

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

Interim Financial Report
for the half year ended
June 30, 2019
(Un-audited)





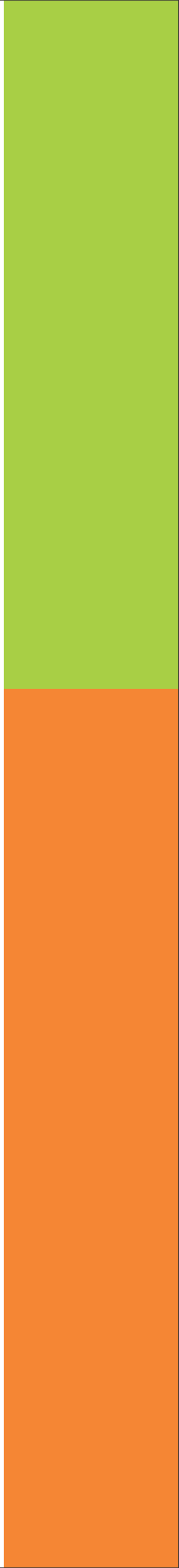


OUR VISION

To become a major regional diversified fertilizer company

OUR MISSION

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



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Company Information

BOARD OF DIRECTORS

Mr. Sardar Azmat Babar Chauhan
Chairman

Mr. Muhammad Faisal Muzammil
Chief Executive Officer

Mr. Talha Saeed

Mr. Asim Murtaza Khan

Ms. Aameena Zafar Cheema

Mr. Asim Jilani

Mr. Abdul Karim Sultanali

CFO

Mr. Syed Taneem Haider

AUDIT COMMITTEE

Mr. Asim Murtaza Khan
Chairman

Mr. Talha Saeed

Mr. Abdul Karim Sultanali

Mr. Asim Jilani

HR & REMUNERATION COMMITTEE

Ms. Aameena Zafar Cheema
Chairperson

Mr. Abdul Karim Sultanali

Mr. Muhammad Faisal Muzammil

Mr. Asim Jilani

LEGAL ADVISOR

Mr. Barrister Babar S Imran

SHARES REGISTRAR

Hameed Majeed Associates (Private) Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants, Lahore

BANKERS

JS Bank Limited

Faysal Bank Limited

National Bank of Pakistan

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

Habib Bank Limited

MCB Bank

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

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 616124-5

Directors' Review

The Directors of Agritech Limited, henceforth called the Company, along with the management team are pleased to present the Company's Interim Report accompanied by the Reviewed Financial Statements for the Six months ended June 30, 2019.

These interim financial statements have been endorsed by the Chief Executive Officer, Chief Financial Officer and one of the directors in accordance with the Code of Corporate Governance, having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

Business Review

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 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.

First Half in Review

Financial Results of Agritech Limited

| | Half Year Ended June 30, 2019 | Half Year ended June 30, 2018 |
|--------------------------|----------------------------------|----------------------------------|
| Sales - Net | 4,799,028,790 | 510,626,303 |
| Operating Profit (Loss) | 353,196,987 | (1,138,551,174) |
| Finance cost | (1,698,987,608) | (1,115,636,529) |
| Profit (Loss) before Tax | (1,345,790,621) | (2,254,187,703) |
| Profit (Loss) after Tax | (1,264,102,517) | (2,054,509,916) |
| Profit (Loss) per share | (3.22) | (5.24) |

Overview of Fertilizer Industry:

During the 1st half of 2019 the Production of Urea increased by 13% to 2,904K tons vs 2,573K tons in 2018. This strong increase in production is attributed the continuous supply of gas/RLNG to closed Urea plants on SNGPL, including the Company's Urea plant. Urea offtakes for the period under review were recorded at 2,888K tons increasing by 6% vs 2,729K tons in same period last year. Higher production from the Urea plants on SNGPL Network provided enough supply to cater to the increase in the demand of Urea during the period under review.

The Company had a very good year in terms of gas supplies when he plant restarted in Sep 2018 has been continuously running, barring a few days closure due to gas/RLNG supply issue, and no technical shutdown was witnessed during this period emphasizing the fact that during shutdown the plant has been kept in excellent working conditions. During the period under review and the Company managed to produce 172 K Tons of Urea (Nil K tons: 2018) against installed capacity of 215K tons for the period. The Company sold 134 K tons Urea (5 K tons: 2018).

Consumption of Phosphates, during the 1st half of 2019, saw a decline of 5% to 357K ton of Nutrients vs 357K tons last year. However, Production of Phosphates products registered an increase of 15% (240K ton Nutrients in 2019 vs 209K ton Nutrients in 2018) primarily due to increase in DAP production in the country. The Company, being a major SSP player, produced 23 K Tons SSP in 1H 2018 (26 K tons: 2018) and sold 11 K tons during the period (19 K tons: 2018).

Capital Restructuring:

Gas curtailment to the Company's Urea plant during the past many 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 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 sale of excess land to payoff long term lenders after seeking the necessary approvals. The 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 promising 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.

Directors' Review

The 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.

Future Outlook

The Company is confident of continuity of gas supplies to its urea plant as ECC has already approved it running till at least Oct 2019. Urea supply demand of the country also shows that the additional supply is required to meet the growing Urea demand. GOP is also supporting the increased supply by running the Urea plants than expensive imports to save the precious Foreign Exchange and higher subsidy. The improved supply of gas will surely reflect in the financial results of the company.

The company will continue to streamline other initiatives like Scheme of Arrangement after the necessary court approvals and undertake necessary actions for the long term development of the surplus land to generate additional resources to address its financial obligations.

Changes in accounting policies:

The Company has adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 01 January 2019 which is effective from the annual periods beginning on or after 01 July 2018 and period ending on or after 30 June 2019 respectively. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are further explained in note 3 of condensed Interim Financial Statements.

Modification in the Auditors report

Qualification

In auditor's report for the period, auditors raised concern, As stated in note 8.1 and 12.1, management has assessed the recoverability of deferred tax asset 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. However, we are unable to obtain sufficient appropriate evidence with respect to key assumptions used in the business plan i.e. operational days based on 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 October 2019. Management is however confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustments in respect of impairment were necessary for goodwill amounting to Rs. 2,567.31 million and deferred tax assets amounting to Rs. 6,123.37 million recognized on tax losses of Rs. 21,115.08 million in these condensed interim financial statements.

Emphasis

Auditors also raised concern about company ability to operate as going concern. The fact of the matter is that the gas curtailment coupled with gas pricing issue to the Company's urea plant has been the most crucial factor for the past few years' operational and liquidity issues of the Company. The fertilizer sector as a whole and the Company in particular faced unprecedented gas curtailment during the last five years. The Company has been financing its assets and operations through high level of borrowings. Due to overall gas shortage in the system, Government of Pakistan ("GOP") diverted gas from fertilizer sector to other sectors particularly power sector during summer and domestic sector during winter. This gas curtailment caused low urea production versus available capacity resulting in continuous operational and liquidity issues which further resulted in overdue borrowings and related mark-up as referred to in note 20 to the financial statements. The Company could not fully cater to its financial cost and has incurred a loss before tax of Rs. 1,345.79 million (2018: Rs. 2,254.18 million) during the period and as at the reporting date, its current liabilities have exceeded its current assets by Rs. 41,796.61 million, including Rs. 37,297.70 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 6,152.64 million.

'These conditions 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 is confident that the Company will be able to continue as a going concern based on the factors mentioned in following paragraphs.

Gas supply to the Company has witnessed significant improvement 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 September 2018 on a blend of natural gas and RLNG. Subsequently in 2019 RLNG supplies at subsidized rate were provided to the company and plant has been running on regular basis. The Company operated its urea plant for 158 days in 2019 (2018: Nil days) which resulted in Urea production of 172,522 tons (2018: Nil tons). The Company during the current period was also able to sell 134,074 tons Urea (2018: 5,013 tons). With the improved supply of gas, the Company managed to make the Operating Profit of Rs. 353.19 million after a gap of 2 years.

The expectation of continuous availability of gas is based on the fact that the GOP has commissioned second LNG terminal in the country with capacity of 600 mmscfd gas processing and additional RLNG imports for second terminal has already been started. This new terminal is in addition to the first terminal commissioned in 2015 with a 15 year agreement with Government of Qatar, to import nearly 3.75 million tons of LNG per year. The import of LNG has been streamlined at 1,200 mmcf per day on both terminals in the country during most part of the year. SNGPL is receiving complete flow of LNG imports under swap arrangement from both terminals. This has further improved the flow of gas into SNGPL system and making available required gas volumes for the fertilizer plants on SNGPL network.

Like last year, the shortage of urea continued during 2019 due to imbalance of urea supply demand. In order to bridge the urea shortages in the country, GOP decided to continue to operate urea plants on SNGPL network, including the Company's urea plant. Economic Coordination Committee ("ECC") and cabinet accorded approval for restoration of gas supply to the Company and another fertilizer plant in September 2018, initially for two months on RLNG and system gas blend and then on 100% RLNG supply at subsidized rate by GOP during Rabi season. Later on the gas supply was further extended till October 2019 to cater to the demand of Rabi season. The Company based on its negotiations with the GOP is hopeful that they will be able to secure availability of gas on a long term basis subsequent to October 2019 at the subsidized rate to bridge the urea shortages in the country. Moreover, after discontinuity of subsidy on Urea in year 2018, the urea price capping has also removed enabling the Company to pass on the impact of higher input costs for sustainability of business operations in the long term. These measures will ensure the economic viability of utilizing RLNG for the production of Urea in the country and also ensure continuous supply of commodity to avoid recurrence of Urea shortages in the country.

Further, with the support of its lenders, the management, for rehabilitation of the Company, has prepared a scheme of arrangement ("the Scheme") to restructure its existing over-due long term debts and related mark-up 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 mark-up 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 proceeding are in progress and the order of the Lahore High Court is awaited

In addition to above, the Company sees strong potential in selling its spare land after the necessary legal and commercial approvals. In 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 next two years, the Company foresee significant appreciation of its spare land. The proceeds from the sale of land will also help settle the 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

Acknowledgement

The Board takes this opportunity to thank the company's valued customers and the financial institutions whose faith and support over the years has cultivated a mutually beneficial relationship, playing a key role in the growth of the businesses.

The Board also wishes to place on record its appreciation for the employees of the Company. The sustainability of business in the difficult business environment was possible due to their hard work and commitment.

