided hereinafter.

During the year under review, eight (8) meetings of the Board of Directors were held and the attendance by each director as follows:

Name of Director	Eligibility	Attended
Mr. Sardar Azmat Babar Chauhan <i>(Chairman) (Resigned on 21.02.2022)</i>	8	6
Ms. Amena Zafar Cheema <i>(Retired on 16.07.2021)</i>	5	5
Mr. Asim Jilani	8	8
Mr. Asim Murtaza Khan	8	8
Mr. Hassan Raza	8	5
Mr. Abdul Karim Sultanali <i>(Retired on 16.07.2021)</i>	5	5
Ms. Sarwat Salahuddin Khan	3	3
Mr. Ghazanfar Ahsan	3	3
Mr. Muhammad Faisal Muzammil	8	8

Leave of absence was granted to the directors who could not attend the Board Meetings. During the year, board also appointed Mr. Hafiz Mudassar Hassan Kamran as Company Secretary.

## Audit Committee

During the year under review, Six (6) meetings of the Audit Committee were held.

Name of Director	Eligibility	Attended
Mr. Asim Murtaza Khan <i>(Chairman)</i>	6	6
Mr. Abdul Karim Sultanali <i>(Retired on 16.07.2021)</i>	4	3
Mr. Asim Jilani	6	6
Mr. Hassan Raza	6	2
Mr. Ghazanfar Ahsan	2	2

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before submission to the Board and their publication. CFO, Head of Internal Audit and a representative of external auditors attended the meetings where issues relating to accounts



and audit were discussed. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Listed Companies (Code Of Corporate Governance) Regulations, 2019 (the Regulations). The Audit Committee also discussed with the external auditors their letter to the management. Related party transactions were also placed before the Audit Committee prior to approval of the Board.

## HR & Remuneration Committee

During the year under review, Six (6) meetings of the HR & Remuneration Committee were held.

Name of Director	Eligibility	Attended
Ms. Amena Zafar Cheema <i>(Chairperson)( Retired on 16.07.21)</i>	3	3
Ms. Sarwat Salahuddin Khan <i>(Chairperson)</i>	3	3
Mr. Ghazzanfar Ahsan	3	3
Mr. Asim Jilani	6	5
Mr. Abdul Karim Sultanali <i>(Retired on 16.07.2021)</i>	3	3
Mr. Muhammad Faisal Muzammil	6	6

## Directors' Training Program

**During the year, the Company had arranged Directors' Training Program for Mr. Hassan Raza. Besides, all directors as of 31st December 2021 were certified directors.** All the directors are professionals and senior executives, who possess extensive experience in their respective fields. The training is an on-going process and the Company is determined to comply with the directors' training as required by the Code and completion of certification thereof.

## Appointment of Auditors

The Board of Directors has recommended, as suggested by Audit Committee, the appointment of Grant Thornton Anjum Rahman, Chartered Accountants, the retiring auditors who being eligible, have offered themselves for re-appointment as external auditors of the Company for the ensuing Financial Year, subject to approval of the members in the forthcoming Annual General Meeting.

## Pattern of Shareholding:

**The pattern of shareholding as on December 31, 2021 and its disclosure according to the requirement of Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) is annexed to this report.**

## Subsequent Changes:

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of directors' report.

## PATTERN OF SHAREHOLDING

The shareholding of the company as at 31 December 2021 is as follows:

Sr #	Category	Number of shareholders	Number of shares held	Percentage of holding
1	Directors	3	1,501	0.0004
2	Associate Company	1	106,014,632	27.0149
3	Related Parties	5	74,595,055	19.0085
4	Individuals	4675	100,534,535	25.6185
5	Financial Institutions	14	77,635,283	19.7832
6	Investment Companies	3	11,356,062	2.8938
7	Funds	12	880,624	0.2244
8	Joint Stock Companies	26	6,300,361	1.6055
9	Insurance Companies	3	1,662,870	0.4237
10	Mutual Funds	4	6,090,056	1.5519
11	Others	3	7,359,021	1.8752
<b>Total</b>		<b>4,751</b>	<b>392,430,000</b>	<b>100.00</b>

### Shareholders having more than 5% shares

Sr #	Category	Number of shareholders	Number of shares held	Percentage of holding
1	National Bank of Pakistan	1	106,014,632	27.0149
2	Summit Bank Limited	1	34,306,400	8.7420
3	Standard Chartered Bank (Pakistan) Limited	2	22,373,615	5.7013

### Information of shareholding as at December 31, 2021 as required under CCG as follow:

Sr #	Name	Category	Shares	Accumulated Total
1	Mr. Asim Murtaza Khan	Directors	1,000	
2	Mr. Muhammad Faisal Muzammil	Directors	500	
3	Ms. Sarwat Salahuddin Khan	Directors	1	<b>1,501</b>
<hr/>				
1	National Bank of Pakistan	Associate Company	106,014,632	<b>106,014,632</b>
<hr/>				
1	Silkbank Limited	Related Parties	1,000	
2	Summit Bank Limited	Related Parties	34,306,400	
3	Faysal Bank Limited	Related Parties	17,914,040	
4	Standard Chartered Bank (Pakistan) Limited	Related Parties	10,912,592	
5	Standard Chartered Bank (Pakistan) Limited - GSAM	Related Parties	11,461,023	<b>74,595,055</b>
<hr/>				
1	Al Baraka Bank (pakistan) Limited	Financial Institutions	1,471,636	
2	The Saudi Pak Industrial & Agricul. Investment Co. Ltd.- Cad	Financial Institutions	3,346,506	
3	The Bank Of Punjab, Treasury Division.	Financial Institutions	9,212,921	
4	Mcb Bank Limited - Treasury	Financial Institutions	605,138	
5	Askari Bank Limited	Financial Institutions	16,512,082	
6	United Bank Limited-strategic Portfolio	Financial Institutions	3,630,825	
7	Bank Alfalah Limited	Financial Institutions	2,273,234	
8	Pak Libya Holding Company (pvt.) Limited	Financial Institutions	4,384,283	
9	Soneri Bank Limited - Ordinary Shares	Financial Institutions	851,519	
10	United Bank Limited	Financial Institutions	12,345,051	



Sr #	Name	Category	Shares	Accumulated Total
11	Allied Bank Limited	Financial Institutions	16,601,113	
12	Habib Bank Limited-treasury Division	Financial Institutions	2,645,250	
13	Habib Bank Limited-corporate Center	Financial Institutions	3,755,428	
14	Bank Alfalah Limited	Financial Institutions	297	<b>77,635,283</b>
1	Pak China Investment Company Limited	Investment Companies	10,000,000	
2	First Credit & Investment Bank Limited	Investment Companies	1,032,855	
3	Pak Brunei Investment Company Limited	Investment Companies	323,207	<b>11,356,062</b>
1	Trustee-highnoon Laboratories Limited Staff Provident Fund	Funds	137,405	
2	Barrett Hodgson, Pak. (pvt) Ltd., Employees Provident Fund	Funds	7,262	
3	Barrett Hodgson, Employees Gratuity Fund	Funds	3,389	
4	Trustees Of Ssg Non-executive Staff Gratuity Fund	Funds	181,541	
5	Trustees Of Ssg Executive Staff Gratuity Fund	Funds	157,336	
6	Trustee - The U.s.mission Fsn Staff Provident Fund	Funds	60,514	
7	Trustee Gul Ahmed Textile Mills Ltd Emp P.f	Funds	1,210	
8	Trustees Of Ssg Executive Staff Provident Fund	Funds	121,028	
9	Trustees Of Ssg Non-executive Staff Provident Fund	Funds	145,233	
10	Wah Nobel (private) Limited Management Staff Pension Fund	Funds	20,000	
11	Trustees Pak-american Fertilizers Ltd. Emp. Provident Fund	Funds	21,500	
12	Soneri Bank Limited Employees Provident Fund	Funds	24,206	<b>880,624</b>
1	Trust Securities & Brokerage Limited - MF	Joint Stock Companies	94,500	
2	Askari Securities Limited - MF	Joint Stock Companies	21,500	
3	AXIS Global Limited - MF	Joint Stock Companies	427,000	
4	MRA Securities Limited - MF	Joint Stock Companies	523,000	
5	Mohammad Munir Mohammad Ahmed Khanani Securities Ltd. - MF	Joint Stock Companies	60,500	
6	J Holdings (Private) Limited	Joint Stock Companies	596,500	
7	Muhammad Amer Riaz Securities (Pvt) Ltd.	Joint Stock Companies	10,000	
8	Bawany Securities (Private) Limited	Joint Stock Companies	24,500	
9	Darson Securities Limited	Joint Stock Companies	25,000	
10	Pak-China Investment Company Limited	Joint Stock Companies	1,832,836	
11	Pasha Securities (pvt) Ltd.	Joint Stock Companies	35,000	
12	Rafi Securities (Private) Limited	Joint Stock Companies	10,000	
13	Wireless N Cable (Pvt) Limited	Joint Stock Companies	50	
14	NCC - Pre Settlement Delivery Account	Joint Stock Companies	39,500	
15	Pearl Securities Limited	Joint Stock Companies	254,000	
16	MRA Securities Limited	Joint Stock Companies	775,500	

## PATTERN OF SHAREHOLDING

Sr #	Name	Category	Shares	Accumulated Total
17	Zillion Capital Securities (Pvt) Ltd.	Joint Stock Companies	30,000	
18	TPS Pakistan (Private) Limited	Joint Stock Companies	40,000	
19	NH Capital (Private) Limited	Joint Stock Companies	100	
20	Ihsan Cotton Products (Pvt) Ltd	Joint Stock Companies	500	
21	Maple Leaf Capital Limited	Joint Stock Companies	1	
22	Zafar Securities (Pvt) Ltd.	Joint Stock Companies	150,000	
23	Premier Mercantile Services (Private) Limited	Joint Stock Companies	1,333,333	
24	Azgard Nine Limited	Joint Stock Companies	41	
25	Franciscans Of St John The Baptist Pakistan	Joint Stock Companies	10,000	
26	Shaffi Securities (pvt) Limited	Joint Stock Companies	7,000	<b>6,300,361</b>
1	IGI Holdings Limited	Insurance Companies	1,352,992	
2	EAST West Insurance Co. Ltd	Insurance Companies	302,569	
3	EFU Life Assurance Limited	Insurance Companies	7,309	<b>1,662,870</b>
1	CDC - Trustee National Investment (Unit) Trust	Mutual Funds	2,511,167	
2	CDC - Trustee Unit Trust of Pakistan	Mutual Funds	772,253	
3	MC FSL - Trustee JS Growth Fund	Mutual Funds	1,331,303	
4	CDC - Trustee Nit-equity Market Opportunity Fund	Mutual Funds	1,475,333	<b>6,090,056</b>
1	Evacuee Trust Property Board	Others	3,333,333	
2	Board of Trustees, FEB & GIF, IBD	Others	3,025,688	
3	Trustees of Pakistan Mobile Communication Ltd-provident Fund	Others	1,000,000	<b>7,359,021</b>
<b>Grand Total</b>				<b>392,430,000</b>

The pattern of holding of shares held by the shareholders as at 31 December 2021 is as follows:

Number of shareholders	Shareholding		Total shares held
	From	To	
269	1 -	100	4,254
592	101 -	500	289,133
576	501 -	1000	568,090
1420	1001 -	5000	4,376,273
665	5001 -	10000	5,595,288
260	10001 -	15000	3,401,811
195	15001 -	20000	3,664,325
134	20001 -	25000	3,176,207
79	25001 -	30000	2,265,000
47	30001 -	35000	1,565,077
45	35001 -	40000	1,749,560
20	40001 -	45000	863,501
72	45001 -	50000	3,570,500
17	50001 -	55000	903,000
21	55001 -	60000	1,221,500
13	60001 -	65000	816,514
18	65001 -	70000	1,243,566
15	70001 -	75000	1,098,565
8	75001 -	80000	631,000
11	80001 -	85000	924,401





Number of shareholders	Shareholding		Total shares held
	From	To	
9	85001 -	90000	805,000
8	90001 -	95000	751,000
59	95001 -	100000	5,890,500
4	100001 -	105000	418,500
6	105001 -	110000	646,500
5	110001 -	115000	566,000
6	115001 -	120000	715,000
9	120001 -	125000	1,116,528
5	125001 -	130000	637,500
1	130001 -	135000	135,000
7	135001 -	140000	963,755
7	140001 -	145000	998,500
18	145001 -	150000	2,689,233
3	150001 -	155000	456,000
6	155001 -	160000	950,336
2	160001 -	165000	326,000
1	165001 -	170000	168,000
3	170001 -	175000	522,500
2	180001 -	185000	362,041
2	185001 -	190000	376,500
1	190001 -	195000	193,000
8	195001 -	200000	1,600,000
1	200001 -	205000	205,000
8	205001 -	210000	1,668,500
3	210001 -	215000	641,500
1	220001 -	225000	221,000
1	240001 -	245000	243,000
2	245001 -	250000	500,000
1	250001 -	255000	254,000
2	260001 -	265000	525,500
2	265001 -	270000	540,000
1	270001 -	275000	273,500
1	275001 -	280000	275,500
1	280001 -	285000	283,000
2	285001 -	290000	577,500
3	295001 -	300000	899,500
1	300001 -	305000	302,569
2	310001 -	315000	627,500
1	315001 -	320000	317,000
1	320001 -	325000	323,207
1	325001 -	330000	325,500
1	340001 -	345000	345,000
1	350001 -	355000	350,500
2	365001 -	370000	739,000
1	370001 -	375000	374,512
1	375001 -	380000	379,000
2	390001 -	395000	787,500
3	395001 -	400000	1,198,000

## PATTERN OF SHAREHOLDING

Number of shareholders	Shareholding		Total shares held
	From	To	
1	425001 -	430000	427,000
1	475001 -	480000	480,000
1	480001 -	485000	483,000
3	495001 -	500000	1,500,000
1	520001 -	525000	523,000
1	565001 -	570000	567,500
2	595001 -	600000	1,196,500
1	605001 -	610000	605,138
1	640001 -	645000	645,000
1	655001 -	660000	656,000
1	765001 -	770000	768,000
1	770001 -	775000	772,253
1	775001 -	780000	775,500
1	795001 -	800000	800,000
1	850001 -	855000	851,519
1	950001 -	955000	955,000
3	995001 -	1000000	3,000,000
1	1025001 -	1030000	1,028,000
1	1030001 -	1035000	1,032,855
2	1330001 -	1335000	2,664,636
1	1350001 -	1355000	1,352,992
1	1470001 -	1475000	1,471,636
1	1475001 -	1480000	1,475,333
1	1495001 -	1500000	1,500,000
1	1830001 -	1835000	1,832,836
1	1910001 -	1915000	1,914,655
2	1995001 -	2000000	4,000,000
1	2055001 -	2060000	2,059,500
1	2270001 -	2275000	2,273,234
1	2510001 -	2515000	2,511,167
1	2645001 -	2650000	2,645,250
1	2800001 -	2805000	2,804,000
1	3025001 -	3030000	3,025,688
1	3330001 -	3335000	3,333,333
1	3345001 -	3350000	3,346,506
1	3630001 -	3635000	3,630,825
1	3755001 -	3760000	3,755,428
1	4380001 -	4385000	4,384,283
1	9210001 -	9215000	9,212,921
2	9995001 -	10000000	20,000,000
1	10910001 -	10915000	10,912,592
1	11460001 -	11465000	11,461,023
1	12345001 -	12350000	12,345,051
1	15620001 -	15625000	15,624,873
1	16510001 -	16515000	16,512,082
1	16600001 -	16605000	16,601,113
1	34305001 -	34310000	34,306,400
1	106010001 -	106015000	106,014,632
<b>4,751</b>			<b>392,430,000</b>



**Agritech is fully committed to adopting international benchmarks governing corporate social responsibility.**

## CORPORATE SOCIAL RESPONSIBILITY

### Health Center

Company operates a state of the art hospital at its Daudkhel site which includes essential care facilities including emergency, labour and gynecology and minor surgery. The center provides subsidized medical care to its employees and the community at large.

Additionally, realizing its duties as a responsible corporate citizen, Agritech continued its effort for a greener environment, planting trees in its neighboring communities, providing scholarships for needy students and arranging many activities for the well being of its employees and communities.

We constantly strive to maintain a leadership role in this area and wholeheartedly support and fund outreach programs which have beneficial impact on our environment, employees and the community where we live and work in.



Health check at AGRITECH Hospital



Students of an AGRITECH School

### Community Programs

Agritech is committed to provide quality education for its employees and community. The company has established several educational institutions where over 2000 students are enrolled and managed by over 100 professional staff.

# CERTIFICATIONS & ACHIEVEMENTS

Some of our key certifications and initiatives are mentioned below.



## OSHA Standards

OHS 18001 compliant proactive HSE program aims to prevent work-related injuries, illnesses and fatalities. This effort at Agritech is independently monitored by a high level Corporate Manager of Health, Safety & Environment who has wide ranging mandate and authority to enforce (Health, Safety & Environment (HSE) standards throughout the company. Effort is complemented with Hearts & Minds Winning techniques for sustainable performance.



## ISO 9001

ISO 9001 is a family of standards for quality management systems. ISO 9001 is maintained by ISO, the International Organization for Standardization and is administered by authorized accreditation and certification bodies. The requirements of ISO 9001 include maintaining a set of procedures that cover all key processes in the business, to ensure they are effective, maintain adequate records, check output for defects, with appropriate and corrective action where necessary. The ISO 9001 family of standards also require regular reviews of individual processes and the quality system itself for effectiveness, and to facilitate continuous improvement.



## ISO 14001

ISO 14001 is an organizational system standard for monitoring, controlling, and improving quality of the environment. The ISO 14001 Environmental Management standards exist to help organizations minimize how their operations affect the environment (cause adverse changes to air, water, or land) and comply with applicable laws and regulations.



## PAKISTAN STANDARDS AND QUALITY CONTROL AUTHORITY

The main function of the Authority is to foster and promote standards and conformity assessment as a means of advancing the national economy, promoting industrial efficiency and development, ensuring the health and safety of the public, protecting the consumers, facilitating domestic and international trade and furthering international co-operation relation to standards and conformity assessment in the interest of consumers.

**All these achievements are result of dedicated and consorted efforts of Agritech's team. Management provided the necessary resources and encouragement with a firm commitment to implement these systems in full letter and spirit.**

**For accreditation of above systems, procedures were developed according to the required standards & these are being implemented.**



With the implementation of QMS, EMS & OH&S there have been tremendous improvements at the plant. The following are main benefits.

#### **Increased Efficiency**

Certification process has given a lot of thought to improve the system and how to maximize quality and efficiency. The processes has been established and guidelines in place for anyone to follow easily, making training, transitions, and trouble-shooting etc.

#### **Employee Morale**

Employee's morale has been motivated by defining roles and responsibilities, accountability of management, established training systems and a clear picture of how their roles affect quality and the overall success of the company.

#### **International Recognition**

The company reputa has been increased after getting certifications of QM, EM & OH&S systems as these standards are recognized worldwide.

#### **Supplier Relationships**

Following the processes for documentation and testing has ensured quality of raw materials fed into our production system and finished product. The process also requires thorough evaluation of new suppliers before a change is made and/or consistency with respect to how and where orders are place.

#### **Factual Approach to Decision Making**

The ISO & OHSAS standards set out clear instructions for audits and process reviews that have facilitated information gathering and decision making based on the data.

#### **Documentation**

Documentation is the key requirement of ISO & OHSAS standards of all processes and any changes, errors and discrepancies. This ensures consistency throughout production and accountability of all staff. This also guarantees traceable records are available in case of non-compliance.

#### **Consistency**

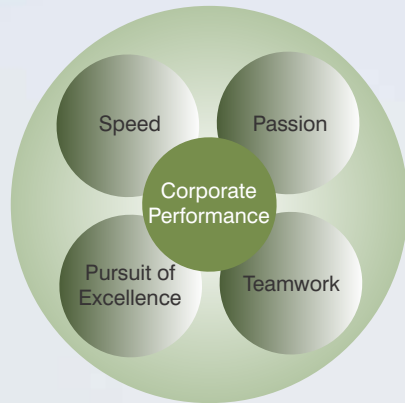
All processes for development, to production, to shipping, are defined, outlined and documented, minimizing room for error. Even the process of making changes to a process is documented, ensuring that changes are well planned and implemented in the best possible way to maximize efficiency.

#### **Customer Satisfaction**

Client confidence is gained because of the universal acceptance of the ISO & OHSAS standards. Customer satisfaction is ensured because of the benefits to company efficiency, consistency and dedication to quality service.

# OUR HUMAN CAPITAL

The corporate culture at Agritech is based on four essential pillars





**"We Endeavour to be the best employer in the Fertilizer Industry with high growth opportunity in an expanding company, locally and Internationally. Employment at AGL has an opportunity to move into Fertilizer sector enabling you to acquire experience in largest Industrial Sectors of Pakistan".**

Our Corporate culture is nurtured through setting world class performance standards and then focusing, empowering, encouraging and challenging all our employees to develop their capabilities to deliver this mind set transcends all levels of the organization.

This forms the core of the underlying HR policies at Agritech which are designed to deliver outstanding business performance by supporting and developing the Company's most important asset, its people.

Our culture empowers people to contribute to our business objectives and to simultaneously achieve their own personal and career goals. Every day our employees are challenged and motivated to seek the state of the art knowledge and skills required to stay ahead in today's changing business environment.

Teams and individuals are constantly encouraged to develop their professional capabilities, to question the status quo with courage of conviction, and reinvent themselves and their systems of work to confront the dynamics of a fast changing world.

Bureaucracy is constantly pruned to enable people to work with each other without being encumbered and to keep the focus on outcomes and delivery rather than just effort.

We have a strong commitment to meritocracy, and complying with our human resource polices, the Company does not employ any child labor and is an equal opportunity employer.

### **Acknowledgement**

The Board takes this opportunity to express its deep sense of gratitude and thanks to the shareholders, employees, customers, bankers and other stakeholders for the confidence and faith they have always reposed in us.

