AGRITECH

Annual Report 2019

The Future is Brighter with Agritech Fertilizers


Brighter
FERTIL

CONTENTS

FINANCIAL STATEMENTS

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

Agritech Urea Fertilizer Plant Daudkhel

VISION

VISION

To become a major regional diversified fertilizer company

MISSION

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

MISSION

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

COMPANY INFORMATION

Board of Directors

Mr. Sardar Azmat Babar
Chairman

Mr. Muhammad Faisal Muzammil
Chief Executive Officer

Mr. Talha Saeed (Resigned on 1-10-2020)

Mr. Hassan Raza (Joined on 23-10-2020)

Mr. Asim Murtaza Khan

Mr. Abdul Karim Sultanali

Mr. Asim Jilani

Ms. Amena Zafar Cheema

Audit Committee

Mr. Asim Murtaza Khan
Chairman

Mr. Hassan Raza

Mr. Abdul Karim Sultanali

Mr. Asim Jilani

HR & Remuneration Committee

Ms. Amena Zafar Cheema
Chairperson

Mr. Asim Jilani

Mr. Abdul Karim Sultanali

Mr. Muhammad Faisal Muzammil

Chief Financial Officer

Syed Taneem Haider

Company Secretary

Ms. Fauzia Noorani

Legal Advisor

Mr. Mian Muhammad Osama Hanif

Shares Registrar

Hameed Majeed Associates (Private) Limited

Auditors

Grant Thornton Anjum Rahman
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 Limited

Registered Office

2nd Floor, Asia Centre, 8-Babar Block,
New Garden Town, Lahore.
Ph: +92 (0) 42 35860341-44
Fax: +92 (0) 42 35860339-40
Email: corporate@pafl.com.pk

Project Locations

Unit I

Urea Plant
Iskanderabad, District Mianwali.
Ph: +92 (0) 459 392346-49

Unit II

GSSP Plant
Hattar Road, Haripur.
Ph: +92 (0) 995 353544 - 353641

CHAIRMAN'S REVIEW

Dear Shareholders

On behalf of The Board of Directors, I am pleased to present the annual financial results of our organization. I would like to further highlight the proactive efforts of the Board in providing the management with policy direction and support in these testing times.

Agritech Limited, for the past 60 years has been playing a vital role in the fertilizer industry and our management teams continue to work with pride, contributing to a healthier and more sustainable agricultural inputs (Urea & SSP) production in the country. We are well-positioned to leverage our considerable strengths and favorable industry fundamentals we see for the foreseeable future.

I am pleased to present to you the Annual Report of Agritech Limited illustrating the overall performance and achievements of the Company. The year was transformative as the company achieved several milestones over the year with the relentless dedication and hard work of the team as following:

- Significant improvement in Gas Supply to the Company's Urea plant, rather 2019 was the best year in last ten years of gas curtailment faced by the company.
- Excellent operational capability of the Company's Urea plant with optimal efficiency and without any major technical shutdown despite longer plant closure in 2018 on account of non-supply of gas.
- Support to the Government of Pakistan in meeting Urea shortages in the country amid growing demand through indigenous urea production which helped GOP save precious Foreign Exchange and higher Subsidy on urea imports.
- The Company has continued its commitment and played its role for development of local phosphate rock as raw material for its Single Super Phosphate (SSP) plant that also lead to import substitution, thus, saving precious Foreign Exchange.

We have adopted a Code of Corporate Governance as per Code of Corporate Governance Regulations, 2019. I would like to place on record the exemplary performance of the Board, where all the members actively navigated business with accountability and responsibility entrusted to them, by safeguarding the long-term value creation in and best interests of our stakeholders. The Board ensured that all legal and regulatory requirements have been complied with by the management of the Company. The Board also evaluated its own performance and that of its committees.

The Company is cognizant of its outstanding liabilities and the Board continues to look for the possible opportunities and initiatives that could lead to early repayment of the liabilities.

I wish and pray that the Company continues its momentum of growth and achieve better results and more milestones in the future.

Sardar Azmat Babar Chauhan
Chairman- Board of Directors

December 10, 2020

DIRECTORS' REPORT

For the year ended December 31, 2019

DIRECTORS' REPORT

ڈائریکٹرز رپورٹ

The Board of Directors of Agritech Limited, henceforth called the Company, along with the Management Team is pleased to present the Company's Annual Report accompanied with the Audited Financial Statements for the year ended December 31, 2019.

These 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 2019, having been recommended for approval by the Audit Committee of the listed Companies Board and approved by the Board of Directors for presentation.

ایگری ٹیک لمیٹڈ، کمپنی کے بورڈ آف ڈائریکٹرز اور مینجمنٹ ٹیم، 31 دسمبر 2019ء کو ختم ہونے والے سال کے لئے نظر ثانی شدہ مالیاتی گوشواروں کے ہمراہ کمپنی کی سالانہ رپورٹ پیش کرتے ہوئے خوش ہیں۔

یہ مالیاتی گوشوارے، کارپوریٹ گورننس کے کوڈ کے مطابق چیف ایگزیکٹو آفیسر 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۔

Business Review

کاروباری جائزہ

Principal Activities

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

پرنسپل سرگرمیاں

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

Year in Review

سال کا جائزہ

Financial Results of Agritech Limited for the year ending:

ایگریٹیک لمیٹڈ کے مالیاتی نتائج سال اختتام

		December 31, 2019	December 31, 2018
Sales - Net	خالص فروخت	**12,174,418,992**	4,533,316,414
Operating Profit / (Loss)	آپریٹنگ منافع/(نقصان)	**2,329,410,685**	(1,057,086,658)
Finance cost	مالیاتی لاگت	**(3,300,421,547)**	(2,582,522,419)
(Loss) before Tax	قبل از ٹیکس (نقصان)	**(971,010,862)**	(3,639,609,077)
(Loss) after Tax	بعد از ٹیکس (نقصان)	**(652,776,856)**	(3,343,673,076)
(Loss) per share	فی حصص (نقصان)	**(1.66)**	(8.52)

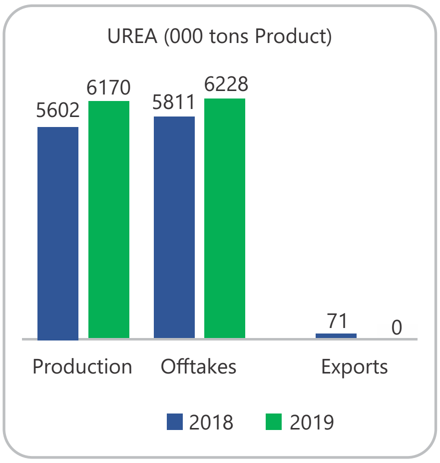
Overview of Fertilizer Industry

Urea industry

Offtakes of Urea in 2019 showed strong increase of 7% over last year (2019: 6228KT vs 2018: 5811KT) due to strong farmers' returns on major crops. Better offtakes increase is mainly attributed to the improved consumption for both major crops of Kharif i.e. Rice and Rabi i.e. Wheat with better farm economics of these crops. Production of Urea also registered strong growth of 10% versus last year (2019: 6170KT vs 2018:

5602KT) with improved gas supplies to the sector as all Urea plants operated during 2019 including the Company's urea plant. Increase in urea production was mainly due to higher production from the plants on SNGPL Network as GOP ensured continuous RLNG supplies at subsidized rates to these plants instead of expensive imports. No Urea exports were made in 2019 due to robust local demand vs. 71KT exports seen in 2018.

The Company was greatly benefited from the regular RLNG supplies by GOP and urea plant was operated for 313 days in 2019 and produced 338 KT Urea (2018: 96KT) vs installed capacity of 433KT. The year 2019 in terms of gas supplies and production has been the best performing year during the last 10 years. The Company sold 320KT urea (101KT: 2018). Gas supply to the company Urea plant was resumed in August 2020 and plant presently is fully operational.



کھاد کی صنعت کا مجموعی جائزہ

یوریا انڈسٹری

سال 2019 میں یوریا کی فروخت اہم فصلوں پر کسانوں کے مضبوط منافع کی بدولت گزشتہ سال (2019 : 6228KT vs 2018: 5811KT) سے 7% کا مستحکم اضافہ ظاہر کررہی ہے۔ فروخت میں بہتر اضافہ خریف کی تمام بہتر فصلوں یعنی چاول اور ربیع کی یعنی گندم کے لئے زیادہ استعمال کے سبب ان فصلوں کی بہتر کاشت کے ساتھ منسوب ہے۔ کمپنی کے یوریا پلانٹ سمیت 2019 کے دوران چلنے والے تمام یوریا پلانٹس کو گیس کی بہتر فراہمی کے ساتھ یوریا کی پیداوار میں بھی گزشتہ سال (2019 : 6170KT vs 2018 : 5602KT) کے برعکس 10% کی مضبوط نمو درج کی گئی۔ یوریا کی پیداوار میں اضافہ بنیادی طور پر حکومت پاکستان کی طرف سے SNGPL نیٹ ورک پر پلانٹس کو مہنگی درآمدہ گیس کی بجائے اعانتی نرخوں پر مسلسل RLNG سپلائیز کی یقین دہانی کے سبب سے زیادہ پیداوار کی وجہ سے ہوا ہے۔ سال 2018 میں 71 ہزار ٹن برآمدات کے برعکس مقامی طلب زیادہ ہونے کی وجہ سے 2019 میں یوریا کی کوئی برآمدات نہیں کی گئی۔

کمپنی نے حکومت پاکستان کی طرف سے باقاعدہ RLNG سپلائیز سے بھرپور فائدہ اُٹھایا اور یوریا پلانٹ 2019 میں 313 دنوں تک چلایا گیا اور 433 ہزار ٹن کی نصب شدہ صلاحیت کے مقابل 338 ہزار ٹن یوریا (2018 : 96KT) بنانے کے قابل رہی۔ گیس کی فراہمی اور پیداوار کے لحاظ سے سال 2019 گزشتہ 10 سالوں کے دوران بہترین کارکردگی کا سال رہا ہے۔ کمپنی نے 320 ہزار ٹن یوریا (2018 : 101KT) فروخت کیا۔ کمپنی کے یوریا پلانٹ کو گیس کی سپلائی اگست 2020 میں دوبارہ بحال کردی گئی اور پلانٹ اس وقت کلی طور پر آپریشنل ہے۔

Phosphates Industry

Phosphates Nutrient consumption saw a reduction of 7% (2019: 1,068KT vs 2018: 1,150KT), with consumption of DAP in nutrient terms declined by 9%. Production of Phosphates increased by 9% in 2019 (2019: 488KT vs 2018: 447KT). Phosphates Imports registered a decline of 34% in 2019 vs last year (2019: 551KT vs 2018: 842KT). DAP remained the preferred phosphates fertilizers with 2.03 million tons of offtakes, however, the offtakes of DAP registered as decline of 9% vs last year. DAP imports have also been decreased by 34% (2019: 1192KT vs 1818KT:2018) as significant carry over stock of last year's imports remained available in 2019.