On behalf of the Board

Lahore
Date : 30 October 2019


Chief Executive Officer

ڈائریکٹرز رپورٹ

ایگری ٹیک لیٹیڈ، کمپنی کے بورڈ آف ڈائریکٹرز اور مینجمنٹ ٹیم، 30 جون 2019 کو ختم ہونے والی ششماہی کے لئے نظر ثانی شدہ مالیاتی گوشواروں کے ہمراہ کمپنی کی عبوری رپورٹ پیش کرتے ہوئے خوش ہیں۔

یہ مالیاتی گوشوارے، کارپوریٹ گورننس کے کوڈ کے مطابق چیف ایگزیکٹو آفیسر، چیف فنانس افسر اور ایک ڈائریکٹر کی طرف سے توثیق کیے گئے ہیں جو کہ بورڈ کی آڈٹ کمیٹی کی طرف سے سفارش کردہ ہیں اور بورڈ آف ڈائریکٹرز کی طرف سے منظور شدہ ہیں۔

کاروباری جائزہ

پرنسپل سرگرمیاں

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

پہلی ششماہی کا جائزہ

ایگری ٹیک لیٹیڈ کے مالیاتی نتائج:

| 30 جون 2018 مجتمہ ششماہی | 30 جون 2019 مجتمہ ششماہی | |
|--------------------------|--------------------------|---------------------------|
| 510,626,303 | 4,799,028,790 | خالص فروخت |
| (1,138,551,174) | 353,196,987 | آپریٹنگ منافع (تقصان) |
| (1,115,636,529) | (1,698,987,608) | مالیاتی لاگت |
| (2,254,187,703) | (1,345,790,621) | قبل از ٹیکس منافع (تقصان) |
| (2,054,509,916) | (1,264,102,517) | بعد از ٹیکس منافع (تقصان) |
| (5.24) | (3.22) | فی حصص منافع (تقصان) |

کھاد کی صنعت کا مجموعی جائزہ:

پہلی ششماہی 2019 کے دوران یوریا کی پیداوار 13% کے اضافہ سے 2,904 ہزار ٹن ہوئی جو کہ 2018 میں 2,573 ہزار ٹن تھی۔ پیداوار میں یہ نمایاں اضافہ SNGPL پر چلنے والے بند یوریا پلائٹس بشمول کمپنی کے یوریا پلانٹ کو گیس RLNG کی مسلسل فراہمی کی وجہ سے ممکن ہوا۔ زیر جائزہ مدت میں یوریا کی فروخت گزشتہ سال کی اسی مدت میں 2,729 ہزار ٹن کے مقابلے میں 6% بڑھ کر 2,888 ہزار ٹن درج کرائی گئی۔ SNGPL نیٹ ورک پر یوریا پلائٹس سے زیادہ پیداوار زیر جائزہ مدت کے دوران یوریا کی طلب میں اضافہ کو پورا کرنے کے لئے کافی فراہمی مہیا کی گئی۔

گیس کی فراہمی کے لحاظ سے کمپنی کے لئے یہ بہت اچھا سال تھا جب اس نے ستمبر 2018 میں پلانٹ کو دوبارہ شروع کیا تب سے گیس RLNG سپلائی ایٹو کے باعث چند دنوں کی بندش کے سوائے، مسلسل چالو رہی رکھا، اور اس مدت کے دوران کوئی تکنیکی شٹ ڈاؤن نہیں دیکھا گیا باوجود اس حقیقت کے کہ شٹ ڈاؤن کے دوران پلانٹ شاندار ورکنگ حالت میں رکھا گیا۔ زیر جائزہ مدت کے دوران کمپنی 215 ہزار ٹن کی نصب شدہ صلاحیت کے مقابلے میں 172 ہزار ٹن (2018: Nil ہزار ٹن) یوریا بنانے میں کامیاب رہی۔ کمپنی نے پہلی ششماہی 2019 کے دوران 134 ہزار ٹن (2018: 5 ہزار ٹن) یوریا فروخت کی۔

فاسفیٹ:

پہلی ششماہی 2019 کے دوران، فاسفیٹس کا استعمال گزشتہ سال 357 ہزار ٹن کے مقابلے میں 5 فیصد کم ہو کر 357 ہزار ٹن نیو ٹریٹس ہو گیا۔ تاہم، فاسفیٹ مصنوعات کی پیداوار میں مندرجہ 15% کا اضافہ (2018 میں 209 ہزار ٹن نیو ٹریٹس کے مقابلے میں 2019 میں 240 ہزار ٹن نیو ٹریٹس) کی بنیادی وجہ ملک میں ڈی اے پی کی زیادہ پیداوار ہے۔ کمپنی نے ایس ایس پی کے اہم بیٹریٹس پھیر ہونے کے ناطے، 2019 کی پہلی ششماہی میں 23 ہزار ٹن ایس ایس پی (26 ہزار ٹن: 2018) پیدا کی اور مدت کے دوران 11 ہزار ٹن (19 ہزار ٹن: 2018) فروخت کی ہے۔

ڈائریکٹرز رپورٹ

سرماہ کی تنظیم نو:

گزشتہ نئی سالوں کے دوران کمپنی کے یورپا پلانٹ کو گیس کی تخفیف نہ صرف قرض کی واپسی میں تاخیر کی اہم وجہ ہے بلکہ قرض اور سود میں اضافے کا سبب بھی ہے۔ 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 تین چوتھی حصص میں تبدیل کرنا ہے۔ اس منصوبے کا ایک اور مقصد کمپنی کے پاس موجود اضافی اراضی کا فروخت ہے ضروری منظور یوں کے بعد جس کی آمدنی سے طویل مدتی قرض دہندہ کے واجبات کی ادائیگی ممکن ہوگی۔ حکومت کے بنیادی ڈھانچے کی ترقی کے منصوبے سے دونوں پلانٹس کے گرد اراضی کی قیمت میں اضافے کا امکان ہے۔ خاص طور پر سی منصوبے کے سیکشن ہا کلا۔ ڈاؤنٹیل۔ ڈی آئی خان میں کمپنی کی شرکت، بذریعہ اراضی کی فراہمی، بہت اہم ہے، ہی بیگ کی تکمیل کے بعد کمپنی کی اضافی اراضی مستقبل میں متعلقہ ٹریڈز کے لئے تجارتی اور صنعتی سرگرمیوں میں اہم کردار ادا کرے گی۔

سرماہ کی تنظیم نو کے اس پلانٹ کی پیئر آرڈیننس 1984 کی دفعہ 288-284 کے تحت جون 2016 میں لاہور ہائی کورٹ میں ایک پٹیشن کے ذریعے دائر کیا گیا۔ لاہور ہائی کورٹ میں سماعت جاری ہے اور کمپنی عدالت کے ذریعے فیصلہ اپنے حق میں حاصل کرنے کے لئے پر امید ہے، جس سے کمپنی کی مالی پوزیشن میں بہتری آئے گی۔

مستقبل کا نقطہ نظر

کمپنی کو اپنے یورپا پلانٹ کو گیس کی فراہمی کے تسلسل کا یقین ہے کیونکہ ای سی سی نے پہلے ہی اسے کم سے کم اکتوبر 2019 تک چلانے کی منظوری دی ہے۔ ملک کی یورپا کی طلب ورسد بھی یہ ظاہر کرتی ہے کہ یورپا کی بڑھتی ہوئی طلب کو پورا کرنے کے لئے اضافی فراہمی کی ضرورت ہے۔ مہنگی درآمدات سے قیمتی غیر ملکی زرمبادلہ اور اعلیٰ سوڈی پیمانے کے لئے حکومت پاکستان بھی یورپا پلانٹس کو وافر سپلائی کے ذریعے حمایت کر رہی ہے۔ گیس کی بہتر فراہمی یقینی طور پر کمپنی کے مالی نتائج سے ظاہر ہوگی۔

کمپنی سیریم لائن کے لئے ضروری عدالتی منظوری کے بعد انتخابات کی اسکیم جیسے دیگر اقدامات کرے گی اور اپنی مالی واجبات کی ادائیگیوں کے لئے اضافی وسائل پیدا کرنے کے لئے زائد زمین کی طویل مدتی ڈیولپمنٹ کے ضروری اقدامات اٹھائے گی۔

اکاؤنٹنگ پالیسیوں میں تبدیلیاں:

کمپنی نے یکم جنوری 2019ء سے IFRS 15 "کسٹمرز کے ساتھ کنٹریکٹ سے ریویو" اور IFRS 9 "فنانشل انسٹرومنٹ" اختیار کیا ہے جو بالترتیب سالانہ مدت کے آغاز سے یکم جولائی 2018 کے بعد اور مدت کے اختتام سے 30 جون 2019 کے بعد مؤثر ہے۔ اختیار کردہ نئی اہم اکاؤنٹنگ پالیسیوں کی تفصیلات اور گزشتہ اکاؤنٹنگ پالیسیوں سے تبدیلیوں کی نوعیت اور اثر کی مجموعی عبوری مالی گوشواروں کے نوٹ 3 میں مزید وضاحت کی گئی ہے۔

آڈیٹر کی رپورٹ میں ترمیم

کوالیفیکیشن

آڈیٹر نے رپورٹ میں ترمیم پیش کیا ہے

مدت کے لئے آڈیٹر کی رپورٹ میں، آڈیٹرز نے ترمیم پیش کیا ہے، جیسا کہ نوٹ 8.1 اور 12.1 میں بیان کیا گیا، بیجمنٹ نے پورڈ آف ڈائریکٹرز کی طرف سے منظور شدہ پانچ سالہ کاروباری منصوبہ کی بنیاد پر ٹیکس نقصانات پر ڈیفرفڈ ٹیکس اثاثوں کی وصولی کا جائزہ لیا اور اچھی طرح سے خرابی کی جانچ پڑتال کی اور اس بات پر زور دیا کہ کوئی نقصان نہیں ہوا ہے۔ تاہم، ہم کاروباری منصوبے میں استعمال ہونے والے کلیدی مفادات کے بارے میں مناسب آڈٹ کے ثبوت حاصل کرنے میں قاصر ہیں۔ مثلاً قدرتی گیس کی دستیابی پر مبنی آپریشنل دنوں اور فراہمی کی منظوری کے مطابق گیس کی شرحوں پر مبنی خام مال کی قیمت اور حکومت پاکستان سے کمپنی کے لئے گیس کی قیمت صرف اکتوبر 2019 تک دستیاب ہے۔ تاہم بیجمنٹ کو یقین ہے کہ گیس کی فراہمی طویل مدت تک دستیاب ہوگی۔ اس کے نتیجے میں، ہم اس بات کا یقین کرنے سے قاصر تھے کہ خرابی کے سلسلے میں ان مجموعی عبوری مالیاتی گوشواروں میں 115.08، 21.1 ملین روپے کے ٹیکس نقصانات پر تسلیم شدہ 6,123.37 ملین روپے کے ڈیفرفڈ ٹیکس اثاثوں اور 2,567.31 ملین روپے کی بہتر کارکردگی کی ایڈجسٹمنٹ ضروری تھی۔"