Mr. Asim Murtaza Khan  
Director

April 01, 2021

Mr. Muhammad Faisal Muzammil  
Chief Executive Officer



A-127-C

# FINANCIAL HIGHLIGHTS

Six years at a glance

	2021	2020	2019	2018	2017 Restated	2016
<b>Operating performance (Rs. 000)</b>						آپریٹنگ کارکردگی
Sales-Net فروخت - نیٹ	10,100,924	5,699,723	12,174,419	4,533,316	3,551,519	7,515,414
Operating income / (loss) آپریٹنگ منافع / (نقصان)	(212,482)	(1,541,384)	2,329,411	(1,057,087)	(1,751,127)	452,041
(Loss) before tax (نقصان) قبل از ٹیکس	(3,017,754)	(4,486,519)	(971,011)	(3,639,609)	(4,051,607)	(1,726,440)
(Loss) after tax (نقصان) بعد از ٹیکس	(2,681,238)	(4,296,900)	(652,777)	(3,343,673)	(4,483,683)	(2,308,925)
<b>Financial position (Rs. 000)</b>						مالی حالات
Total equity کل ایکویٹی	3,755,792	6,440,664	10,736,092	(4,888,542)	(1,665,904)	(2,813,324)
Long term debt طویل مدت کے قرضے	19,269,126	19,278,672	19,304,062	19,306,932	19,363,731	19,319,355
Property, plant and equipment زمین مشینری اور آلات	56,965,407	58,535,893	60,043,381	38,592,232	39,773,629	40,769,567
<b>Financial analysis</b>						مالی تجزیہ
Current ratio (ratio) موجودہ تناسب	0.15	0.12	0.14	0.11	0.12	0.13
<b>Profitability analysis</b>						منافع تجزیہ
Operating (loss) / profit to sales (%) آپریٹنگ (نقصان) / منافع کا تناسب نسبت فروخت	(0.02)	(0.27)	0.19	(23)	(49.31)	6.05
(Loss) per share (Rs.) (نقصان) فی حصص (روپے)	(6.83)	(10.95)	(1.66)	(8.52)	(11.43)	(6.33)





## 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:-

- The total number of directors are seven as per the following:

Gender	Names
Male	6
Female	1

- The Composition of Board is as follows:

Category	Names
Independent Directors	Mr. Asim Murtaza Khan
	Ms. Sarwat Salahuddin Khan
	Ms. Amena Zafar Cheema <i>(Retired on 16.07.2021)</i>
Non-Executive Directors	Mr. Sardar Azmat Babar Chauhan <i>(Resigned on 21.02.2022)</i>
	Mr. Shahid Iqbal Choudhri <i>(Appointed on 22.02.2022)</i>
	Mr. Asim Jilani
	Mr. Ghazzanfar Ahsan
	Mr. Hassan Raza
	Mr. Abdul Karim Sultanali <i>(Retired on 16.07.2021)</i>
	Mr. Osman Malik <i>(Appointed on 22.02.2022)</i>
Executive Director	Mr. Muhammad Faisal Muzammil <i>(Resigned on 21.02.2022 as director )</i>

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this 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;
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company, which have been approved by the Board and record of such approvals and amendments have been maintained;
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;

- 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of board;
- The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- The Board has arranged Director's Training Program for Mr. Hassan Raza during the year. The Board members also participated in orientation courses to apprise them about their duties & responsibilities.
- The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
- Chief Financial Officer (CFO) and Chief Executive Officer (CEO) duly endorsed the financial statements before approval of the board.
- The board has formed committees comprising of members given below:

Audit Committee	
Name	Position
Mr. Asim Murtaza Khan	Chairman
Mr. Ghazzanfar Ahsan <i>(Nominated on 27.07.2021)</i>	Member
Mr. Asim Jilani	Member
Mr. Hassan Raza	Member
Mr. Abdul Karim Sultanali <i>(Retired on 16.07.2021)</i>	Member

Human Resource & Compensation Committee	
Name	Position
Ms. Sarwat Salahuddin Khan <i>(Nominated on 27.07.2021)</i>	Chairperson
Mr. Asim Jilani	Member
Mr. Ghazzanfar Ahsan <i>(Nominated on 27.07.2021)</i>	Member
Ms. Amena Zafar Cheema <i>(Retired on 16.07.2021)</i>	Member
Mr. Abdul Karim Sultanali <i>(Retired on 16.07.2021)</i>	Member

- The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

## STATEMENT OF COMPLIANCE

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

14. The Board has outsourced the internal audit function to Messer's EY Ford Rhodes Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
15. The number of meetings of the committee were as follows:

Meetings	Frequency
Audit Committee	Six meetings including 4 quarterly meetings were held during the financial year ended December 31, 2021.
Human Resource & Remuneration Committee	Six meetings were held during the financial year ended December 31, 2021.

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 and all their 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; and
18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33, and 36 have been complied with.



**SHAHID IQBAL CHOUDHRI**

Chairman of the Board

Dated: April 1, 2022



# Grant Thornton

An instinct for growth™

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## INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Agritech Limited

### Review Report 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 Agritech Limited 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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.

**Grant Thornton Anjum Rahman**

Chartered Accountants

Place: Lahore

Date: April 01, 2022

**Chartered Accountants**

Member of Grant Thornton International Ltd

Offices in Karachi and Islamabad



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## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF AGRITECH LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Qualified Opinion

We have audited the annexed financial statements of Agritech Limited (the Company), which comprise the 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, (here-in-after referred to as "the financial statements") and we state that, except for as stated in Basis for Qualified Opinion section, 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, except for the possible effect on financial statements of the matter discussed in Basis for Qualified Opinion section of our report, 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 loss, the comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Qualified Opinion

As stated in note 12.2 and 20.2 to the annexed financial statements, the management has assessed the recoverability of deferred tax assets on tax losses and tested the impairment of goodwill based on five years business plan approved by the Board of Directors and asserts that no impairment is required in these financial statements. However, we are unable to obtain sufficient appropriate audit evidence with respect to key assumption used in the business plan i.e. operational days based on the availability of natural gas and cost of raw material based on gas rates since approval from Government of Pakistan for supply of gas to the Company at subsidized rates is available only till 31 March, 2022. Management is, however, confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustment in respect of impairment was necessary for goodwill amounting to Rs. 2,567 million and deferred tax asset amounting to Rs. 6,419 million recognized on tax losses of Rs. 22,135 million in these financial statements.

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 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 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 qualified opinion.

#### Material Uncertainty Relating to Going Concern

Notwithstanding the matter discussed in Basis for the Qualified Opinion section, the Company, during the year ended 31 December 2021, has incurred loss before tax amounting to Rs. 3,017 million and, as of that date, its current liabilities exceeded its current assets by Rs. 44,662 million, and its accumulated losses stood at Rs. 23,613 million. These conditions, along with other matters as set forth in note 2.2 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

#### **Chartered Accountants**

Member of Grant Thornton International Ltd

Offices in Karachi and Islamabad



### **Emphasis of Matter Paragraph**

We draw attention to note 18.1.2 to the accompanying financial statements, wherein it is stated that the Company could not pay its liabilities on due dates and is now defending legal suits filed by certain financial institutions for recovery of their dues. Our opinion is not qualified in this respect.

### **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 audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1.	<p><b><u>Borrowings, accrued mark up and finance cost</u></b>            (Refer to Notes 3.11, 8, 9, 16, 35 and 42.2.2 to the financial statements)</p> <p>The Company has obtained range of long term financing facilities from different financial institutions with varying terms and tenures.</p> <p>This was considered to be a key audit matter as these affects Company's gearing, liquidity and solvency.</p> <p>Further, compliance with debt covenants is a key requirement of these financing arrangements.</p>	<p>Our audit procedures, amongst others, included the followings:</p> <ul style="list-style-type: none"> <li>• Assessing the design and operating effectiveness of the Company's internal controls over recording the terms and conditions of borrowings from financial institutions, including their classification as either current or non- current and associated costs;</li> <li>• Obtaining confirmations of borrowings as at 31 December 2021 directly from the financial institutions which are not in litigation;</li> <li>• Obtain copies of legal cases and direct confirmations from legal advisors of the Company in respect of borrowings for such financial institutions which are in litigation;</li> <li>• Testing the calculation of markup recognized as expense during the year in accordance with the terms and to assess whether these were accounted for in accordance with approved accounting standards as applicable in Pakistan;</li> <li>• Assessing whether loans maturing within twelve months were classified as current liabilities; and</li> <li>• Assessing the Company's compliance with the terms of the loans and assessing the presentation and adequacy of disclosure in the financial statements.</li> </ul>
2.	<p><b><u>Trade and other Payables (GIDC payable to SNGPL)</u></b>            (Refer note 11, 15 and 35 of the financial statements)</p> <p>Pursuant to the decision of Supreme Court of Pakistan (SCP) dated August 13, 2020 and outcome of review petition on November 2, 2020 seeking review of its judgement of GIDC levy, the Company has classified its GIDC liabilities due towards SNGPL as long term and has not</p>	<p>Our audit procedures in relation to this matter included, amongst others,:</p> <ul style="list-style-type: none"> <li>• Obtained and read the detailed judgement and the review petition dismissal order announced by the Supreme Court of Pakistan (SCP) and subsequent stay orders granted to the Company by the High Courts;</li> <li>• Checked the requirements of GIDC Act, 2015;</li> <li>• Obtained and read the "Guidance on</li> </ul>

Sr. No.	Key audit matters	How the matter was addressed in our audit
	<p>recognized LPS on delayed payments on such payable upto date of SCP decision.</p> <p>The modified liability has been accounted for under the measurement principles of IFRS – 9 "Financial Instruments" at amortized cost, which is also in line with the requirements of "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) in January, 2021.</p> <p>Subsequently, the Company has obtained stays from High Courts and accordingly, it is not paying as per schedule. However, LPS being charged by SNGPL has been recognized subsequent to decision of SCP.</p> <p>We considered this as a key audit matter, due to the significance of the amount and the judgments involved in selection of accounting policies and estimation of present value of liability as a result of SCP judgement.</p>	<p>Accounting of GIDC" issued by ICAP and understood the management's process for selection of accounting policies and held discussions with the management regarding accounting treatment and the related impact thereof, subsequent to judgements of SCP;</p> <ul style="list-style-type: none"> <li>• Checked mathematical accuracy of the management's working of current / non-current classification of GIDC payable, its present value and assessed its accuracy and reasonableness of key estimates used;</li> <li>• Circularized and obtained opinion of the Company's legal counsel handling the matter, as of reporting date; and</li> <li>• Checked appropriateness of the disclosures made in the annexed financial statements in relation to the matter in accordance with the applicable accounting and reporting framework</li> </ul>

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

The Board of Directors are responsible for the other information. Other information comprises the information included in the annual report for the year ended December 31, 2021, 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 the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 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, 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 the Company 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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, except as stated in Basis for Qualified Opinion, 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;
- b) 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 thereon have been drawn up in conformity with the Companies Act, 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



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d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

*Grant Thornton Anjum Rahman*

**Grant Thornton Anjum Rahman**

Chartered Accountants  
Lahore.

Date: April 01, 2022

UDIN: AR202110212YICKUhvBi





# STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 Rupees	2020 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Authorized share capital</b>	4	<b>15,000,000,000</b>	15,000,000,000
<b><u>Share capital and reserves</u></b>			
Issued, subscribed and paid-up ordinary share capital	5	<b>3,924,300,000</b>	3,924,300,000
Reserves	6	<b>9,000,000</b>	9,000,000
Accumulated losses		<b>(23,613,277,966)</b>	(21,630,116,483)
Surplus on revaluation of property, plant and equipment - net of tax	7	<b>23,435,770,400</b>	24,137,480,414
		<b>3,755,792,434</b>	6,440,663,931
<b><u>Non-current liabilities</u></b>			
Redeemable capital-secured	8	-	-
Long term finances-secured	9	-	-
Convertible, redeemable preference shares	10	<b>1,593,342,690</b>	1,593,342,690
Long term payable - <i>unsecured</i>	11	<b>1,157,874,632</b>	1,740,315,519
Deferred liabilities	12	<b>8,436,099,563</b>	8,892,070,120
		<b>11,187,316,885</b>	12,225,728,329
<b><u>Current liabilities</u></b>			
Current maturity of long term liabilities	13	<b>19,269,126,210</b>	19,278,671,712
Short term borrowings-secured	14	<b>3,518,449,435</b>	3,646,985,016
Trade and other payables	15	<b>4,022,968,445</b>	2,296,715,315
Interest / mark-up accrued on borrowings	16	<b>23,731,549,868</b>	21,731,686,709
Preference dividend payable	17	<b>1,731,370,386</b>	1,556,102,687
		<b>52,273,464,344</b>	48,510,161,439
		<b>67,216,573,663</b>	67,176,553,699
<b>Contingencies and commitments</b>	18		
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment	19	<b>56,965,406,647</b>	58,535,893,173
Intangible assets	20	<b>2,568,318,275</b>	2,567,310,828
Long term loans and advances-considered good	21	<b>14,024,136</b>	11,941,876
Long term deposits-unsecured considered good	22	<b>57,677,251</b>	58,884,712
		<b>59,605,426,309</b>	61,174,030,589
<b><u>Current assets</u></b>			
Stores, spare parts and loose tools	23	<b>2,053,911,764</b>	2,051,915,868
Stock-in-trade	24	<b>362,453,998</b>	456,581,089
Trade debts	25	<b>88,592,108</b>	489,620
Advances, deposits, prepayments and other receivables	26	<b>3,771,231,436</b>	2,569,711,620
Tax refunds due from Government - <i>net</i>		<b>146,922,765</b>	128,486,262
Short term Investments	27	<b>104,200,000</b>	-
Cash and bank balances	28	<b>1,083,835,283</b>	795,338,651
		<b>7,611,147,354</b>	6,002,523,110
		<b>67,216,573,663</b>	67,176,553,699

The annexed notes from 1 to 52 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



# STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 Rupees	2020 Rupees
Sales - net	29	10,100,923,848	5,699,723,002
Cost of sales	30	(9,691,405,911)	(6,872,441,922)
<b>Gross profit/(loss)</b>		<b>409,517,937</b>	<b>(1,172,718,920)</b>
Selling and distribution expenses	31	(352,478,880)	(222,429,800)
Administrative and general expenses	32	(369,802,913)	(323,405,494)
Other expenses	33	(456,767)	(5,435,819)
		<b>(722,738,560)</b>	<b>(551,271,113)</b>
Other income	34	100,739,070	182,605,940
<b>Operating loss</b>		<b>(212,481,553)</b>	<b>(1,541,384,093)</b>
Finance cost	35	(2,805,272,707)	(2,945,134,522)
<b>Loss before taxation</b>		<b>(3,017,754,260)</b>	<b>(4,486,518,615)</b>
Taxation for the year	36	336,516,570	189,618,160
<b>Loss after taxation</b>		<b>(2,681,237,690)</b>	<b>(4,296,900,455)</b>
<b>Loss per share - basic and diluted</b>	37	<b>(6.83)</b>	<b>(10.95)</b>

The annexed notes from 1 to 52 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer



# STATEMENT OF COMPREHENSIVE INCOME


For the year ended 31 December 2021

	Note	2021 Rupees	2020 Rupees
<b>Loss after taxation</b>		<b>(2,681,237,690)</b>	(4,296,900,455)
<b><u>Other comprehensive income</u></b>			
<i>Items that will not be reclassified to statement of profit or loss:</i>			
- Re-measurement of defined benefit liability	12.1.9	<b>(5,118,039)</b>	2,073,249
- Related deferred tax asset	12.2.3	<b>1,484,231</b>	(601,242)
		<b>(3,633,808)</b>	1,472,007
<i>Items that will be reclassified to statement of profit or loss:</i>			
		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(2,684,871,498)</b>	(4,295,428,448)

The annexed notes from 1 to 52 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer




# STATEMENT OF CASH FLOWS


For the year ended 31 December 2021

	Note	2021 Rupees	2020 Rupees
<b><u>Cash flows from operating activities</u></b>			
Cash generated from operations	38	932,128,910	464,926,689
Income tax paid		(146,182,281)	(84,129,943)
Staff retirement benefits paid		(3,463,544)	(18,013,868)
Long term loans and advances - net		(2,082,260)	2,347,819
Long term deposits - net		1,207,461	(13,897,778)
<b>Net cash from operating activities</b>		<b>781,608,286</b>	<b>351,232,919</b>
<b><u>Cash flow from investing activities</u></b>			
Capital expenditure incurred		(36,343,068)	(88,820,049)
Proceeds from disposal		9,745,656	-
Short term investments		(104,200,000)	-
Interest income received		20,627,395	31,112,453
<b>Net cash used in investing activities</b>		<b>(110,170,017)</b>	<b>(57,707,596)</b>
<b><u>Cash flow from financing activities</u></b>			
Decrease in long term finances - net		(9,545,502)	(25,390,211)
Short term borrowings - net		-	(3,651)
Finance cost paid		(244,860,554)	(56,244,593)
<b>Net cash used in financing activities</b>		<b>(254,406,057)</b>	<b>(81,638,455)</b>
<b>Net increase in cash and cash equivalents</b>		<b>417,032,213</b>	<b>211,886,868</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(1,922,669,425)</b>	<b>(2,134,556,293)</b>
<b>Cash and cash equivalents at end of the year</b>	39	<b>(1,505,637,212)</b>	<b>(1,922,669,425)</b>

The annexed notes from 1 to 52 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Capital Reserves		Revenue Reserves		Total
	Ordinary Share Capital	Surplus on revaluation of property, plant and equipment - net of tax	Reserves	Accumulated losses	
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>As at 01 January 2020</b>	3,924,300,000	24,745,841,418	9,000,000	(17,943,049,039)	10,736,092,379
Loss for the year ended December 31, 2020	-	-	-	(4,296,900,455)	(4,296,900,455)
<i>Other comprehensive income for the year:</i>					
Re-measurement gain on employee retirement benefits	-	-	-	2,073,249	2,073,249
Related deferred tax liability on re-measurement gain	-	-	-	(601,242)	(601,242)
Total comprehensive loss for the year ended 31 December 2020	-	-	-	(4,295,428,448)	(4,295,428,448)
<i>Surplus transferred to accumulated losses on account of:</i>					
incremental depreciation on property, plant and equipment - net of deferred tax	-	(608,361,004)	-	608,361,004	-
	-	(608,361,004)	-	608,361,004	-
<b>As at 31 December 2020</b>	3,924,300,000	24,137,480,414	9,000,000	(21,630,116,483)	6,440,663,931
Loss for the year ended 31 December 2021	-	-	-	(2,681,237,690)	(2,681,237,690)
<i>Other comprehensive income for the year:</i>					
Re-measurement gain on employee retirement benefits	-	-	-	(5,118,039)	(5,118,039)
Related deferred tax liability on re-measurement gain	-	-	-	1,484,231	1,484,231
Total comprehensive income for the year ended 31 December 2021	-	-	-	(2,684,871,498)	(2,684,871,498)
<i>Surplus transferred to accumulated losses on account of:</i>					
Incremental depreciation on property, plant and equipment - net of deferred tax	-	(701,178,146)	-	701,178,146	-
Disposal of revalued assets during the year - net of deferred tax	-	(531,869)	-	531,869	-
	-	(701,710,015)	-	701,710,015	-
<b>As at 31 December 2021</b>	3,924,300,000	23,435,770,399	9,000,000	(23,613,277,966)	3,755,792,433

The annexed notes from 1 to 52 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1 Reporting entity

- 1.1 Agritech Limited ("the Company") was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the repealed Companies Act, 1913 (now the Companies Act, 2017) and remained a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited ("NFC"), a Government owned Corporation, until 15 July 2006. The shares of the Company are quoted on Pakistan Stock Exchange. The principal business of the Company is the production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer.

The registered office of the Company is situated at 2nd Floor Asia Center, 8 – Babar Block, Main Boulevard, New Garden Town, Lahore. Geographical locations of the manufacturing facilities of the Company are located at:

- Unit I located at Iskanderabad, District Mianwali; and
- Unit II at Hattar Road, Haripur.

## 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 as applicable in Pakistan comprise of:

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

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

### 2.2 Going concern assumption

Gas supply at subsidized price to the Company's Urea plant is the most critical aspect of Urea business and its scarcity is major cause for past few years' operational and liquidity issues of the Company. Although after facing unprecedented gas curtailment during past many years, the gas supply situation has been improved up to some extent mainly due to RLNG supplies at subsidized rates by the Government of Pakistan 'GOP' to meet Urea demand in Pakistan, however, price of such RLNG charged to the Urea plants including Agritech was remained higher when benchmarked with other fertilizer plants operating on other gas networks. This situation had forced the Company to finance its assets and operations through high level of borrowings since past many years.

At the same time, overall gas shortage in Pakistan had also forced the GOP to divert natural gas from fertilizer sector to other sectors particularly power sector during summer season and domestic sector during winters resulting into low Urea output triggering urea shortages during the year ended 31 Dec 2021. Such gas curtailments has also caused low Urea production from the Company's plant versus its available capacity which resultantly causes the operational and liquidity issues including breaches of loan covenants ( as referred to in Note 42 to the financial statements).

These conditions indicate existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business.

However, the management of the Company is confident that the Company will be able to continue as a going concern based on the expectations of continuous availability of gas at subsidized rates in future and restructuring of its existing over-due long-term debts and related mark-up under the rehabilitation plan approved by its shareholders which is currently filed in the Honorable Lahore High Court as per the provisions of repealed Companies Ordinance, 1984 and following factors:

- During past two to three years, gas supply to the Company has been improved through regular imports of Liquefied Natural Gas ("LNG") by the GOP. Gas supply to the Company's Urea plant was also restored in March 2021 at subsidized rates but later on it was diverted to power sector in July 21 which was again restored during September 2021 and since then, Urea plant of the Company is operational;
- As per recommendation of Fertilizers Review Committee (FRC) of Government of Pakistan meeting dated March 08, 2022, Urea plant is expected to be operational throughout the year 2022.



- The expectations of continuous availability of gas from SNGPL in future is also based on the fact that the RLNG distribution in Pakistan is streamlined by utilizing two operative RLNG terminals with combined capacity of 1200 mmscfd; while RLNG supply is secured through a combination of Long Term RLNG supply deals from Qatar and spot cargo purchases;
- The GOP has recently got approved the 'Weighted Average Cost of Gas (WACOG) bill' from the parliament that will help take RLNG, earlier ring fenced, into the overall System Gas baskets to determine overall cost of total gas flows in Pakistan. Implementation of WACOG at SNGPL level will be beneficial to the fertilizer sector of Pakistan particularly for plants being operated on RLNG /SNGPL network as well as reduce subsidy cost for the GOP.
- GOP's renewed focus on the Food Security is the most critical aspect of feeding the population of more than 220 million and fertilizers, especially Urea, plays a critical role in enhancing the production and yield of the crops. Urea demand in recent past has been increased from an average 5.8 million tons to 6.34 million tons in 2021. Due to diversion of RLNG during last year summer to power sector, Pakistan had to face Urea shortages during the Wheat sowing season. This situation has been further compounded with the global urea shortages. The RLNG supply was restored back to the closed urea plants including Agritech to cover-up such Urea shortage in Pakistan. Growing Urea demand versus shortages of Urea in Pakistan in coming years can only be met if all Urea plants in Pakistan are operated on regular basis. Local production helps in saving the country from unprecedented volatility of international prices and direct benefits to GOP exchequer in the form of significant savings on precious Foreign Exchange as well as lower subsidy on cost effective local Urea production versus expensive Urea imports. Accordingly, the company is confident that on these grounds, continuous gas supply solution for the sustained Urea production at the Company's Urea plant is anticipated.
- With the support of its lenders, the Company had prepared a comprehensive rehabilitation in the form of Scheme of Arrangement ("the Scheme") to restructure its existing over-due long term debts and related markup as of 31 December 2013 (proposed effective date) through issuance of preference shares. The scheme also envisages settlement / restructuring and repayment of that portion of overdue markup that is not converted into preference shares. After the approval by the Board of Directors and Shareholders of the proposed scheme in their meeting held on 05 November 2013 and 10 December 2013 respectively, the said scheme was filed with Honorable Lahore High Court under the provisions of repealed Companies Ordinance, 1984 on 10 June 2016 for necessary sanction and order. As at the reporting date, the proceedings are in process and the order of the Lahore High Court is awaited.
- The Company also sees good potential in selling its spare land after obtaining necessary legal and commercial approvals. During 2016, 216 kanals of Company's land was acquired by National Highway Authority (NHA) for the construction of China Pakistan Economic Corridor (CPEC) that crosses through the land owned by the Company. With the development of CPEC in coming years, the Company foresees likely appreciation of such land. The proceeds from sale of land will also help in settling long term liabilities of the Company.

The management believes that the measures as explained above will generate sufficient financial resources for the continuing operations. Accordingly, these financial statements are prepared on a going concern basis and do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

### 2.3 New standards, interpretations and amendments applicable to the financial statements for the year ended 31 December, 2021

There are certain amendments to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on January 01, 2021. However, there is no significant implication of such amendments on these financial statements.

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations- Conceptual framework — (Amendments)	1 January 2022
IAS 16 Property, Plant and Equipment — (Amendments)	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets — (Amendments)	1 January 2022
Annual improvements to IFRS Standards 2018-20	1 January 2022



The Company is in process of evaluation of impact of these standards on subsequent financial statements.

Following new standards have also been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2023

## 2.5 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments measured at fair value and / or amortized cost, employees retirement benefits under defined benefit plan at present value and certain items of property, plant and equipment measured at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

## 2.6 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

### 2.6.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

### 2.6.2 Amortisation method, rates and useful lives of intangible assets

The management of the Company reassesses useful lives, amortisation method and rates for each intangible asset having finite lives annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available.

### 2.6.3 Recoverable amount of assets / cash generating units and impairment

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication of impairment.

### 2.6.4 Taxation

The management of the Company takes into account the current income tax laws and decisions taken by appellate authorities while estimating its tax liabilities. For recognition of deferred tax assets, estimates of the Company's future taxable profits against which carry forward tax losses can be used are taken into account.