The Company, being a major SSP player, produced 42 K tons SSP (2018: 59Ktons) and sold 42 K tons (2018: 67Ktons).

فاسفیٹ انڈسٹری

فاسفیٹس کا استعمال ڈی اے پی کے استعمال میں 9% کی کمی کے ساتھ 7% کم (2019 : 1,068KT vs 2018 : 1,150KT) ہوا۔ فاسفیٹ کی پیداوار 2019 میں 9% تک (2019 : 488KT vs 2018 : 447KT) زیادہ ہوئی۔ فاسفیٹ کی درآمدات گزشتہ سال (2019 : 551KT vs 2018 : 842KT) کے برعکس 2019 34% کم درج کی گئی۔ فاسفیٹ کھادوں میں سے ڈی اے پی 2.03 ملین ٹن آفٹیکس کے ساتھ ترجیحی کھاد رہی، تاہم، ڈی اے پی کی آفٹیکس گزشتہ سال کے مقابلے 9% کم درج کی گئی۔

ڈی اے پی کی درآمدات بھی 2019 میں گزشتہ سال کے درآمدات کا نمایاں وافر اسٹاک دستیاب ہونے کی وجہ سے 34% کم (2019 : 1192KT vs 2018 : 1818KT) ہوئی۔ کمپنی نے، ایس ایس پی کے اہم مینوفیکچرر ہونے کے ناطے، 42 ہزار ٹن ایس ایس پی (59 ہزار ٹن: 2018) پیدا کی اور 42 ہزار ٹن (67 ہزار ٹن:2018) فروخت کی ہے۔

Future Outlook

Supply Demand gap of Urea likely to continue which is either to be bridged with imports or continuation of plant on SNGPL Network. Recent devaluation of the PKR has resulted in very high cost of imported Urea and impact on the Foreign Exchange of the country. GOP plan to reduce the current account deficit likely to rely more on the local production of Urea than imports to save on foreign exchange reserves besides improving the large scale manufacturing. The arrangement of RLNG supply at the capped price to the SNGPL based Urea plants likely to continue during the year as these provide a lesser cost option for GOP when compared with imports in terms of subsidy required on imports. The urea plants on SNGPL presently continue to operate since their restorations in Aug 2020. The scenario likely to be helpful for Agritech to streamline its gas supply issue on consistent basis with GOP to meet the likely urea offtakes deficit in the country.

Higher phosphates prices are likely to prevail due to currency devaluation as most of the demand of phosphates is met through imports with DAP being the major phosphates source. Higher prices likely to affect farmers' economics which may lead to decline or stagnant phosphate consumption, however, GOP is working to provide subsidy on phosphates through Provinces by allocating budgetary support on phosphate use in the country. The Company maintains its leadership position in the SSP category and will strengthen its position with improved sales and margins.

مستقبل کا نقطہ نظر

یوریا کی طلب ورسد کا خلاء جاری رہنے کا امکان ہے جس کو یا تو درآمدات یا SNGPL نیٹ ورک پر پلانٹ کے تسلسل کے ساتھ پُر کیا جانا ہے۔ پاکستانی روپے کی قدر میں حالیہ کمی کے نتیجے میں درآمدہ یوریا کی قیمت زیادہ ہے اور اس کا ملکی زرمبادلہ پر اثر پڑتا ہے۔ کرنٹ اکاؤنٹ خسارے کو کم کرنے کے لئے امکان ہے کہ حکومت پاکستان لارج اسکیل مینوفیکچرنگ کو بہتر بنانے کے علاوہ غیر ملکی زرِمبادلہ ذخائر کو بچانے کے لئے درآمدات کے مقابلے میں یوریا کی مقامی پیداوار پر زیادہ انحصار کرے گی۔ SNGPL پر مبنی یوریا پلانٹس کو محدود قیمت پر RLNG سپلائی کا انتظام سال کے دوران جاری رہنے کا امکان ہے کیونکہ یہ حکومت پاکستان کے لئے کم لاگت کا آپشن فراہم کرتے ہیں جب کہ درآمدات پر درآمدی سبسڈی ضروری ہے۔ SNGPL پر یوریا پلانٹ اگست 2020 میں اپنی بحالی کے بعد سے کام کر رہے ہیں۔ منظر نامہ یقیناً ایگری ٹیک کے لئے ملک میں یوریا آفٹیکس خسارے کو پورا کرنے کے لئے حکومت پاکستان کے ساتھ مستقل بنیادوں پر گیس کی فراہمی کے سلسلے کو جاری رکھنا مددگار ثابت ہوگا۔

کرنسی کی قدر میں کمی کی وجہ سے فاسفیٹس کی زیادہ قیمتیں غالب رہنے کا امکان ہے کیونکہ فاسفیٹس کی زیادہ تر طلب درآمدات کے ذریعہ پوری کی جاتی ہے جس میں ڈی اے پی فاسفیٹس کا اہم ذریعہ ہے۔ زیادہ قیمتوں سے کسانوں کی معیشت متاثر ہونے کا امکان ہے جو فاسفیٹ کے استعمال میں کمی کا سبب بن سکتا ہے، تاہم، حکومت پاکستان ملک میں فاسفیٹ کے استعمال پر بجٹری اسپورٹ مختص کر کے صوبوں کے ذریعے فاسفیٹ پر سبسڈی فراہم کرنے کے لئے کام کر رہی ہے۔ کمپنی SSP کیٹگری میں اپنی قائدانہ حیثیت برقرار رکھتی ہے اور بہتر فروخت اور مارجن سے اپنی پوزیشن مستحکم کرے گی۔

Changes in accounting policies:

The Company has adopted IFRS 15 "Revenue from Contracts with Customers", IFRS 9 "Financial Instruments" and IFRS 16 “Leases”. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are explained in note 3 to the financial statements.

اکاؤنٹنگ پالیسیوں میں تبدیلیاں

کمپنی نے IFRS 15 "Revenue from Contracts with Customers", IFRS 9 "Financi al Instruments" اور IFRS 16 "لیزز" پر عمل کیا ہے۔ اختیار کردہ نئی اہم اکاؤنٹنگ پالیسیوں کی تفصیلات اور گزشتہ اکاؤنٹنگ پالیسیوں کی نوعیت اور تبدیلیوں کے اثرات کی وضاحت مالی گوشواروں کے نوٹ 3 میں کی گئی ہے۔

Modifications in the Auditor’s report

آڈیٹر کی رپورٹ میں ترمیمات

Qualification

In auditor's report for the period, auditors raised following concern which states as " the management has assessed the recoverability of deferred tax assets on tax losses and tested the impairment of goodwill based on five years business plan approved by the Board of Directors and asserts that no impairment is required in these financial statements. However, we are unable to obtain sufficient appropriate audit evidence with respect to key assumption used in the business plan i.e. operational days based on the availability of natural gas and cost of raw material based on gas rates since approval from Government of Pakistan for supply of gas to the Company at subsidized rates is available only till 30th November 2020. Management is however confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustment in respect of impairment was necessary for goodwill amounting to Rs. 2,567.31 million and deferred tax assets amounting to Rs. 6,387.64 million recognized on tax losses of Rs. 22,026.33 million in these financial statements. ”

کوالیفکیشن

اس مدت کے لئے آڈیٹر کی رپورٹ میں، آڈیٹرز نے درج ذیل تشویش کا اظہار کیا جس میں کہا گیا ہے کہ "انتظامیہ نے ٹیکس نقصانات پر مؤخر ٹیکس اثاثوں کی واپسی کا اندازہ لگایا ہے اور بورڈ آف ڈائریکٹرز کی طرف سے منظور شدہ پانچ سالہ کاروباری منصوبے کی بنیاد پر ٹیکس خیر سگالی کی خرابی ٹیکس کا جائزہ لیا ہے اور یہ دعوی کیا ہے کہ ان مالیاتی حسابات میں کوئی نقص ضروری نہیں ہے۔ تاہم، کاروباری منصوبے میں استعمال ہونے والے کلیدی مفروضے کے لحاظ سے ہم مناسب آڈٹ ثبوتوں کو حاصل کرنے سے قاصر ہیں یعنی قدرتی گیس کی دستیابی اور گیس کی شرحوں پر مبنی خام مال کی قیمت پر مبنی آپریشنل دن چونکہ حکومت پاکستان کی طرف سے کمپنی کو سبسڈی نرخوں پر گیس کی فراہمی صرف 30 نومبر 2020 تک ہی دستیاب ہے۔ تاہم انتظامیہ کو یقین ہے کہ گیس کی فراہمی طویل مدتی بنیاد پر دستیاب ہوگی۔ چنانچہ ہم یہ تعین کرنے سے قاصر تھے کہ ان مالی گوشواروں میں خرابی کے سلسلے میں 2,567.31 روپے خیر سگالی اور موخر ٹیکس اثاثوں کی مالیت 6,387.64 ملین روپے تسلیم شدہ ٹیکس نقصانات 22,026.33 ملین روپے کی ایڈجسٹمنٹ ضروری ہے یا نہیں۔

Material Uncertainty relating to Going Concern

Auditors also raised concern about company ability to operate as going concern which states as “Notwithstanding the matter discussed in Basis for the Qualified Opinion section, the Company during the year ended 31 December 2019 has incurred loss before tax amounting to Rs. 971 million and, as of that date, its current liabilities exceeded its current assets by Rs. 38,921 million, and its accumulated losses stood at Rs.17,943 million. These conditions, along with other matters as set forth in note 2.2 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.”