تاکید

آڈیٹرز نے کمپنی کی رواں دواں ہونے کی صلاحیت پر توثیق پیش کیا ہے۔ اس معاملے کی حقیقت یہ ہے کہ کمپنی کو گزشتہ سالوں میں گیس کی تخفیف اور گیس کی قیمت کا سامنا ہونے اور گیس کی لوڈ شیڈنگ کی وجہ سے یورپا پلانٹ کی بار بار بندش کی بدولت آپریشنل مسائل کے سبب قرض دہندگان کی طرف سے عائد معاہدوں کی خلاف ورزی پر مجبور ہوگی تھی۔ تمام فراہم کنندہ گزشتہ سالوں کے دوران غیر معمولی گیس کی تخفیف کا سامنا کیا ہے۔ کمپنی نے اپنے اثاثوں اور آپریشنز کو اعلیٰ

ڈائریکٹرز رپورٹ

دبرہ کے قرضوں کے ذریعے فنانس کیا ہے۔ سسٹم میں مجموعی گیس کی قلت کی وجہ سے حکومت پاکستان نے گیس کو فریڈاٹرز ریکلر سے دیگر سیکٹرز خاص طور پر گرمیوں میں باؤسکریٹور اور سردیوں کے دوران ڈومیسٹک سیکٹر کو کٹھن کر دیا۔ یہ گیس کی تخفیف دستیاب صلاحیت کے خلاف یورپا کی کم پیداوار کی وجہ بنتی تھی۔ مسلسل آپریشن اور لیکوڈیڈ پٹی مسائل پیدا ہوئے جس کے مزید نتیجے میں زائد المیاد قرضوں اور متعلقہ مارک میں اضافہ ہوا جس کا ذریعہ یورپی مالی حسابات کے نوٹ 20 میں کیا گیا ہے۔ کمپنی اپنے مالی اخراجات کو مکمل طور پر یورپا نہیں کر سکی اور اس مدت کے دوران کمپنی کو لگبھگ سے 79,345.1 ملین روپے (2018: 2,254.1 ملین روپے) (خسارہ ہوا اور پورنگک تاریخ تک کمپنی کے ذمہ موجودہ ادا کی گئیاں اس کے موجودہ اثاثوں سے 1,796.61 ملین روپے، بشمول زائد المیاد اصل زراور اس پر سود مارک اپ سے متعلقہ 70,297.70 ملین روپے، اور اس طرح کمپنی کا مجموعی خسارہ حصص داران کی ایکویٹی سے 6,152.64 ملین روپے تک تجاوز کر گیا۔

ان حالات سے چلتی ہوئی کمپنی کی رواں دواں ہونے کی صلاحیت پر تشویش کے اظہار پر نمایاں شبہات پائے جاتے ہیں اور، لہذا، وہ اپنے اثاثوں کو بیچنے اور کاروبار کے معمول کے مطابق اپنی ذمہ داریوں کو ادا کرنے کے قابل نہیں ہوگی۔ تاہم، انتظامیہ کو یقین ہے کہ کمپنی درج ذیل پیرا گراف میں مذکور عناصر کی بنیاد پر گونگک نرسن کے طور پر جاری رہنے کے قابل ہو جائے گی۔

حکومت پاکستان کی طرف سے لیکوڈیڈ نیچرل گیس (LNG) کی باقاعدہ درآمدات کے ساتھ کمپنی کو گیس کی فراہمی نمایاں بہتر ہوگی ہے۔ LNG کی یکساں درآمدات سے سوئی ناردرن گیس پائپ لائن (SNGPL) کو رلنگک (RLNG) کا بہاؤ بہتر ہو گیا جس سے صارفین بشمول فریڈاٹرز شہجہ کو فائدہ ہو رہا ہے۔ کمپنی کے یورپا پلانٹ کو گیس سپلائی نیچرل گیس اور RLNG کے امتیاز پر ستمبر 2018 میں بحال کی گئی۔ اس کے بعد اعلیٰ نرخ RLNG پلانٹ کو مہیا کی گئی اور پلانٹ باقاعدہ بنیاد پر چلتا رہا۔ کمپنی نے اپنا یورپا پلانٹ 2019 میں 158 دنوں (2018: Nil دنوں) تک چلایا جس کے نتیجے یورپا کی پیداوار 172,522 ٹن (2018: Nil ٹن) ہوئی۔ موجودہ مدت کے دوران کمپنی 134,074 ٹن یورپا (2018: 5,013 ٹن) فروخت کرنے کے قابل رہی۔ گیس کی بہتر فراہمی کے ساتھ، کمپنی 2 سال کے وقفے کے بعد 353.19 ملین روپے آپریٹنگ منافع میں سے کامیاب ہوئی۔

گیس کی مستقل دستیابی کی توقع اس حقیقت پر مبنی ہے کہ GOP نے ملک میں دوسرا ایل این جی ٹریٹل لگایا جس کی گنجائش 600 mmscf گیس پروڈیگس ہے اور دوسرے ٹریٹل کے لئے اضافی آرائل این جی کی درآمدات کا آغاز ہو چکا ہے۔ یہ ٹریٹل سال 2015 میں شروع کیے گئے پبلک ٹریٹل کے علاوہ جس میں 15 سال کے معاہدے کے تحت قطر کی حکومت نے سالانہ تقریباً 3.75 بلین ٹن ایل این جی درآمد کرنا ہے۔ ایل این جی کی درآمد کو ملک میں دونوں ٹریٹلز پر یومیہ 1200 ایم ایم سی ایف ڈی پر ہوار کیا گیا ہے۔ ایس این جی پئی ایل کو دونوں ٹریٹلز سے تادلہ انتظام کے تحت ایل این جی کی درآمد کا مکمل بہاؤ مل رہا ہے۔ اس سے ایس این جی پئی ایل سسٹم میں گیس کے بہاؤ میں مزید بہتری آئی ہے اور ایس این جی پئی ایل نیٹ ورک پرفرٹیڈاٹرز پلانٹوں کے لئے گیس کی مطلوبہ مقدار دستیاب کر دی گئی ہے۔

پچھلے سال کی طرح، 2019 کے دوران، یورپا کی فراہمی کے مطالبہ میں عدم توازن کی وجہ سے ملک میں یورپا کی قلت کا سامنا کرنا پڑا۔ ملک میں یورپا کی قلت کو دور کرنے کے لئے، جی او پی نے ایس این جی پئی ایل نیٹ ورک پر یورپا پلانٹ بشمول ایگریٹیک یورپا پلانٹ کو مسلسل چلانا کا فیصلہ کیا۔ اقتصادی رابطہ کمیٹی ("ای سی سی") اور کابینہ نے ستمبر 2018 میں ابتدائی طور پر دو ماہ کے لئے RLNG سسٹم گیس مرکب پر اور پھر رینج سیزن کے دوران 100 فیصد RLNG سپلائی پر کمپنی اور دیگر یورپا پلانٹ کو گیس کی فراہمی کی بحالی کی منظوری دی۔ بعد ازاں گیس کی سپلائی میں اکتوبر 2019 تک توسیع کر دی گئی۔ جی او پی کے ساتھ گفت و شنید پر مبنی پرائیمری امید ہے کہ وہ اکتوبر 2019 کے بعد ملک میں یورپا کی قلت کو دور کرنے کے لئے رعایتی نرخ پر طویل مدت کے لئے گیس کی دستیابی کو حاصل کرنے میں کامیاب ہو جائے گی۔ مزید یہ کہ، سال 2018 میں یورپا پر سبسڈی کے ختم ہونے کے بعد، یورپا کی قیمتوں میں اضافے نے کمپنی کو طویل مدتی کاروباری کارروائیوں کے استحکام کے لئے زیادہ اپن ہنڈ لگت کے اثرات کو کٹھن کرنے کی قابلیت کو بھی ختم کر دیا ہے۔ یہ اقدامات ملک میں یورپا کی پیداوار کے لئے آرائل این جی کے استعمال کے معاشی استحکام کو یقینی بنائیں گے اور ملک میں یورپا کی قلت کی تکرار سے بچنے کے لئے انجاس کی مسلسل فراہمی کو بھی یقینی بنائیں گے۔

مزید ایسے قرض دہندگان کے تعاون سے، انتظامیہ نے کمپنی کی بحالی کے لئے، ترقیاتی حصص کے اجراء کے ذریعے 31 دسمبر 2013 (مجوزہ نوٹس تاریخ) کو اپنے موجودہ زائد المیاد طویل مدتی قرضوں اور اس سے متعلق مارک اپ کی تنظیموں کے لئے انتظامات کی ایک اسکیم ("سکیم") تیار کی ہے۔ اس اسکیم میں زائد المیاد مارک اپ کے اس حصے کے تعزیراتی تنظیم نو اور ادائیگی پر بھی غور کیا گیا ہے جو ترقیاتی حصص میں تبدیل نہیں ہوتا ہے۔ بورڈ آف ڈائریکٹرز اور سیکرٹری بورڈز کی جانب سے بالترتیب 05 نومبر 2013 اور 10 دسمبر 2013 کو اپنی میٹنگ میں مجوزہ اسکیم کی منظوری کے بعد، مذکورہ اسکیم کا وعدہ پھینڈر آرڈیننس، 1984 کے دفعات کے تحت ضروری منظوری اور حکم کے لئے 10 جون 2016 کو مجوزہ لاہور ہائی کورٹ میں دائر کی گئی۔ رپورٹنگ تاریخ کو، کارروائی جاری ہے اور لاہور ہائی کورٹ کے حکم کا انتظار ہے۔

اس کے علاوہ، کمپنی کو ضروری قانونی اور کرکٹل منظوریوں کے بعد اپنے اضافی رقبہ کی فروخت کا قومی امکان ہے۔ 2016 میں، کمپنی 216 کناں رقبہ نیشنل ہائی وے اتھارٹی (NHA) نے چاناکا پاکستان اقتصادی راہداری (سی بیگ) جو کمپنی کے ملکی رقبہ میں سے گزرتا ہے کی تعمیر کے لئے خریدتا ہے۔ سی بیگ کی ترقی کے ساتھ اگلے دو سالوں میں، کمپنی