### 2.6.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.





#### 2.6.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by an independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluation depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

#### 2.6.7 Stores, spares, loose tools and stock-in-trade

The Company reviews the stores, spares, loose tools and stock-in-trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

#### 2.6.8 Staff retirement benefits

The Company operates a funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 12.

#### 2.6.9 Fair values of financial instruments with no active market

Fair values of financial assets and financial liabilities with no active market are determined by discounting estimated future cash flows at effective interest rate; the rate that exactly discounts estimated future receipts / payments through expected life of the financial assets / liabilities or, when appropriate, a shorter period, to the net carrying amount of the financial assets / liabilities.

Other areas where estimates and judgments are involved have been disclosed in the respective notes to the financial statements.

#### 2.7 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

### 3 Significant accounting policies

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

#### 3.1 Property, plant and equipment

##### Owned

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is measured at revalued amount and any identified impairment loss, building on freehold land, residential colony assets, electrical installations and plant and machinery which are measured at revalued amount less accumulated depreciation and identified impairment loss. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction including expenditures on material, labour and overheads directly relating to construction, erection and installation of operating fixed assets.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

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 income during the period in which they are incurred.

The Company recognizes depreciation in statement of profit or loss by applying straight line method over the useful life of each item of property, plant and equipment as specified in Note 19 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.



An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in statement of profit or loss.

#### **Capital work-in-progress**

Capital work-in-progress is stated at cost less identified impairment loss, if any. It consists of all expenditures and advances connected with specific assets incurred and made during installations and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

#### **Leased**

The Company assesses whether a contract is or contains a lease at the inception of the contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the entity obtains substantially all the economic benefits from the use of that asset, and whether the entity has the right to direct the use of that asset.

The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less and leases of low value items which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses an incremental borrowing rate specific to the entity, term and the currency of the contract. Lease payments represent the periodic fixed payments to lessor.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of lease term or useful life of the asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

ROU assets are included in the non-current assets, and the lease obligation is included in the current and non-current long term lease obligation.

### **3.2 Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

### **3.3 Surplus / (deficit) arising on revaluation of property, plant and equipment**

Surplus on revaluation is booked by restating gross carrying amounts of respective assets being revalued, proportionately to the change in their carrying amounts due to revaluation. The accumulated depreciation at the date of revaluation is also adjusted to equal difference between gross carrying amounts and the carrying amounts of the assets after taking into account accumulated impairment losses.

Increases in the carrying amount arising on revaluation of property, plant and equipment is recognized in other comprehensive income and accumulated in equity under the heading of surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged to other comprehensive income against this surplus, all other decreases are charged to statement of profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss, and depreciation based on the asset's original cost is transferred to retained earnings. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.



### 3.4 Intangible assets

#### 3.4.1 Software

Intangibles are measured initially at cost. The cost of the intangibles comprise its purchase price, including non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition. Costs incurred after the asset is in the condition necessary for it to operate in the manner intended by the management are recognized in profit and loss account. Subsequent to initial recognition, intangibles are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

All intangibles are amortized over the period of four years on a straight line basis. Amortisation on additions to intangible assets is charged from the month in which an asset is put to use and on disposal upto month of disposal.

#### 3.4.2 Goodwill acquired in business combination

Goodwill acquired in business combination represents future economic benefits arising from assets that are not capable of being individually identified and separately recognized. Goodwill is initially recognized at cost which is determined as the excess of the cost of business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested annually for impairment.

### 3.5 Stores, spare parts and loose tools

These are measured principally at lower of weighted average cost and NRV, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon upto the reporting date. Provision is made in the financial statements for obsolete and slow moving stores and spares on management's estimate as a result of changes in usage pattern and physical form.

### 3.6 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined using the following basis:

Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Raw Material	Average purchase cost
Stock-in-transit	Invoice price plus related expense incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's estimate.

### 3.7 Trade debts

Trade debts are carried at original invoice amount which is the fair value of consideration receivable less an allowance for doubtful debts based on a review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off as and when identified.

### 3.8 Employee benefits

#### 3.8.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 3.8.2 Post-employment benefits

##### (a) Defined contribution plan

The Company operates an approved defined contributory provident fund for all employees. Obligations for contributions to defined contribution plan is expensed as the related service is provided. Equal contributions are made by the Company and employees at 8.33% and 10% of basic salary of executives and workers respectively.



## (b) Defined benefit plan

The Company operates approved funded gratuity scheme for its workers who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to statement of profit or loss.

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if, any excluding interest), are recognized immediately in OCI. The Company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in statement of profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The main features of the scheme are detailed in Note 12 to the financial statements.

### 3.8.3 Termination benefits / Voluntary separation scheme ("VSS")

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits or when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

### 3.8.4 Leave Enchancement

The certain employees of the Company are entitled to accumulating compensated absence, which are enchaseable upto a maximum limit of 730 days. Provisions are made on accrual basis.

## 3.9 Financial instruments

### 3.9.1 Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs.

For the purpose of subsequent measurement, financial assets of the Company are classified into the followings:

#### 3.9.1.1 Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in statement of profit or loss.

#### 3.9.1.2 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model 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.



### 3.9.1.3 Financial assets at fair value through statement of profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through statement of profit or loss.

Changes in fair value of financial assets are normally recognised in statement of profit or loss. However, change in fair value of financial instruments measured at fair value through OCI are subsequently measured through OCI.

### 3.9.1.4 Financial assets - Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Any gain or loss on the de-recognition of the financial assets is included in the statement of profit or loss for the period in which it arises.

Assets that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

### 3.9.1.5 Impairment of financial assets

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments, excluding due from the Government, not held at fair value through statement of profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

Financial assets due from the Government of Pakistan are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset due from the Government of Pakistan 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 that asset.

## 3.9.2 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through statement of profit or loss are initially recognised at fair value and transaction costs are expensed in statement of profit or loss.

Financial liabilities, other than those at fair value through statement of profit or loss, are subsequently measured at amortised cost using the effective yield method. Financial liabilities at fair value through statement of profit or loss are subsequently measured at fair value.

### 3.9.2.1 Financial liabilities - Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in statement of profit or loss.

## 3.10 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



### 3.11 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and redemption value recognized in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Preference shares which are convertible at the option of the holder into variable number of equity instruments and represents a contractual obligation are classified as financial liabilities. The dividend on preference shares is recognized in the statement of profit or loss as finance cost.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Further, liability is not classified as current only because the counterparty has an option to require settlement within twelve months in equity instruments issued by the entity.

Finance costs are accounted for on an accrual basis and are included in markup accrued on borrowings to the extent of amount remaining unpaid.

### 3.12 Ijarah

Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under such leases (net of any incentives received from the lessor) are charged to statement of profit or loss on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Company's benefit.

### 3.13 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the amount is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

Liabilities for trade and other payables are carried at fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company. Subsequently, these are measured at amortized cost. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

### 3.14 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that 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. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

### 3.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably and there is no continuing management involvement with the goods.

- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.
- Return on deposit is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Government subsidy on sale of fertilizer is recognized when the right to receive such subsidy is established and the underlying conditions are met. Government subsidy is deducted from cost of sales.

### 3.16 Government grants

Government grants are recognized when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants related to future expenditure are initially recognized as deferred income. Subsequent to initial recognition grants related to assets are recognized in profit or loss on a systematic basis over the useful life of the assets whereas grants relating to income are recognized in profit or loss on a systematic basis in the same period in which related expenses are recognized. Grants that compensate the Company for expenses or losses already incurred are recognized in profit or loss in the period in which these become receivable.



Government grants other than related to a biological asset are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in statement of profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognised in statement of profit or loss on a systematic basis in the same period in which the expenses are recognised.

### 3.17 Taxation

#### Current tax

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years arising from assessment framed during the year for such years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognised as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

#### Deferred tax

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. However, the deferred tax is not recognized for:

- temporary differences arising on the initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged in the statement of profit or loss, except in the case of items charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

### 3.18 Earnings per share (EPS)

Basic EPS is calculated by dividing the statement of profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

### 3.19 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement cash and cash equivalents comprise of cash in hand, cash at banks and outstanding balance of running finance facilities availed by the Company.

### 3.20 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees which is the Company's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of profit or loss. All non-monetary assets and liabilities are translated in Pak Rupees using the exchange rates prevailing on the date of transaction or at the date when the fair value was determined.



### 3.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

	Note	2021 Rupees	2020 Rupees
<b>4 Authorized share capital</b>			
<i>Ordinary shares of Rs. 10 each</i>			
600,000,000 (2020 : 600,000,000) class A shares	4.1	6,000,000,000	6,000,000,000
200,000,000 (2020 : 200,000,000) class B shares	4.2	2,000,000,000	2,000,000,000
200,000,000 (2020 : 200,000,000) class C shares	4.3	2,000,000,000	2,000,000,000
<i>Preference shares of Rs. 10 each</i>			
500,000,000 (2020 : 500,000,000) shares	4.4	5,000,000,000	5,000,000,000
		<b>15,000,000,000</b>	15,000,000,000

**4.1** Class A ordinary shares include all ordinary shares of the Company other than non-voting ordinary shares and restrictive rights voting ordinary shares, having all rights and privileges, including voting rights as provided in the Companies Act, 2017.

**4.2** Class B ordinary shares are restrictive rights voting ordinary shares that have the restricted or disproportionate rights and privileges.

**4.3** Class C ordinary shares are non-voting ordinary shares of the Company that do not have any voting rights attached thereto and do not have any rights to receive notice of, attend, or vote at a general meeting of the Company, however, holders of such shares shall have all other rights of ordinary shares, including right to dividend and to share in the assets of the Company in event of its winding up.

**4.4** This represents local currency, listed, non-voting, redeemable, convertible and cumulative preference shares.

	Note	2021 Rupees	2020 Rupees
<b>5 Issued, subscribed and paid-up ordinary share capital</b>			
<i>Class A ordinary shares of Rs. 10 each</i>			
383,430,000 (2020 : 383,430,000) shares issued fully paid in cash	5.1	3,834,300,000	3,834,300,000
9,000,000 (2020 : 9,000,000) shares issued for consideration other than cash		90,000,000	90,000,000
		<b>3,924,300,000</b>	3,924,300,000

**5.1** Ordinary shares of the Company held by associated undertakings at year end are as follows:

	2021 (Percentage held)	2020	2021 (Number of shares)	2020
National Bank of Pakistan	27.01%	27.01%	106,014,632	106,014,632
Faysal Bank Limited	4.56%	4.56%	17,914,040	17,914,040
Summit Bank Limited	8.74%	8.74%	34,306,400	34,306,400
Silk Bank Limited	0.00%	0.00%	1,000	1,000





	2021 Rupees	2020 Rupees
<b>6 Reserves</b>		
Revenue reserve	<b>9,000,000</b>	9,000,000
<b>7 Surplus on revaluation of fixed assets - net</b>		
Revaluation surplus as at 01 January	<b>33,387,456,968</b>	34,244,303,452
<i>Surplus transferred to accumulated losses on account of:</i>		
- incremental depreciation charged during the year	<b>(987,574,853)</b>	(856,846,484)
- disposal of assets during the year	<b>(749,111)</b>	-
	<b>(988,323,964)</b>	(856,846,484)
Revaluation surplus as at 31 December	<b>32,399,133,004</b>	33,387,456,968
Less: deferred tax liability on revaluation surplus as at 01 January	<b>9,249,976,554</b>	9,498,462,034
<i>Reduction in deferred tax liability due to:</i>		
- incremental depreciation charged during the year	<b>(286,396,707)</b>	(248,485,480)
- surplus related to disposal during the year	<b>(217,242)</b>	-
Deferred tax liability on revaluation surplus as at 31 December	<b>8,963,362,605</b>	9,249,976,554
Revaluation surplus as at 31 December - net	<b>23,435,770,400</b>	24,137,480,414

**7.1** The Company's freehold land, buildings on freehold land, residential colony assets, plant and machinery and electrical installations (owned) were revalued by Nayyar Hameed Associates, an independent valuer not connected with the Company and approved by Pakistan Banks' Association (PBA) in "any amount" category, resulting in surplus of Rs. 22,473.69 million at 31 December 2019. Land was revalued on the basis of prevailing market value and buildings have been revalued on the basis of replacement value. The basis of revaluation for items of these fixed assets were as follows:

#### **Freehold land**

Property brokers, dealers and estate agents were contacted to ascertain the asking and selling prices for properties of the same nature in the immediate neighbourhood and adjoining areas. Neighbouring properties which have been recently sold or purchased, were investigated to ascertain a reasonable selling / buying price. Properties that were up for sale were examined for asking price. An average of the above values was then assigned to the property.

#### **Buildings on freehold land**

Construction specifications were noted for each building and structure and current construction rates were used to obtain replacement values of buildings, to which a depreciation formula was applied, based upon the Company's estimates of balance life to arrive at the current assessed value.

#### **Residential colony assets**

Construction specifications were noted for each residential colony's building and structure and current construction rates were used to obtain replacement values of buildings, to which a depreciation formula was applied, based upon the Company's estimates of balance life to arrive at the current assessed value.

#### **Plant machinery electrical and other installations**

Plant machinery electrical and other installation have been evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values were arrived by using current local and foreign market values for the similar type of plant and machinery. These current local and foreign market values were taken into account on basis of technical obsolescence, efficiency, maintenance, replacement and other related factors involved.



	Note	2021 Rupees	2020 Rupees
<b>8 Redeemable capital - secured</b>			
Privately Placed Term Finance Certificates - I	8.2	1,498,602,000	1,498,602,000
Privately Placed Term Finance Certificates - II	8.3	6,894,286,800	6,894,286,800
Privately Placed Term Finance Certificates - III	8.4	495,460,750	495,460,750
Privately Placed Term Finance Certificates - IV	8.5	548,825,000	548,825,000
Privately Placed Term Finance Certificates - V	8.6	618,685,000	618,685,000
Privately Placed Term Finance Certificates	8.7	509,874,996	509,874,996
Privately Placed Sukuk Certificates	8.8	1,599,800,000	1,599,800,000
		<b>12,165,534,546</b>	12,165,534,546
Current maturity presented under current liabilities	13 & 2.3	<b>(12,165,534,546)</b>	(12,165,534,546)
		--	--
<b>8.1 Types of redeemable capital</b>			
Interest / mark-up based financing		10,565,734,546	10,565,734,546
Islamic mode of financing		1,599,800,000	1,599,800,000
		<b>12,165,534,546</b>	12,165,534,546

**8.2** Privately Placed Term Finance Certificates - I ("PPTFC - I") have been issued on 15 November 2007 by way of private placements with a consortium of investors for redemption of privately placed term finance certificates issued earlier by the Company. The total issue comprises of 300,000 certificates of Rs. 5,000 each. This issue was rescheduled by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011 and accordingly the terms and conditions of the issue are as follows:

#### **Principal redemption**

The principal redemption of PPTFC - I is structured to be in fifteen unequal semi-annual installments. First two instalments were just token payments due on 31 July 2010 and 31 August 2010 which have been paid, while remaining installments are starting from 29 November 2013 and ending on 29 November 2019.

#### **Call option**

The Company may redeem the PPTFC - I by way of exercise of call option by giving notice in writing to PPTFC - I holders and the Trustee of not less than thirty days. However, the call option can be exercised only after expiry of two years from the date of issue.

#### **Return on PPTFC - I**

The issue carries return at six month KIBOR plus 1.75% per annum, payable semi-annually.

#### **Trustee**

In order to protect the interests of PPTFC - I holders, Pak Brunei Investment Company Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the PPTFC - I holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

#### **Security**

The issue is secured by:

- first parri passu hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 1,498.60 million (2020: Rs. 1,498.60 million) and interest amounting to Rs. 1,565.7 million (2020: Rs. 1,401.01 million) were overdue. (Refer to note 42.2.2 for details.)



- 8.3** Privately Placed Term Finance Certificates - II ("PPTFC - II") have been issued on 14 December, 2007 by way of private placements with a consortium of investors for redemption of privately placed term finance certificates issued earlier by the Company. The total issue comprises of 1,380,000 certificates of Rs. 5,000 each. This issue was rescheduled by way of Second Supplemental Trust Deed entered on 26 August, 2011 effective from 31 July 2011 and accordingly the terms and conditions of the issue are as follows:

**Principal redemption**

The principal redemption of PPTFC - II is structured to be in fifteen unequal semi-annual installments. First two installments were just token payments and due on 31 July 2010 and 31 August 2010 which have been paid, while remaining installments are starting from 14 July 2013 and ending on 14 July 2019.

**Call option**

The Company may redeem the PPTFC - II by way of exercise of call option by giving a notice in writing to PPTFC - II holders and the trustee of not less than thirty days.

**Return on TFCs**

The issue carries return at six month KIBOR plus 1.75% per annum, payable semi-annually.

**Trustee**

In order to protect the interests of PPTFC - II holders, Faysal Bank Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case the Company defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the PPTFC - II holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

**Security**

The issue is secured by:

- first pari passu hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- first pari passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 6,894.28 million (2020: Rs. 6,894.28 million) and interest / mark-up amounting to Rs. 7,700.4 million (2020: Rs. 7,028.4 million) were overdue. (Refer to note 42.2.2 for details.)

- 8.4** Privately Placed Term Finance Certificates - III ("PPTFC - III") have been issued on 25 November 2008 by way of private placements with a consortium of investors to finance the acquisition of Hazara Phosphate Fertilizer (Private) Limited ("HPFL"). The total issue comprises of 100,000 certificates of Rs. 5,000 each. This issue was rescheduled by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011 and accordingly the terms and conditions of the issue are as follows:

**Principal redemption**

The principal redemption of PPTFC - III is structured to be in twenty eight unequal installments. First two installments were just token payments and due on 31 October 2010 and 30 November 2010 which have been partially paid, while remaining installments are starting from 01 September 2013 and ending on 01 December 2019.

**Call option**

The Company may redeem the PPTFC - III by way of exercise of call option by giving a notice in writing to PPTFC - III holders and the trustee of not less than thirty days. Any early redemption of PPTFC - III shall be either in part or whole of the outstanding amount payable in respect of the PPTFC - III. In case of partial redemption the minimum amount of early redemption will be Rs. 100 million.

**Return on PPTFC - III**

The issue carries return at three month KIBOR plus 3.25% per annum, payable quarterly.



### **Trustee**

In order to protect the interests of PPTFC - III holders, JS Bank Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case the Company defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the PPTFC - III holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

### **Security**

The issue is secured by:

- first pari passu hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- first pari passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 495.46 million (2020: Rs. 495.46 million) and interest / mark-up amounting to Rs. 625.1 million (2020: Rs. 570.7 million) were overdue. (Refer to note 42.2.2 for details.)

- 8.5** Privately Placed Term Finance Certificates - IV ("PPTFC - IV") represent restructuring of outstanding mark-up amounting to Rs. 553.83 million related to long term debts. The restructuring agreement was entered on 28 October 2011 effective from 01 July 2011. These were issued by way of private placements with a consortium of investors. The total issue comprises of 110,765 certificates of Rs. 5,000 each. The terms and conditions of the issue are as follows:

### **Principal redemption**

The principal redemption of PPTFC - IV is structured to be in seven unequal semi annual installments. First installment was just token payment and due on 01 January 2012, remaining installments are starting from 01 July 2012 and ending on 01 January 2015.

### **Call option**

The Company shall be allowed to call the PPTFC - IV in full or in multiples of Rs. 500 million after the first day of issuance of PPTFC - IV by providing a notice in writing five days before.

### **Trustee**

In order to protect the interests of PPTFC - IV holders, Faysal Bank Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the PPTFC - IV holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

### **Security**

The issue is secured by:

- ranking hypothecation charge (ranking subordinate and subservient to the charges created in favour of the existing creditors) over all present and future fixed assets (excluding immoveable properties) of the Company; and
- ranking mortgage charge (ranking subordinate and subservient to mortgages created in favour of the existing creditors) over immoveable fixed assets (including land and building) of the Company.

At the reporting date principal amounting to Rs. 548.83 million (2020: Rs. 548.83 million) was overdue. Refer to note (42.2.2) for details.

- 8.6** Privately Placed Term Finance Certificates - V ("PPTFC - V") have been issued for restructuring of outstanding mark-up amounting to Rs. 618.69 million on long term debts. The restructuring agreement is entered on 28 October 2011 effective from 01 July 2011. These are issued by way of private placements with a consortium of investors. The total issue comprises of 123,737 certificates of Rs. 5,000 each. The terms and conditions of the issue are as follows:

### **Principal redemption**

After twelve semi-annual token payments from 01 January 2012 to 01 July 2016, a bullet payment of principal was to be made at the maturity of PPTFC - V which was due on 01 January 2017.

**Call option**

The Company shall be allowed to call the PPTFC - V in full or in multiples of Rs. 500 million after the first day of issuance of PPTFC - V by providing a notice in writing five days before.

**Return on PPTFC - V**

The issue carries fixed return rate of 11.00% per annum, payable semi annually.

**Trustee**

In order to protect the interests of PPTFC - V holders, Faysal Bank Limited has been appointed as Trustee for the issue under a trust deed. The trustee has the power to enforce the Company's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the PPTFC - V holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

**Security**

The issue is secured by:

- ranking hypothecation charge (ranking subordinate and subservient to the charges created in favour of the existing creditors) over all present and future fixed assets (excluding immoveable properties) of the Company; and
- ranking mortgage charge (ranking subordinate and subservient to mortgages created in favour of the existing creditors) over immoveable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 618.69 million (2020: Rs. 618.69 million) and interest / mark-up amounting to Rs. 714.7 million (2020: Rs. 646.7 million) were overdue. (Refer to note 42.2.2 for details.)

- 8.7** Privately Place Term Finance Certificates ("PPTFCs") represent restructuring of subordinated loan along with the outstanding principal amounting to Rs. 509.87 million by way of Settlement Agreement ("Agreement") between the Company and JS Infocom Limited entered on 22 October 2012 effective from 1 July 2012. The total issue comprises 12 certificates of Rs. 42,489,583 each. The terms and conditions of the issue are as follows:

**Principal redemption**

The principal redemption of PPTFC is structured to be in twelve equal semi-annual installments of Rs. 42.49 million each starting from 31 December 2014 and ended on 30 June 2020.

**Return on PPTFCs**

The issue carries mark-up at six month KIBOR plus 1.95% per annum payable semi-annually.

**Security**

The issue is secured by:

- ranking hypothecation charge (ranking subordinate and subservient to the charges created in favour of the existing creditors) over all present and future fixed assets (excluding immoveable properties) of the Company; and
- ranking mortgage charge (ranking subordinate and subservient to mortgages created in favour of the existing creditors) over immoveable fixed assets (including land and building) of the Company.
- demand promissory note amounting to Rs. 679.83 million in favour of JS Infocom.

At the reporting date, principal amounting to Rs. 509.87 million (2020: Rs. 509.87 million) and interest / mark-up amounting to Rs. 512.3 million (2020: Rs. 460.63 million) were overdue. (Refer to note 42.2.2 for details.)

- 8.8** Privately Placed Sukuk Certificates ("PPSCs") have been issued by way of private placements with a consortium of investors to finance the balancing, modernization and replacement of Company's property, plant and equipment. The total issue comprises of 320,000 certificates of Rs. 5,000 each. This issue was rescheduled by way of Second Master Addendum to Transaction Documents entered on 26 August 2011 effective from 31 July 2011. The terms and conditions of the issue are as follows:



### **Principal redemption**

The principal redemption of PPSCs is structured to be in fifteen unequal semi-annual installments. First two installments were just token payments due on 31 July 2010 and 31 August 2010 which have been paid, while remaining installments are starting from 06 August 2013 and ending on 06 August 2019.

### **Call option**

The Company has a call option to redeem the PPSCs having aggregate face value of multiples of Rs. 500 or the entire issued certificates and will be exercisable at any time after the expiry of one year from the execution of the trust deed upon giving to the Sukuk holders not less than thirty days notice in writing.

### **Return on PPSCs**

The issue carries return at six month KIBOR plus 2% per annum, payable semi-annually.