گوئنگ کنسرن کی بابت مادی غیر یقینی

آڈیٹرز نے کمپنی کے چلنے رہنے کی صلاحیت کے بارے میں بھی تشویش کا اظہار کیا جس میں کہا گیا ہے کہ'' قابلیت کے بارے میں رائے کے سیکشن بارے میں اس معاملے کے باوجود، کمپنی نے 31 دسمبر 2019 کو ختم ہونے والے سال کے دوران ٹیکس سے پہلے 971 ملین روپے کا نقصان اٹھایا ہے اور اب تک، اس کے موجودہ واجبات اس کے موجودہ اثاثوں سے 38,921 ملین روپے سے زائد اور اس کا مجموعی خسارہ 17,943 ملین روپے ہے۔ مالی گوشواروں کے نوٹ 2.2 میں بیان کردہ دیگر امور کے ساتھ یہ صورت حال، مادی غیر یقینی صورتحال کی نشاندہی کرتے ہیں جس سے کمپنی کی حیثیت سے جاری رہنے کی صلاحیت کے بارے میں اہم شک پیدا ہوسکتا ہے۔ تاہم، یہ مالی گوشوارے نوٹ 2.2 میں مالی گوشواروں کے بارے میں مکمل طور پر بیان کردہ وجوہات کی بناء پر تیار کیے گئے ہیں۔ اس معاملے میں ہماری رائے کوالفائیڈ نہیں ہے۔

Emphasis of Matter

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

Explanation of Modifications of Auditor's Report

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 41.2.2 to the financial statements.

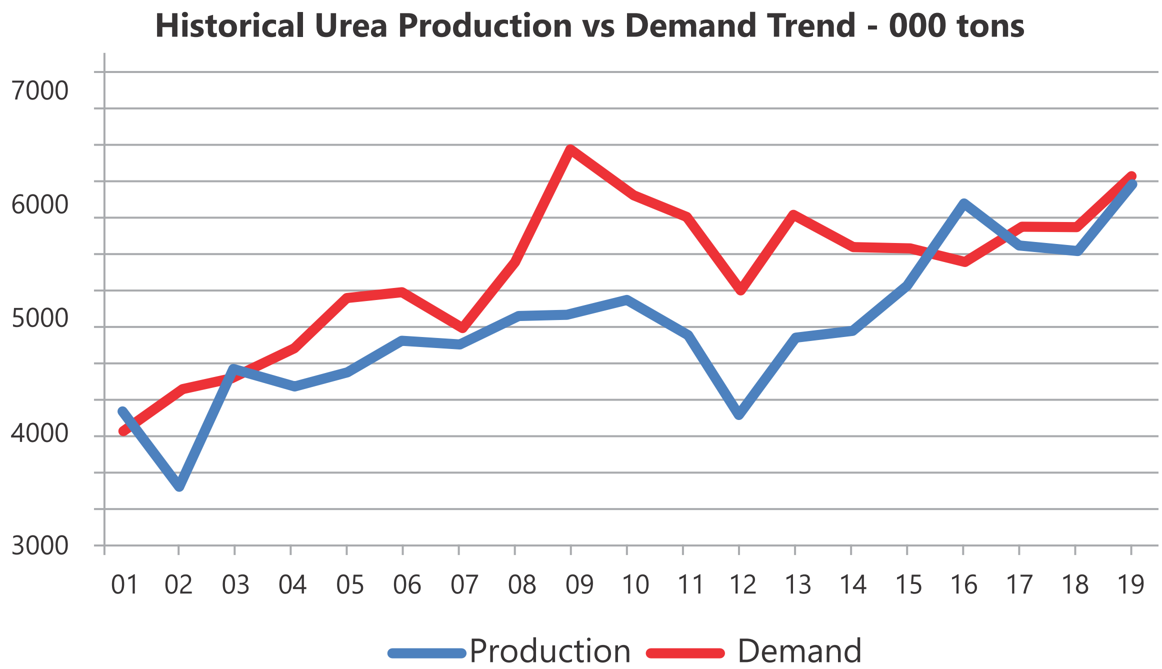
In recent past the major cause of gas curtailment was not non-availability of gas in SNGPL system, rather it was mainly due to gas pricing issue due to regular import of RLNG in the country having higher price than system gas. The Company in the past, unlike other gas consumers on SNGPL, did not opt for high cost of full RLNG prices in the country and preferred to stay on System Gas Network even operating with lower days of system gas supply to gain advantage of lower System Gas Prices in the country with better capacity utilization achieved in 2016.

However, GOP continued diverting System Gas to other sectors that causes intermittent plant operations of the company in subsequent years. Improvement in the overall supply / availability of gas in the country witnessed with the completion and operationalization of Two LNG Terminals 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 and the company.

Gas/RLNG supply to the Company's urea plant was restored in the September 2018 on a blend of natural gas and RLNG after the extended curtailment that continued during 2019. The Company operated its urea plant for 313 days in 2019 (2018: 97 days) which resulted in Urea production of 338,090 tons (2018: 95,934 tons). The Company during the current year was able to sell 320,337 tons Urea (2018: 100,985 tons).

The expectation of continuous availability of gas is based on the fact that the GOP is operating both LNG terminals in the country with having a combined capacity of 1200 mmscfd. Supply of RLNG is contracted for one terminal though a 15 year long term agreement with Government of Qatar, to import nearly 3.75 million tons of LNG per year. The second terminal supply is contracted through short term supply contracts with large LNG traders and spot cargo purchases. The import of LNG has already been tested and ensured at 1,200 mmscfd per day of maximum load on both terminals in the country. SNGPL is receiving major flow of LNGimports under swap arrangement from both terminals. This has improved the flow of gas into SNGPL system and making available required gas volumes for the fertilizer plants on SNGPL network.

Pakistan is an Agrarian Economy that contributes 20% to the GDP, employs 42% of Labor Force and provides livelihood to the 66% of the population of the country. Food Security is the most critical aspect of feeding the population of more than 200 million. Fertilizer, especially Urea plays a critical role in the production and yield of the crops. Urea demand in the country since the last Fertilizer Policy issued in 2001 is growing at CAGR of 2.5% and Production has kept the pace of growth at CAGR of 2.2%. Installed Capacity of Urea in the country is of ~6.8 million tons which is 7th largest in the world that can meet the growing demand of the country for many years.



Source: National Fertilizer Development Centre, Government of Pakistan

Gas supply issues in the past, as explained above, has affected the pace of production as per demand, forcing the government to rely on expensive imports in the past despite having required capacity available in the country. Imports caused GOP loss of precious Foreign Exchange as well as higher subsidy on imported urea.

In 2018, after the formation of the New Political Government in the country, Urea shortage again occurred due to strong demand. Foreign Exchange reserves were sharply going down and Currency Devaluation made Urea imports economically unviable for GOP. The Government decided to restart the closed Urea plants including Agritech to meet the shortages utilizing the installed Urea capacity in the country. Economic Coordination Committee ("ECC") and the 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 subsidized RLNG supply in subsequent months. Subsidized RLNG supply continued throughout the 2019 and the company urea plant operated for till Nov 2019. These plants on SNGPL Network including Agritech produced 969K tons Urea saving previous Foreign Exchange of ~$0.3 Billion. In both cases the price of gas is capped at Rs. 782 per MMBTU till August 2019 and Rs. 945/mmbtu for the period Sep-Nov 2019 when the Urea price was increased in the market as sector passed on the input costs increases, and to maintain an agreed Variable Contribution Margin with GOP. In both cases the subsidy to run plants remained lower than imports. However, additional cost of RLNG/Gas in both cases is to be paid by GOP as subsidy directly to SNGPL.

Strong fundamentals and demand drivers for Urea consumption exist in the long run whereby in order to ensure Food Security of the country and increase the production of all staple crops. Production from utilizing the available capacity of Agritech and other fertilizer plant on SNGPL will be vital to meet the likely shortages in subsequent years, besides saving precious Foreign Exchange and substituting volatile urea imports.

Moreover, in order to mitigate any negative impact of COVID-19 on Agriculture Sector, GOP in order to further improve the affordability of farmers, has reduced Urea prices by Rs. 400/bag (50 Kg) by reducing the input cost of the agriculture sector which is likely to ensure robust urea demand.