ڈائریکٹر رپورٹ

اپنے انسانی رقبہ کی نمایاں اہمیت کو دیکھتی ہے۔ رقبہ کی فروخت سے حاصل ہونے والی آمدنی کمپنی کی طویل مدتی واجب الادا بینگیوں کے تصفیہ میں معاون ہوگی۔
انتظامیہ کو یقین ہے کہ مذکورہ بالا اقدامات آپریشنز کو جاری رکھنے کے لئے کافی مالی ذرائع پیدا کریں گے۔ اس کے مطابق، یہ مالی گوشوارے گولڈنگ کنسرن بنیاد پر تیار کئے گئے ہیں اور اس کے اثاثوں اور کسی واجب الادا بینگیوں کی لیکویڈیشن کے احساس سے متعلق کوئی ایڈجسٹمنٹ شامل نہیں کی گئی جو کمپنی کے جاری گولڈنگ کنسرن کو نا اہل بنانے کے لئے ضروری ہو سکتی ہے۔

انتظامیہ کا خیال ہے کہ مذکورہ اقدامات کے تحت آپریشنز جاری رکھنے کے لئے خاطر خواہ مالی وسائل پیدا ہوں گے۔ اس کے مطابق، یہ مالیاتی حسابات تشریحی اکاؤنٹس پر تیار کیے گئے ہیں اور ان میں اثاثوں کی وصولی اور کسی بھی واجب الادا بینگیوں کے خاتمے سے متعلق کوئی ایڈجسٹمنٹ شامل نہیں ہے جو کمپنی کو تشریحی اکاؤنٹس سے کمپنی کو رواں دواں رکھنے سے قاصر ہونے کے لئے ضروری ہوں۔

اظہار تشکر

بورڈ کمپنی کے قابل قدر صارفین اور مالیاتی اداروں جن کے اعتماد اور حمایت نے سال کے دوران کاروبار کی ترقی میں اہم کردار ادا کیا ہے، کی باہم مفید تعلق داری کا شکریہ ادا کرتا ہے۔
بورڈ کمپنی کے ملازمین کی خدمات کو بھی سراہتا ہے۔ مشکل کاروبار ماحول میں کاروبار کی پائیداری ان کی محنت اور عزم کی وجہ سے ممکن ہوئی ہے۔

مخائب بورڈ



چیف ایگزیکٹو آفیسر

تاریخ: 30 اکتوبر 2019ء

Independent Auditor's Review Report

To the members of Agritech Limited

Report on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Agritech Limited ("the Company") as at 30 June 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity, and notes to the condensed financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of review

Except as explained in the basis for qualified conclusion paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As stated in note 8.1 and 12.1, management has assessed the recoverability of deferred tax asset 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. However, we are unable to obtain sufficient appropriate evidence with respect to key assumptions used in the business plan i.e. operational days based on 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 October 2019. Management is however confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustments in respect of impairment were necessary for goodwill amounting to Rs. 2,567.31 million and deferred tax assets amounting to Rs. 6,123.37 million recognized on tax losses of Rs. 21,115.08 million in these condensed interim financial statements.

Qualified conclusion

Based on our review, except for the possible effects of the matter described in the Basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matters

1. Material Uncertainty relating to Going Concern

Notwithstanding the matter described in the Basis for qualified conclusion paragraph, we draw attention to the fact that the Company during the period ended 30 June 2019 has incurred a loss before tax of Rs. 1,345.79 million and, as of that date, its current liabilities have exceeded its current assets by Rs. 41,796.61 million including Rs. 37,297.70 million relating to overdue principal and interest / markup thereon and its accumulated losses stood at Rs. 18,669.29 million. These conditions along with other matters as set forth in note 2.4 to the condensed interim 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. These condensed interim financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.4 to the condensed interim financial statements. Our conclusion is not qualified in this respect.

2. We draw attention to notes 10.1.7, 10.1.8, 10.1.9 and 10.1.10 to the accompanying condensed interim financial statements, wherein it is stated that suits have been filed by some financial institutions for recovery of their dues. Our conclusion is not qualified in this respect.

Other Matter

The figures for the quarters ended 30 June 2019 and 30 June 2018 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's review report is Kamran Iqbal Yousaf.

Condensed Interim Statement of Financial Position

As at 30 June 2019

| | | (Un-audited) 30 June 2019 Rupees | (Audited) 31 December 2018 Rupees |
|---|----|---|--|
| EQUITY AND LIABILITIES | | | |
| <u>Authorized share capital</u> | | | |
| | | 15,000,000,000 | 15,000,000,000 |
| <u>Share capital and reserves</u> | | | |
| Issued, subscribed and paid-up ordinary share capital | 4 | 3,924,300,000 | 3,924,300,000 |
| Reserves | | 9,000,000 | 9,000,000 |
| Accumulated losses | | (18,669,294,436) | (17,516,570,092) |
| Surplus on revaluation of property, plant and equipment - <i>net of tax</i> | | 8,583,350,099 | 8,694,728,272 |
| | | (6,152,644,337) | (4,888,541,820) |
| <u>Non-current liabilities</u> | | | |
| Redeemable capital - <i>secured</i> | 5 | - | - |
| Long term finances - <i>secured</i> | 6 | - | - |
| Convertible, redeemable preference shares | 7 | 1,593,342,690 | 1,593,342,690 |
| Long term payable - <i>unsecured</i> | | 31,135,199 | 31,135,199 |
| Deferred liabilities: | | | |
| - <i>staff retirement benefits</i> | | 116,697,098 | 13,533,831 |
| - <i>deferred taxation - net</i> | 8 | 3,317,338,086 | 3,471,011,626 |
| | | 5,058,513,073 | 5,109,023,346 |
| <u>Current liabilities</u> | | | |
| Current maturity of long term liabilities | | 19,305,509,135 | 19,306,931,808 |
| Short term borrowings - <i>secured</i> | 9 | 4,521,165,094 | 3,625,350,286 |
| Trade and other payables | | 5,650,211,584 | 5,449,310,577 |
| Interest / mark-up accrued on borrowings | | 17,717,124,425 | 16,402,280,215 |
| Preference dividend payable | | 1,292,000,674 | 1,205,087,103 |
| | | 48,486,010,912 | 45,988,959,989 |
| Contingencies and commitments | 10 | 47,391,879,648 | 46,209,441,515 |
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 11 | 38,076,670,348 | 38,592,232,373 |
| Intangible assets | 12 | 2,567,310,828 | 2,567,310,828 |
| Long term loans and advances - <i>considered good</i> | | 12,444,190 | 13,699,204 |
| Long term deposits - <i>unsecured, considered good</i> | | 46,057,333 | 46,538,433 |
| | | 40,702,482,699 | 41,219,780,838 |
| <u>Current assets</u> | | | |
| Stores, spares and loose tools | | 2,066,002,667 | 2,054,694,598 |
| Stock-in-trade | | 1,561,686,368 | 293,320,595 |
| Trade debts | | 66,423,024 | 34,865,063 |
| Advances, deposits, prepayments and other receivables | | 2,595,098,319 | 2,014,711,117 |
| Tax refunds due from Government - <i>net</i> | | 213,070,984 | 265,513,591 |
| Cash and bank balances | 13 | 187,115,587 | 326,555,713 |
| | | 6,689,396,949 | 4,989,660,677 |
| | | 47,391,879,648 | 46,209,441,515 |

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Lahore


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Profit or Loss (Un-audited)

For the six months period and quarter ended 30 June 2019

| | Note | For the six months period ended | | For the quarter ended | |
|---|------|---------------------------------|-----------------|------------------------|-----------------|
| | | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | | Rupees | Rupees | Rupees | Rupees |
| Sales - net | 14 | 4,799,028,790 | 510,626,303 | 2,444,923,581 | 199,358,620 |
| Cost of sales | 15 | (4,291,528,867) | (1,166,284,517) | (2,114,380,295) | (537,589,170) |
| Gross profit / (loss) | | 507,499,923 | (655,658,214) | 330,543,286 | (338,230,550) |
| Selling and distribution expenses | | (36,486,119) | (18,351,465) | 65,801,817 | (8,359,214) |
| Administrative and general expenses | | (131,358,475) | (120,768,875) | (66,998,209) | (56,256,436) |
| Other operating expenses | | - | (368,402,324) | - | - |
| Other income | | 13,541,658 | 24,629,704 | 2,006,390 | 8,809,704 |
| Operating profit / (loss) | | 353,196,987 | (1,138,551,174) | 331,353,284 | (394,036,496) |
| Finance cost | | (1,698,987,608) | (1,115,636,529) | (893,654,612) | (533,427,085) |
| Loss before taxation | | (1,345,790,621) | (2,254,187,703) | (562,301,328) | (927,463,581) |
| Taxation | | 81,688,105 | 199,677,787 | 190,863,641 | 874,712 |
| Loss after taxation | | (1,264,102,517) | (2,054,509,916) | (371,437,687) | (926,588,869) |
| Loss per share - basic and diluted | | (3.22) | (5.24) | (0.95) | (2.36) |

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Lahore


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period and quarter ended 30 June 2019

| | For the six months period ended | | For the quarter ended | |
|--|---------------------------------|------------------------|-----------------------|----------------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | Rupees | Rupees | Rupees | Rupees |
| Loss after taxation | (1,264,102,517) | (2,054,509,916) | (371,437,687) | (926,588,869) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | (1,264,102,517) | (2,054,509,916) | (371,437,687) | (926,588,869) |

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Lahore


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Cash Flows (Un-audited)

For the six months period ended 30 June 2019

| | Note | 30 June 2019 Rupees | 30 June 2018 Rupees |
|---|------|---------------------------|---------------------------|
| <u>Cash flows from operating activities</u> | | | |
| Cash used in operations | 17 | (1,048,764,461) | (177,977,395) |
| Staff retirement benefits - net | | 91,692,179 | (423,074) |
| Long term advances - net | | 1,255,014 | 953,497 |
| Long term deposits - net | | 481,100 | 1,732,750 |
| Income tax paid | | (17,391,879) | (18,902,429) |
| Net cash used in operating activities | | (972,728,047) | (194,616,651) |
| <u>Cash flows from investing activities</u> | | | |
| Capital expenditure incurred | | (9,320,823) | 147,738,988 |
| Proceeds from disposal of property, plant and equipment | | - | 5,336 |
| Interest income received | | 13,541,658 | 2,496,903 |
| Net cash generated from investing activities | | 4,220,835 | 150,241,227 |
| <u>Cash flows from financing activities</u> | | | |
| (Decrease) / increase in long term finances | | (1,422,673) | 2,271,928 |
| Finance cost paid | | (65,325,048) | (44,709,961) |
| Net increase in short term borrowings | | 899,989,040 | 74,126,378 |
| Net cash generated from financing activities | | 833,241,319 | 31,688,345 |
| Net decrease in cash and cash equivalents | | (135,265,893) | (12,687,079) |
| Cash and cash equivalents at beginning of the period | | (2,369,813,982) | (2,247,411,334) |
| Cash and cash equivalents at end of the period | 19 | (2,505,079,876) | (2,260,098,413) |