### **Trustee**

In order to protect the interests of PPSCs holders, Pak Brunei Investment Company Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the PPSCs holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

### **Security**

The issue is secured by:

- first parri passu hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company;
- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 1,599.80 million (2020: Rs. 1,599.80 million) and profit amounting to Rs. 1,816.8 million (2020: Rs. 1,656.9 million) were overdue. (Refer to note 42.2.2 for details.)

- 8.9** In accordance with the financing agreements, the Company is required to comply with certain financial covenants which mainly includes current ratio, interest coverage ratio, debt service coverage ratio and leverage ratio. The Company is not in compliance with these covenants. The Company is also required to comply with certain conditions imposed by the providers of finance to make dividend payments.
- 8.10** As explained in note 2.2, the Company has filed a scheme of arrangement in the Honorable Lahore High Court as per the provisions of the repealed Companies Ordinance, 1984 to restructure its existing over-due redeemable capital along-with related markup as of 31 December 2013 through conversion into preference shares.
- 8.11** Assets held as collateral are disclosed in Note 45 to these financial statements.



	Note	2021 Rupees	2020 Rupees
<b>9 Long term finances - secured</b>			
Syndicate Term Finance - I	9.2	3,000,000,000	3,000,000,000
Syndicate Term Finance - II	9.3	466,362,600	471,537,000
Syndicate Term Finance - III	9.4	2,840,145,329	2,840,145,329
Bank Islami Pakistan Limited - Term Finance	9.5	300,000,000	300,000,000
National Bank of Pakistan - Term Finance	9.6	132,083,735	132,083,735
Dubai Islamic Bank Limited - Term Finance	9.7	365,000,000	365,000,000
AL Baraka Bank (Pakistan) Limited - Diminishing Musharika	9.8	-	4,371,102
		<b>7,103,591,664</b>	7,113,137,166
Current maturity presented under current liabilities	13	<b>(7,103,591,664)</b>	(7,113,137,166)
		-	-
<b>9.1 Types of long term finances - secured</b>			
Interest / mark-up based financing		<b>6,738,591,664</b>	6,743,766,064
Islamic mode of financing		<b>365,000,000</b>	369,371,102
		<b>7,103,591,664</b>	7,113,137,166

**9.2** Syndicate Term Finance - I ("STF - I") has been obtained on 01 August 2008 from a consortium of banking companies to finance the revamping of operational efficiencies of the Company's plant. This facility was rescheduled by way of Second Supplemental Syndicated Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. Terms and conditions of the facility after rescheduling are as follows:

**Principal repayment:**

The principal of STF - I is repayable in thirteen unequal semi-annual installments starting from 30 December 2013 and ended on 30 December 2019.

**Return on STF - I**

This carries mark-up at six month KIBOR plus a spread of 2.25% per annum, payable semi-annually.

**Security**

The facility is secured by:

- first parri passu hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 3000.00 million (2020: Rs. 3,000.00 million) and interest / mark-up amounting to Rs. 3,557.7 million (2020: Rs. 3250.39 million) were overdue. (Refer to note 42.2.2 for details.)

**9.3** Syndicate Term Finance - II ("STF - II") has been obtained from a consortium of various banking companies to finance the acquisition of Hazara Phosphate Fertilizers (Private) Limited. This facility was rescheduled by way of First Supplemental Syndicated Term Finance Agreement entered on 23 February 2009 effective from 28 February 2009. Terms and conditions of STF - II after rescheduling are as follows:

**Principal repayment:**

The principal of STF - II is repayable in sixteen equal quarterly installments with the first installment due after fifteen months from the date of disbursement on 28 February 2010 and last installment was due on 28 November 2013.



#### **Return on STF - II**

This carries mark-up at three month KIBOR plus a spread of 3.25% per annum, payable on quarterly basis.

#### **Security**

The facility is secured by:

- first parri passu hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal and interest / mark-up amounting to Rs. 466.3 million (2020: Rs. 471.54 million) and Rs. 612.9 million (2020: Rs. 561.32 million) respectively were overdue. (Refer to note 42.2.2 for details.)

- 9.4** Syndicate Term Finance - III ("STF - III") represents restructuring of various short term facilities and overdue letters of credit amounting to Rs. 3,026.39 million into long term facility. This facility was rescheduled by way of First Supplemental Syndicated Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. Terms and conditions of the facility after rescheduling are as follows:

#### **Principal repayment:**

The principal of STF - III is repayable in eight unequal semi-annual installments starting from 25 September 2013 and ending on 25 March 2017.

#### **Return on STF - III**

This carries mark-up at six month KIBOR plus a spread of 2.25% per annum, payable semi-annually.

#### **Security**

The facility is secured by:

- first parri passu hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 2,840.15 million (2020: Rs. 2,840.15 million) and interest / mark-up amounting to Rs. 3493.3 million (2020: Rs. 3202.3 million) were overdue. (Refer to note 42.2.2 for details.)

As referred to in note 18.1.2.2, one of the lenders of STF - III, M/s Pak Libya Holding Company (Private) Limited has filed a suit for recovery.

As referred to in note 18.1.2.4, one of the lenders of STF - III, Soneri Bank has filed a suit for recovery of balance amounting to Rs. 738.452 million including markup.

As referred to in note 18.1.2.5, one of the lenders of STF - III, Bank Alfalah Limited has filed a suit for recovery of balance amounting to Rs. 1,969.88 million including markup.

- 9.5** This term finance facility has been obtained from Bank Islami Pakistan Limited (formerly KASB Bank Limited) to meet working capital requirements. This facility was rescheduled by way of First Supplemental Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. Terms and conditions of the facility are as follows:

#### **Principal repayment:**

The principal of this facility is repayable in fourteen unequal semi-annual installments starting from 30 June 2013 and ending on 30 December 2019.

#### **Return on facility**

This carries mark-up at six month KIBOR plus a spread of 2.50% per annum, payable semi-annually.



**Security**

This facility is secured against ranking pari passu charge over all present and future fixed assets (excluding immovable properties) of the Company.

At the reporting date, principal amounting to Rs. 300.00 million (2020: Rs. 300.00 million) and mark-up amounting to Rs. 350.6 million (2020: Rs. 319.07 million) were overdue. (Refer to Note 42.2.2 for details.)

- 9.6 This facility has been obtained from National Bank of Pakistan to finance 'cost over-run' for successful completion and commissioning of revamp project. This facility was rescheduled effective from 20 August 2011. Terms and conditions of the facility are as follows:

**Principal repayment:**

The principal of this facility is repayable in eight equal semi-annual installments starting from 08 November 2013 and ending on 08 May 2017.

**Return on facility**

This carries mark-up at six month KIBOR plus a spread of 2.25% per annum, payable semi-annually.

**Security**

The facility is secured by :

- ranking hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- ranking mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 132.08 million (2020: Rs. 132.08 million) and interest /mark-up amounting to Rs. 276.8 million (2020: Rs. 263.28 million) was overdue. (Refer to Note 42.2.2 for details.)

- 9.7 This term finance represents restructuring of short term Istisna facility amounting to Rs. 365 million into long term facility under the restructuring agreement entered on 07 June 2011. The terms and conditions of this facility after restructuring are as follows:

**Principal repayment:**

The principal of this facility is repayable in six unequal semi-annual installments starting from 01 December 2013 and ending on 01 June 2016.

**Return on facility**

This carries mark-up at six month KIBOR plus a spread of 2.25% per annum, payable semi-annually.

**Security**

The facility is secured by:

- ranking hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- ranking mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 365 million (2020: Rs. 365 million) and interest / mark-up amounting to Rs. 377.06 million (2020: Rs. 339.66 million) were overdue. (Refer to Note 42.2.2 for details.)

- 9.8 This represents diminishing musharika facility obtained from AL Baraka Bank (Pakistan) Limited for purchase of vehicles. The term of the agreement is 4 years. The balance is repayable in 48 monthly installments maturing between December 2020 and October 2021. Profit is payable monthly and is charged at the rate of six month KIBOR plus a spread of 2.00% per annum. Under the agreement, the Company has joint ownership of musharika assets with the bank.

- 9.9 In accordance with financing agreements, the Company is required to comply with certain financial covenants which mainly includes current ratio, interest coverage ratio, debt service coverage ratio and leverage ratio. The Company is not in compliance with these covenants along with certain other covenants. The Company is also required to comply with certain conditions imposed by the providers of finance to make dividend payments.



9.10 As explained in note 2.2, the Company has filed a scheme of arrangement in the Honorable Lahore High Court as per the provisions of the repealed Companies Ordinance, 1984 to restructure its existing over-due long term finances along-with related markup as of 31 December 2013 through conversion into preference shares.

9.11 Asset held as collateral are disclosed in Note 44 to these financial statements.

	Note	2021 Rupees	2020 Rupees
<b>10 Convertible, redeemable preference shares</b>			
<i>Preference shares of Rs. 10 each</i>			
159,334,269 (2020: 159,334,269)			
shares issued fully paid in cash	10.1	<b>1,593,342,690</b>	1,593,342,690

10.1 This represents local currency, listed, non-voting, redeemable, convertible and cumulative preference shares issued at the rate of Rs. 10 per share under the agreement between the Company and various investors entered on 13 February 2012 ("Completion date") effective from 01 August 2011.

The Company shall have the option to redeem the preference shares plus any accumulated unpaid dividends in full or in part, within ninety days after the expiry of each anniversary of the Completion date by giving at least thirty days notice.

Each investor will also have the right to convert their preference shares into ordinary shares of the Company. The conversion price is the average price of the ordinary share quoted in the daily quotation of Pakistan Stock Exchange during the 360 working days prior to the relevant conversion date; adjusted for any corporate action / announcement of the Company, including but not limited to right issue, cash dividend to ordinary shareholders, bonus shares, stock split etc., during the last 360 working days prior to the conversion date. The investors shall be entitled to convert up to 100% of their preference shares at the conversion ratio as defined in letters of rights by giving a thirty days notice to the Company prior to any conversion date. For the purpose of this right, a conversion date shall be the last business day of each financial quarter commencing from the fifth anniversary of the Completion date.

The preference shareholders have a preferred right of dividend at the rate of 11% per annum on cumulative basis (on annual basis).

10.2 Preference shares of the Company held by related / associated undertakings as at year end are as follows:

	2021 --- (Number of shares) ---	2020
Faysal Bank Limited	<b>31,035,594</b>	31,035,594
National Bank of Pakistan	<b>3,458,756</b>	3,458,756
	<b>34,494,350</b>	34,494,350

	Note	2021 Rupees	2020 Rupees
<b>11 Long term payable - unsecured</b>			
Payable to contractor	11.1	-	31,135,199
Payable to SNGPL	15.1.2	<b>1,157,874,632</b>	1,709,180,320
		<b>1,157,874,632</b>	1,740,315,519

11.1 The arbitration award dated 18.08.2019 issued by the arbitrator was made rule of the Court by the Honourable Civil Court on 23.10.2021.



	Note	2021 Rupees	2020 Rupees
<b>12 Deferred Liabilities</b>			
Staff retirement benefits	12.1	15,222,105	6,930,313
Deferred taxation-net	12.2	8,420,877,458	8,885,139,807
		<b>8,436,099,563</b>	8,892,070,120

### 12.1 Staff retirement benefits

The latest actuarial valuation of the Company's defined benefit plan was conducted on 31 December 2021 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	Note	2021 Rupees	2020 Rupees
<b>Staff retirement benefits</b>	12.1.1	15,222,105	6,930,313
<b>12.1.1 Statement of financial position liability</b>			
Present value of defined benefit obligations	12.1.3	121,656,108	122,822,808
Fair value of plan assets	12.1.4	(125,049,834)	(116,881,801)
Benefits due but not paid during the year		18,615,831	989,306
<b>Net liability</b>		<b>15,222,105</b>	6,930,313
<b>12.1.2 Movement in net liability</b>			
Net liability as at 01 January		6,930,313	17,569,221
Charge to statement of profit or loss for the year		8,121,528	9,448,209
Charge to statement of comprehensive income for the year		5,118,039	(2,073,249)
Contributions made during the year		(4,947,775)	(18,013,868)
<b>Net liability as at 31 December</b>		<b>15,222,105</b>	6,930,313
<b>12.1.3 Movement in the present value for defined benefit obligations is as follows:</b>			
Present value of defined benefit obligations as at 01 January		122,822,808	113,205,687
Current service cost for the year		8,634,363	8,524,084
Interest cost for the year		10,931,921	12,316,110
Benefits paid during the year		(3,928,703)	(6,469,009)
Benefits due but not paid during the year		(17,644,980)	(989,306)
Actuarial (gains) / losses on defined benefit obligation		443,110	(3,764,758)
Experience Adjustments		397,589	-
<b>Present value of defined benefit obligation as at 31 December</b>		<b>121,656,108</b>	122,822,808



	2021 Rupees	2020 Rupees
<b>12.1.4 Movement in fair value of plan assets is as follows:</b>		
Fair value of plan assets as at 01 January	116,881,801	95,636,466
Expected return on plan assets for the year	11,444,756	11,391,985
Contribution made during the year	4,756,716	18,013,868
Benefits paid during the year	(3,756,099)	(6,469,009)
Return on plan assets, excluding interest income	(4,277,340)	(1,691,509)
<b>Fair value of plan assets as at 31 December</b>	<b>125,049,834</b>	<b>116,881,801</b>
<b>12.1.5 Actual return on plan assets</b>		
Expected return on plan assets	11,444,756	11,391,985
Actuarial losses on plan assets	(4,277,340)	(1,691,509)
	<b>7,167,416</b>	<b>9,700,476</b>
<b>12.1.6 Fair value of plan assets is as follows:</b>		
Shares of HBL	24,490	27,779
CDC Alfalah Bank Limited	4,790,150	4,732,581
JS Cash Fund	71,854,973	68,532,859
NIT Units	479,896	479,895
Income receivable on investments	20,455,336	1,785,726
Cash at banks	27,444,989	41,322,961
	<b>125,049,834</b>	<b>116,881,801</b>
	<b>2021</b>	<b>2020</b>
<b>12.1.7 Plan assets comprise of:</b>		
Equity	78.00%	63.12%
Cash and / or term deposit receipts	22.00%	36.88%
	<b>100.00%</b>	<b>100.00%</b>
<b>12.1.8 Charge for the year in statement of profit or loss</b>		
Current service cost for the year	8,634,363	8,524,084
Interest cost for the year	10,931,921	12,316,110
Expected return on plan assets for the year	(11,444,756)	(11,391,985)
	<b>8,121,528</b>	<b>9,448,209</b>
<b>12.1.9 Actuarial (gains) and losses recognized directly in statement of comprehensive income</b>		
<i>Actuarial losses / (gains) on present value</i>		
- Changes in financial assumptions	443,110	(336,996)
- Experience adjustments	397,589	(3,427,762)
	<b>840,699</b>	<b>(3,764,758)</b>
<i>Return on plan assets, excluding interest income</i>	4,277,340	1,691,509
<b>(Gains) / losses recognized during the year</b>	<b>5,118,039</b>	<b>(2,073,249)</b>
<b>12.1.10</b> The Company expects to recognize Rs. 8.58 million to profit or loss on account of defined benefit plan in 2022.		

**12.1.11 Historical information**

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

	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	121,656,108	122,822,808	113,205,687	106,464,576	105,245,855
Fair value of plan assets	(125,049,834)	(116,881,801)	(95,636,466)	(93,335,233)	(73,697,203)
Benefits due but not paid during the year	18,615,831	989,306	-	404,488	210,289
Deficit in the plan	15,222,105	6,930,313	17,569,221	13,533,831	31,758,941
Experience adjustment arising on plan liabilities	840,699	3,764,758	4,264,095	(8,930,585)	(9,848,192)
Experience adjustment arising on plan assets	-	1,691,509	3,519,181	9,110,514	3,485,427

**12.1.12 Assumptions used for valuation of defined benefit plan**

	2021	2020
Discount rate used for interest cost	9.75%	11.25%
Expected return on plan assets	9.75%	11.25%
Discount rate used for year ended obligation	11.75%	9.75%
Expected rates of salary increase in future	10.75%	8.75%
Expected mortality rate	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Retirement assumption	60 years	60 years

**12.1.13 The Plan exposes the Company to the actuarial risks such as:****Salary risks**

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

**Mortality / withdrawal risks**

The risks that the actual mortality / withdrawal experiences is different from what was assumed. The effect depends upon beneficiaries' service / age distribution and the benefit.

**Investment risks**

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

**12.1.14** In this funded plan, it is ensured that the long-term investments are in line with the obligation under the retirement benefit plan. Duration and the expected yield of the investments are matched with the expected cash outflows arising from the retirement benefit plan obligations. The process used to manage its risks has not been changed from previous periods. Investments are well diversified.

**12.1.15** The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

**12.1.16** Gratuity scheme entitles the members to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules. Gratuity is based on the last month basic salary for each year of service.



### 12.1.17 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at 31 December 2021 would have been as follows:

<b>Gratuity</b>		
	<b>Impact on present value of defined benefit obligation</b>	
	<b>2021 Rupees</b>	2020 Rupees
Discount rate + 100 bps	<b>129,821,982</b>	112,491,242
Discount rate - 100 bps	<b>154,049,851</b>	134,614,482
Future salary increase + 100 bps	<b>154,195,267</b>	134,746,588
Future salary increase - 100 bps	<b>129,496,928</b>	112,193,588

12.1.18 The average duration of the defined benefit obligation is 9 years (2020: 9 years)

### 12.2 Deferred taxation - net

The liability for deferred taxation comprises temporary differences relating to:

	Note	<b>2021 Rupees</b>	2020 Rupees
<i>Deferred tax liability arising on</i>			
Accelerated tax depreciation/Amortization Allowances		<b>5,893,768,840</b>	5,972,956,280
Revaluation of fixed assets		<b>8,963,362,601</b>	9,249,976,552
<i>Deferred tax asset arising on</i>			
Provision for trade debts		<b>(12,531,711)</b>	(14,201,493)
Provision for gratuity		<b>(4,414,410)</b>	(2,009,791)
Unabsorbed tax losses	12.2.1	<b>(6,419,307,862)</b>	(6,321,581,741)
		<b>8,420,877,458</b>	8,885,139,807

12.2.1 Tax losses on account of unabsorbed depreciation and amortization amounting to Rs. 22,135.544 million (2020: Rs. 21,798.56 million) is available to the Company's credit. Deferred tax asset in respect thereof has been recognized as availability of sufficient taxable profits in future tax years to absorb these losses is expected on the basis of business plan as discussed in note 20.2.

Business losses available for carry forward amounting to Rs. 2,884.58 million (2020: Rs. 10,481.30 million) and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 amounting to Rs. 482.46 million (2020: Rs. 431.35 million) are also available to the Company. However, no deferred tax asset on these losses and tax credit has been recognised as sufficient tax profits may not be available to set these off in foreseeable future.

12.2.2 Deferred tax has been recognized at rates enacted at the reporting date at which these are expected to be settled / realized.

**12.2.3 Movement in deferred tax balances is as follows:**

	2021			
	Charge to / (reversal from)			
	Opening balance	Profit and loss	Equity	Closing balance
	Rupees	Rupees	Rupees	Rupees
<b>Deferred taxation</b>				
<b><u>Taxable / (deductible) temporary difference</u></b>				
Accelerated tax depreciation / amortization allowances	5,972,956,280	(79,187,440)	-	5,893,768,840
Surplus on revaluation of fixed assets	9,249,976,552	(286,613,951)	-	8,963,362,601
Trade debts	(14,201,493)	1,669,782	-	(12,531,711)
Provision for gratuity	(2,009,791)	(920,388)	(1,484,231)	(4,414,410)
Unused tax losses	(6,321,581,741)	(97,726,121)	-	(6,419,307,862)
	<b>8,885,139,807</b>	<b>(462,778,118)</b>	<b>(1,484,231)</b>	<b>8,420,877,458</b>
<b>2020</b>				
<b>Charge to / (reversal from)</b>				
	Opening	Profit and loss	Equity	Closing
	Rupees	Rupees	Rupees	Rupees
<b><u>Taxable / (deductible) temporary difference</u></b>				
Accelerated tax depreciation allowances	6,068,097,565	(95,141,285)	-	5,972,956,280
Surplus on revaluation of fixed assets	9,498,462,032	(248,485,480)	-	9,249,976,552
Trade debts	(14,174,630)	(26,863)	-	(14,201,493)
Provision for gratuity	(5,095,074)	2,484,041	601,242	(2,009,791)
Unused tax losses	(6,387,637,323)	66,055,582	-	(6,321,581,741)
	<b>9,159,652,570</b>	<b>(275,114,005)</b>	<b>601,242</b>	<b>8,885,139,807</b>

	Note	2021 Rupees	2020 Rupees
<b>13 Current maturity of long term liabilities</b>			
Redeemable capital	8	<b>12,165,534,546</b>	12,165,534,546
Long term finances	9	<b>7,103,591,664</b>	7,113,137,166
		<b>19,269,126,210</b>	19,278,671,712

**14 Short term borrowings - secured**

These represent short term finances utilized under mark-up arrangements from banking companies.

	2021 Rupees	2020 Rupees
<b>Secured:</b>		
Running finance	<b>2,589,472,495</b>	2,718,008,076
Finance against trust receipt	<b>88,528,540</b>	88,528,540
Istisna / Salam	<b>561,735,176</b>	561,735,176
Demand finance	<b>91,683,224</b>	91,683,224
Bills payable	<b>187,030,000</b>	187,030,000
	<b>3,518,449,435</b>	3,646,985,016
<b>14.1 Particulars of borrowings</b>		
Interest / mark-up based financing	<b>2,956,714,259</b>	2,946,417,769
Islamic mode of financing	<b>561,735,176</b>	700,567,247
	<b>3,518,449,435</b>	3,646,985,016



**14.2** These short term financing facilities have been obtained from various banking companies under mark-up / shariah based arrangements to meet working capital requirements and are secured by charge over present and future current assets of the Company.

These financing facilities carry mark-up at rates ranging from one to nine months KIBOR plus a spread of 1.00% to 2.75% per annum (2020: one to nine months KIBOR plus a spread of 1.00% to 2.75% per annum), payable on quarterly and semi-annually basis.

The aggregate available short term funded facilities amount to Rs. 5,738.26 million (2020: Rs. 5,121.76 million) out of which Rs. 2,219.81 million (2020: Rs. 1,661.84 million) remained unavailed as at the reporting date. These funded facilities are majorly sub-limits of non-funded facilities and can interchangeably be used. Out of total sanction facilities, facilities amounting to Rs. 2,208.95 million were not renewed upto reporting date.

**14.3** At the reporting date, principal and interest amounting to Rs. 2,427 million (2020 : Rs. 1,709.29 million) and Rs. 1,954 million (2020 : Rs. 1,819 million) respectively were overdue. (Refer Note 41.2.2 for details.)

**14.4** As referred to in note 18.1.2.3, one of the lenders of these facilities M/s Meezan Bank Limited has imposed a lien on Company's account for recovery of balance amounting to Rs. 38.83 million.

**14.5** Aggregate limits available for non-funded facilities amount to Rs. 1,591.50 million (2020: Rs. 1,473.53 million) out of which limits that remain unutilized as at reporting date amount to Rs. 1,379.43 million (2020: Rs. 1,142.79 million). These non-funded facilities mainly include limits for opening letter of credits, guarantees and bills discounting and are secured by lien over underlying documents and overall charge over current assets of the Company.

At the reporting date, bills and markup / interest amounting to Rs. 187.03 million (2020: Rs. 187.03 million) and Rs. 239.2 million (2020: Rs. 219.99 million) respectively were overdue. (Refer to Note 41.2.2 for details).

**14.6** As per the financing arrangements, the Company is required to comply with certain financial covenants and other conditions imposed by the providers of finance.