تاکید

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

آڈیٹر کی رپورٹ کی ترمیمات کی وضاحت

کمپنی کے یوریا پلانٹ کو گیس کی قیمتوں میں اضافے کے ساتھ ساتھ گیس کی قلت کمپنی کے گذشتہ کچھ سالوں میں آپریشنل اور لیکویڈیٹی ایشوز کا سب سے اہم عنصر رہا ہے۔ تمام فرٹیلائزر شعبہ نے مجموعی طور پر اور کمپنی نے خاص طور پر گزشتہ آٹھ سالوں کے دوران غیر متوقع گیس کی تخفیف کا سامنا کیا ہے۔ کمپنی نے اپنے اثاثوں اور آپریشنز کو اعلیٰ درجہ کے قرضوں کے ذریعے فنانس کیا ہے۔ سسٹم میں مجموعی گیس کی قلت کی وجہ سے حکومت پاکستان نے گیس کو فرٹیلائزر سیکٹر سے دیگر سیکٹرز خاص طور پر گرمیوں میں پاور سیکٹر اور سردیوں کے دوران ڈومیسٹک سیکٹر کو منتقل کر دیا۔ یہ گیس کی تخفیف دستیاب صلاحیت کے خلاف یوریا کی کم پیداوار کی وجہ بنی نتیجتاً مسلسل آپریشنل اور لیکویڈیٹی مسائل پیدا ہوئے جس کے مزید نتیجے میں زائد المعیاد قرضون اور متعلقہ مارک اپ میں اضافہ ہوا جس کا ذکر عبوری مالی حسابات کے نوٹ 41.2.2 میں بیان کیا گیا ہے۔

ماضی قریب میں، گیس کی قلت کی بڑی وجہ SNGPL میں گیس کی عدم دستیابی نہیں تھی بلکہ اس کی بنیادی وجہ سسٹم گیس سے زیادہ قیمت کی حامل ملک میں RLNG کی مسلسل برآمد کے سبب گیس کی قیمتوں میں اضافے کا مسئلہ تھا۔ کمپنی نے ماضی میں، SNGPL پر گیس کے دوسرے صارفین کے برعکس، ملک میں کلی RLNG قیمتوں کی زیادہ قیمتی RLNG کا انتخاب نہیں کیا اور سسٹم گیس نیٹ ورک پر ہی رہنے کو ترجیح دی ہے یہاں تک کہ 2016 میں حاصل کردہ بہتر مستعمل صلاحیت کے ساتھ ملک میں کم سسٹم گیس قیمتوں کا فائدہ حاصل کرنے کے لئے سسٹم گیس سپلائی کے کم دنوں کے ساتھ چلا رہی ہے۔

تاہم، حکومت پاکستان نے دیگر شعبوں کو سسٹم گیس کی منتقلی جاری رکھی جس وجہ سے بعد کے سالوں میں کمپنی کے پلانٹ آپریشنز وقفے وقفے سے جاری رہے۔ حکومت پاکستان ("GOP") کی طرف سے لیکویفائیڈ نیچرل گیس ("LNG") کی باقاعدہ درآمدات کے ساتھ دو (2) ایل این جی ٹرمینلز کی تکمیل اور آپریشنل ہونے کے ساتھ ملک میں گیس کی مجموعی فراہمی / دستیابی میں بہتری ہوئی۔ ایل این جی کی مسلسل درآمد سے سوئی گیس پائپ لائن لمیٹڈ ("SNGPL") کو RLNG کے بہاؤ میں بہتری آئی جس کا فرٹیلائزر سیکٹر اور کمپنی سمیت صارفین کو فائدہ ہوا۔

کمپنی کے یوریا پلانٹ کو گیس/RLNG سپلائی کی کافی قلت جو 2019 کے دوران جاری رہی کے بعد ستمبر 2018 میں قدرتی گیس اور آر ایل این جی کی آمیزش پر بحال کر دی گئی۔ کمپنی نے اپنا یوریا پلانٹ 2019 میں 313 دن (2018:97 دن) تک چلایا جس کے نتیجے میں 338,090 ٹن (2018:95,934 ٹن) یوریا کی پیداوار ہوئی۔ رواں سال کے دوران کمپنی 320,337 ٹن یوریا (2018:100,985 ٹن) فروخت کرنے میں کامیاب رہی۔

گیس کی مستقل دستیابی کی توقع اس حقیقت پر مبنی ہے کہ حکومت پاکستان ملک میں دو LNG ٹرمینلز چلا رہی ہے جس کی گنجائش 1200 mmscfd گیس پروسیسنگ ہے۔ اگرچہ ایک ٹرمینل کے لئے RLNG کی سپلائی کا 15 سالہ معاہدے کے تحت قطر کی حکومت سے سالانہ تقریباً 3.75 ملین ٹن ایل این جی درآمد کرنا ہے۔ دوسرے ٹرمینل کے لئے سپلائی کا معاہدہ بڑے LNG ٹریڈرز اور سپاٹ کارگو پرچیزر کے ساتھ مختصر مدتی سپلائی کنٹریکٹس کے ذریعے کیا گیا ہے۔ ایل این جی کی درآمد کو ملک میں دونوں ٹرمینلز پر زیادہ سے زیادہ لوڈ کے فی یوم 1200 ایم ایم سی ایف ڈی پر ہموار کیا گیا ہے۔ ایس این جی پی ایل کو دونوں ٹرمینلز سے تبادلہ انتظام کے تحت ایل این جی کی درآمد کا مکمل بہاؤ مل رہا ہے۔ اس سے ایس این جی پی ایل سسٹم میں گیس کے بہاؤ میں مزید بہتری آئی ہے اور ایس این جی پی ایل نیٹ ورک پر فرٹیلائزر پلانٹوں کے لئے گیس کی مطلوبہ مقدار دستیاب کر دی گئی ہے۔

پاکستان ایک زرعی معیشت ہے جو جی ڈی پی میں 20 فیصد حصہ شامل، لیبر فورس میں 42 فیصد کو ملازمت اور ملک کی 66 فیصد آبادی کو ضروریات زندگی فراہم کرتی ہے۔ فوڈ سیکیورٹی 200 ملین سے زیادہ آبادی کو خوراک کھلانے کا سب سے اہم پہلو ہے۔ کھاد، خاص طور پر یوریا فصلوں کی کاشت اور پیداوار میں اہم کردار ادا کرتی ہے۔ 2001 میں جاری کی گئی آخری فرٹیلائزر پالیسی کے بعد سے ملک میں یوریا کی طلب 2.5 فیصد کے CAGR سے بڑھ رہی ہے اور پیداوار کی شرح نمو 2.2 فیصد کی CAGR پر برقرار ہے۔ ملک میں یوریا کی نصب شدہ صلاحیت ~6.8 ملین ٹن ہے جو کہ دنیا کا ساتواں بڑا ملک ہے جو کئی سالوں سے ملک کی بڑھتی ہوئی طلب کو پورا کر سکتا ہے۔

مذکورہ بالا وضاحت کے مطابق، ماضی میں گیس کی فراہمی کے مسئلہ نے طلب کے مطابق پیداوار کی رفتار کو متاثر کیا، ملک میں مطلوبہ پیسٹی دستیاب رکھنے کے باوجود حکومت کو ماضی میں مہنگی درآمدات پر انحصار کرنے پر مجبور کر دیا۔ درآمدات کی وجہ سے حکومت کو اہم غیر ملکی زرِمبادلہ اور درآمدہ یوریا پر زیادہ سبسڈی کا نقصان اُٹھانا پڑا۔

2018 میں، ملک میں نئی سیاسی حکومت کی تشکیل کے بعد مضبوط طلب کے باعث یوریا کی دوبارہ قلت ہوگئی۔ غیر ملکی زرِمبادلہ کے ذخائر تیزی سے کم ہو رہے تھے اور کرنسی کی قدر میں کمی نے حکومت کے لئے یوریا کی درآمد کو معاشی طور پر ناقابل عمل بنا دیا۔ حکومت پاکستان نے ملک میں نصب شدہ یوریا کیپسٹی استعمال کرتے ہوئے کمی کو پورا کرنے کے لئے ایگری ٹیک سمیت بند یوریا پلانٹ دوبارہ چلانے 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 بعد کے مہینوں میں اعانتی RLNG سپلائی پر کمپنی اور دیگر یوریا پلانٹ کو گیس کی فراہمی کی بحالی کی منظوری دی۔ اعانتی RLNG سپلائی 2019 میں سال بھر جاری رکھی گئی اور کمپنی کا یوریا پلانٹ نومبر 2019 تک چلایا گیا۔ اگری ٹیک سمیت SNGPL نیٹ ورک پر ان پلانٹس نے 0.3 بلین ڈالر کا غیر ملکی زرِمبادلہ بچاتے ہوئے 969 ہزار ٹن یوریا بنایا۔ دونوں صورتوں میں اگست 2019 تک گیس کی قیمت 782 روپے فی ایم ایم بی ٹی یو رکھی گئی اور ستمبر - نومبر 2019 مدت تک 945/mmbtu روپے ہوئی تب حکومت پاکستان سے متفقہ متغیر شراکت مارجن برقرار رکھنے کے لئے اِن پُٹ اخراجات میں اضافہ کے باعث مارکیٹ میں یوریا کی قیمت میں بھی اضافہ کر دیا گیا۔ دونوں صورتوں میں پلانٹس چلانے کے لئے سبسڈی درآمدات سے کم رہی۔ تاہم، RLNG/ گیس کی اضافی لاگت دونوں صورتوں میں ایس این جی پی ایل کو براہِ راست سبسڈی کے طور پر حکومت پاکستان نے ادا کرنا ہے۔

یوریا کی کھپت کے مضبوط فنڈامینٹل اور طلب ڈرائیور طویل عرصہ تک موجود رہیں گے جس کے تحت ملک کے غذائی تحفظ کو یقینی بنانا اور تمام اہم فصلوں کی پیداوار میں اضافہ کرنا ضروری ہے۔ آنے والے سالوں میں ممکنہ قلت کو پورا کرنے اور اس کے علاوہ قیمتی زرمبادلہ کی بچت اور یوریا کی درآمد کا متبادل بنانے کے لئے SNGPL پر ایگری ٹیک اور دیگر فرٹیلائزر پلانٹ کی دستیاب گنجائش سے پیداوار کا استفادہ کرنے کی اہمیت ہوگی۔

اس کے علاوہ، زراعت کے شعبے پر COVID-19 کے کسی منفی اثر کو کم کرنے، کسانوں کی صلاحیت میں مزید بہتری لانے کے لئے حکومت پاکستان نے، زراعت کے شعبے کی ان پٹ لاگت کو کم کرتے ہوئے یوریا کی قیمتوں میں 400 روپے فی بیگ (50 کلوگرام) تک کم کر دی گئی جس سے یوریا کی طلب یقینی پورا ہونے کا امکان ہے۔

Capital Restructuring

Gas curtailment to the Company's Urea plant during the past few years was the major cause of non-servicing of the debt of the Company and the accumulation of mark-ups further increased its debt burden. In addition to this, few banks and financial institutions have filed cases for recovery of loans extended by them along with accrued markup and other related charges against the Company. In order to streamline this debt burden, a Capital Restructuring Plan was envisaged with the cooperation of lenders to devise a sustainable capital structure, which included the conversion of its existing long term debt including mark-ups into Preference Shares. The plan also includes 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 exciting and with the completion of CPEC, the surplus land of the Company has potential for commercial and industrial activities for CPEC related trades in the future. Based on legal opinions, the Company is confident that likelihood of any additional liability is remote as markup has already been recognized in these financial statements in accordance with terms of loan agreements.