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Lahore


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months period ended 30 June 2019

| | Ordinary | Capital Reserve | Revenue reserve | Accumulated losses | Total |
|---|----------------------|--|------------------|-------------------------|------------------------|
| | Share Capital | Surplus on revaluation of property, plant and equipment - net of tax | | | |
| | Rupees | Rupees | Rupees | Rupees | Rupees |
| As at 01 January 2018 | 3,924,300,000 | 8,848,473,940 | 9,000,000 | (14,447,678,404) | (1,665,904,464) |
| Total comprehensive loss for the period ended 30 June 2018 | - | - | - | (2,054,509,916) | (2,054,509,916) |
| Surplus transferred to accumulated losses on account of: | | | | | |
| - disposal of buildings and plant and machinery - net of deferred tax | - | (43,083,301) | - | 43,083,301 | - |
| - incremental depreciation on property, plant and equipment - net of deferred tax | - | (116,372,350) | - | 116,372,350 | - |
| - Effect of change in tax rate on account of surplus on revaluation of property, plant and equipment | - | 121,161,670 | - | - | 121,161,670 |
| | - | (38,293,981) | - | 159,455,651 | 121,161,670 |
| As at 30 June 2018 - (un-audited) | <u>3,924,300,000</u> | <u>8,810,179,959</u> | <u>9,000,000</u> | <u>(16,342,732,669)</u> | <u>(3,599,252,710)</u> |
| As at 31 December 2018 - (Audited) | <u>3,924,300,000</u> | <u>8,694,728,272</u> | <u>9,000,000</u> | <u>(17,516,570,092)</u> | <u>(4,888,541,820)</u> |
| Total comprehensive loss for the period ended 30 June 2019 | - | - | - | (1,264,102,517) | (1,264,102,517) |
| Surplus transferred to accumulated losses on account of incremental depreciation on property, plant and equipment - net of deferred tax | - | (111,378,173) | - | 111,378,173 | - |
| As at 30 June 2019 - (un-audited) | <u>3,924,300,000</u> | <u>8,583,350,099</u> | <u>9,000,000</u> | <u>(18,669,294,436)</u> | <u>(6,152,644,337)</u> |

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Lahore


Chief Executive


Chief Financial Officer


Director

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

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 Ordinance, 1984 (now the Companies Act, 2017) and was a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited ("NFC"), a Government owned Corporation, until 15 July 2006. Subsequently, 100% shares of the Company were acquired by Azgard Nine Limited ("ANL") as part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. On 31 October 2012, ANL sold its major shareholding in the Company to a consortium of banks and financial institutions. 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 Company has two production units with Unit I located at Iskanderabad, District Mianwali and Unit II at Hattar Road, Haripur.

2 Basis of preparation

2.1 Statement of compliance

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

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of accounting

These condensed interim financial statements comprise of the condensed interim statement of financial position of Agritech Limited ("the Company") as at 30 June 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity together with the notes forming part thereof.

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended on 31 December 2018.

Comparative condensed interim statement of financial position's numbers are extracted from the annual audited financial statements of the Company for the year ended 31 December 2018, whereas comparative interim statement of profit or loss, interim statement of comprehensive income, interim statement of cash flows and interim statement of changes in equity and related notes are stated from unaudited condensed interim financial statements of the Company for the six months period and quarter ended 30 June 2018.

These condensed interim financial statements are unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.

2.3 Judgments and estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions for the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2018.

2.4 Going concern assumption

The gas curtailment coupled with gas pricing issue to the Company's urea plant has been the most crucial factor for the past few years' operational and liquidity issues of the Company. The fertilizer sector as a whole and the Company in particular faced unprecedented gas curtailment during the last five years. The Company has been financing its

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

assets and operations through high level of borrowings. Due to overall gas shortage in the system, Government of Pakistan ("GOP") diverted gas from fertilizer sector to other sectors particularly power sector during summer and domestic sector during winter. This gas curtailment caused low urea production versus available capacity resulting in continuous operational and liquidity issues which further resulted in overdue borrowings and related mark-up as referred to in note 20 to the financial statements. The Company could not fully cater to its financial cost and has incurred a loss before tax of Rs. 1,345.79 million (2018: Rs. 2,254.18 million) during the period and as at the reporting date, its current liabilities have exceeded its current assets by Rs. 41,796.61 million, including Rs. 37,297.70 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 6,152.64 million.

These conditions 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 is confident that the Company will be able to continue as a going concern based on the factors mentioned in following paragraphs.

Gas supply to the Company has witnessed significant improvement 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 September 2018 on a blend of natural gas and RLNG. Subsequently in 2019 RLNG supplies at subsidized rate were provided to the company and plant has been running on regular basis. The Company operated its urea plant for 158 days in 2019 (2018: Nil days) which resulted in Urea production of 172,522 tons (2018: Nil tons). The Company during the current period was also able to sell 134,074 tons Urea (2018: 5,013 tons). With the improved supply of gas, the Company managed to make the Operating Profit of Rs. 353.19 million after a gap of 2 years.

The expectation of continuous availability of gas is based on the fact that the GOP has commissioned second LNG terminal in the country with capacity of 600 mmscf gas processing and additional RLNG imports for second terminal has already been started. This new terminal is in addition to the first terminal commissioned in 2015 with a 15 year agreement with Government of Qatar, to import nearly 3.75 million tons of LNG per year. The import of LNG has been streamlined at 1,200 mmscf per day on both terminals in the country during most part of the year. SNGPL is receiving complete flow of LNG imports under swap arrangement from both terminals. This has further improved the flow of gas into SNGPL system and making available required gas volumes for the fertilizer plants on SNGPL network.

Like last year, the shortage of urea continued during 2019 due to imbalance of urea supply demand. In order to bridge the urea shortages in the country, GOP decided to continue to operate urea plants on SNGPL network, including the Company's urea plant. Economic Coordination Committee ("ECC") and cabinet accorded approval for restoration of gas supply to the Company and another fertilizer plant in September 2018, initially for two months on RLNG and system gas blend and then on 100% RLNG supply at subsidized rate by GOP during Rabi season. Later on the gas supply was further extended till October 2019 to cater to the demand of Rabi season. The Company based on its negotiations with the GOP is hopeful that they will be able to secure availability of gas on a long term basis subsequent to October 2019 at the subsidized rate to bridge the urea shortages in the country. Moreover, after discontinuity of subsidy on Urea in year 2018, the urea price capping has also removed enabling the Company to pass on the impact of higher input costs for sustainability of business operations in the long term. These measures will ensure the economic viability of utilizing RLNG for the production of Urea in the country and also ensure continuous supply of commodity to avoid recurrence of Urea shortages in the country.

Further, with the support of its lenders, the management, for rehabilitation of the Company, has prepared a scheme of arrangement ("the Scheme") to restructure its existing over-due long term debts and related mark-up 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 mark-up 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 proceeding are in progress and the order of the Lahore High Court is awaited.

In addition to above, the Company sees strong potential in selling its spare land after the necessary legal and commercial approvals. In 2016, 216 kanals of Company's land was acquired by National Highway Authority (NHA)

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

for the construction of China Pakistan Economic Corridor (CPEC) that crosses through the land owned by the Company. With the development of CPEC in next two years, the Company foresee significant appreciation of its spare land. The proceeds from the sale of land will also help settle the 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.

2.5 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 20. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS -1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

Consequently principal instalments aggregating to Rs. 4.98 million which under the terms of long term debts are due for repayment in period subsequent to 30 June 2020 have also been classified as a current liability in addition to Rs. 17,952.55 million which are overdue and Rs. 1,347.98 million which are due till 30 June 2020.

3 Statement of consistency in accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as of 01 January 2019 as stated below:

3.1 Change in accounting policies

The Company has adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 01 January 2019 which is effective from the annual periods beginning on or after 01 July 2018 and period ending on or after 30 June 2019 respectively. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

3.1.1 IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

The standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue when a customer obtains control of the goods or services under the contract at an amount that reflects the consideration to which the entity expects to be entitled against those goods or services. However, the adoption of IFRS 15, did not have a material impact on the amounts of revenue recognized in these condensed interim financial statements except for reclassification of certain freight expenses that were previously classified under "Distribution and Selling expenses" and are now classified in cost of sales. The corresponding figures have been represented to reflect this change. Accordingly, selling and distribution expense of Rs. 171.53 million (30 June 2018: Rs. 1.47 million) has been reclassified to cost of sales. This reclassification has no impact on the reported Loss per Share (LPS) of the corresponding period.

3.1.2 IFRS 9 "Financial Instruments"

IFRS 9 replaced the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. There is however, no effect of the application of IFRS 9 on these condensed interim financial statements.