**14.7** Asset held as collateral are disclosed in note 44 to these financial statements.

	Note	2021 Rupees	2020 Rupees
<b>15 Trade and other payables</b>			
Trade and other creditors	15.1	<b>2,832,973,429</b>	1,881,736,485
Accrued liabilities		<b>197,191,347</b>	113,095,904
Security deposits and retention money	15.2	<b>17,287,331</b>	18,597,680
Advances from customers		<b>897,250,625</b>	228,827,852
Tax deducted at source		<b>8,954,099</b>	1,584,139
Workers' Welfare Fund		<b>9,003,142</b>	9,003,142
Other payables		<b>60,308,472</b>	43,870,113
		<b>4,022,968,445</b>	2,296,715,315

**15.1** Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared GIDC Act, 2015 a valid legislation. Under the judgement, all gas consumers including Agritech were ordered to pay the outstanding GIDC liability as at July 31, 2020 to the Government in 24 equal monthly installments. GIDC was declared payable on the presumption that burden of same has been passed to the customers.

In this regard, Agritech along with other industries, filed a review petition before the SCP on the grounds that a factual determination may be carried out to determine how much of the GIDC burden has actually been passed on, amongst other grounds. Later on, SCP while deciding the review petition on November 2, 2020, disposed off the review petition against the gas consumers including Agritech and stated that the Government of Pakistan is agreeable to recover the arrears in 48 monthly installments instead of 24 monthly installments. Accordingly, related adjustment of amortisation had been made in last year's financial statements.

During last year, the Company has also filed a petition with the Lahore High Court against collection of 48 GIDC installments, wherein Honorable Court restrained SNGPL from recovery of GIDC without determination of question pertaining to charging and collection of GIDC from consumers through a committee constituted in this behalf by SNGPL. Accordingly, the Company is not paying GIDC as per schedule.





The Company has also filed a Suit No: 2070 of 2020 before Sindh High Court at Karachi wherein Honorable High Court of Sindh has further restrained the SNGPL from recovering GIDC installments vide its order dated 27-09-2021.

However, pursuant to the above decisions of the SCP and without prejudice to the Writ pending in High Courts, the Company on prudent basis, has measured its GIDC liability payable to SNGPL (on behalf of the Government of Pakistan) at amortized cost which is in line with previous years' amortization schedule.

	2021 Rupees	2020 Rupees
<b>15.1.1</b> GIDC Payable as on 31 Dec	<b>3,040,811,856</b>	3,040,811,856
Less accumulated PV adjustment as at 31 Dec	<b>(273,810,046)</b>	(482,707,322)
GIDC payable (net of discounting) as on 31 Dec	<b>2,767,001,810</b>	2,558,104,534
<b>15.1.2</b> GIDC payable as on 31 Dec	<b>2,767,001,810</b>	2,558,104,534
Less transfer to non current portion	<b>(1,157,874,632)</b>	(1,709,180,320)
Balance current portion of GIDC payable	<b>1,609,127,178</b>	848,924,214

**15.2** These represent amounts received as security deposits from dealers and suppliers of the Company which are being utilized accordingly in the business of the Company.

	2021 Rupees	2020 Rupees
<b>16 Interest / mark-up accrued on borrowings</b>		
Redeemable capital - secured	<b>13,081,961,047</b>	11,930,776,044
Long term finances - secured	<b>8,668,826,240</b>	7,936,214,689
Short term borrowings - secured	<b>1,980,762,581</b>	1,864,695,976
	<b>23,731,549,868</b>	21,731,686,709

The overdue amounts of mark-up / interest are disclosed under their respective financing notes and in Note 42.2.2.

#### **17 Preference dividend payable**

This represents preference dividend payable as per the terms described in Note 10.

#### **18 Contingencies and commitments**

##### **18.1 Contingencies**

##### **18.1.1 Other Contingencies**

**18.1.1.1** Certain cases against the Company are pending before labour courts, where the claim cannot be quantified and ascertained at this stage. The Company's legal advisors are confident that the ultimate outcomes of above mentioned cases will be in favour of the Company.

**18.1.1.2** The Company has filed a Civil Suit number 2341 before the Islamabad High Court impugning the decision of Government of Pakistan (Ministry of Industries, Production & Special Initiatives) dated 02 March 2007 wherein it was communicated that since the Company commenced its operations with effect from 13 September 1998 therefore the ten years period for the subsidised rate of feedstock gas under the '1989 Fertilizer Policy' shall end on 12 September 2008. The Company has contended that the Government granted subsidy to other fertilizer companies from the date of their "commercial operations" and is therefore bound under constitutional law to equal treatment and non-discrimination against the Company. The commercial operations of the Company commenced on 29 November 1999 therefore the subsidized period of ten years shall end on 28 November 2009. Through an order dated 09 September 2008 (passed in C. M. No. 697 of 2008), the Islamabad High Court restrained the Oil and Gas Regulatory Authority from notifying an increase in the (subsidized) feedstock gas price subject to Company depositing cash of Rs. 36 million and bank guarantee of Rs. 86.50 million with Islamabad High Court which was deposited by the Company. As per Islamabad High Court's stay order, the Company has been charged subsidised rate on feedstock gas from September 2008 to November 2009 which has a financial impact amounting to Rs. 740.8 million (2020: Rs. 740.8 million). Such case for the Company's eligibility to avail subsidised rate on feedstock gas has been dismissed during the year. The Company has filed an appeal against such order of dismissal dated 23 October, 2021 in Islamabad High Court which is pending for adjudication.



**18.1.1.3** The Company had filed a suit against the recovery proceedings of WAPDA amounting to Rs. 2.24 million in the court of Senior Civil Judge Mianwali. During the pendency of case, G.M.(Operation) WAPDA withdrew the said bill, consequently the suit was withdrawn by the Company. In 2002, WAPDA again started recovery proceedings. The Company again approached Civil Court at Mianwali but the court dismissed Company's case on 02-June-2004. The Company preferred an appeal before Add. Distt. & Session Judge, Mianwali which was accepted vide order dated 12-1-2005. WAPDA preferred an appeal before the Lahore High Court, Lahore on 23-4-2005. Court had adjudicated the case in favor of the Company on 21-11-2015. WAPDA preferred an appeal in Supreme Court of Pakistan which is pending adjudication.

#### **18.1.2 Contingencies relating to Banks**

**18.1.2.1** During 2018, a suit has been filed by Allied Bank Limited ("ABL") against the Company under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 201.66 million along with cost of funds, from the date of default by the Company in fulfilling their financial obligations in return of the facility availed. The Company has filed an application for leave to defend in this suit. The legal advisor review expects a good likelihood of success in this matter.

**18.1.2.2** During 2019, a civil suit no. 1768/2019 has been filed by Pak Libya Holding Company (Private) Limited ("PLHCL") against the Company for Rs. 1,500.92 million under section 9 of the Financial Institution (Recovery Of Finances) Ordinance, 2000 before the Honorable Lahore High Court. The Company filed a petition for Leave to Appear (PLA) number 11058/19 under section 10 of the Financial Institution (Recovery Of Finances) Ordinance, 2000 which entails that the instant suit cannot proceed or tried as the matter is in relation to petition under section 284 to 287 of the repealed Companies Ordinance, 1984 for scheme of arrangement / restructuring bearing number 21/2016 which is pending adjudication before the Honorable Lahore High Court. This Suit has been dismissed due to non-prosecution on 25 October, 2021.

**18.1.2.3** During 2019, through a titled suit, the Company seeks, inter alia, the removal of a lien imposed by Meezan Bank Limited ("MBL") on the account of the Company to the extent of Rs. 40.21 million. MBL has imposed lien claiming recovery of alleged outstanding amount due to HSBC Bank (which was acquired by the MBL in 2015). The Company alleges that MBL has imposed this lien without determination of actual liability and without any regard to due process of law. The suit is pending adjudication before the Learned Banking Court Lahore. Meezan Bank Limited (MBL) has filed countersuit for the recovery of Rs. 40.21 million from the Company. The Company has a good likelihood of success in this matter. The suit is pending adjudication before the Learned Banking Court Lahore.

**18.1.2.4** During 2019, civil suit no. 29172/2019 has been filed by Soneri Bank against the Company for recovery of Rs. 738,452,864. Application for leave to appear and defend the above mentioned suit under the provisions of Financial Institutions (Recovery of Finances), Ordinance 2001 has been filed in the Lahore High Court on behalf of the defendant, which is pending before the Honorable Lahore High Court. In view of the legal advisor, this suit lacks merit as it is filed by one of the creditors who has agreed to the Scheme of arrangement date 31-12-2013, which is pending before the Lahore High Court.

**18.1.2.5** During 2020, civil suit no. 23043/2020 has been filed by Bank Alfalah Limited in the Honourable Lahore High Court in its jurisdiction under the Financial Institutions (Recovery of Finances) Ordinance, 2001 for the recovery of Rs. 1,969.88 million including markup along with cost of funds and other charges till the realization of whole amount by sale of mortgaged, hypothecated properties and other assets. The Company has filed PLA No. 40218 in the titled suit in response to which the plaintiff Bank filed the replication where after the case is now fixed for the arguments on the PLA, which is pending before the Honourable Lahore High Court.

**18.1.2.6** During the year, a civil suit has been filed by National Bank of Pakistan (a related party) in the Honourable Lahore High Court under the Financial Institutions (Recovery of Finances) Ordinance, 2001 for the recovery of Rs. 6,497 million including markup along with cost of funds and other charges. The legal advisor of the Company is of the view that this suit lacks merit as the instant suit cannot be proceeded or tried as the matter is in relation to petition under section 284 to 287 of the repealed Companies Ordinance, 1984 for scheme of arrangement / restructuring is pending for adjudication before the Honourable Lahore High Court and accordingly, no adjustment has been made in these financial statements.

**18.1.2.7** During the year, a civil suit has been filed by Bank of Punjab (a related party) in the Honourable Lahore High Court under the Financial Institutions (Recovery of Finances) Ordinance, 2001 for the recovery of Rs. 3,301 million including markup along with cost of funds and other charges. Bank of Punjab already given NOC for restructuring scheme proposed in 31-12-2013 which is pending before the Honourable Lahore High Court.

**18.1.2.8** Subsequent to year end, a civil suit has been filed by Summit Bank Limited (a related party) in the Honourable Lahore High Court under the Financial Institutions (Recovery of Finances) Ordinance, 2001 for the recovery of Rs. 1,165 million including markup along with cost of funds and other charges. Bank of Punjab already given NOC for restructuring scheme proposed in 31-12-2013 which is pending for approval of the Honourable Lahore High Court.



**18.1.2.9** Subsequent to year end, a civil suit has been filed by JS Bank of Pakistan (a related party) in the Honourable Lahore High Court under the Financial Institutions (Recovery of Finances) Ordinance, 2001 for the recovery of Rs. 2,880 million including markup along with cost of funds and other charges. JS Bank already given NOC for restructuring scheme proposed in 31-12-2013 which is pending for approval of the Honorable Lahore High Court.

### **18.1.3 Taxation Contingencies**

**18.1.3.1** Income tax return for tax year 30 June 2007 was filed under the self-assessment scheme declaring a taxable income of Rs. 615.75 million. Later on, the said return was revised resulting in declaration of loss amounting to Rs. 4,064.580 million. However, the Additional Commissioner Inland Revenue ("ACIR") amended the assessment under section 122(5A) of the Ordinance vide his order dated 30 June 2013 reducing assessed tax loss to Rs. 1,370.418 million and creating demand of Rs. 6.255 million.

The Company being aggrieved preferred an appeal before Commissioner Inland Revenue ("CIR") on 18 July 2013 against the aforementioned order. The appeal was heard on 28 January 2014 and was decided in favor of the the department. Resultantly, the Company preferred an appeal before Appellate Tribunal Inland Revenue ("ATIR") which is pending fixation.

**18.1.3.2** Income tax return for the tax year ended 30 June 2008 was filed under the self-assessment scheme. Subsequently, the Company filed a revised return declaring loss of Rs. 4,206.80 million and claimed refund of Rs. 26.75 million. However, the Additional Commissioner Inland Revenue ("ACIR") amended the assessment under section 122(5A) of the Ordinance vide his order dated 31 December 2013 and assessed tax loss at Rs. 1,106.38 million.

The Company being aggrieved preferred an appeal before Commissioner Inland Revenue ("CIR") on 17 June 2014 against the aforementioned order. The appeal was heard on 23rd July 2014 and was partially decided in favor of the Company. Resultantly, the Company preferred an appeal before Appellate Tribunal Inland Revenue ("ATIR") which is pending fixation.

**18.1.3.3** Income tax return for the tax year ended 30 June 2009 was filed under the self-assessment scheme. Subsequently, the Company filed a revised return declaring loss of Rs. 5,657.31 million and claiming refund of Rs. 140.27 million. However, the Additional Commissioner Inland Revenue ("ACIR") amended the assessment under section 122(5A) of the Income Tax Ordinance vide his order dated 30 January 2015 whereby creating a demand of Rs. 42.88 million.

The Company being aggrieved preferred an appeal before Commissioner Inland Revenue - Appeals (CIR (A)) on 16 June 2015. The case was decided by CIR (A) vide order no. 05 dated 05 April 2018 wherein demand of Rs. 22.11 million was deleted by CIR (A), against which an appeal effect order was passed. Being aggrieved, an appeal has been filed in Appellate Tribunal Inland Revenue ("ATIR") which is pending for fixation.

**18.1.3.4** Income tax return for the tax year ended 30 June 2010 was filed under the self-assessment scheme. Subsequently, the company filed revised return declaring loss of Rs. 8,179 million and claiming refund of Rs. 69.027 million. Income tax audit was conducted by DCIR under section 214C of the Ordinance whereby assessment was amended under section 122(1)/122(5) of the Ordinance wherein various additions were made to the tune of Rs. 7,121 million.

The Company, being aggrieved, filed an appeal before CIR-A who, vide Order No. 13 dated 12 June 2013 annulled the order of DCIR and deleted all additions to the tune of 7,121 million The tax authority preferred appeal before ATIR, Lahore which is pending for fixation.

**18.1.3.5** Income tax return for tax year 30 June 2012 was filed under the self-assessment scheme declaring tax loss of Rs. 18,120.36 million and a refund of Rs. 514.29 million was claimed. Later on the said return was revised resulting in increase of refunds at Rs. 542.78 million by incorporating prior years refunds.

The Additional Commissioner Inland Revenue ("Add CIR") issued an order dated 09 February 2017 to amend the assessment under section 122(5A) of the Income Tax Ordinance, 2001 wherein the ADD CIR charged turnover tax on other income and creating a demand of Rs. 30.73 million. The Company being aggrieved filed an appeal in the office of CIR-A which is pending for adjudication.

**18.1.3.6** Income tax return for tax year 30 June 2013 was filed under the self-assessment scheme declaring tax loss for the year amounting to Rs. 21.70 billion and refund of Rs. 109.38 million.

Tax department initiated proceedings under section 161/205 of the Ordinance and demand was created to the tune of Rs. 3.82 million. The Company, being aggrieved filed appeal before CIR-A who vide its Order No. 01 dated 04 June 2020 passed ex-parte Order upholding the demand created by tax department. The Company, being aggrieved, filed an appeal before ATIR, Lahore which is pending for adjudication.



The Adl. CIR initiated proceedings under section 122 of the Ordinance for the amendment of assessment whereby passed Order under section 122(5A) of the Ordinance dated 25 June 2019 through which no demand was created, however, depreciation loss amounting to Rs. 1.8 billion was curtailed. The Company, being aggrieved, filed appeal before CIR-A who vide order no. 50 dated 29 October 2021 annulled the order of Adl. CIR with the direction to allow fair opportunity of being heard. The Company, being aggrieved, filed an appeal before ATIR, Lahore which is pending for adjudication.

- 18.1.3.7** The Company filed its income tax return for tax year 2014 (starting from 01 July 2013 to 31 December 2013.) declaring tax loss for the period amounting to Rs. 457.10 million and tax refund amounting to Rs. 24.32 million.

The Company was selected for audit through computerized random balloting by FBR. DCIR passed order under section 122(1) of the Ordinance dated 31 October 2017 wherein loss was curtailed to Rs. 41.61 million and resultantly refunds come to Rs. 24.28 million. Being aggrieved, the Company filed an appeal before CIR-A who vide order no. 21 dated 21-10-2021 upheld the order of DCIR. The Company, being aggrieved, filed an appeal before ATIR, Lahore which is pending for adjudication.

Proceedings under section 161/236G and 236H of the Income Tax Ordinance, 2001 in respect of tax year 2014 was initiated by the department against the Company and a demand of Rs. 34.61 million was created by order dated 24 May 2017. The said demand has been adjusted against refunds of Tax Year 2016 vide adjustment memo dated 23-06-2017. However, the Company filed an appeal to Commissioner Inland Revenue Appeals-I who has given partial relief subject to verification by OIR. Therefore, the Company, being aggrieved, filed an appeal before ATIR, Lahore which is pending for adjudication.

- 18.1.3.8** The Company had filed income tax return for tax year 2015 declaring loss of Rs. 4.074 billion and claiming a refund of Rs. 84.593 million.

Proceedings under section 161/236G and 236H of the Income Tax Ordinance, 2001 in respect of tax year 2015 was initiated by the department against the Company and a demand of Rs. 16.72 million was created by Order dated 24 May 2017. The Company filed an appeal in the office of Commissioner Inland Revenue Appeals-I who have confirmed the demand created by the department. The Company being aggrieved preferred an appeal with the Appellate Tribunal Inland Revenue which is pending for fixation.

- 18.1.3.9** The Company was selected for sales tax audit under section 72B/25 for tax period July 2010 to June 2011 of the Act wherein the DCIR passed Order by completing the audit proceedings and created demand to the tune of Rs. 4.60 million. The Company, being aggrieved, preferred appeal before CIR-A who reduced the demand to the tune of Rs. 4.19 million vide order No. 06 dated 06 December 2013. Being aggrieved, the Company filed an appeal before ATIR, Lahore which is pending for adjudication.

- 18.1.3.10** The Deputy Commissioner Inland Revenue ("DCIR") passed an order u/s 11(2) of the Sales Tax Act, 1990 for tax period June 2013 to October 2014 dated 26 January 2015 whereby creating demand of Rs. 165.70 million. The Company being aggrieved preferred an appeal before Commissioner Inland Revenue-Appeals (CIR (A)) dated 31 July 2015 against the said order. The Learned CIR (A) passed an order dated 06 October 2015, annulling the said Order. Resultantly, the department preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR (A) which is pending for fixation.

- 18.1.3.11** The DCIR passed an order no. 13/2021-22 dated 15 September 2021 under the Sales Tax Act, 1990 pertaining to the tax period September 2019 to June 2020 whereby demand of Rs. 1.86 million has been created. The Company, being aggrieved, filed an appeal before CIR-A which is pending for fixation, however, time by time stays has been granted by CIR-A.

The Company has received notice from tax authorities for conduct of sales tax audit and income tax audit for the tax year 2017 to 2020 and 2015 to 2020 respectively. In respect of these audits, Company has obtained stay from the Honorable High Court, Lahore through Order No. W.P No. 29025/2021.

Based on opinion of tax advisors handling income tax and sales tax litigations, the management believes that the Company has strong legal grounds against each case and that no financial liability is expected to accrue. Accordingly, no provision has been made in these financial statements.

	Note	2021 Rupees	2020 Rupees
<b>18.2</b>	<b>Commitments</b>		
<b>18.2.1</b>	Commitments under irrevocable letters of credit for		
	- purchase of plant and machinery	<b>58,127,202</b>	10,594,605
	- purchase of raw material	<b>81,754,452</b>	46,545,000
		<b>139,881,654</b>	57,139,605
<b>18.2.2</b>	Guarantees given by banks to Islamabad High Court on behalf of the Company in respect of litigation mentioned in Note 18.1.1.2 amounting to Rs. 86.50 million (2020: Rs. 86.50 million).		



19	Property, plant and equipment	Note	2021	2020
			Rupees	Rupees
	Operating fixed assets	19.1	56,960,824,702	58,517,324,878
	Capital work in progress	19.2	4,581,945	18,568,295
			<b>56,965,406,647</b>	<b>58,535,893,173</b>

### 19.1 Operating fixed assets

	Cost / revalued amount				Depreciation				Net book value		
	As of 01 January 2021		As of 31 December 2021		As of 01 January 2021		As of 31 December 2021		As of 31 December 2021		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Depreciation rate (% per annum)	
<b>Owned assets</b>											
Freehold land	3,750,575,000	-	-	3,750,575,000	-	-	-	-	3,750,575,000	-	Nil
Factory Buildings	2,682,096,224	17,534,381	-	2,699,630,605	937,351,865	38,543,875	-	975,915,740	1,723,714,865	-	2
Plant, machinery, electrical and other installations	84,675,068,426	6,299,183	(1,895,957)	84,877,471,652	32,207,027,049	1,533,891,405	(877,329)	33,740,021,125	50,937,450,527	(877,329)	2.5 - 25
Residential colony building	545,769,346	524,016	(13,348,671)	532,944,691	137,293,621	9,729,539	(58,695)	146,944,445	385,980,226	(58,695)	2
Road, bridges and culverts	88,742,839	-	-	88,742,839	25,750,355	1,752,281	-	27,502,636	61,240,203	-	2
Furniture, fixtures and office equipment	141,912,777	5,451,675	(1,344,600)	146,019,853	122,301,916	4,841,049	(1,265,024)	125,877,940	20,141,912	(1,265,024)	10 - 30
Vehicles and rail transport	148,829,915	14,213,801	(6,848,200)	156,175,516	110,509,727	9,425,633	(5,319,926)	114,615,434	41,560,082	(5,319,926)	2
Tools and other equipment	155,240,143	27,500	-	155,267,643	153,957,694	515,426	-	154,473,120	814,543	-	10
Plantation	296,476	-	-	296,476	296,476	-	-	296,476	-	-	10
Books and literature	926,479	-	-	926,479	926,470	-	-	926,470	9	-	10
Catalyst	267,032,638	18,417,485	-	285,450,123	261,770,253	4,332,556	-	266,102,809	19,347,314	-	17-33
	<b>92,474,510,304</b>	<b>62,468,041</b>	<b>(23,457,428)</b>	<b>92,513,520,917</b>	<b>33,957,185,426</b>	<b>1,603,051,763</b>	<b>(7,540,974)</b>	<b>35,552,696,215</b>	<b>56,960,824,702</b>	<b>(7,540,974)</b>	

19.1.1 Title documents of land are in the name of Pak American Fertilizer Limited and Hazara Phosphate Fertilizer Limited.

19.1.2 Ownership of residential colony assets included in the operating fixed assets is shared by the Company jointly with Maple Leaf Cement Factory Limited in ratio of 245:101 since the time when both the companies were managed by Pakistan Industrial Development Corporation. These assets are in possession of residential colony establishment for mutual benefits.