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

سرمایہ کی تنظیم نو:

گزشتہ چند سالوں کے دوران کمپنی کے یوریا 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 کے علاوہ چند بینکوں اور مالی اداروں نے کمپنی کے خلاف مارک اپ اور دیگر متعلقہ واجبات کے ساتھ ساتھ توسیعی قرضوں کی ریکوری کے مقدمات دائر کئے ہیں۔ اس قرض کی تنظیم نو کے لئے قرض دہندہ کے تعاون سے ایک منصوبہ مرتب کیا گیا ہے۔ جس کا بنیادی مقصد موجودہ طویل مدتی قرض اور اس پر سود کو ترجیحی حصص میں تبدیل کرنا ہے۔ اس منصوبے کا ایک اور

مقصد کمپنی کے پاس موجود اضافی اراضی کا فروخت ہے جس کی آمدنی سے طویل مدتی قرض دہندہ کے واجبات کی ادائیگی ممکن ہوگی۔ حکومت کے بنیادی ڈھانچے کی ترقی کے منصوبے سے دونوں پلانٹس کے گرد اراضی کی قیمت میں اضافے کا امکان ہے۔ خاص طور پر سی پیک منصوبے کے سیکشن ہاکلا- داؤدخیل- ڈی آئی خان میں کمپنی کی شرکت، بذریعہ اراضی کی فراہمی، بہت اہم ہے، سی پیک کی تکمیل کے بعد کمپنی کی اضافی اراضی مستقبل میں متعلقہ ٹریڈز کے لئے تجارتی اور صنعتی سرگرمیوں میں اہم کردار ادا کرے گی۔ مزید برآں، قانونی آراء کی بنیاد پر کمپنی کو یقین ہے کہ کسی بھی ذمہ داری کا امکان کم ہے کیونکہ قرض کے معاہدوں کی شرائط کے مطابق ان مالیاتی حسابات میں مارک اپ کو پہلے ہی تسلیم کیا گیا ہے۔

Loss per share

Loss per share of the Company for the period ended on 31 December 2019 is Rs. 1.66 per share.

فی شیئر نقصان

31 دسمبر 2019 کو ختم ہونے والی مدت کے لئے کمپنی کا فی شیئر نقصان 1.66 روپے فی شیئر ہے۔

Dividend

Due to circumstances already discussed the Board of Directors does not recommend any dividend for the period ended on 31 December 2019.

ڈیویڈینڈ

مذکورہ بالا حالات کے باعث 31 دسمبر 2019 کو ختم ہونے والی مدت کے لئے بورڈ آف ڈائریکٹرز نے کسی ڈیویڈینڈ کی سفارش نہیں کی ہے۔

Corporate Review

Corporate Governance and Financial reporting framework

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

- The financial statements prepared by the management of company present accurate state of company's financial position, operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards as applicable in Pakistan have been followed in the preparation of financial statements.
- The system of internal controls is sound and has been effectively implemented and monitored.
- The Board is satisfied that the company is performing well as going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- There are no statutory payment on account of taxes, duties levies and charges which are outstanding as on 31 December 2019, except as those disclosed in the financial statements.
- No material changes and commitments affecting the financial position of the company have occurred between the end of the financial year to which this relates and the date of the Director's report.

Investment in retirement benefits

The value of investments made by the employees retirement benefits funds operated by the company as on 31 December 2019 are as follows:

	Value (Rupees)
Provident fund	147,964,824
Gratuity fund	65,733,345

Board of Directors

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

Name of Director	Eligibility	Attended
Mr. Sardar Azmat Babar *(Chairman)*	8	8
Ms. Amena Zafar Cheema	8	8
Mr. Asim Jilani	7	7
Mr. Asim Murtaza Khan	8	7
Mr. Talha Saeed	8	6
Mr. Abdul Karim Sultanali	8	8
Mr. M. Faisal Muzammil	8	8

Audit Committee

During the year under review, five (5) meetings of the Audit Committee were held.

Name of Director	Eligibility	Attended
Mr. Asim Murtaza Khan *(Chairman)*	5	5
Mr. Talha Saeed	5	5
Mr. Abdul Karim Sultanali	5	5
Mr. Asim Jilani	5	4

HR & Remuneration Committee

During the year under review, two (2) meetings of the HR & Remuneration Committee were held.

Name of Director	Eligibility	Attended
Ms. Amena Zafar Cheema *(Chairperson)*	2	2
Mr. Asim Jilani	2	2
Mr. Abdul Karim Sultanali	2	2
Mr. M. Faisal Muzammil	2	2

Director's Training Program

In Board of Directors of Agritech Limited Mr. Talha Saeed, Mr. Asim Murtaza Khan, Mr. Asim Jilani and Mr. Abdul Karim Sultanali were certified Directors under Directors Training Program; as prescribed under the listed Companies (Code of Corporate Governance Regulations 2019.) All the directors are professionals and senior executives who possess wide experience and awareness of the duties and responsibilities of Directors. The training is an on-going process and the Company is determined to comply with the directors' training as required by the Code and completion of certification thereof.

Appointment of Auditors

The Audit Committee and the Board of Directors has recommended the reappointment of Grant Thornton Anjum Rahman Chartered Accountants as external auditors of the Company for the upcoming Financial Year.

PATTERN OF SHAREHOLDING

The shareholding of the company as at 31 December 2019 is as follows:

Shareholders' category	Number of shareholders	Number of shares held	Percentage of holding
Individuals	3940	84,279,429	21.5%
Banks, Development Financial Institutions, Non-Banking Finance Companies	57	292,058,486	74.42%
Modarabas & Mutual Funds	5	6,115,056	1.56%
Directors & their spouse(s) and minor children	3	2,000	0.00%
Others	19	9,975,029	2.54%
Total	**4,024**	**392,430,000**	**100%**

Information of shareholding as at December 31st, 2019 as required under Code of Corporate Governance is as follows:

Category no.	Shareholder's category	Number of shares held	Percentage %
1.	**Associated Companies, undertakings and related parties**		
	National Bank of Pakistan	106,014,632	27.0%
	Faysal Bank Limited	17,914,040	4.56%
	Summit Bank Limited	34,306,400	8.74%
	Silk Bank Limited	1,000	0.00%
	Standard Chartered Bank (Pakistan) Limited	22,373,615	5.70%
		180,609,687	**46.02%**
2.	**Mutual Funds**	**6,115,056**	**1.56%**
3.	**CEO, Directors and their spouses and children**		
	Talha Saeed	-	0.00%
	Sardar Azmat Babar	-	0.00%
	Asim Murataza Khan	1,000	0.00%
	Amena Zafar Cheema	500	0.00%
	Asim Jilani	-	0.00%
	Abdul Karim Sultanali	-	0.00%
	Muhammad Faisal Muzammil (CEO)	500	0.00%
		2,000	**0.00%**
4.	**Public Sector Companies and Corporations**	-	-
5.	**Banks DFIs and NBFIs, Insurance Companies, Modarabas and Pension Funds**	**274,215,219**	**69.88%**
6.	**Shareholders holding five percent or more voting rights**		
	National Bank of Pakistan	106,014,632	27.01%
	Summit Bank Limited	34,306,400	8.74%
	Standard Chartered Bank	22,373,615	5.70%
		162,694,647	**41.46%**

PATTERN OF SHAREHOLDING

The pattern of holding of shares held by the shareholders as at 31 December 2019 is as follows:

Number of shareholders	Shareholding From	To	Total shares held
269	1	100	3,240
533	101	500	259,079
532	501	1,000	526,707
1,225	1,001	5,000	3,800,306
507	5,001	10,000	4,238,463
322	10,001	20,000	5,077,200
177	20,001	30,000	4,504,706
79	30,001	40,000	2,868,560
94	40,001	50,000	4,486,612
31	50,001	60,000	1,736,000
33	60,001	70,000	2,160,119
18	70,001	80,000	1,388,000
13	80,001	90,000	1,119,000
37	90,001	100,000	3,669,000
101	100,001	500,000	22,531,454
19	500,001	1,000,000	13,607,713
6	1,000,001	1,500,000	7,991,149
5	1,500,001	2,000,000	9,754,912
10	2,000,001	5,000,000	30,125,431
3	5,000,001	10,000,000	27,597,204
9	10,000,001	50,000,000	138,970,513
1	50,000,001	200,000,000	106,014,632
4,024			**392,430,000**

CORPORATE SOCIAL RESPONSIBILITY

Health Center

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

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

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


Students of an AGRITECH School


Health check at AGRITECH Hospital

Community Programs

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

CERTIFICATIONS & ACHIEVEMENTS

Some of our key certifications and initiatives are mentioned below.

OSHA Standards

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

ISO 9001

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

ISO 14001

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

CM/L-197/2017(R)

PAKISTAN STANDARDS AND QUALITY CONTROL AUTHORITY

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

All these achievements are result of dedicated and consorted efforts of Agritech's team. Management provided the necessary resources and encouragement with a firm commitment to implement these systems in full letter and spirit.
For accreditation of above systems, procedures were developed according to the required standards & these are being implemented.

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

Increased Efficiency

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

Employee Morale

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

International Recognition

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

Supplier Relationships

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

Factual Approach to Decision Making

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

Documentation

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

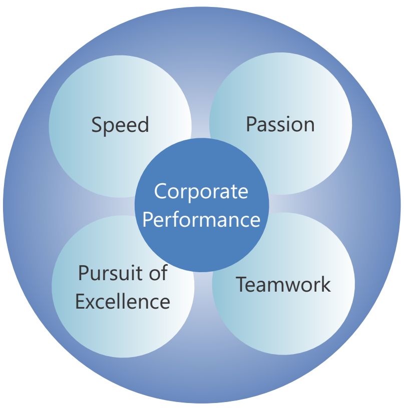
Consistency

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

Customer Satisfaction

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

OUR HUMAN CAPITAL



The corporate culture at Agritech is based on four essential pillars

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

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

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

Teams and individuals are constantly encouraged to

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

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

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

Acknowledgement

The Board takes this opportunity to 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 its growth.