3.2 Other than those disclosed above in note 3.1, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations.

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

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

The following amendments to approved accounting standards are not yet effective. At present, the impact of application of these amendments on the Company's future financial statements is being assessed.

| Standard or interpretation | Effective date (accounting periods beginning on or after) |
|---|--|
| - IAS 1 Presentation of Financial Statements | 01 Jan 2020 |
| - IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors | 01 Jan 2020 |

| | Note | (Un-audited) 30 June 2019 Rupees | (Audited) 31 December 2018 Rupees |
|---|------|---|--|
| 4 Issued, subscribed and paid-up ordinary share capital | | | |
| Class A ordinary shares of Rs. 10 each 383,430,000 (31 December 2018: 383,430,000) | | 3,834,300,000 | 3,834,300,000 |
| Shares issued fully paid in cash | | | |
| Ordinary shares of Rs. 10 each 9,000,000 (31 December 2018: 9,000,000) | | 90,000,000 | 90,000,000 |
| Shares issued for consideration other than cash | 4.1 | <u>3,924,300,000</u> | <u>3,924,300,000</u> |

4.1 Ordinary shares of the Company held by associated undertaking at period / year end are as follows:

| | 30 June 2019 (Percentage held) | 31 December 2018 | 30 June 2019 (Number of shares) | 31 December 2018 |
|---|--------------------------------------|---------------------|---------------------------------------|---------------------|
| National Bank of Pakistan Limited | 27.01% | 26.95% | 106,014,632 | 105,772,577 |
| Faysal Bank Limited | 4.60% | 4.66% | 18,035,068 | 18,277,123 |
| Summit Bank Limited | 8.74% | 8.74% | 34,306,400 | 34,306,400 |
| Silk Bank Limited | 0.00% | 0.00% | 1,000 | 1,000 |
| Standard Chartered Bank (Pakistan) Limited | 5.70% | 5.70% | 22,373,615 | 22,373,615 |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

| | | (Un-audited) 30 June 2019 | (Audited) 31 December 2018 |
|---|--|---------------------------------|----------------------------------|
| | Note | Rupees | Rupees |
| 5 Redeemable capital secured | | | |
| <i>Under interest / mark-up arrangements</i> | | | |
| Privately Placed Term Finance Certificates - I | | 1,498,602,000 | 1,498,602,000 |
| Privately Placed Term Finance Certificates - II | | 6,894,286,800 | 6,894,286,800 |
| Privately Placed Term Finance Certificates - III | | 495,460,750 | 495,460,750 |
| Privately Placed Term Finance Certificates - IV | | 548,825,000 | 548,825,000 |
| Privately Placed Term Finance Certificates - V | | 618,685,000 | 618,685,000 |
| Privately Placed Term Finance Certificates | | 509,874,996 | 509,874,996 |
| Privately Placed Sukuk Certificates | | 1,599,800,000 | 1,599,800,000 |
| | | <u>12,165,534,546</u> | <u>12,165,534,546</u> |
| Transaction costs | | - | - |
| | 5.1 & 5.2 | <u>12,165,534,546</u> | <u>12,165,534,546</u> |
| Current maturity presented under current liabilities | | <u>(12,165,534,546)</u> | <u>(12,165,534,546)</u> |
| | | - | - |
| 5.1 Types of redeemable capital | | | |
| 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 |
| | | <u>12,165,534,546</u> | <u>12,165,534,546</u> |
| 5.2 | For overdue principal and markup, refer to note 20 to the financial statements. | | |
| | | (Un-audited) 30 June 2019 | (Audited) 31 December 2018 |
| | Note | Rupees | Rupees |
| 6 Long term finances - secured | | | |
| Syndicate Term Finance - I | | 3,000,000,000 | 3,000,000,000 |
| Syndicate Term Finance - II | | 472,037,000 | 472,037,000 |
| Syndicate Term Finance - III | | 2,862,845,329 | 2,862,845,329 |
| Bank Islami Pakistan Limited - Term Finance | | 300,000,000 | 300,000,000 |
| National Bank of Pakistan - Term Finance | | 132,083,735 | 132,083,735 |
| Dubai Islamic Bank Limited - Term Finance | | 365,000,000 | 365,000,000 |
| Al Baraka Bank (Pakistan) Limited - Diminishing Musharika | 6.1 | 8,008,525 | 9,431,198 |
| | 6.2 & 6.3 | <u>7,139,974,589</u> | <u>7,141,397,262</u> |
| Current maturity presented under current liabilities | | <u>(7,139,974,589)</u> | <u>(7,141,397,262)</u> |
| | | - | - |
| 6.1 | The Company has paid Rs. 1.42 million during the period as per the repayment schedule. | | |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

| | (Un-audited) 30 June 2019 Rupees | (Audited) 31 December 2018 Rupees |
|--|---|--|
| 6.2 Types of long term finances - secured | | |
| Interest / mark-up based financing | 6,766,966,064 | 6,766,966,064 |
| Islamic mode of financing | 373,008,525 | 374,431,198 |
| | <u>7,139,974,589</u> | <u>7,141,397,262</u> |

6.3 For overdue principal and mark-up, refer to note 20 to the financial statements.

| | (Un-audited) 30 June 2019 Rupees | (Un-audited) 31 December 2018 Rupees |
|---|---|---|
| 7 Convertible, redeemable preference shares | | |
| Preference shares of Rs. 10 each 159,334,269 (31 December 2018: 159,334,269) | | |
| Shares issued fully paid in cash | 7.1 <u>1,593,342,690</u> | <u>1,593,342,690</u> |

7.1 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.

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

| | (Un-audited) 30 June 2019 No. of shares | (Audited) 31 December 2018 No. of shares |
|-----------------------------------|--|---|
| Faysal Bank Limited | 31,035,594 | 31,035,594 |
| National Bank of Pakistan Limited | 3,458,756 | 3,458,756 |
| | <u>34,494,350</u> | <u>34,494,350</u> |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

8 Deferred taxation - net

The liability for deferred taxation comprises temporary differences relating to:

| | | (Un-audited) 30 June 2019 | (Un-audited) 31 December 2018 |
|--|------|---------------------------------|-------------------------------------|
| | Note | Rupees | Rupees |
| <i>Deferred tax liability arising on</i> | | | |
| Accelerated tax depreciation | | 6,054,182,280 | 6,147,566,222 |
| Revaluation of fixed assets | | 3,407,550,159 | 3,401,402,338 |
| <i>Deferred tax asset arising on</i> | | | |
| Provision for trade debtors | | (14,006,775) | (14,006,775) |
| Provision for gratuity | | (7,012,397) | (3,924,811) |
| Unabsorbed tax losses | 8.1 | (6,123,375,181) | (6,060,025,348) |
| | | <u>3,317,338,086</u> | <u>3,471,011,626</u> |

- 8.1 Tax losses on account of unabsorbed depreciation amounting to Rs. 21,115.08 million (2018: Rs. 20,896.64 million) is available to the Company's credit. Deferred tax asset in respect thereof has been recognised as availability of sufficient taxable profits in future tax years to absorb these losses is expected on the basis of five year business plan as discussed in note 12.1.

Business losses available for carry forward amounting to Rs. 12,786.04 million (2018: Rs. 11,871.01 million) and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 amounting to Rs. 272.42 million (2018: Rs. 200.43 million) are also available to the Company. However, no deferred tax asset on these losses has been recognised as sufficient tax profits may not be available to set these off in foreseeable future. Minimum tax paid u/s 113 aggregating to Rs. 157.36 million would not be available for carry forward against future tax liabilities subsequent to years 2020 through 2024.

| | | (Un-audited) 30 June 2019 | (Un-audited) 31 December 2018 |
|--|------|---------------------------------|-------------------------------------|
| | Note | Rupees | Rupees |
| 9 Short term borrowings - secured | | | |
| Interest / mark-up based loans - secured | | 3,820,597,847 | 2,924,783,039 |
| Islamic mode of financing - secured | | 700,567,247 | 700,567,247 |
| | 9.1 | <u>4,521,165,094</u> | <u>3,625,350,286</u> |

- 9.1 All terms and conditions applicable on these facilities are same as those disclosed in the annual financial statements for the year ended 31 December 2018 except for the facility obtained during the period from Standard Chartered Bank (Pakistan) Limited the terms of which is as follows:

This short term finance facility has been obtained under mark-up arrangements to meet working capital requirements. This facility carries mark-up at three months KIBOR payable quarterly.

- 9.2 The aggregate available short term funded facilities amount to Rs. 5,430.84 million (2018: Rs. 4,974.52 million) out of which Rs. 1,346.70 million (2018: Rs. 1,536.10 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 these funded facilities, Rs. 1,462.29 million were expired as at reporting date and not renewed including Rs. 832.86 million which remained unavailed as at 30 June 2019.

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

10 Contingencies and commitments

10.1 Contingencies

- 10.1.1** A contractor's claim amounting to Rs. 839.51 million (2018: Rs. 839.51 million) against the Company has not been acknowledged as debt since the Company also has a counter claim amounting to Rs. 2,556.02 million (2018: Rs. 2,556.02 million) against the contractor. The arbitral Tribunal has rejected all the claims of contractor and counter claims of the Company and gave the final award on 10 August 2019. However the decision is neither been endorsed by court of competent jurisdiction nor a decree is passed pursuant of the award till date.
- 10.1.2** 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.
- 10.1.3** 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 (2018: Rs. 740.8 million). The case for the Company's eligibility to avail subsidised rate on feedstock gas is pending with the Islamabad High Court.
- 10.1.4** C. R. No. 66/2008 titled WAPDA versus Agritech Limited is pending before the Honourable High Court, wherein, WAPDA has assailed the order dated 12 January 2005 passed by the Additional District and Sessions Judge, Mianwali, in favour of the Company. Through the order dated 12 January 2005, it was held that the Company was not liable to pay an amount Rs. 2.24 million as demanded by WAPDA. The claim is under settlement with arbitrator.
- 10.1.5** The Deputy Commissioner Inland Revenue ("DCIR") passed an order u/s 11(2) of the Sales Tax Act, 1990 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 demand. Resultantly, the department preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR (A) which is pending fixation.
- 10.1.6** The National Accountability Bureau (NAB) has authorized an inquiry against the Directors / Owners of the Company. On 12 September 2019, the NAB has approved this case for closure vide its letter number 1(9)/HQ/1913/C.O-K/IW-III/01/NAB-L.
- 10.1.7** 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.
- 10.1.8** 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.

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

10.1.9 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. MBL is yet to file a reply in the suit.

10.1.10 During the period, a civil suit has been filed by Soneri Bank Limited against the Company for recovery of Rs. 738.45 million under the provision of the financial institution (Recovery of Finance) Ordinance (XVII OF 2001) before the Lahore High Court. Application for leave to appear and defend the above mentioned suit under the provisions of Financial Institution (recovery of finance), Ordinance 2001 has been filed in the Lahore High Court by the Company.

10.1.11 In addition to above, various tax cases were disclosed under note 36 to the annual financial statements for the year ended 31 December 2018. The status of those cases remained unchanged during the six months period ended 30 June 2019.