	2020											
	Cost / revalued amount					Depreciation					Net book value as at 31 December 2020	Depreciation rate [% per annum]
	As at 01 January 2020	Additions	Disposals	As at 31 December 2020	Useful lives in years	As at 01 January 2020	Adjustments	Disposals	As at 31 December 2020	As at 31 December 2020		
Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
<b>Owned assets</b>												
Freehold land	3,750,575,000	-	-	3,750,575,000		-	-	-	-	3,750,575,000	Nil	
Factory buildings	2,682,096,224	-	-	2,682,096,224	45	897,724,667	39,627,198	-	937,351,865	1,744,744,359	2	
Plant, machinery, electrical and other installations	84,631,974,630	61,093,796	-	84,693,068,426	35-45	30,673,331,430	1,533,695,619	-	32,207,027,049	52,486,041,377	2.5 - 25	
Residential colony building	528,918,943	16,850,404	-	545,769,347	45	127,910,453	9,383,168	-	137,293,621	408,475,726	2	
Road, bridges and culverts	86,742,839	-	-	86,742,839	50	23,997,904	1,752,451	-	25,750,355	62,992,504	2	
Furniture, fixtures and office equipment	133,311,130	8,601,647	-	141,912,777	3 - 10	117,630,282	4,671,634	-	122,301,916	19,610,861	10 - 30	
Vehicles and rail transport	124,684,915	24,145,000	-	148,829,915	5	106,111,251	4,398,476	-	110,509,727	38,320,188	2	
Tools and other equipment	155,260,163	-	-	155,260,163	3 - 10	153,347,912	609,182	-	153,957,094	1,302,469	10	
Plantation	296,476	-	-	296,476		296,476	-	-	296,476	-	10	
Books and literature	926,479	-	-	926,479	10	926,413	57	-	926,470	9	10	
Catalyst	260,717,648	6,314,870	-	267,032,518	3 - 6	259,517,770	2,252,483	-	261,770,253	5,262,385	17-33	
	92,837,504,587	117,005,717	-	92,474,510,304		32,360,794,558	1,596,390,868	-	33,957,185,426	58,517,324,878		



	Note	2021 Rupees	2020 Rupees
<b>19.1.3 Allocation of depreciation charge</b>			
Cost of sales	30	1,594,019,655	1,591,993,608
Administrative and general expenses	32	9,032,092	4,278,599
Other expenses	33.1	-	35,346
		<b>1,603,051,747</b>	<b>1,596,307,553</b>

**19.1.4** Following are the carrying values of freehold land, buildings on freehold land, residential colony assets, electrical and other installations owned and leased plant and machinery that would have been included in the financial statements had the assets been carried under the cost model:

	2021 Rupees	2020 Rupees
<b>Revalued Assets</b>		
Freehold land	2,259,588,898	2,259,588,898
Buildings on freehold land	1,400,552,409	1,414,175,766
Residential colony building	56,534,264	70,300,351
Plant, machinery, electrical and other installations	20,623,522,261	21,258,314,480
	<b>24,340,197,832</b>	<b>25,002,379,495</b>

**19.1.5** Particulars of immovable property (i.e. land and building) are as follows:

Location	Usage of Immovable Property	Total area (acres)	Covered Area (Square Feet)
Iskanderabad, Distt. Mianwali.	Housing colony, Farms and Manufacturing facility	1,547	1,344,675
Hattar Road, Haripur.	Housing colony and Manufacturing facility	58	461,227

**19.1.6** Particulars of disposals are as follows:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (loss)	Mode of Disposal	Particulars of buyers
Vehicles	6,868,200	5,319,926	1,548,274	7,448,500	5,900,226	Company policy / through Tender	Employees of AGL / Tariq Iqbal / Muhammad Yasir
Plant and machinery	1,895,957	897,330	998,627	261,739	(736,888)	Through Tender	Mubashir Brothers
Furniture, fixtures and office equipment	1,344,601	1,265,024	79,577	2,035,417	1,955,840	Through Tender	Bilal Contractor & General Order Suppliers
<b>Total</b>	<b>10,108,757</b>	<b>7,482,280</b>	<b>2,626,477</b>	<b>9,745,656</b>	<b>7,119,178</b>		

**19.2 Capital work in progress**

	2021			
	As at 01 January 2021	Additions during the year	Transfers	As at 31 December 2021
Note	Rupees	Rupees	Rupees	Rupees
Civil work	1,242,500	1,466,251	(2,708,751)	
Plant, machinery & electric installation	17,325,795	8,088,154	(20,832,003)	4,581,945
19.2.1	<b>18,568,295</b>	<b>9,554,405</b>	<b>(23,540,754)</b>	<b>4,581,945</b>



	2020			
	As at 01 January 2019	Additions	Transfers	As at 31 December 2020
	Rupees	Rupees	Rupees	Rupees
Civil work	657,500	585,000	-	1,242,500
Plant, machinery & electric installation	46,013,148	32,024,181	(60,711,534)	17,325,795
	46,670,648	32,609,181	(60,711,534)	18,568,295

**19.2.1** These represents expenditure on plant and machinery in the course of construction, development and installation and majorly comprises of urea reactor, boiler shell, storage tank for production and material for shed.

	Note	2021 Rupees	2020 Rupees
<b>20 Intangible assets</b>			
Oracle computer software and implementation	20.1	<b>1,007,447</b>	--
Goodwill acquired in business combination	20.2	<b>2,567,310,828</b>	2,567,310,828
		<b>2,568,318,275</b>	2,567,310,828
<b>20.1 Oracle computer software and implementation</b>			
<b><u>Cost</u></b>			
As at 01 January		<b>42,567,574</b>	42,567,574
Addition during the year		<b>1,151,368</b>	-
<b><u>Accumulated amortisation</u></b>			
Opening		<b>(42,567,574)</b>	(42,567,574)
Amortisation for the year	32	<b>(143,921)</b>	-
		<b>(42,711,495)</b>	(42,567,574)
As at 31 December		<b>1,007,447</b>	-
Rate of amortisation		<b>25%</b>	25%

**20.1.1** The software represents financial accounting software which has been capitalized by the Company. The amortisation of the software represents the total accumulated amortisation charged till the reporting date and is fully amortised.

**20.2** Azgard Nine Limited ("ANL") acquired 100% shares in the Company on 15 July 2006, inclusive of shares offered to the employees of the Company, which were divested by the employees in favour of ANL. As permitted by the terms and conditions of privatization for the purpose of raising finance ANL formed a wholly owned subsidiary; Dominion Fertilizers (Private) Limited ("DFL"). By virtue of agreement ANL transferred 69.19% shares in the Company to DFL, which were later reverted back to ANL on merger of DFL into the Company under the court order dated 07 December 2006.

This goodwill represents the excess of purchase consideration paid by ANL to the Privatization Commission of Pakistan for acquisition of the Company over DFL interest in the fair value of identifiable net assets of the Company. The amount of goodwill was transferred to the Company on merger of DFL into the Company.

The recoverable amount of goodwill was tested for impairment as at 31 December 2021, by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS 36 "Impairment of Assets". The recoverable amount was calculated on the basis of five years business plan approved by the Board which includes a comprehensive analysis of existing operational deployments of the Company along with strategic business plans and business growth. The aforesaid plans are stated in detail in note 2.2. The value in use calculations are based on cash flow projections derived from aforesaid business plan which assumes availability of natural gas / RLNG on long term basis and at a subsidized rate. These cash flow projections have been extrapolated beyond five years, by using a steady 5.00% growth rate which is consistent with the long term average growth rate for the country. The cash flows are discounted using a discount rate of 7.42% for its use in calculation of value in use which is sensitive to discount rate and local inflation rates. Based on this calculation, no impairment of goodwill is required.





	Note	2021 Rupees	2020 Rupees
<b>21 Long term loans and advances - considered good</b>			
Advances to employees - secured	21.1 & 21.2	<b>18,223,840</b>	18,642,505
Less: Current maturity presented under current assets	26	<b>(4,199,704)</b>	(6,700,629)
		<b>14,024,136</b>	11,941,876

**21.1** These represent loans provided to the employees of the Company in accordance with the terms of their employment, under a scheme for house building, purchase of motorcycle/car and soft advances for different purposes. These loans are secured against future salaries and retirement benefits of the employees and in case of motorcycle/car title on the same. The outstanding amount at the end of the year is recoverable over a period of one to ten years. House building loan provided to employees is interest free, while motorcycle/car loan and soft advances carry markup at 10% per annum and 7% per annum, respectively.

**21.2** This includes advances to executives amounting to Rs. 2.34 million (2020: Rs. 4.68 million). The movement is as follows:

	2021 Rupees	2020 Rupees
Balance as at 01 January	<b>4,682,577</b>	7,375,626
Recoveries during the year	<b>(2,334,331)</b>	(2,693,049)
Balance as at 31 December	<b>2,348,246</b>	4,682,577

The maximum aggregate amount outstanding during the year is Rs. 4.68 million (2020: Rs. 7.37 million).

	Note	2021 Rupees	2020 Rupees
<b>22 Long term deposits - unsecured, considered good</b>			
Deposits against musharika assets	22.1	<b>202,800</b>	1,916,192
Security deposits with utility companies		<b>57,677,251</b>	58,884,712
		<b>57,880,051</b>	60,800,904
Current maturity presented under current assets		<b>(202,800)</b>	(1,916,192)
		<b>57,677,251</b>	58,884,712

**22.1** These have been deposited with BankIslami Pakistan Limited against diminishing musharika arrangements amounting to Rs. Nil (2020: Rs. 1.30 million).

	2021 Rupees	2020 Rupees
<b>23 Stores, spare parts and loose tools</b>		
Stores	<b>140,932,033</b>	124,016,385
Spare parts	<b>1,912,357,501</b>	1,927,437,452
Loose tools	<b>622,230</b>	462,031
	<b>2,053,911,764</b>	2,051,915,868



	Note	2021 Rupees	2020 Rupees
<b>24 Stock in trade</b>			
Raw material		127,974,381	78,450,173
Packing material		21,296,313	17,298,875
Work in process		93,858,186	89,279,443
Finished goods		119,325,118	271,552,598
		<b>362,453,998</b>	456,581,089
<b>25 Trade debts</b>			
Considered good		88,592,108	489,620
Considered doubtful - <i>unsecured</i>		43,380,085	48,481,045
		131,972,193	48,970,665
Less: provision for doubtful trade debts	25.1	(43,380,085)	(48,481,045)
		<b>88,592,108</b>	489,620
<b>25.1 Movement in provision for doubtful trade debts</b>			
As at 01 January		48,481,045	48,878,035
Provision for the year - net of recoveries		(5,100,960)	(396,990)
As at 31 December		<b>43,380,085</b>	48,481,045
<b>26 Advances, deposits, prepayments and other receivables</b>			
Advances to suppliers - <i>unsecured, considered good</i>	26.1	669,701,546	480,492,784
Advances to employees - <i>secured, considered good</i>			
- against salaries and post employment benefits	21	4,199,704	6,700,629
- against purchases and expenses		11,832,320	15,197,148
Deposit with High Court	18.1.1.2	36,000,000	36,000,000
Prepayments		10,731,129	7,567,322
Deposits against Ijarah	22.1	202,800	1,916,192
Receivable from Government of Pakistan	26.2	1,346,250	1,346,250
Receivable from Government of Punjab	26.3	5,546,656	-
Sales tax receivable - net		2,351,664,506	1,345,817,803
Subsidy receivable	26.4	812,227,932	812,227,932
Other receivables	26.5	92,364,411	82,342,759
Markup receivable on investment		2,049,327	-
		<b>3,997,866,581</b>	2,789,608,819
Less: provision against doubtful advances and receivable	26.6	(226,635,145)	(219,897,199)
		<b>3,771,231,436</b>	2,569,711,620

**26.1** This includes Rs. 509.73 million (2020: Rs. 327.729 million) receivable from SNGPL in respect of gas supply. GOP has approved subsidy of differential of capped Gas/RLNG blend price of Rs. 782/MMBTU (inclusive of GIDC) with the OGRA notified Gas/RLNG Blend Prices (inclusive of GIDC) at ratio of 62:38. The subsidy is to be paid by GOP directly to SNGPL. This amount will be adjusted against payable to SNGPL once SNGPL receives the subsidy from GOP in respect of supply of gas to the Company at the subsidized rate of Rs. 782 / MMBTU (inclusive of GIDC).

**26.2** This represents land acquired by the Government of Pakistan ("GOP") under the Land Acquisition Act, 1894 and rules thereon for infrastructure development including for Inland Water Transport Development Company ("IWTD"). GOP has taken over the possession of the said land, however, transfer of land title in the name of GOP is in process at the reporting date.



- 26.3** This represents amount paid against demand notice issued by the Excise & Taxation Department. The Company has argued before the Honourable High Court that there is no property tax on property located in rural area. The case is pending for adjudication.

	Note	2021 Rupees	2020 Rupees
<b>26.4 Subsidy receivable -related party</b>			
- from Ministry of Food, Agriculture and Livestock	26.4.1	<b>550,823,960</b>	550,823,960
- from Ministry of National Food Security and Research	26.4.2	<b>261,403,972</b>	261,403,972
		<b>812,227,932</b>	812,227,932

- 26.4.1** This represents receivable from Government of Pakistan against subsidy granted by Ministry of Food, Agriculture, and Livestock ("MINFAL") amounting to Rs. 550.82 million (2020 : Rs. 550.82 million) through letter No. F-4-13/2000-Fert dated 05 September 2008, on Phosphatic and Potassic Fertilizer ("PPF") at the rate of Rs. 19,120 per metric ton. The Company being a producer of PPF, was entitled to the same subsidy for the period commencing on 05 September 2008 and ending on 14 April 2009. However, on 14 April 2009 subsidy regime was withdrawn by MINFAL with retrospective effect from 31 December 2008 which was contended by the Company through filling a legal suit in the Court of 1st Class Civil judge ("the Court") for recovery of subsidy relating to the period from 01 January 2009 to 14 April 2009, on the grounds that the Company had priced and sold its product in said period based on bonafide belief and legitimate expectation that subsidy regime was available and therefore the Company is entitled to the payment of aforesaid amount being the sum of the subsidy claim for said period along with markup. In the year 2017, an ex-parte decision for the recovery of subsidy claim along with markup was given in favor of the Company by the Court. Based on the above decision, the management is pursuing its claim with the concerned authorities. However, provision amounting to Rs. 216 million on account of ECL has been made against this receivable in these financial statements.

- 26.4.2** This includes the following:

- Subsidy amounting to Rs. 16.40 million (2020: Rs. 16.40 million) at the rate of Rs. 196 /- per 50 kg bag of SSP Fertilizer sold (based on phosphorous content) as notified by Ministry of National Food Security and Research ("MNFSR"), Government of Pakistan through Notification No. F.1-11/2012/DFSC-II/Fertilizer dated 03 November 2015 and subsidy amounting to Rs. 30.78 million (2018: Rs. 30.78 million) at the rate of Rs. 117/- per 50 kg bag of SSP Fertilizer sold (based on phosphorous content) as notified by Ministry of National Food Security and Research ("MNFSR"), Government of Pakistan through Notification No. F. 1-11/2012/DFSC-II/Fertilizer dated 12 August 2016.
- Receivable from Government of Pakistan against subsidy granted by Ministry of Food Security and Research ("MNFSR") amounting to Rs. 131.88 million (2020: Rs. 131.88 million) through letter No. F-1-11/2012/DFCS-II/Fertilizer dated 25 June 2016, on sale of Urea fertilizer at the rate of Rs. 156/- per 50 kg bag sold and subsidy amounting to Rs. 82.34 million (2020: Rs. Rs. 82.34 million) through revised letter No. 15 (4) CFC/2015-615 dated 07 August 2017, on sale of Urea fertilizer at the rate of Rs. 100/- per 50 kg bag. Under the subject notifications, all manufacturers of urea fertilizer registered with the Federal Board of Revenue under Sales Tax regime will be eligible for receiving cash subsidy. The Company being a producer of urea fertilizer, was entitled to the same subsidy for the periods notified in the respective notices.

- 26.5** This mainly includes acknowledged insurance claim amounting to Rs. 50.25 million lodged by the Company in respect of break down of Turbomach gas turbine ("the Turbine Claim") and the consequential losses sustained by the Company from the interruption of its business. The company has filed a legal suit in the court of District and Session Judge Insurance Tribunal, Lahore for the recovery of turbine claim and consequential losses of Rs. 396.79 million and is hopeful of a favorable outcome. This claim is pending processing based on outcome of the case.

	2021 Rupees	2020 Rupees
<b>26.6 Movement in provision for doubtful advances and receivables</b>		
As at 01 January	<b>219,897,199</b>	215,000,000
Provision for the year	<b>6,737,946</b>	4,897,199
As at 31 December	<b>226,635,145</b>	219,897,199



	Note	2021 Rupees	2020 Rupees
<b>27 Short term investment</b>			
Investment in Term Deposit Receipts	27.1	104,200,000	-
		<b>104,200,000</b>	--

**27.1** This represents investment made in term deposit receipts issued by United Bank Limited carries mark up at 6.71% & 7.25%.

	Note	2021 Rupees	2020 Rupees
<b>28 Cash and bank balances</b>			
Cash in hand		616,843	599,249
Cash at bank - local currency			
Current accounts	28.1	387,031,096	174,489,007
Saving accounts	28.2	696,187,344	620,250,395
		<b>1,083,218,440</b>	794,739,402
		<b>1,083,835,283</b>	795,338,651

**28.1** These include bank accounts of Rs. 62.99 million (2020: Rs. 43.90 million) maintained under Shariah compliant arrangements.

**28.2** These carry mark-up at the rates ranging from 6% to 8.26% per annum (2020: 5% to 12% per annum).

**28.3** As referred to note 18.1.2.3, a lien has been imposed by Meezan Bank Limited ("MBL") on the account of the Company to the extent of Rs. 40.21 million (2020: Rs. 40.21 million).

		2021 Rupees	2020 Rupees
<b>29 Sales - net</b>			
Sale of fertilizers			
- Local		10,234,563,248	5,800,667,587
Other products		191,196,720	116,611,794
<b>Gross sales</b>		<b>10,425,759,968</b>	5,917,279,381
Sales tax		(238,416,821)	(135,391,734)
Trade discounts		(86,419,298)	(82,164,645)
<b>Net sales</b>		<b>10,100,923,848</b>	5,699,723,002



	Note	2021 Rupees	2020 Rupees
<b>30 Cost of sales</b>			
Raw and packing material consumed		<b>5,548,995,109</b>	3,154,613,501
Salaries, wages and other benefits	30.1	<b>542,730,918</b>	508,481,798
Fuel and power		<b>1,361,023,199</b>	829,863,502
Stores, spare part and loose tools consumed		<b>237,193,504</b>	205,734,174
Travelling, conveyance and entertainment		<b>45,446,782</b>	33,769,757
Rent, rates and taxes		<b>445,174</b>	616,731
Insurance expenses		<b>30,746,402</b>	28,005,693
Repair and maintenance		<b>35,132,511</b>	26,124,663
Depreciation on property, plant and equipment	19.1.3	<b>1,594,019,655</b>	1,591,993,608
Printing and stationery		<b>2,511,194</b>	2,173,991
Communication		<b>5,077,794</b>	5,060,529
Loading and handling charges	30.2	<b>41,387,191</b>	24,787,368
Ijarah lease rentals	30.3	<b>774,327</b>	-
Contract services		<b>3,268,400</b>	2,835,413
Security		<b>47,769,916</b>	44,971,893
Others	30.4	<b>47,235,098</b>	41,452,596
		<b>9,543,757,174</b>	6,500,485,217
Opening work-in-process		<b>89,279,443</b>	95,566,686
Closing work-in-process		<b>(93,858,186)</b>	(89,279,443)
		<b>(4,578,743)</b>	6,287,243
Cost of goods manufactured		<b>9,539,178,431</b>	6,506,772,460
Opening finished goods		<b>271,552,598</b>	637,222,060
Closing finished goods		<b>(119,325,118)</b>	(271,552,598)
		<b>152,227,480</b>	365,669,462
Cost of goods sold		<b>9,691,405,911</b>	6,872,441,922

**30.1** These include charges in respect of employees' retirement benefits amounting to Rs. 5.48 million (2020: Rs. 6.43 million) and Rs. 15.33 million (2020: Rs. 14.76 million) on account of gratuity and provident fund respectively and include charges in respect of Iskanderabad Welfare Trust (IWT) amounting to Rs. 35.9 million (2020: 28.7 million).

**30.2** These include charges related to Iskanderabad Welfare Trust (IWT) amounting to Rs. 17.2 million (2020: Rs. 11.37 million).

**30.3** This represents vehicles under Ijarah financing provided to the executives under the Company's policy.

**30.4** Other expenses include housing colony expenses aggregating to Rs. 35.55 million (2020: Rs. 27.92 million).



	Note	2021 Rupees	2020 Rupees
<b>31 Selling and distribution expenses</b>			
Salaries, wages and other benefits	31.1	33,253,912	32,359,217
Freight and other expenses		292,792,216	170,519,870
Communication		722,172	588,000
Travelling and conveyance		3,789,894	2,422,729
Advertisement		5,190,549	4,966,879
Rent, rates and taxes		8,785,328	4,928,808
Insurance expenses		2,803,090	2,954,000
Vehicle running and maintenance		249,209	83,242
Printing and stationery		231,771	261,152
Security services		4,155,238	2,866,218
Miscellaneous		505,501	479,685
		<b>352,478,880</b>	<b>222,429,800</b>

**31.1** These include charges in respect of employees retirement benefits amounting to Rs. 0.024 million (2020: Rs. 0.008 million) and Rs. 1.30 million (2020: Rs. 1.40 million) on account of gratuity and provident fund respectively and it also includes charges related to Iskanderabad Welfare Trust (IWT) amounting to Rs. 0.79 million (2020: Rs. 0.65 million).

	Note	2021 Rupees	2020 Rupees
<b>32 Administrative and general expenses</b>			
Salaries and other benefits	32.1	209,027,606	184,840,117
Travelling, conveyance and entertainment		12,096,137	11,414,416
Rent, rates and taxes		6,340,518	6,466,288
Printing and stationery		3,926,368	3,420,996
Communication		2,718,284	2,486,256
IT consultancy		14,684,420	4,321,190
Legal and professional charges	32.2	82,877,036	76,160,551
Depreciation on property, plant and equipment	19.1.3	9,032,092	4,278,599
Amortization on intangible assets		143,921	-
Guest house expenses		2,452,995	2,394,875
Utilities		13,300,017	12,784,645
Repair and maintenance		3,971,605	3,293,610
Insurance expenses		1,693,096	1,425,956
Subscription fee		248,129	42,613
Security Charges		13,598	-
Miscellaneous		7,277,091	10,075,382
		<b>369,802,913</b>	<b>323,405,494</b>

**32.1** These include charges in respect of employees' retirement benefits amounting to Rs. 2.65 million (2020: Rs. 3 million) and Rs. 4.67 million (2020: Rs. 4.28 million) on account of gratuity and provident fund respectively and it also includes charges related to Iskanderabad Welfare Trust (IWT) amounting to Rs. 31.5 million (2020: Rs. 28.04 million).



	Note	2021 Rupees	2020 Rupees
<b>32.2</b>	<b>These include following in respect of auditors' remuneration:</b>		
Statutory audit fee for the year		6,006,000	5,720,000
Review report under Code of Corporate Governance		86,625	82,500
Interim review		1,349,250	1,285,680
Taxation and other services		458,750	350,000
Out of pocket expenses		615,000	500,000
		<b>8,515,625</b>	<b>7,938,180</b>
<b>33</b>	<b>Other expenses</b>		
Provision against doubtful receivable	26.4.1	-	4,897,199
Loss from experimental farm - net	33.1	456,767	538,620
		<b>456,767</b>	<b>5,435,819</b>
<b>33.1</b>	Depreciation amounting to Rs. Nil (2020: Rs. 0.035) million has been netted off in this balance.		
	Note	2021 Rupees	2020 Rupees
<b>34</b>	<b>Other income</b>		
		<b><u>Income from financial assets</u></b>	
Profit on a profit and loss sharing bank balance	28	20,042,854	30,446,439
Mark-up on advances to employees		584,541	666,014
		<b>20,627,395</b>	<b>31,112,453</b>
		<b><u>Income from non-financial assets</u></b>	
Sale of scrap		36,550,637	986,402
Gain on disposal of property, plant and equipment		7,119,178	-
Liabilities written back		36,228,802	150,463,167
Bad debt recovered		-	43,918
Miscellaneous		213,058	-
		<b>80,111,675</b>	<b>151,493,487</b>
		<b>100,739,070</b>	<b>182,605,940</b>
<b>35</b>	<b>Finance cost</b>		
Interest / mark-up on:			
- Redeemable capital		1,151,185,004	1,289,718,711
- Long term finances		732,657,068	823,963,479
- Short term borrowings		349,215,163	411,109,102
- Late payment surcharge		176,384,019	10,256,879
		<b>2,409,441,254</b>	<b>2,535,048,171</b>
Dividend on preference shares	10	175,267,699	175,747,885
Amortization of present value of GIDC		208,897,276	232,095,718
Bank charges and commission		11,666,478	2,242,748
		<b>2,805,272,707</b>	<b>2,945,134,522</b>



	Note	2021 Rupees	2020 Rupees
<b>36 Taxation</b>			
For the year			
- Current tax		126,261,548	85,495,845
- Deferred tax	12.2.3	(462,778,118)	(275,114,005)
		<b>(336,516,570)</b>	<b>(189,618,160)</b>
<b>37 Loss per share - basic and diluted</b>			
Loss attributable to ordinary shareholders		(2,681,237,690)	(4,296,900,455)
		----- Number of shares -----	
Weighted average number of ordinary shares outstanding during the year		392,430,000	392,430,000
Loss per share - <i>basic and diluted</i>	<b>(Rupees)</b>	<b>(6.83)</b>	<b>(10.95)</b>
The effect of conversion of preference shares into ordinary shares is anti-dilutive, accordingly the diluted loss per share (LPS) is restricted to basic EPS.			
	Note	2021 Rupees	2020 Rupees
<b>38 Cash generated from operations</b>			
<b>Loss before taxation</b>		<b>(3,017,754,260)</b>	<b>(4,486,518,615)</b>
<b><u>Adjustments for non-cash items:</u></b>			
Interest / mark-up / dividend expense		2,628,888,688	2,945,134,522
Depreciation on property, plant and equipment		1,603,051,747	1,596,307,553
Amortization of computer software		143,921	-
Staff retirement benefits		8,121,528	9,448,209
Gain on disposal of property, plant and equipment		(7,119,178)	-
Mark-up / interest income/reversal of markup/discounting income		(20,627,395)	(31,112,453)
		<b>4,212,459,312</b>	<b>4,519,777,831</b>
<b>Operating profit before changes in working capital</b>		<b>1,194,705,052</b>	<b>33,259,216</b>
<b><u>Changes in working capital:</u></b>			
<i>(Increase) / decrease in current assets:</i>			
Stores, spare parts and loose tools		(1,995,896)	46,972,190
Stock-in-trade		94,127,091	330,983,982
Trade debts		(88,102,488)	(489,620)
Advances, deposits, prepayments and other receivables		(1,201,519,816)	302,909,780
		<b>(1,197,491,109)</b>	<b>680,376,332</b>
<i>(Decrease) / Increase in current liabilities:</i>			
Trade and other payables		934,914,967	(248,708,859)
		<b>932,128,910</b>	<b>464,926,689</b>
<b>39 Cash and cash equivalents</b>			
Running finance - secured	14	(2,589,472,495)	(2,718,008,076)
Cash and bank balances	28	1,083,835,283	795,338,651
		<b>(1,505,637,212)</b>	<b>(1,922,669,425)</b>



**40 Transactions and balances with related parties**

Related parties include associated undertakings, key management personnel (including the Chief Executive and Directors), post employment benefit plans and other related parties. The Company in the normal course of business carries out transactions with various related parties.