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.

Mr. Asim Murtaza Khan
Director

Mr. Muhammad Faisal Muzammil
Chief Executive Officer

December 10, 2020

FINANCIAL HIGHLIGHTS

Six years at a glance

	2019	2018	2017 Restated	2016	2015	2014
Operating performance (Rs. 000)						آپریٹنگ کارکردگی
Sales-Net فروخت۔نیٹ	**12,174,419**	4,533,316	3,551,519	7,515,414	3,542,570	2,794,627
Operating profit / (loss) آپریٹنگ منافع/(نقصان)	**2,329,411**	(1,057,087)	(1,751,127)	452,041	(1,452,207)	(1,938,818)
(Loss) before tax (نقصان)قبل ازٹیکس	**(971,011)**	(3,639,609)	(4,051,607)	(1,726,440)	(3,681,939)	(5,153,159)
(Loss) after tax (نقصان)بعدازٹیکس	**(652,777)**	(3,343,673)	(4,483,683)	(2,308,925)	(3,490,217)	(4,303,974)
Financial position (Rs. 000)						مالی حالات
Total equity کل ایکوئٹی	**10,736,092**	(4,888,542)	(1,665,904)	(2,813,324)	(2,414,335)	1,022,194
Long term debt طویل مدت کے قرضے	**19,304,062**	19,306,932	19,363,731	19,319,355	19,303,467	19,327,016
Property, plant and equipment زمین مشینری اورآلات	**60,043,381**	38,592,232	39,773,629	40,769,567	41,896,368	42,967,113
Financial analysis						مالی تجزیہ
Current ratio (ratio) موجودہ تناسب	**0.14**	0.11	0.12	0.13	0.15	0.17
Profitability analysis						منافع تجزیہ
Operating (loss) / profit to sales (%) آپریٹنگ (نقصان)/منافع کا تناسب بنسبت فروخت	**0.19**	(23)	(49.31)	6.05	(40.99)	(69.38)
(Loss) per share (Rs.) (نقصان)فی حصص (روپے)	**(1.66)**	(8.52)	(11.43)	(6.33)	(9.34)	(11.41)

STATEMENT OF COMPLIANCE

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

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

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

Gender	Names
Male	6
Female	1

2. The Composition of Board is as follows:

Category	Names
Independent Directors	Mr. Asim Murtaza Khan
	Ms. Amena Zafar Cheema
Non-Executive	Mr. Talha Saeed
	Mr. Sardar Azmat Babar
	Mr. Abdul Karim Sultan Ali
	Mr. Asim Jilani
Executive Director	Mr. Muhammad Faisal Muzammil

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

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

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

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

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

8. Formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations has been formed however not approved by the Board;

9. In terms of Regulation 19 of the 2019 Code, six out of seven directors of the Company have attended the approved Directors Training Program and have acquired the certifications.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There is no change in CFO during the year and Head of Internal Audit was appointed in November 2019. However, vacancy created upon resignation of Company secretary in previous year has not been filled as the person selected and appointed to fill the vacancy, after accepting the offer, communicated his inability to join the Company. However, the Company Secretary was formally appointed in February 2020.

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

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

Audit Committee	
Name	**Position**
Mr. Asim Murtaza Khan	Chairman
Mr. Talha Saeed	Member
Mr. Abdul Karim Sultanali	Member
Mr. Asim Jilani	Member

Human Resource & Compensation Committee	
Name	**Position**
Ms. Amena Zafar Cheema	Chairperson
Mr. Asim Jilani	Member
Mr. Muhammad Faisal Muzammil	Member
Mr. Abdul Karim Sultanali	Member

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

14. The frequency of meetings of the committee were as follows:

STATEMENT OF COMPLIANCE

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

Meetings	Frequency
Audit Committee	Five meetings were held during the year. However, audit committee meeting could not be held in first quarter of the financial year.
Human Resource & Compensation Committee	Two meetings were held during the financial year ending December 31, 2019.

15. The Board has outsourced the internal audit function to Messer's Yousuf Adil (formerly Deloitte Yousuf Adil) Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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

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

18. We confirm that all mandatory requirements of the Regulations have been complied with except for the following:

    - Vacancy created upon resignation of Company secretary in previous year has not been filled as the person selected and appointed to fill the vacancy, after accepting the offer, communicated his inability to join the Company. However, the Company Secretary was formally appointed in February 2020.(Regulation 20); and

    - Meeting of the Audit Committee had not been held in the first quarter of the year. (Regulation 27).

Mr. Asim Murtaza Khan
Director

Mr. Muhammad Faisal Muzammil
Chief Executive Officer

Syed Taneem Haider
Chief Financial Officer

December 10, 2020

Grant Thornton
An instinct for growth™

Grant Thornton Anjum Rahman
1-Inter Floor, Eden Centre,
43-Jail Road, Lahore 54000,
Pakistan.
T +92 42 37423 621-23, 37422 987-88
F +92 42 37425 485
www.gtpak.com

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Agritech Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

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

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Sr.	Paragraph	Description
(i)	10	The position of full time Company Secretary remained vacant during the year as the person appointed by the BOD did not join the Company.
(ii)	14	The Audit Committee meeting could not be held in first quarter of the financial year.

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants
Place: Lahore

Date: December 10, 2020

Grant Thornton
An instinct for growth™

Grant Thornton Anjum Rahman
1-Inter Floor, Eden Centre,
43-Jail Road, Lahore 54000,
Pakistan.
T +92 42 37423 621-23, 37422 987-88
F +92 42 37425 485
www.gtpak.com

Independent Auditor's Report

To The Members of Agritech Limited
Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Agritech Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, (here-in-after referred to as "the financial statements") and we state that, except for as stated in Basis for Qualified Opinion section, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effect on financial statements of the matter discussed in Basis for Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the loss, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As stated in note 12.2 and 20.2 to the financial statements, the management has assessed the recoverability of deferred tax assets on tax losses and tested the impairment of goodwill based on five years business plan approved by the Board of Directors and asserts that no impairment is required in these financial statements. However, we are unable to obtain sufficient appropriate audit evidence with respect to key assumption used in the business plan i.e. operational days based on the availability of natural gas and cost of raw material based on gas rates since approval from Government of Pakistan for supply of gas to the Company at subsidized rates is available only till 30 November 2020. Management is, however, confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustment in respect of impairment was necessary for goodwill amounting to Rs. 2,567.31 million and deferred tax assets amounting to Rs. 6,387.64 million recognized on tax losses of Rs. 22,026.33 million in these financial statements.

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

Material Uncertainty Relating to Going Concern

Notwithstanding the matter discussed in Basis for the Qualified Opinion section, the Company during the year ended 31 December 2019 has incurred loss before tax amounting to Rs. 971 million and, as of that date, its current liabilities exceeded its current assets by Rs. 38,921 million, and its accumulated losses stood at Rs.17,943 million. These conditions, along with other matters as set forth in note 2.2 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Grant Thornton
An instinct for growth™

Emphasis of Matter Paragraph

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1.	**Sales** Refer to note 3.15 and 28 to the financial statements. The Company principally generates revenue from manufacturing and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer. We identified revenue recognition as a key audit matter because it is one of the key performance indicator of the Company and gives rise to an inherent risk of misstatement to meet expectations or targets.	Our audit procedures, amongst others, included the following: • Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls over recording of sales; • Assessing the appropriateness of the Company' s accounting policy for recording of sales and compliance of the policy with applicable accounting and reporting standards; • Comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents; • Comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period; • Inspecting on a sample basis, credit notes, if any, issued near to and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and • Scanning for any manual journal entries relating to sales recorded during and near the year end which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.
2.	**Borrowings, accrued mark up and finance cost** Refer to notes 3.11, 8, 9 and 41.2.2 to the financial statements. The Company has obtained range of long term financing facilities from different financial institutions with varying terms and tenures.	Our audit procedures, amongst others, included the followings: • Assessing the design and operating effectiveness of the Company's internal controls over recording the terms and conditions of borrowings from financial institutions, including their classification as either current or non- current and associated costs.

Grant Thornton
An instinct for growth™

Sr. No.	Key audit matters	How the matter was addressed in our audit
	This was considered to be a key audit matter as these affects Company's gearing, liquidity and solvency. Further, compliance with debt covenants is a key requirement of these financing arrangements.	• Obtaining confirmations of borrowings as at 31 December 2019 directly from the financial institutions; • Testing the calculation of markup recognized as expense during the year in accordance with the terms and to assess whether these were accounted for in accordance with approved accounting standards as applicable in Pakistan; • Assessing whether loans maturing within twelve months were classified as current liabilities; and • Assessing the Company's compliance with the terms of the loans and assessing the presentation and adequacy of disclosure in the financial statements.
3.	**Revaluation of Fixed Assets during the year** Refer to notes 7 and 19 to the financial statements. The Company's freehold land, buildings on freehold land, residential colony assets, plant and machinery and electrical installations (owned) were revalued at 31 December 2019 resulting in surplus of Rs. 22,474 million. We identified fixed asset revaluation as a key audit matter because it has major effect on fixed assets of the Company.	Our audit procedures to assess the valuation of assets included the following: • Evaluating the qualifications, experience and competence of the external valuer engaged by management and holding discussions with the external valuer to understand their valuation methods and the assumptions applied; • Obtaining the valuation report and assessing the key assumptions adopted in the valuations, including those relating to sales prices, useful life, and the discount rates applied to determine forced sale value, by comparing them with historical rates and available data and considering the possibility of error or biasness in the selection of assumptions adopted; and • Assessing surplus recorded during the year, and reviewing adequacy of related disclosures made in financial statements.
4.	**Trade and other Payables (GIDC & LPS payable to SNGPL)** Refer to note 15 and 11 to the financial statements, the Company carried provision of GIDC amounting to Rs. 3040 million along with late payment surcharge amounting to Rs. 846 million. Subsequent to the year end, based on the decision of Honourable Supreme Court of Pakistan, provision of GIDC is reclassified in non-current liabilities and LPS is reserved whereas LPS amounting to Rs. 502 million pertaining to current year is not recognized. We identified this cess as a key audit matter because it has major effect on the financial liabilities of the Company as on year ended 31 December 2019 and due to subsequent decision of Supreme Court of Pakistan.	Our audit procedures, amongst others, included the following: • Obtaining an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of minutes of meetings of those charged with governance; • Obtaining an understanding of the basis of payable and legal opinion; • Understanding and recalculating the present value of future payments to be made to SNGPL; • Checking the calculation of reversal of LPS; and • Assessing the adequacy of provisioning based on the advice of the legal counsel and the

Grant Thornton
An instinct for growth™

Sr. No.	Key audit matters	How the matter was addressed in our audit
		appropriateness of related disclosures made in these financial statements in accordance with the accounting and reporting standards.