Based on the opinion of the legal and tax advisors handling the above 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 condensed interim financial statements.

| (Un-audited) | (Audited) |
|---------------------|--------------------|
| 30 June | 31 December |
| 2019 | 2018 |
| Rupees | Rupees |

10.2 Commitments

10.2.1 Commitments under irrevocable letters of credit for:

| | | |
|-----------------------------------|------------------|-------------------|
| - purchase of stores and spares | 9,220,635 | - |
| - purchase of plant and machinery | - | 869,262 |
| - purchase of raw material | - | 22,983,345 |
| | 9,220,635 | 23,852,607 |

10.2.2 The amount of future Ijarah rentals and the period in which these payments will become due are as follows:

| | (Un-audited) | (Audited) |
|---|---------------------|--------------------|
| | 30 June | 31 December |
| Note | 2019 | 2018 |
| | Rupees | Rupees |
| Not later than one year | 1,677,733 | 3,892,432 |
| Later than one year but not later than five years | 1,916,192 | - |
| | 3,593,925 | 3,892,432 |

11 Property, plant and equipment

| | | | |
|--------------------------|-------------|-----------------------|-----------------------|
| Operating fixed assets | <i>11.1</i> | 38,033,318,239 | 38,555,912,863 |
| Capital work in progress | | 43,352,109 | 36,319,510 |
| | | 38,076,670,348 | 38,592,232,373 |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

| | | (Un-audited) 30 June 2019 Rupees | (Audited) 31 December 2018 Rupees |
|--|--------|---|--|
| 11.1 Operating fixed assets | | | |
| Net book value at beginning of the period | | 38,555,912,863 | 39,705,777,952 |
| Add: Additions during the period | 11.1.1 | 2,288,224 | 59,123,598 |
| Less: Disposals during the period - net book value | | - | 3,532,980 |
| Assets written off | | - | 153,402,323 |
| Depreciation for the period | | 524,882,848 | 1,052,053,384 |
| | | 524,882,848 | 1,208,988,687 |
| Net book value at end of the period | | 38,033,318,239 | 38,555,912,863 |
| 11.1.1 Additions - cost | | | |
| <u>Owned assets</u> | | | |
| Buildings on freehold land | | 697,598 | 37,078,105 |
| Residential colony assets | | 46,803 | - |
| Plant and machinery | | - | 890,555 |
| Furniture, fixtures and office equipment | | 1,400,788 | 1,302,662 |
| Vehicles and rail transport | | - | 18,944,557 |
| Electrical and other installations | | 143,035 | 907,719 |
| | | 2,288,224 | 59,123,598 |
| 12 Intangible assets | | | |
| Goodwill acquired in business combination | 12.1 | 2,567,310,828 | 2,567,310,828 |
| | | 2,567,310,828 | 2,567,310,828 |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

- 12.1** 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 2018, 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 2.4. 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 3.00% 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 15.30% 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 is required to be accounted for against the carrying amount of goodwill.

| Note | (Un-audited) 30 June 2019 Rupees | (Audited) 31 December 2018 Rupees |
|---|---|--|
| 13 Cash and bank balances | | |
| Cash in hand | 979,199 | 598,567 |
| Cash at banks | | |
| Local currency | | |
| - current accounts | 13.1 | 277,412,992 |
| Interest based deposits with conventional banks | | |
| - savings accounts | 13.2 | 48,544,154 |
| | 186,136,388 | 325,957,146 |
| | 187,115,587 | 326,555,713 |

- 13.1** These include Rs. 44.99 million (31 December 2018: Rs 44.25 million) placed under an arrangement permissible under Shariah with Islamic Bank.
- 13.2** Rate of return on saving accounts ranges from 6.00% to 11.50% per annum (31 December 2018: 3.08% to 8.05% per annum).

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

| | | (Un-audited) 30 June 2019 | (Un-audited) 30 June 2018 |
|-----------|------------------------------------|---------------------------------|---------------------------------|
| | Note | Rupees | Rupees |
| 14 | Sales - net | | |
| | Gross sales: | | |
| | Local | 4,867,292,757 | 453,412,762 |
| | Other products - Own manufactured | 68,186,664 | 91,378,953 |
| | | <u>4,935,479,421</u> | <u>544,791,715</u> |
| | Less: | | |
| | Sales tax | (106,422,811) | (29,307,412) |
| | Trade Discounts | (30,027,820) | (4,858,000) |
| | | <u>(136,450,631)</u> | <u>(34,165,412)</u> |
| | | <u>4,799,028,790</u> | <u>510,626,303</u> |
| 15 | Cost of sales | | |
| | Raw and packing materials consumed | 3,635,828,753 | 163,616,577 |
| | Other manufacturing expenses | 1,905,298,038 | 927,462,019 |
| | | <u>5,541,126,791</u> | <u>1,091,078,596</u> |
| | Work in process: | | |
| | Opening | 86,242,415 | 91,804,431 |
| | Closing | (109,417,268) | (80,041,074) |
| | | <u>(23,174,853)</u> | <u>11,763,357</u> |
| | Cost of goods manufactured | <u>5,517,951,938</u> | <u>1,102,841,953</u> |
| | Finished stock: | | |
| | Opening | 134,457,139 | 244,967,940 |
| | Closing | (1,360,880,210) | (181,525,376) |
| | | <u>(1,226,423,071)</u> | <u>63,442,564</u> |
| | Cost of Goods Sold | <u>4,291,528,867</u> | <u>1,166,284,517</u> |

15.1 This is net of Government subsidy of Rs. Nil (30 June 2018: 10.68 million).

16 Transactions and balances with related parties

Related parties from the Company's perspective comprise 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.

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

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

| | (Un-audited) January to June 2019 <u>Rupees</u> | (Un-audited) January to June 2018 <u>Rupees</u> |
|---|--|--|
| 16.1 Transactions with related parties | | |
| 16.1.1 Associated Undertakings | | |
| 16.1.1.1 Shareholding and common directorship | | |
| National Bank of Pakistan | | |
| Mark-up expense | 185,372,643 | 130,257,525 |
| Preference dividend | 1,886,680 | 1,886,680 |
| Bank balances - <i>net</i> | 8,930,370 | (2,225,383) |
| Faysal Bank Limited | | |
| Mark-up expense | 113,784,398 | 76,097,065 |
| Preference dividend | 16,929,279 | 16,929,279 |
| Bank balances - <i>net</i> | 1,311 | (1,004) |
| Standard Chartered Bank (Pakistan) Limited | | |
| Mark-up expense | 91,047,117 | 60,971,836 |
| Short term borrowings - <i>net</i> | 299,997,050 | - |
| Bank balances - <i>net</i> | 77,461,654 | (6,416) |
| Silk Bank Limited | | |
| Mark-up expense | 43,956,652 | 22,276,700 |
| Mark-up paid | 29,446,358 | 17,362,235 |
| Short term borrowings - <i>net</i> | 173,320,500 | (39,421,182) |
| Summit Bank Limited | | |
| Mark-up expense | 69,938,966 | 43,207,488 |
| Mark-up paid | 18,914,696 | 12,671,651 |
| Short term borrowings - <i>net</i> | 173,014,293 | (316,105,937) |
| Bank Balances - <i>net</i> | 23,640 | 1,834,847 |
| 16.1.2 Post employment benefit plans | | |
| Contribution paid - <i>Provident Fund</i> | 9,120,487 | 8,661,612 |
| Current service cost & funds obtained - <i>Gratuity Fund</i> | 103,987,506 | 4,255,468 |
| During the period the Company obtained Rs. 92.52 million from its Gratuity Fund Trust. However, the same amount has been repaid at the time of finalization of accounts on 30 October 2019. | | |
| 16.1.3 Key management personnel | | |
| Short term employee benefits | 9,550,000 | 8,930,282 |
| Post employment benefits | 524,790 | 481,058 |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

| | (Un-audited) 30 June 2019 Rupees | (Audited) 31 December 2018 Rupees |
|--|---|--|
| 16.2 Balances with related parties | | |
| 16.2.1 Associated Undertakings | | |
| 16.2.1.1 Shareholding and common directorship | | |
| National Bank of Pakistan | | |
| 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 | 2,867,169,265 | 2,681,796,622 |
| Preference dividend payable | 180,453,759 | 178,567,079 |
| Bank account balances | 12,261,801 | 2,665,446 |
| Advisory fee | 738,600,000 | 738,600,000 |
| Advance for transaction cost | 23,200,000 | 23,200,000 |
| Faysal Bank Limited | | |
| Redeemable capital | 1,499,109,500 | 1,499,109,500 |
| Long term finances | 350,000,000 | 350,000,000 |
| Preference shares | 310,355,940 | 310,355,940 |
| Mark-up payable | 1,591,081,784 | 1,477,297,386 |
| Preference dividend payable | 251,694,416 | 234,765,137 |
| Bank account balances | 161,460 | 160,150 |
| Trustee fee | 5,688,582 | 5,688,582 |
| Standard Chartered Bank (Pakistan) Limited | | |
| Redeemable capital | 146,995,500 | 146,995,500 |
| Long term finances | 1,352,860,982 | 1,352,860,982 |
| Mark-up payable | 1,331,576,980 | 1,240,529,863 |
| Bank account balances | 6,615,000 | - |
| Silk Bank Limited | | |
| Long term finances | 130,607,546 | 130,607,546 |
| Short term borrowings | 724,762,565 | 551,442,066 |
| Mark-up payable | 212,972,460 | 198,462,166 |
| Summit Bank Limited | | |
| Redeemable capital | 603,406,000 | 603,406,000 |
| Short term borrowings | 819,685,295 | 646,671,002 |
| Mark-up payable | 422,852,383 | 371,828,113 |
| Bank account balances | 759,905 | 736,266 |
| 16.2.2 Post employment benefit plans | | |
| Payable to Gratuity Trust | 116,697,098 | 13,533,831 |

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

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

| | (Un-audited) January to June 2019 Rupees | (Un-audited) January to June 2018 Rupees |
|--|--|--|
| 17 Cash flow from operating activities | | |
| <u>Loss before taxation</u> | (1,345,790,621) | (2,254,187,703) |
| <i>Adjustment for non-cash items:</i> | | |
| Interest / mark-up / dividend expense | 1,698,987,608 | 1,006,582,637 |
| Amortization of transaction costs | - | 18,477,500 |
| Depreciation on property, plant and equipment | 524,882,848 | 507,301,803 |
| Amortization of computer software | - | 191,281 |
| Provision for staff retirement benefit | 11,471,088 | 4,255,468 |
| Mark-up / interest income | (13,541,658) | (2,496,903) |
| Provision against doubtful receivable | - | 215,000,000 |
| Loss on sale of property, plant and equipment | - | 262,667 |
| | 2,221,799,886 | 1,749,574,453 |
| Operating profit / (loss) before changes in working capital | 876,009,265 | (504,613,250) |
| <u>Changes in working capital</u> | | |
| <i>(Increase) / decrease in current assets:</i> | | |
| Stores, spares and loose tools | (11,308,069) | (1,085,807) |
| Stock-in-trade | (1,268,365,773) | 29,228,410 |
| Trade receivables | (31,557,961) | 10,609,149 |
| Advances, deposits, prepayments and other receivables | (580,387,202) | 222,290,310 |
| | (1,891,619,005) | 261,042,062 |
| <i>Increase in current liabilities:</i> | | |
| Trade and other payables | (33,154,721) | 65,593,793 |
| Cash used in operations | (1,048,764,461) | (177,977,395) |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