Details of transactions and balances with related parties are as follows:

	2021 Rupees	2020 Rupees
<b>40.1 Transactions with related parties</b>		
<b>40.1.1 Associated Undertakings</b>		
<b><u>Shareholding and common directorship</u></b>		
<b>National Bank of Pakistan</b>		
Mark-up expense for the year	317,057,733	357,713,565
Preference dividend for the year	3,804,632	3,815,055
(Decrease) / Increase in bank balances - net	3,339,369	(4,785,148)
<b><u>Common directorship</u></b>		
<b>Faysal Bank Limited</b>		
Mark-up expense for the year	185,116,611	208,336,312
Mark-up paid during the year	631,470	-
Preference dividend for the year	34,139,153	34,232,685
Loan repaid during the year	5,174,400	500,000
Trustee fee for the year	2,500,000	2,500,000
(Decrease) / Increase in bank balances - net	13,627,385	3,645,289
<b>Silk Bank Limited</b>		
Mark-up expense for the year	66,860,106	71,280,320
Markup paid during the year	72,685,269	13,958,106
(Decrease) / Increase in Short term borrowings - net	(1,047,807)	554,363
<b>Summit Bank Limited</b>		
Mark-up expense for the year	116,763,071	129,402,313
Markup paid during the year	123,676,058	30,441,641
(Decrease) / Increase in Short term borrowings - net	(127,538,041)	20,504,478
(Decrease) / Increase in bank balances - net	(278,296,370)	198,171,723
<b>40.1.2 Post employment benefit plans</b>		
- Provident fund trust-contribution	21,305,350	20,446,637
- Gratuity trust-contribution	8,121,528	18,013,868
<b>40.1.3 Key management personnel</b>		

The remuneration paid to Chief Executive Officer, directors and executives (key management personnel) in terms of their employment is disclosed in note 41 to the financial statements.



	2021 Rupees	2020 Rupees
<b>40.2 Balances with related parties</b>		
<b>40.2.1 Associated Undertakings</b>		
<b><u>Shareholding and common directorship</u></b>		
<b>National Bank of Pakistan</b>		
Long term finances	2,467,083,735	2,467,083,735
Redeemable capital	462,057,100	462,057,100
Bills payable	187,030,000	187,030,000
Preference shares	34,587,560	34,587,560
Mark-up payable	3,792,515,281	3,475,457,548
Preference dividend payable	189,991,398	186,186,766
Bank account balances	5,772,462	2,433,094
Advisory fee payable	738,600,000	738,600,000
Advance for transaction cost	23,200,000	23,200,000
<b><u>Common directorship</u></b>		
<b>Faysal Bank Limited</b>		
Redeemable capital	1,499,109,500	1,499,109,500
Long term finances	344,325,600	349,500,000
Preference shares	310,355,940	310,355,940
Mark-up payable	2,124,517,733	1,940,032,592
Preference dividend payable	337,276,129	303,136,975
Bank account balances	17,440,191	3,812,806
Trustee fee payable	5,668,582	5,668,582
<b>Silk Bank Limited</b>		
Long term finances	130,607,546	130,607,546
Short term borrowings	550,948,624	551,996,429
Mark-up payable	276,299,263	282,124,426
<b>Summit Bank Limited</b>		
Redeemable capital	603,406,000	603,406,000
Short term borrowings	671,950,148	667,175,480
Mark-up payable	539,637,439	544,113,860
Bank account balances	553,679	278,850,049
<b>Others</b>		
Iskanderabad welfare Trust Payable	7,345,538	5,477,882
Housing colony receivable	17,914,652	4,948,070
<b>40.2.2 Post employment benefit plans</b>		
Payable to Gratuity trust	15,222,105	6,930,313

All transactions with related parties have been carried out on commercially agreed terms and conditions.

**41 Remuneration of Chief Executive Officer, Directors and Executives**

The aggregate amount charged in financial statements in respect of Chief Executive Officer, Directors and Executives on account of managerial remuneration, perquisites and benefits, post employment benefits and the number of such Directors and Executives are as follows:

2021				
	Directors			Executives
	Chief Executive Officer	Executive Directors	Non-executive Directors	
	Rupees	Rupees	Rupees	
Managerial remuneration	15,428,568	-	-	39,473,391
House rent allowance	4,628,568	-	-	11,321,873
Utility allowance	1,542,864	-	-	1,853,319
Others	-	-	-	21,827,027
Post employment benefits	1,285,200	-	-	3,025,332
Meeting fee	-	-	4,530,003	-
Bonus	-	-	-	5,746,817
	<b>22,885,200</b>	<b>-</b>	<b>4,530,003</b>	<b>83,247,759</b>
Number of persons	1	-	6	20
2020				
	Directors			Executives
	Chief Executive Officer	Executive Director	Non-executive Directors	
	Rupees	Rupees	Rupees	
Managerial remuneration	14,957,140	-	-	40,293,570
House rent allowance	4,487,140	-	-	11,244,074
Utility allowance	1,495,720	-	-	1,713,876
Others	457,476	-	-	22,213,317
Post employment benefits	1,245,930	-	-	3,116,795
Meeting fee	-	-	154,000	-
Bonus	2,226,554	-	-	11,308,168
	<b>24,869,960</b>	<b>--</b>	<b>154,000</b>	<b>89,889,800</b>
Number of persons	1	-	6	19

Chief executive officer and certain executives are provided with free use of Company maintained car. Other terms and conditions are as per the terms of reference of the respective employment contracts.



## 42 Financial risk management

The Company's activities expose it to a variety of financial risks which affect its revenues, expenses, assets and liabilities. These risks are as follows:

- Credit risk
- Liquidity risk; and
- Market risk (including currency risk, interest rate risk and price risk)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board has developed a risk policy that sets out fundamentals of risk management framework.

### **Risk Management Framework**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee. The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

#### **42.1 Credit risk and concentration of credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

##### **42.1.1 Exposure to credit risk**

Credit risk of the Company arises principally from trade debts, advances, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Out of total financial assets of Rs. 1,181 million (2020: Rs. 1,008 million), the financial assets that are subject to credit risk amount to Rs. 2,007 million (2020: Rs. 974.304 million).

The maximum exposure to credit risk at the reporting date is as follows:

	<b>2021</b>	2020
	<b>Rupees</b>	Rupees
Long term deposits	<b>57,880,051</b>	58,884,712
Trade debts	<b>88,592,108</b>	489,620
Advances and other receivables	<b>778,097,981</b>	120,258,951
Bank balances	<b>1,083,218,440</b>	794,739,402
	<b>2,007,788,580</b>	974,372,685

**42.1.2 Concentration of credit risk**

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counter party is as follows:

	2021 Rupees	2020 Rupees
Customers	88,592,108	489,620
Banking companies and financial institutions	1,083,218,440	794,739,402
Others	835,978,032	177,227,471
	<b>2,007,788,580</b>	<b>972,456,493</b>

**42.1.3 Credit quality and impairment**

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or historical information about the counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies and other regulatory authorities. Credit quality of customer is assessed by reference to historical default rates and present ages.

**42.1.3(a) Counterparties with external credit ratings**

These include banking companies and financial institutions, which are counterparties to cash deposits, bank guarantees, security deposits and margin deposits. These are neither past due nor impaired. Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

**Banks and financial institutions**

Bank	Rating		Rating Agency	2021 Rupees	2020 Rupees
	Long term	Short term			
<b>Bank balances</b>					
AlBaraka Bank (Pakistan) Limited	A	A1	VIS	3,396,427	616,702
Allied Bank Limited	AAA	A1+	PACRA	25,115	22,615
Askari Bank Limited	AA+	A1+	PACRA	32,501,330	20,693,305
Bank Alfalah Limited	AA+	A1+	PACRA	72,190	72,189
Bank Islami Pakistan Limited	A+	A1	PACRA	1,519,489	1,519,489
Dubai Islamic Bank Pakistan Limited	AA	A1+	JCR-VIS	1,548,199	1,548,199
Faysal Bank Limited	AA	A1+	JCR-VIS	17,437,694	3,812,806
Habib Bank Limited	AAA	A1+	JCR-VIS	79,034,371	58,568,609
MCB Bank Limited	AAA	A1+	PACRA	84,845,434	25,874,762
Meezan Bank Limited	AAA	A1+	JCR-VIS	40,212,297	40,212,297
National Bank of Pakistan	AAA	A1+	JCR-VIS	4,412,462	2,433,094
NIB Bank Limited	AAA	A1+	PACRA	12,646	12,116
Soneri Bank Limited	A1+	AA-	PACRA	24,649	24,649
Standard Chartered Bank (Pakistan) Limited	AAA	A-1+	PACRA	917,927	917,927
Summit Bank Limited	A1	A-	JCR-VIS	553,679	286,141,587
The Bank of Punjab	AA+	A1+	PACRA	2,765	2,765
United Bank Limited	AAA	A1+	JCR-VIS	816,701,766	352,266,291
				<b>1,083,218,440</b>	<b>794,739,402</b>
<b>Security Deposits</b>					
AlBaraka Bank (Pakistan) Limited	A	A1	PACRA	-	1,309,472
JS Bank Limited	AA-	A1+	PACRA	-	606,720
				-	1,916,192
				<b>1,083,218,440</b>	<b>796,655,594</b>



#### 42.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts. Major sales of the Company are on advance basis, however for few customers the Company is exposed to credit risk in respect of trade debts. Major portion of sales made to customers are secured against bank guarantees. The analysis of age of trade debts at the reporting date is as follows:

	2021		2020	
	Gross carrying amount Rupees	Accumulated impairment Rupees	Gross carrying amount Rupees	Accumulated impairment Rupees
Neither past due nor impaired	-	-	-	-
Past due by 3 to 6 months	88,592,108	-	-	-
Past due by 6 to 12 months	-	-	-	-
Past due by more than one year	43,380,085	43,380,085	48,970,665	48,481,045
	131,972,193	43,380,085	48,970,665	48,481,045

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it will not receive the amount due from the particular customer. Based on historical default rates, the Company believes that no impairment allowance other than already provided is necessary in respect of trade receivables not past due or those past due by less than one year, since these relate to customers who have had good payment record with the Company. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited to income statement.

#### 42.1.4 Credit risk management

As mentioned in note 42.1.3(b) to the financial statements, the Company's financial assets do not carry significant credit risk. The Company also avoids any significant exposure to a single customer.

#### 42.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

##### 42.2.1 Exposure to liquidity risk

##### 42.2.1(a) Contractual maturities of financial liabilities, including estimated interest payments

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, include estimated interest payments and exclude the impact of netting agreements.

	2021				
	Carrying amount Rupees	Contractual cash flows Rupees	Less than one year Rupees	One to three years Rupees	More than three years Rupees
<b><u>Non-derivative financial liabilities</u></b>					
Redeemable capital - secured	12,165,534,546	12,165,534,546	12,165,534,546	-	-
Long term finances - secured	7,103,591,664	7,103,591,664	7,103,591,664	-	-
Convertible, redeemable preference shares	1,593,342,690	1,593,342,690	-	-	1,593,342,690
Long term payable	1,157,874,632	1,157,874,632	-	1,157,874,632	-
Short term borrowings - secured	3,518,449,435	3,518,449,435	3,518,449,435	-	-
Trade and other creditors	2,832,973,429	2,832,973,429	2,832,973,429	-	-
Accrued liabilities	197,191,347	197,191,347	197,191,347	-	-
Security deposits and retention money	17,287,331	17,287,331	17,287,331	-	-
Other payables	60,308,472	60,308,472	60,308,472	-	-
Mark-up accrued on borrowings	23,731,549,868	23,731,549,868	23,731,549,868	-	-
Preference dividend payable	1,731,370,386	1,731,370,386	1,731,370,386	-	-
	54,109,473,800	54,109,473,800	51,358,256,478	1,157,874,632	1,593,342,690



	2020				
	Carrying amount	Contractual cash flows	Less than one year	One to three years	More than three years
	Rupees	Rupees	Rupees		
<b><u>Non-derivative financial liabilities</u></b>					
Redeemable capital - secured	12,165,534,546	12,165,534,546	12,165,534,546	-	-
Long term finances - secured	7,113,137,166	7,113,137,166	7,113,137,166	-	-
Convertible, redeemable preference shares	1,593,342,690	1,593,342,690	-	-	1,593,342,690
Long term payable	1,740,315,519	1,740,315,519	-	1,709,180,320	31,135,199
Short term borrowings - secured	3,646,985,016	3,646,985,016	3,646,985,016	-	-
Trade and other creditors	1,881,736,485	1,881,736,485	1,881,736,485	-	-
Accrued liabilities	113,095,904	113,095,904	113,095,904	-	-
Security deposits and retention money	18,597,680	18,597,680	18,597,680	-	-
Other payables	43,870,113	43,870,113	43,870,113	-	-
Mark-up accrued on borrowings	21,731,686,709	21,731,686,709	21,731,686,709	-	-
Preference dividend payable	1,556,102,687	1,556,102,687	1,556,102,687	-	-
	51,604,404,515	51,604,404,515	48,270,746,306	1,709,180,320	1,624,477,889

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

#### 42.2.2 Liquidity risk management

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

The Company continues to face a liquidity shortfall, as a result of which it was unable to meet its obligations in respect of various debt finances and is not in compliance with certain financial covenants as referred to in note 8.9 and 9.9. The details of overdue financial liabilities are as follows:

	Note	2021		
		Principal Rupees	Interest / mark up Rupees	Total Rupees
<b><u>Nature of liability</u></b>				
Redeemable capital	8	12,165,534,546	13,081,961,047	25,247,495,593
Long term finances	9	7,103,591,664	8,668,826,240	15,772,417,903
Short term borrowings	14	2,427,814,856	1,954,560,018	4,382,374,874
		21,696,941,066	23,705,347,305	45,402,288,371
2020				
		Principal Rupees	Interest / mark up Rupees	Total Rupees
<b><u>Nature of Liability</u></b>				
Redeemable capital	8	12,165,534,546	11,930,776,044	24,096,310,590
Long term finances	9	7,108,766,064	7,936,023,212	15,044,789,276
Short term borrowings	14	1,709,291,163	1,819,885,587	3,529,176,750
		20,983,591,773	21,686,684,843	42,670,276,616



In lieu of prevailing situation, the Company appointed National Bank of Pakistan ("NBP") as Financial Advisor ("FA") to review its capital structure and propose financial rehabilitation plan. The Company was unable to meet its financial obligations due to liquidity constraints as a result of gas curtailment, and its debt burden ballooned in the form of principal and overdue mark up. It was in this backdrop that FA was mandated to propose the most suitable capital structure based on a realistic view of gas availability. After analyzing the situation, complete debt plus mark-up conversion into Preference Shares was proposed. The Board as part of the rehabilitation plan offered settlement of entire accrued mark up till 31 December 2013. This scheme has been approved in BOD meeting held on 05 November 2013 and subsequently approved by shareholders in an Extra Ordinary General Meeting held on 10 December 2013. After obtaining NOCs from the lenders and completing procedural and secretarial requirements, the Company in the year 2016 filed the proposed rehabilitation plan with the Honorable Lahore High Court under the provisions of repealed Companies Ordinance, 1984 for necessary approval and order. By implementing this scheme, the Company expects to achieve suitable capital structure, reduce servicing burden to a sustainable level eventually leading to improved financial position. The matter is pending for approval by the Lahore High Court.

#### 42.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

##### 42.3.1 Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are Euros, JPY and US dollars.

##### 42.3.1(a) Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	2021 Rupees	2020 Rupees
<b><u>Off balance sheet items</u></b>		
Outstanding letters of credit:		
US \$	58,127,202	57,139,605
EUR €	81,754,452	-
<b>Net exposure</b>	<b>139,881,654</b>	<b>57,139,605</b>

##### 42.3.1(b) Exchange rates applied during the year

The following significant exchange rates have been applied during the year:

		2021 Rupees	2020 Rupees
<i>Reporting date spot rate:</i>			
- buying	US \$	180.40	159.90
- selling	US \$	179.10	160.50
Average rate for the year	US \$	169.80	157.78
<i>Reporting date spot rate:</i>			
- buying	EUR €	202.20	188.50
- selling	EUR €	200.45	191.50
Average rate for the year	EUR €	195.98	182.61
<i>Reporting date spot rate:</i>			
- buying	GBP	239.10	210.00
- selling	GBP	236.60	213.00
Average rate for the year	GBP	224.80	208.20





		2021 Rupees	2020 Rupees
<i>Reporting date spot rate:</i>			
- buying	<b>CHF</b>	<b>160.90</b>	175.25
- selling	<b>CHF</b>	<b>160.00</b>	176.15
Average rate for the year	<b>CHF</b>	<b>168.08</b>	168.16
<i>Reporting date spot rate:</i>			
- buying	<b>JPY</b>	<b>1.55</b>	1.55
- selling	<b>JPY</b>	<b>1.58</b>	1.58
Average rate for the year	<b>JPY</b>	<b>1.51</b>	1.51

**42.3.1(c) Sensitivity analysis**

A reasonably possible strengthening / (weakening) of 1% in Pak Rupee against the foreign currencies would have affected the measurement of financial instruments denominated in foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2021 Rupees	2020 Rupees
US \$	<b>581,272</b>	571,396
EUR €	<b>817,545</b>	-
	<b>1,398,817</b>	571,396

**42.3.1(d) Currency risk management**

Since the maximum amount exposed to currency risk is minimal, any adverse / favorable movement in functional currency with respect to Euros, JPY US dollar will not have any material impact on the operational results.

**42.3.2 Interest / markup rate risk**

Interest / markup rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

**42.3.2(a) Fixed rate financial instruments**

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	Note	2021		2020	
		Financial asset	Financial liability	Financial asset	Financial liability
		Rupees	Rupees	Rupees	Rupees
<b><u>Non-derivative financial instruments</u></b>					
Redeemable capital	8	-	<b>618,685,000</b>	-	618,685,000
Convertible, redeemable preference shares	10	-	<b>1,593,342,690</b>	-	1,593,342,690
Long term advance to employees	21	<b>14,024,136</b>	-	11,941,876	-
		<b>14,024,136</b>	<b>2,212,027,690</b>	11,941,876	2,212,027,690

**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 profit / mark-up / interest rates at the reporting date would not affect profit or loss.



#### 42.3.2(b) Variable rate financial instruments

	Note	2021		2020	
		Financial asset	Financial liability	Financial asset	Financial liability
		Rupees	Rupees	Rupees	Rupees
<b><u>Non-derivative financial instruments</u></b>					
Redeemable capital	8	-	10,998,024,546	-	10,998,024,546
Long term finances	9	-	7,103,591,664	-	7,113,137,166
Short term borrowings - secured	14	-	3,518,449,435	-	3,646,985,016
Bank balances - saving accounts	28	696,187,344	-	620,250,395	-
		<b>696,187,344</b>	<b>21,620,065,645</b>	<b>620,250,395</b>	21,758,146,728

#### 42.3.2(c) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at the reporting date would have (increased) / decreased loss by amounts presented below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	2021 Rupees	2020 Rupees
<b><u>Increase of 100 basis points</u></b>		
Variable rate instruments	(209,238,783)	(211,378,963)
<b><u>Decrease of 100 basis points</u></b>		
Variable rate instruments	209,238,783	211,378,963

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and the outstanding liabilities of the Company at the year end.

#### 42.3.2(d) Interest/markup rate risk management

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Most of the loans have variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

#### 42.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of 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. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

#### 42.4 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)



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

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

#### 42.4.1 Financial instruments by category

The following table show the categories as well as carrying amounts and fair values of financial assets and financial liabilities according to their respective category, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is reasonable approximation of fair value.

Particulars	Carrying amount				Fair Value			
	Amortised Cost	FVTPL	FVTOCI	Total	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>December 31, 2021</b>								
<i>Financial assets not measured at fair value</i>								
Long term loans and advances	14,024,136	-	-	14,024,136	-	-	-	-
Trade debts	88,592,108	-	-	88,592,108	-	-	-	-
Long term deposits	57,677,251	-	-	57,677,251	-	-	-	-
Advances, deposits and other receivables	144,599,235	-	-	144,599,235	-	-	-	-
Cash and bank balances	1,083,835,283	-	-	1,083,835,283	-	-	-	-
<b>Total</b>	<b>1,388,728,013</b>	-	-	<b>1,388,728,013</b>	-	-	-	-

Particulars	Carrying amount				Fair Value			
	Amortised Cost	FVTPL	FVTOCI	Total	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>December 31, 2020</b>								
<i>Financial assets not measured at fair value</i>								
Long term loans and advances	11,941,876	-	-	11,941,876	-	-	-	-
Trade Debts	489,620	-	-	489,620	-	-	-	-
Long term Deposits	58,884,712	-	-	58,884,712	-	-	-	-
Advances, deposits and other receivables	142,156,728	-	-	142,156,728	-	-	-	-
Cash and Bank	795,338,651	-	-	795,338,651	-	-	-	-
<b>Total</b>	<b>1,008,811,587</b>	-	-	<b>1,008,811,587</b>	-	-	-	-

#### 42.4.2 The Company does not hold any financial liability at fair value. Remaining financial liabilities are as follows.

	2021 Rupees	2020 Rupees
<b><i>Financial liabilities at amortized cost</i></b>		
Redeemable capital	12,165,534,546	12,165,534,546
Long term finances	7,103,591,664	7,113,137,166
Convertible, redeemable preference shares	1,593,342,690	1,593,342,690
Long term payable	1,157,874,632	1,740,315,519
Short term borrowings	3,518,449,435	3,646,985,016
Trade and other payables	2,832,973,429	1,881,736,485
Accrued liabilities	197,191,347	113,095,904
Security deposits and retention money	17,287,331	18,597,680
Other payables	60,308,472	43,870,113
Mark-up accrued on borrowings	23,731,549,868	21,731,686,709
Preference dividend payable	1,731,370,386	1,556,102,687
	<b>54,109,473,800</b>	<b>51,604,404,515</b>

#### 42.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.



The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

### 43 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital employed. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital.