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

The Board of Directors are responsible for the other information. Other information comprises the information included in the annual report for the year ended December 31, 2019, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Grant Thornton
An instinct for growth™

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

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

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

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

<u>Report on Other Legal and Regulatory Requirements</u>

Based on our audit, except as stated in Basis for Qualified Opinion, we further report that in our opinion:

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

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

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

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

<u>Other Matter</u>

We also draw attention to the fact that financial statements for the year ended December 31, 2018 were audited by another firm of auditors, whose report dated August 08, 2019 expressed a qualified opinion thereon.

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

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants
Lahore.

Date: December 10, 2020

Statement of Financial Position

as at 31 December 2019

	Note	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
Authorized share capital	4	**15,000,000,000**	15,000,000,000
Share capital and reserves			
Issued, subscribed and paid-up ordinary share capital	5	**3,924,300,000**	3,924,300,000
Reserves	6	**9,000,000**	9,000,000
Accumulated losses		**(17,943,049,039)**	(17,516,570,092)
Surplus on revaluation of property, plant and equipment - net of tax	7	**24,745,841,418**	8,694,728,272
		10,736,092,379	(4,888,541,820)
Non-current liabilities			
Redeemable capital-secured	8	**-**	-
Long term finances-secured	9	**-**	-
Convertible, redeemable preference shares	10	**1,593,342,690**	1,593,342,690
Long term payable - *unsecured*	11	**2,241,502,508**	31,135,199
Deferred liabilities	12	**9,177,221,791**	3,484,545,457
		13,012,066,989	5,109,023,346
Current liabilities			
Current maturity of long term liabilities	13	**19,304,061,923**	19,306,931,808
Short term borrowings-secured	14	**3,626,035,840**	3,625,350,286
Trade and other payables	15	**1,816,409,524**	5,449,310,577
Interest / mark-up accrued on borrowings	16	**19,260,897,262**	16,402,280,215
Preference dividend payable	17	**1,380,354,802**	1,205,087,103
		45,387,759,351	45,988,959,989
Contingencies and commitments	18		
		69,135,918,719	46,209,441,515
ASSETS			
Non-current assets			
Property, plant and equipment	19	**60,043,380,678**	38,592,232,373
Intangible assets	20	**2,567,310,828**	2,567,310,828
Long term loans and advances-considered good	21	**14,289,695**	13,699,204
Long term deposits-unsecured considered good	22	**44,986,934**	46,538,433
		62,669,968,135	41,219,780,838
Current assets			
Stores, spare parts and loose tools	23	**2,098,888,058**	2,054,694,598
Stock-in-trade	24	**787,565,071**	293,320,595
Trade debts	25	**-**	34,865,063
Advances, deposits, prepayments and other receivables	26	**2,872,621,399**	2,014,711,117
Tax refunds due from Government - *net*		**144,377,100**	265,513,591
Cash and bank balances	27	**562,498,956**	326,555,713
		6,465,950,584	4,989,660,677
		69,135,918,719	46,209,441,515

The annexed notes from 1 to 51 form an integral part of these financial statements.

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

Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 Rupees	2018 Rupees
Sales - *net*	28	**12,174,418,992**	4,533,316,414
Cost of sales	29	**(10,643,275,951)**	(4,875,656,618)
Gross profit/(loss)		**1,531,143,041**	(342,340,204)
Selling and distribution expenses	30	**(524,761,227)**	(170,130,344)
Administrative and general expenses	31	**(254,473,367)**	(221,085,046)
Other expenses	32	**(1,556,610)**	(358,805,399)
		(780,791,204)	(750,020,789)
Other income	33	**1,579,058,848**	35,274,335
Operating Income / (loss)		**2,329,410,685**	(1,057,086,658)
Finance cost	34	**(3,300,421,547)**	(2,582,522,419)
Loss before taxation		**(971,010,862)**	(3,639,609,077)
Taxation for the year	35	**318,234,006**	295,936,001
Loss after taxation		**(652,776,856)**	(3,343,673,076)
Loss per share - *basic and diluted*	36	**(1.66)**	(8.52)

The annexed notes from 1 to 51 form an integral part of these financial statements.

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

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	**2019 Rupees**	2018 Rupees
Loss after taxation		**(652,776,856)**	(3,343,673,076)
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss:			
- Revaluation surplus on property, plant and equipment		**22,474,685,566**	-
- Related deferred tax liability on revaluation surplus		**(6,191,748,385)**	-
- Re-measurement of defined benefit liability	*12.1.9*	**(7,783,276)**	(179,929)
- Related deferred tax asset	*12.2.3*	**2,257,150**	53,979
		16,277,411,055	(125,950)
Items that will be reclassified to statement of profit or loss:		**-**	-
Total comprehensive income/(loss) for the year		**15,624,634,199**	(3,343,799,026)

The annexed notes from 1 to 51 form an integral part of these financial statements.

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

Statement of Cash Flows

For the year ended 31 December 2019

	Note	**2019 Rupees**	2018 Rupees
Cash flows from operating activities			
Cash generated from operations	*37*	**596,019,429**	339,914,369
Income tax paid		**(46,412,591)**	(78,098,214)
Staff retirement benefits paid		**(35,002,054)**	(27,423,074)
Long term loans and advances - *net*		**(590,491)**	(1,351,791)
Long term deposits - *net*		**1,551,499**	10,355,682
Net cash from operating activities		**515,565,792**	243,396,972
Cash flow from investing activities			
Capital expenditure incurred		**(24,704,157)**	(27,591,771)
Interest income received		**13,802,741**	7,883,922
Proceeds from disposal of property, plant and equipment		**-**	13,324,177
Net cash (used) in investing activities		**(10,901,416)**	(6,383,672)
Cash flow from financing activities			
(Decrease) in long term finances - *net*		**(2,869,886)**	(91,532,196)
Short term borrowings - *net*		**-**	(152,814,614)
Finance cost paid		**(266,536,801)**	(115,069,137)
Net cash (used in) financing activities		**(269,406,687)**	(359,415,947)
Net (decrease) / increase in cash and cash equivalents		**235,257,689**	(122,402,647)
Cash and cash equivalents at beginning of the year		**(2,369,813,982)**	(2,247,411,335)
Cash and cash equivalents at end of the year	*38*	**(2,134,556,293)**	(2,369,813,982)

The annexed notes from 1 to 51 form an integral part of these financial statements.

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

Statement of Changes in Equity

For the year ended 31 December 2019

		Capital Reserve	Revenue Reserve		
	Ordinary Share Capital	Surplus on revaluation of property, plant and equipment - net of tax	Reserves	Accumulated loss	Total
	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)
Loss for the year ended December 31, 2018	-	-	-	(3,343,673,076)	(3,343,673,076)
Other Comprehensive loss for the year ended December 31, 2018	-	-	-	(125,950)	(125,950)
Total comprehensive loss for the year ended '31 December 2018				(3,343,799,026)	(3,343,799,026)
Surplus transferred to accumulated losses on account of:					
- disposal of buildings and plant and machinery - net of deferred tax	-	(43,083,303)	-	43,083,303	-
- incremental depreciation on property, plant and equipment - net of deferred tax	-	(231,824,035)	-	231,824,035	-
- Effect of change in tax rate on account of surplus on revaluation of property, plant and equipment	-	121,161,670	-	-	121,161,670
	-	(153,745,668)	-	274,907,338	121,161,670
As at 31 December 2018	3,924,300,000	8,694,728,272	9,000,000	(17,516,570,092)	(4,888,541,820)
Loss for the year ended 31 December 2019	-	-	-	**(652,776,856)**	**(652,776,856)**
Other comprehensive income for the year:					
Revaluation surplus on property, plant and equipment	-	**22,474,685,566**	-	-	**22,474,685,566**
Related deferred tax liability on revaluation surplus	-	**(6,191,748,385)**	-	-	**(6,191,748,385)**
Re-measurement gain on employee retirement benefits	-	**-**	-	**(7,783,276)**	**(7,783,276)**
Related deferred tax liability on re-measurement gain	-	**-**	-	**2,257,150**	**2,257,150**
Total comprehensive income for the year ended 31 December 2019	**-**	**16,282,937,182**	**-**	**(658,302,982)**	**15,624,634,199**
Surplus transferred to accumulated losses on account of:					
Incremental depreciation on property, plant and equipment - net of deferred tax	-	**(231,824,035)**	-	**231,824,035**	**-**
	-	**(231,824,035)**	**-**	**231,824,035**	-
As at 31 December 2019	**3,924,300,000**	**24,745,841,418**	**9,000,000**	**(17,943,049,039)**	**10,736,092,379**

The annexed notes from 1 to 51 form an integral part of these financial statements.

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

Notes to the Financial Statements

For the year ended 31 December 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 registered office of the Company is situated at 2nd Floor Asia Center, 8 – Babar Block, Main Boulevard, New Garden Town, Lahore. Geographical locations of the manufacturing facilities of the Company are located at:

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

2 Basis of preparation

2.1 Statement of Compliance

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

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

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

2.2 Going concern assumption

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 41.2.2 to the financial statements.