18 Segment reporting

18.1 Reportable segments

The Company's reportable segments are as follows:

- Urea fertilizer segment - production of Urea fertilizer and Ammonia from natural gas; and
- Phosphate fertilizer segment - production of Phosphate fertilizer from rock phosphate

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

18.2 Segment revenue and results

Following is the information about reportable segments of the Company:

| | Urea fertilizer segment | | Phosphate fertilizer segment | | Total | |
|------------------------------------|---|---|---|---|---|---|
| | (Un-audited) 30 June 2019 Rupees | (Un-audited) 30 June 2018 Rupees | (Un-audited) 30 June 2019 Rupees | (Un-audited) 30 June 2018 Rupees | (Un-audited) 30 June 2019 Rupees | (Un-audited) 30 June 2018 Rupees |
| For the six months period ended | | | | | | |
| External revenues | 4,589,893,935 | 209,357,840 | 209,134,855 | 301,268,463 | 4,799,028,790 | 510,626,303 |
| Reportable segment loss before tax | (1,359,648,700) | (1,915,256,757) | 13,958,079 | (338,930,946) | (1,345,790,621) | (2,254,187,703) |
| | | | | | | |
| | Urea fertilizer segment | | Phosphate fertilizer segment | | Total | |
| | (Un-audited) 30 June 2019 Rupees | Audited 31 December 2018 Rupees | (Un-audited) 30 June 2019 Rupees | Audited 31 December 2018 Rupees | (Un-audited) 30 June 2019 Rupees | Audited 31 December 2018 Rupees |
| As at | | | | | | |
| Reportable segment assets | 43,748,768,039 | 42,717,970,871 | 4,579,367,966 | 4,717,063,998 | 48,328,136,005 | 47,435,034,869 |
| Reportable segment liabilities | 54,117,696,694 | 51,711,839,650 | 463,321,393 | 611,737,039 | 54,581,018,088 | 52,323,576,689 |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

| | (Un-audited) January to June 2019 Rupees | (Un-audited) January to June 2018 Rupees |
|---|---|---|
| 18.3 Reconciliation of reportable segment profit or loss | | |
| For the six months period ended | | |
| Total loss for reportable segments before taxation | (1,345,790,621) | (2,254,187,703) |
| Taxation | 81,688,105 | 199,677,787 |
| Loss after taxation | <u>(1,264,102,516)</u> | <u>(2,054,509,916)</u> |
| | (Un-audited) 30 June 2019 Rupees | (Un-audited) 30 June 2018 Rupees |

| | | |
|--|-------------------------------|------------------------|
| 19 Cash and cash equivalents | | |
| Short term borrowings <i>running finance - secured</i> | (2,692,195,463) | (2,658,673,808) |
| Cash and bank balances | 187,115,587 | 398,575,395 |
| | <u>(2,505,079,876)</u> | <u>(2,260,098,413)</u> |

| | | |
|---|--|--|
| 20 Overdue financial liabilities | | |
| Due to the facts disclosed in note 2.4, the Company continues to face a liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details of overdue financial liabilities as at 30 June 2019 are as follows: | | |

| | Principal Rupees | Interest / mark-up Rupees | Total Rupees |
|--|------------------------------|------------------------------|------------------------------|
| Nature of liability | | | |
| Redeemable capital - <i>secured</i> | 11,119,152,007 | 9,276,886,320 | 20,396,038,327 |
| Long term finances - <i>secured</i> | 6,833,394,635 | 6,566,889,697 | 13,400,284,332 |
| Short term borrowings - <i>secured</i> | 2,179,727,732 | 1,321,653,198 | 3,501,380,930 |
| | <u>20,132,274,374</u> | <u>17,165,429,215</u> | <u>37,297,703,589</u> |

| | |
|--|--|
| 21 Fair value of financial assets and liabilities | |
| 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. | |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

21.1 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying amount | | Fair value | | | | | |
|---|-----------------------------|---------------------------|-----------------------------|-----------------------|----------|----------|----------|----------|
| | Trade and other receivables | Cash and cash equivalents | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| As at 30 June 2019 | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Financial assets - not measured at fair value | | | | | | | | |
| Long term loans and advances | 12,444,190 | - | - | 12,444,190 | - | - | - | - |
| Long term deposits | 46,057,333 | - | - | 46,057,333 | - | - | - | - |
| Trade debts | 66,423,024 | - | - | 66,423,024 | - | - | - | - |
| Advances and other receivables | 153,778,755 | - | - | 153,778,755 | - | - | - | - |
| Cash and bank balances | - | 187,115,587 | - | 187,115,587 | - | - | - | - |
| | 278,703,302 | 187,115,587 | - | 465,818,889 | - | - | - | - |
| Financial liabilities - not measured at fair value | | | | | | | | |
| Redeemable capital | - | - | 12,165,534,546 | 12,165,534,546 | - | - | - | - |
| Long term finances | - | - | 7,139,974,589 | 7,139,974,589 | - | - | - | - |
| Convertible, redeemable preference shares | - | - | 1,593,342,690 | 1,593,342,690 | - | - | - | - |
| Long term payable | - | - | 31,135,199 | 31,135,199 | - | - | - | - |
| Short term borrowings | - | 2,692,195,463 | 1,828,969,631 | 4,521,165,094 | - | - | - | - |
| Trade and other creditors | - | - | 5,134,407,176 | 5,134,407,176 | - | - | - | - |
| Accrued liabilities | - | - | 198,016,631 | 198,016,631 | - | - | - | - |
| Security deposits and retention money | - | - | 15,893,026 | 15,893,026 | - | - | - | - |
| Other payables | - | - | 57,699,234 | 57,699,234 | - | - | - | - |
| Mark-up accrued on borrowings | - | - | 17,717,124,425 | 17,717,124,425 | - | - | - | - |
| Preference dividend payable | - | - | 1,292,000,674 | 1,292,000,674 | - | - | - | - |
| | - | 2,692,195,463 | 47,174,097,821 | 49,866,293,284 | - | - | - | - |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

| | Carrying amount | | Fair value | | | | |
|---|---------------------------------------|-------------------------------------|---------------------------------------|-------------------|-------------------|-------------------|-----------------|
| | Trade and other receivables Rupees | Cash and cash equivalents Rupees | Other financial liabilities Rupees | Level 1 Rupees | Level 2 Rupees | Level 3 Rupees | Total Rupees |
| <u>As at 31 December 2018</u> | | | | | | | |
| <u>Financial assets - not measured at fair value</u> | | | | | | | |
| Long term loans and advances | 13,699,204 | - | - | - | - | - | 13,699,204 |
| Long term deposits | 46,538,433 | - | - | - | - | - | 46,538,433 |
| Trade debts | 34,865,063 | - | - | - | - | - | 34,865,063 |
| Advances and other receivables | 136,731,610 | - | - | - | - | - | 136,731,610 |
| Cash and bank balances | - | 326,555,713 | - | - | - | - | 326,555,713 |
| | 231,834,310 | 326,555,713 | - | - | - | - | 558,390,023 |
| <u>Financial liabilities - not measured at fair value</u> | | | | | | | |
| Redeemable capital | - | - | 12,165,534,546 | - | - | - | 12,165,534,546 |
| Long term finances | - | - | 7,141,397,262 | - | - | - | 7,141,397,262 |
| Convertible, redeemable preference shares | - | - | 1,593,342,690 | - | - | - | 1,593,342,690 |
| Long term payable | - | - | 31,135,199 | - | - | - | 31,135,199 |
| Short term borrowings | - | 2,696,369,695 | 928,980,591 | - | - | - | 3,625,350,286 |
| Trade and other creditors | - | - | 4,858,710,452 | - | - | - | 4,858,710,452 |
| Accrued liabilities | - | - | 236,463,042 | - | - | - | 236,463,042 |
| Security deposits and retention money | - | - | 17,458,254 | - | - | - | 17,458,254 |
| Other payables | - | - | 64,855,457 | - | - | - | 64,855,457 |
| Mark-up accrued on borrowings | - | - | 16,402,280,215 | - | - | - | 16,402,280,215 |
| Preference dividend payable | - | - | 1,205,087,103 | - | - | - | 1,205,087,103 |
| | - | 2,696,369,695 | 44,645,244,811 | - | - | - | 47,341,614,506 |

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2019

22 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 | Convertible, redeemable preference shares | Accrued finance cost | Preference Dividend Payable | Ordinary Share Capital | | Reserves |
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Balance as at 01 January 2019 | 7,141,397,262 | 12,165,534,546 | 929,980,591 | 2,696,369,695 | 1,593,342,690 | 16,402,280,215 | 1,205,087,103 | 3,954,300,000 | 9,000,000 | 46,066,292,102 |
| Cash flows | | | | | | | | | | |
| Long term finances paid | (1,422,673) | - | - | - | - | - | - | - | - | (1,422,673) |
| Short term borrowings received | - | - | 899,989,040 | - | - | - | - | - | - | 899,989,040 |
| Short term borrowings paid | - | - | - | (4,174,232) | - | - | - | - | - | (4,174,232) |
| net of receipts | - | - | - | - | - | (6,5325,048) | - | - | - | (6,5325,048) |
| Finance cost paid | - | - | - | - | - | - | - | - | - | - |
| Total changes from financing cash flows | (1,422,673) | - | 899,989,040 | (4,174,232) | - | (6,5325,048) | - | - | - | 829,067,087 |
| Non-cash changes: | | | | | | | | | | |
| Preference dividend expense | - | - | - | - | - | - | 86,913,571 | - | - | 86,913,571 |
| Interest / mark-up expense | - | - | - | - | - | 1,380,169,258 | - | - | - | 1,380,169,258 |
| Total liability related other changes | - | - | - | - | - | 1,380,169,258 | 86,913,571 | - | - | 1,467,082,829 |
| Closing as at 30 June 2019 | 7,139,974,589 | 12,165,534,546 | 1,829,969,631 | 2,692,195,463 | 1,593,342,690 | 17,717,124,425 | 1,292,000,674 | 3,954,300,000 | 9,000,000 | 48,362,442,018 |

Notes to the Condensed Interim Financial Information (Un-audited) For the six months period ended 30 June 2019

23 Financial risk management

The Company's financial risk management objective and policies are consistent with the disclosed in the financial statements for the financial year ended on 31 December 2018.

24 Date of authorization

These unaudited condensed interim financial statements were authorized for issue by Board of Directors of the Company on 30 October 2019.

25 Seasonality

The Company's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average, fertilizer sales are more tilted towards Rabi season. The Company manages seasonality in the business through appropriate inventory management.

26 General

Figures have been rounded off to the nearest rupee.



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