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders.

The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises redeemable capital preference shares and long term finances and liabilities. Total capital employed includes total equity as shown in the balance sheet, including surplus on revaluation of property, plant and equipment. Gearing ratio of the Company as at the reporting date is as follows:

	2021 Rupees	2020 Rupees
Total debt	<b>20,862,468,900</b>	20,872,014,402
Total equity (including surplus)	<b>3,755,792,434</b>	6,440,663,931
Total capital employed	<b>24,618,261,334</b>	27,312,678,333
Gearing - rate	<b>85%</b>	76%

There were no changes in the Company's approach to capital management during the year. The Company's debt is at the same level as the management is planning to convert its long term as explained in note 2.2 and 42.2.2. The Company has filed a scheme for conversion of its over-due long term debts and related markup into preference shares in accordance with a scheme of arrangement to be approved by the Honorable Lahore High Court under the provisions of repealed Companies Ordinance, 1984. The proceedings of the Court are in progress at the reporting date. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance which the Company could not comply as at the reporting date.

**44 Reconciliation of movements of liabilities to cash flows arising from financing activities**

	Liabilities						Equity		Total	
	Long term finances	Redeemable capital	Short term borrowings	Short term running finances - note 39	Accrued finance cost	Convertible, redeemable preference shares	Preference Dividend Payable	Ordinary Share Capital		Reserves
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Balance as at 01 January 2021	7,113,137,166	12,165,534,546	928,976,940	2,718,008,076	22,325,054,890	1,593,342,690	1,556,102,687	3,924,300,000	9,000,000	52,333,456,994
<b>Cash flows</b>										
Net decrease in long term finances	(9,545,502)	-	-	-	-	-	-	-	-	(9,545,502)
Short term borrowings received	-	-	-	-	-	-	-	-	-	-
net of payments	-	-	-	-	-	-	-	-	-	-
Finance cost paid	-	-	-	-	(244,860,554)	-	-	-	-	(244,860,554)
<b>Total changes from financing cash flows</b>	<b>(9,545,502)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(244,860,554)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(254,406,056)</b>
<b>Non-cash changes</b>										
Preference dividend expense	-	-	-	-	-	-	175,267,699	-	-	175,267,699
Changes in running finances	-	-	-	(128,535,581)	-	-	-	-	-	(128,535,581)
<b>Total liability related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(128,535,581)</b>	<b>2,628,888,688</b>	<b>-</b>	<b>175,267,699</b>	<b>-</b>	<b>-</b>	<b>2,675,620,806</b>
<b>Closing as at 31 December 2021</b>	<b>7,103,591,664</b>	<b>12,165,534,546</b>	<b>928,976,940</b>	<b>2,589,472,495</b>	<b>24,709,083,024</b>	<b>1,593,342,690</b>	<b>1,731,370,386</b>	<b>3,924,300,000</b>	<b>9,000,000</b>	<b>54,754,671,744</b>
Balance as at 01 January 2020	7,138,527,376	12,165,534,546	928,980,591	2,697,055,249	19,436,164,961	1,593,342,690	1,380,354,802	3,924,300,000	9,000,000	49,273,260,215
<b>Cash flows</b>										
Net decrease in long term finances	(25,390,211)	-	-	-	-	-	-	-	-	(25,390,211)
Short term borrowings received	-	-	-	-	-	-	-	-	-	-
net of payments	-	-	(3,651)	-	-	-	-	-	-	(3,651)
Finance cost paid	-	-	-	-	(56,244,593)	-	-	-	-	(56,244,593)
<b>Total changes from financing cash flows</b>	<b>(25,390,211)</b>	<b>-</b>	<b>(3,651)</b>	<b>-</b>	<b>(56,244,593)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(81,638,455)</b>
<b>Non-cash changes</b>										
Preference dividend expense	-	-	-	-	-	-	175,747,885	-	-	175,747,885
Changes in running finances	-	-	-	20,952,827	-	-	-	-	-	20,952,827
Interest / markup expense	-	-	-	-	2,945,134,522	-	-	-	-	2,945,134,522
<b>Total liability related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,952,827</b>	<b>2,945,134,522</b>	<b>-</b>	<b>175,747,885</b>	<b>-</b>	<b>-</b>	<b>3,141,835,234</b>
<b>Closing as at 31 December 2020</b>	<b>7,113,137,166</b>	<b>12,165,534,546</b>	<b>928,976,940</b>	<b>2,718,008,076</b>	<b>22,325,054,890</b>	<b>1,593,342,690</b>	<b>1,556,102,687</b>	<b>3,924,300,000</b>	<b>9,000,000</b>	<b>52,333,456,994</b>

**45 Restriction on title, and assets pledged as security****Mortgages and charges**

	2021 Rupees	2020 Rupees
Hypothecation of stocks and movables	<b>2,758,496,957</b>	2,508,496,957
Hypothecation of book debts and receivables	<b>2,574,910,035</b>	2,574,910,035
Mortgage over land and building	<b>5,495,319,359</b>	5,495,319,359
Hypothecation of plant and machinery	<b>52,465,328,649</b>	52,465,328,649
Charge over stocks - (pledge)	<b>544,081,089</b>	456,581,089

**46 Segment reporting**

**46.1** The Company has two reportable segments, as described below, which are the Company's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. Information reported to the Company's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on type of goods supplied. The following summary describes the operations in each of the Company's reportable segments:

**Reportable Segments**

Urea fertilizer segment

Phosphate fertilizer

**Operation of reportable segments**

production of Urea fertilizer and ammonia from natural gas

segment production of Phosphate fertilizer from rock phosphate

Information regarding the Company's reportable segments is presented below:



## 46.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
External revenues	7,694,580,009	4,480,999,374	2,406,343,840	1,218,723,627	10,100,923,848	5,699,723,001
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	7,694,580,009	4,480,999,374	2,406,343,840	1,218,723,627	10,100,923,848	5,699,723,001
Reportable segment (loss) /profit before tax	(4,070,838,725)	(4,712,314,880)	1,053,084,465	248,943,855	(3,017,754,260)	(4,463,371,025)

## 46.3 Other segment information

	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Interest income	14,378,280	27,474,300	6,249,115	3,638,153	20,627,395	31,112,453
Interest expense	2,805,098,041	2,942,891,774	174,665	-	2,805,272,706	2,942,891,774
Depreciation	1,537,031,584	1,530,938,744	65,711,176	65,452,125	1,602,742,760	1,596,390,869
Capital expenditure incurred during the year	63,576,024	89,885,040	2,498,162	27,120,677	66,074,186	117,005,717

## 46.4 Segment assets and liabilities

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Reportable segment assets	62,618,806,857	62,566,367,413	4,597,766,805	6,146,888,442	67,216,573,663	68,713,255,855
Reportable segment liabilities	62,575,273,403	61,705,778,054	885,507,824	566,813,870	63,460,781,227	62,272,591,924

## 46.5 Reconciliations of reportable segment loss, assets, liabilities and other material items.

	2021 Rupees	2020 Rupees
<b>46.5.1 Profit or loss</b>		
Total loss for reportable segments	(3,017,754,260)	(4,463,371,025)
Unallocated corporate expenses	344,490,191	166,470,570
Consolidated loss after tax	(2,673,264,069)	(4,296,900,455)
<b>46.5.2 Assets</b>		
Total assets for reportable segments	70,025,879,415	68,713,255,855
Elimination of inter-segment assets	(2,809,305,752)	(1,536,702,156)
Consolidated total assets	67,216,573,663	67,176,553,699
<b>46.5.3 Liabilities</b>		
Total liabilities for reportable segments	65,744,813,713	62,272,591,924
Elimination of inter-segment liabilities	(2,809,305,752)	(1,536,702,156)
Consolidated total liabilities	62,935,507,961	60,735,889,768

## 46.5.4 Other material items

The inter-segment transactions related to other material items are insignificant.

	2021 Rupees	2020 Rupees
<b>46.6 Geographical information</b>		
Sales are made by the Company in the following countries:		
Pakistan	10,100,923,848	5,699,723,002
	10,100,923,848	5,699,723,002

The Company manages and operates manufacturing facilities and sales offices in Pakistan only.



**46.7** 100% (2020: 100%) of the sales of the Company are made to customers located in Pakistan.

**46.8** All non-current assets of the Company as at 31 December 2021 are located in Pakistan.

#### 47 Plant capacity and actual production

Urea fertilizer	Unit	2021	2020
Rated capacity	Metric tons	<b>433,125</b>	433,125
Actual production for the year	Metric tons	<b>226,768</b>	124,785
Production efficiency	%age	<b>52%</b>	29%
<b>Phosphate fertilizer</b>			
Rated capacity	Metric tons	<b>81,000</b>	81,000
Actual production for the year	Metric tons	<b>73,244</b>	66,341
Production efficiency	%age	<b>90%</b>	82%

The low production is due to working capital and raw material constraints.

#### 48 Provident Fund Trust

The following information is based on latest audited financial statements of the Provident Fund Trust.

		30 June 2021	30 June 2020
Size of fund - total assets	<b>Rupees</b>	<b>220,192,588</b>	197,115,062
Cost of investments made	<b>Rupees</b>	<b>166,409,942</b>	144,940,202
Percentage of investments made	<b>Percentage</b>	<b>75.57%</b>	73.53%
Fair value of investments	<b>Rupees</b>	<b>203,615,435</b>	168,752,979

The breakup of fair value of investments is as follows:

	30 June 2021		30 June 2020	
	Rupees	Percentage	Rupees	Percentage
Shares of listed companies	<b>25,698</b>	<b>0.01%</b>	20,343	0.01%
NAFA funds (AMC)	<b>102,205,458</b>	<b>50.20%</b>	78,839,806	46.72%
Mutual Funds	<b>77,209,708</b>	<b>37.92%</b>	2,134,250	1.26%
MCB Arif Habib Funds (AMC)	<b>2,909,824</b>	<b>1.43%</b>	68,882,121	40.82%
Saving certificates	<b>13,150,000</b>	<b>6.46%</b>	14,372,193	8.52%
Cash at bank	<b>8,114,746</b>	<b>3.99%</b>	4,504,266	2.67%
	<b>203,615,434</b>	<b>100.00%</b>	168,752,979	100.00%

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.

**49 Number of employees**

The Company has employed following number of persons including regular and contractual staff:

	2021	2020
<i>Total number of employees as at 31 December</i>		
-Head Office	17	25
-Iskanderabad Factory	700	654
-Haripur Factory	254	242
	<b>971</b>	921
<i>Average number of employees during the year</i>		
-Head Office	16	25
-Iskanderabad Factory	661	664
-Haripur Factory	239	245
	<b>916</b>	934

**50 Corresponding figure**

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison and better presentation. However, no significant reclassification has been made in these financial statements.

**51 Date of authorization for issue**

These financial statements were authorized for issue on April 01, 2022 by the Board of Directors of the Company.

**52 General**


-Figures have been rounded off to the nearest rupee.



Chief Executive Officer



Director



Chief Financial Officer





# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all the members/shareholders of **Agritech Limited** (the 'Company') that an **Annual General Meeting** of the Company is scheduled to be held on **April 28, 2022 at 11:00 AM** at Park Lane Hotel, 107-B3, M.M. Alam Road, Gulberg III, Lahore to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on July 15, 2021;
2. To receive, consider and adopt the financial statements for the year ended on December 31, 2021, together with Director's and Auditor's reports thereon;
3. To appoint external auditors for the financial year ending December 31, 2022 and to fix their remuneration.
4. Any other business with the permission of the Chair.

**By Order of the Board**

**Date: April 01, 2022**  
Place: Lahore

**Hafiz Mudassar Hassan Kamran**  
**Company Secretary**

## **NOTES:**

1. Share transfer books of the Company will remain closed from April 22, 2022 to April 28, 2022 (both days inclusive). Share transfer requests received at the address of M/s Hameed Majeed Associates (Pvt.) Limited at 1st Floor, HM House, 7 Bank Square, Lahore before close of business on April 21, 2022 will be treated in time, for the purpose of entitlement to the transferees.
2. A copy of the annual report of the Company is available on Company's website. Any member interested to receive hard copy of the report is requested to write an email along with complete postal address and folio/CDC account number at corporate@pafl.com.pk.
3. A members entitled to attend and vote at the meeting may appoint any person/member as his/her proxy to attend and vote in his/her place. Proxies completed in all respect, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
4. Members who have not yet submitted photocopies of the Computerized National Identity Card (CNIC) are requested to send the same at the earliest to the share registrar of the company.
5. CDC Account Holders will further have to follow the guidelines as laid down by the Securities and Exchange Commission of Pakistan & Central Depository Company of Pakistan Limited.

## **A. FOR ATTENDING THE MEETING:**

- i. In case of individual, account holders and/or sub-account holders shall authenticate his/her identity by showing his original CNIC or Passport at the time of attending the Meeting.
- ii. In case of corporate entity, Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

## **B. ONLINE PARTICIPATION IN AGM:**

1. Members may avail video conference facility for this General Meeting if the Company receives request at least 10 days prior to the date of the Meeting from members holding in aggregate 10% or more shareholding from respective location. Any member interested to join meeting though video link is requested to provide CNIC Number, Folio/CDC Account Number at the following email address corporate@pafl.com.pk. Zoom meeting link will be shared a day prior to the meeting.

## NOTICE OF ANNUAL GENERAL MEETING

- ii. The shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices after completing all the formalities required for the verification and identification of the shareholders.

### **C. FOR APPOINTING PROXIES:**

- i. In case of individuals, the account holders and/or sub-account holder shall submit the proxy form as per above requirements. Proxy form is attached herewith and also uploaded on Company's website in Urdu and English languages.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owner and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or original Passport at the time of meeting.
- v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
6. Members are requested to intimate any change in their registered addresses to the Share Registrar of the Company. Those members who have not yet submitted copy of their CNICs/ NTN (in case of corporate entity) are also requested to send the same at the earliest.
7. For any query/problem/information, Members may contact the Company at email Corporate@pafl.com.pk and/or the Share Registrar of the Company at (+92 42) 37235081-82, email shares@hmaconsultants.com. Members may also visit website of the Company www.pafl.com.pk for notices/information.
8. In accordance with the Companies (Distribution of Dividend) Regulation 2017, shareholders are advised to provide International Bank Account Number (IBAN) details, if they have not already done so, to our Share Registrar (if shares are held in physical form) at their above referred office address or to the respective Participants/Broker (if any share are held through CDS Account) with-out any delay.
9. Those shareholders who have physical share certificates are requested to convert them into book entry form as per Section 72 of the Companies Act 2017.

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Company Secretary



## اطلاع برائے سالانہ اجلاس عام

بذریعہ نوٹس ہذا منجانب ایگریٹیک لمیٹڈ (کمپنی) کے ممبران کو مطلع کیا جاتا ہے کہ کمپنی کے 31 دسمبر 2021 کو ختم ہونے والے مالی سال کے لئے سالانہ اجلاس عام، 28 اپریل 2022 کو صبح گیارہ بجے پارک لین ہوٹل، B3-107، ایم ایم عالم روڈ، گلبرگ II، لاہور مندرجہ ذیل امور کی انجام دہی کے لئے منعقد ہوگا۔  
عام امور:

- 1- 15 جولائی، 2021 کو منعقدہ غیر معمولی سالانہ اجلاس عام کی کاروائی کی توثیق۔
- 2- 31 دسمبر 2021 کو ختم ہونے والے مالی حسابات بمعہ ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی غور و خوض و منظوری۔
- 3- 31 دسمبر 2022 کو ختم ہونے والے مالی سال کے لئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین کرنا۔
- 4- چیئرمین کی اجازت سے کسی دوسرے امر کی سرانجام دہی۔

بحکم بورڈ

تاریخ: 1 اپریل، 2022

جگہ: لاہور

حافظ مدثر حسن کامران

کمپنی سیکریٹری

نوٹ:

- 1- کمپنی کی شیئر ٹرانسفر کتابیں 22 اپریل 2022 تا 28 اپریل 2022 (بشمول دونوں دن) تک بند رہیں گی۔ شیئر ٹرانسفر کی درخواست جو 21 اپریل 2022 کو کاروباری اوقات کے اختتام تک میسرز جمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کے پتے پہلی منزل، ایچ ایم ہاؤس، 7 بینک اسکوائر، لاہور پر موصول ہوگی انکو منتقلی کا استحقاق حاصل ہوگا۔
- 2- کمپنی کی سالانہ رپورٹ کی کاپی کمپنی کی ویب سائٹ پر مہیا کر دی گئی ہے۔ ایسے ممبران جو انفرادی طور پر رپورٹ کی کاپی چاہتے ہیں ان سے گزارش ہے کہ وہ یہ درخواست بمعہ اپنا مکمل پتہ اور فوٹیو/CDC اکاؤنٹ نمبر corporate@pafli.com.pk پر بھیج دیں۔
- 3- مینٹنگ میں شرکت اور ووٹ ڈالنے کا اہل ممبر کسی بھی شخص/ممبر کو اپنی جگہ پر رائے دہندگی کے لئے اپنا پراسس مقرر کر سکتا ہے۔ ہر لحاظ سے مکمل کیے گئے موثر پراسس فارم اجلاس کے انعقاد سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں لازمی وصول ہو جانے چاہیں۔
- 4- وہ ممبرز جنہوں نے ابھی تک کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی نقول جمع نہیں کروائی ہیں، ان سے جلد از جلد ارسال کرنے کی درخواست کی جاتی ہے۔
- 5- سی ڈی سی (CDC) اکاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور سینٹرل ڈیپازٹری کمپنی آف پاکستان کی درج ذیل طے شدہ ہدایات پر عمل کرنا ہوگا۔

A- اجلاس میں شرکت کے لئے:

- i- حصص یافتگان کو اجلاس میں شرکت کے وقت اپنا اصل CNIC یا پاسپورٹ دکھا کر اپنی شناخت ثابت کرنی ہوگی۔
- ii- اجلاس میں حصہ لینے کے لئے کارپوریٹ ادارے کی صورت میں (اگر پہلے پراسس فارم کے ساتھ نہیں دیا گیا ہے) بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ، نمونہ دستخط کمپنی کو فراہم کرنا ہوگا۔

B- سالانہ اجلاس عام AGM میں آن لائن شرکت:

- i- مجموعی طور پر 10% یا اس سے زیادہ شیئر ہولڈنگ والے مقام پر رہائش پزیر ممبران و ڈیولنڈ کی سہولت اپنی متعلقہ لوکیشن پر حاصل کر سکتے ہیں بشرطیکہ وہ کمپنی کو مینٹنگ کی تاریخ سے کم از کم 10 دن قبل آگاہ کریں۔ اگر آپ اجلاس میں ویڈیولنڈ کے ذریعے شرکت کرنا چاہتے ہیں تو اپنا شناختی کارڈ نمبر، فوٹیو/CDC اکاؤنٹ نمبر دیے گئے ای میل ایڈریس پر



## اطلاع برائے سالانہ اجلاس عام

بھیج دیں corporate@paf1.com.pk۔ زوم میٹنگ لنک اجلاس سے ایک روز قبل مہیا کر دیا جائے گا۔

ii۔ ممبران اپنی تصدیق اور شناخت کے لئے درکار تمام باضابطہ تقاضوں کو مکمل کرنے کے بعد اپنے اسماٹ فونز یا کمپیوٹر آلات کے ذریعہ اجلاس کی کارروائی میں لاگ۔ ان ہوں گے اور اس میں حصہ لے سکیں گے۔  
C۔ پراسی کے تقرر کے لئے:

i۔ افراد کی صورت میں اکاؤنٹ ہولڈرز/یا سب اکاؤنٹ ہولڈر مندرجہ ذیل قواعد کے مطابق پراسی فارم جمع کروائیں۔ پراسی فارم، نوٹس کے ساتھ منسلک ہے اور کمپنی کی ویب سائٹ پر انگریزی اور اردو زبانوں میں مہیا کر دیا گیا ہے۔

ii۔ پراسی فارم، دو افراد جن کے نام، پتے اور CNIC نمبرز فارم پر مقرر ہونگے، کے گواہی شدہ ہونے چاہئیں۔

iii۔ beneficial owner اور پراسی ہولڈر کے شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پراسی فارم کے ساتھ جمع کرانا ہونگی۔

iv۔ پراسی ہولڈر، اجلاس کے موقع پر اپنا اصلی CNIC یا اصل پاسپورٹ فراہم کرے گا۔

v۔ کارپوریٹ کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ، نمونہ دستخط پراسی فارم کے ساتھ کمپنی کو فراہم کرنا ہوگا (اگر پہلے فراہم نہیں کیا گیا ہے)۔

6۔ وہ ارکان جو فزیکل حصص کے حامل ہیں ان سے گزارش ہے کہ رجسٹرڈ ایڈریس میں تبدیلی کی صورت میں کمپنی کے شیئر رجسٹرار کو مطلع کریں۔ جن ممبران نے اپنی کمپیوٹرائزڈ شناختی کارڈ/این ٹی این (کارپوریٹ ادارے کی صورت میں) کی کاپی جمع نہیں کروائی وہ فوراً ارسال کریں۔

7۔ کسی بھی سوال/مسئلہ/معلومات کے لئے، ممبر کمپنی کے ای میل corporate@paf1.com.pk پر یا کمپنی کے شیئر رجسٹرار کے ای میل shares@hmaconsultants.com فون نمبر +92423723508482 پر رابطہ کر سکتے ہیں۔ ممبران، نوٹس/معلومات کے لئے کمپنی کی ویب سائٹ www.paf1.com.pk بھی ملاحظہ کر سکتے ہیں۔

8۔ کمپنیز (ڈیویڈنڈ کی تقسیم) ریگولیشن 2017 کے مطابق، شیئر ہولڈرز بین الاقوامی بینک اکاؤنٹ نمبر (IBAN) کی تفصیلات فراہم کریں (اگر پہلے فراہم نہیں کیا)، اگر حصص فزیکل فارم میں ہیں تو ہمارے شیئر رجسٹرار کو ان کے مذکورہ بالا دفتر کے ایڈریس پر اور اگر حصص سی ڈی ایس اکاؤنٹ کے ذریعے رکھے گئے ہیں تو متعلقہ پارٹیسپیٹ/بروکر کو کسی تاخیر کے بغیر فراہم کریں۔

9۔ ایسے شیئر ہولڈرز جن کے پاس شیئر فزیکل حالت میں موجود ہیں ان سے گزارش ہے کہ وہ اپنے شیئرز کمپنیز ایکٹ کی سیکشن 72 کے تحت الیکٹرانک فارم میں تبدیل کروائیں۔

کمپنی سیکریٹری







## Form of Proxy

Agritech Limited



I/We \_\_\_\_\_  
 son/daughter of \_\_\_\_\_  
 a member of Agritech Limited and holder of \_\_\_\_\_ shares as  
 per Registered Folio No. \_\_\_\_\_ do hereby appoint Mr./Ms. \_\_\_\_\_  
 son/daughter of \_\_\_\_\_ or failing him/her  
 Mr. Ms. \_\_\_\_\_  
 son/daughter of \_\_\_\_\_  
 who is also member of the Company vide Registered Folio No. \_\_\_\_\_

as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on **28 April 2022 at 11:00 AM** at Park Lane Hotel, 107-B3, MM Alam Road Gulberg 3, Lahore and at any adjournment thereof.

In witness whereof on this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

### WITNESSES:

1. Signature: \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 CNIC: \_\_\_\_\_

Affix Revenue Stamp

2. Signature: \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 CNIC: \_\_\_\_\_

Member's Signature

### NOTE:

1. The Form of Proxy should be deposited at the Registered Office of the Agritech Limited situated at 2nd Floor Asia Centre, 8-Babar Block, New Garden Town, Lahore not later than 48 hours before the time for holding the meeting.
2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national Identity Cards/Passport in original to provide his/her identity, and in case of Proxy, must enclosed an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents for such purpose











**AGRITECH LIMITED**

**Head Office: 2<sup>nd</sup> Floor Asia Centre, 8-Babar Block New Garden Town, Lahore.**

**Ph: 042 - 35860341-44, Fax: 042 - 35860339-40**