In recent past the major cause of gas curtailment was not non-availability of gas in SNGPL system, rather it was mainly due to gas pricing issue due to regular import of RLNG in the country having higher price than system gas. The Company in the past, unlike other gas consumers on SNGPL, did not opt for high cost of full RLNG prices in the country and preferred to stay on System Gas Network even operating with lower days of system gas supply to gain advantage of lower System Gas Prices in the country with better capacity utilization achieved in 2016.

However, GOP continued diverting System Gas to other sectors that causes intermittent plant operations of the Company in subsequent years. Improvement in the overall supply / availability of gas in the country witnessed with the completion and operationalization of Two LNG Terminals 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 and the Company.

Gas/RLNG supply to the Company's urea plant was restored in the September 2018 on a blend of natural gas and RLNG after the extended curtailment that continued during 2019. The Company operated its urea plant for 313 days in 2019 (2018: 97 days) which resulted in Urea production of 338,090 tons (2018: 95,934 tons). The Company during the current year was able to sell 320,337 tons Urea (2018: 100,985 tons). However the Company has incurred a loss before tax of Rs. 971.01 million (2018: Rs. 3,639.61 million) during the year and as at the reporting date, its current liabilities have exceeded its current assets by Rs. 38,921 million, including Rs. 40,243 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company stood at Rs. 17,943.05 million.

These conditions cast significant doubt on the Company's ability to continue as a going concern and, therefore, it indicate existence of material uncertainty that 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 expectation of continuous availability of gas at subsidized rates and restructuring of its existing over-due long-term debts and related mark-up under the rehabilitation plan approved by shareholders and currently filed in the Honourable Lahore High Court as per the provisions of repealed Companies Ordinance, 1984 and the following factors:

The expectation of continuous availability of gas is based on the fact that the GOP is operating both LNG terminals in the country with having a combined capacity of 1200 mmscfd. Supply of RLNG is contracted for one terminal through a 15 year long term agreement with Government of Qatar, to import nearly 3.75 million tons of LNG per year. The second terminal supply is contracted through short term supply contracts with large LNG traders and spot cargo purchases. The import of LNG has been already been tested and ensured at 1,200 mmscfd per day of maximum load on both terminals in the country. SNGPL is receiving major flow of LNG imports under swap arrangement from both terminals. This has improved the flow of gas into SNGPL system and making available required gas volumes for the fertilizer plants on SNGPL network.

Pakistan is an Agrarian Economy that contributes 20% to the GDP, employs 42% of Labor Force and provides livelihood to the 66% of the population of the country. Food Security is the most critical aspect of feeding the population of more than 200 million. Fertilizer, especially Urea plays a critical role in the production and yield of the crops. Urea demand in the country since the last Fertilizer Policy issued in 2001 is growing at CAGR of 2.5% and Production has kept the pace of growth at CAGR of 2.2%. Installed Capacity of Urea in the country is of ~6.8 million tons which is 7th largest in the world that can meet the growing demand of the country for many years.

Gas supply issues in the past, as explained above, has affected the pace of production as per demand, forcing the government to rely on expensive imports in the past despite having required capacity available in the country. Imports caused GOP loss of precious Foreign Exchange as well as higher subsidy on imported urea.

In 2018, after the formation of the New Political Government in the country, Urea shortage again occurred due to strong demand. Foreign Exchange reserves were sharply going down and Currency Devaluation made Urea imports economically unviable for GOP. The Government decided to restart the closed Urea plants including Agritech to meet the shortages utilizing the installed Urea capacity in the country. Economic Coordination Committee ("ECC") and the 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 subsidized RLNG supply in subsequent months. Subsidized RLNG supply continued throughout the 2019 and the company urea plant operated till Nov 2019. These plants on SNGPL Network including Agritech produced 969K tons Urea saving precious Foreign Exchange of ~\$0.3 Billion. In both cases the price of gas is capped at Rs. 782 per MMBTU till August 2019 and Rs. 945/mmbtu for the period Sep-Nov 2019 when the Urea price was increased in the market as sector passed on the increased input costs, and to maintain an agreed Variable Contribution Margin with GOP. In both cases the subsidy to run plants remained lower than imports. However, additional cost of RLNG/Gas in both cases is to be paid by GOP as subsidy directly to SNGPL.

Strong fundamentals and demand drivers for Urea consumption exist in the long run whereby in order to ensure Food Security of the country and increase the production of all staple crops. Production from utilizing the available capacity of Agritech and other fertilizer plant on SNGPL will be vital to meet the likely shortages in subsequent years, besides saving precious Foreign Exchange and substituting volatile urea imports.

Moreover, in order to mitigate any negative impact of COVID-19 on Agriculture Sector, GOP in order to further improve the affordability of farmers, has reduced Urea prices by Rs. 400/bag reducing the input cost of the agriculture sector which likely to ensure robust urea demand.

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 markup as of 31 December 2013 (proposed effective date) through issuance of preference shares. The scheme also envisages settlement / restructuring and repayment of that portion of overdue markup that is not converted into preference shares. After the approval by the Board of Directors and Shareholders of the proposed scheme in their meeting held on 05 November 2013 and 10 December 2013 respectively, the said scheme was filed with Honorable Lahore High Court under the provisions of repealed Companies Ordinance, 1984 on 10 June 2016 for necessary sanction and order. As at the reporting date, the 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 are likely to generate sufficient financial resources for the continuing operations. Accordingly, these financial statements are prepared on a going concern basis and do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

2.3 Basis of measurement

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.4.1 Depreciation method, rates and useful lives of property, plant and equipment

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

2.4.2 Amortisation method, rates and useful lives of intangible assets

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

2.4.3 Recoverable amount of assets / cash generating units and impairment

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

2.4.4 Taxation

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

2.4.5 Provisions

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

2.4.6 Revaluation of property, plant and equipment

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

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

2.4.7 Stores, spares, loose tools and stock-in-trade

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

2.4.8 Staff retirement benefits

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

2.4.9 Fair values of financial instruments with no active market

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

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

2.5 Functional currency

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

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as disclosed in note 3.1.

3.1 Changes in accounting policies

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 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgment. The Company is engaged in the manufacturing and sale of Urea and GSSP fertilizer. The contracts with customers for the sale of goods generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer. This is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations at 01 January 2019, did not have a material impact on the amounts of revenue recognized in these financial statements. The Company's accounting policy relating to revenue recognition is explained in note 3.15 of these financial statements.

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. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories of financial assets, held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through Other Comprehensive Income (FVOCI), or through statement of profit or loss (FVTPL); and

- those to be measured at amortised cost

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through statement of profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment and any gain on derecognition are recognised in statement of profit or loss.

Equity investments at fair value are measure at fair value through other comprehensive income. Dividend income is recognised in statement of profit or loss. Other net gains and losses are recognised in other comprehensive income and are not reclassified to statement of profit or loss.

Impact of change in classification and measurement of financial assets due to adoption of IFRS 9

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets at 31 December 2019:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			Rupees in thousand	
Cash and bank balances	Loans and receivable	Amortized cost	562,498,956	562,498,956
Long term loans and advances	Loans and receivable	Amortized cost	14,289,695	14,289,695
Long term deposits	Loans and receivable	Amortized cost	44,986,934	44,986,934
Trade debts	Loans and receivable	Amortized cost	-	-

Impairment of financial assets

The adoption of IFRS 9 has changed the Company's impairment model by replacing the IAS 39 ‘incurred loss model’ with a forward looking ‘expected credit loss’ (ECL) model when assessing the impairment of financial assets in the scope of IFRS 9. IFRS 9 requires the Company to recognize ECLs for trade debts earlier than IAS 39. Cash and bank balances, loans, advances, deposits, prepayments and other receivables are also subject to ECL but there is no or immaterial impairment for the current year.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Trade and other receivables are written off when there is no reasonable expectation of recovery.

Loss allowance on bank balances is measured at 12 months expected credit losses. Since they are short term in nature and there is no adverse change in credit rating of the banks where the balances are maintained, therefore no credit loss is expected on these balances.

Impact of ECL

Considering the quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, no loss allowance has been recorded against trade debts upon transition to IFRS 9 as of 31 December 2018 and year ended 31 December 2019.

3.1.3 IFRS 16 'Leases'

IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all the leases being recognised in the statement of financial position, as the distinction between operating and finance lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay the rentals are recognised. The only exceptions are short-term and low value leases. The Company has assessed that the application of this standard does not have any significant impact.

The Company has applied IFRS 16 using the modified retrospective approach, under which right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, the Company applied this approach to all other leases. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company now recognizes right of use assets and lease liabilities for material leases i.e. these leases are on statement of financial position.

The Company presents right-of-use asset in 'property, plant and equipment', as a separate line item with the same classification of underlying assets of the same nature that it owns.

Accounting policy

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The right to use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful life of right of use asset is determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined i.e. the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement.

The Company has elected not to recognise the right of use asset and lease liability for short term leases of properties that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as expense on a straight line basis over the lease term.

3.2 Property, plant and equipment

Owned

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

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

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

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

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

Capital work-in-progress

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

Leased

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

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

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

The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in the future lease payments in case of renegotiation, change of an index or rate or in case of reassessment of options.

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

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

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

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

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

3.4 Intangible assets

3.4.1 Software

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

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

3.4.2 Goodwill acquired in business combination

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

Goodwill is tested annually for impairment.

3.5 Stores, spare parts and loose tools

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

3.6 Stock-in-trade

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

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

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

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

3.7 Trade debts

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

3.8 Employee benefits

3.8.1 Short-term employee benefits

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

3.8.2 Post-employment benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

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

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

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

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

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

3.9 Financial instruments

3.9.1 Financial assets

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

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

3.9.1.1 Financial assets at amortised cost

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

3.9.1.2 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

3.9.1.4 Financial assets - Derecognition

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

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

3.9.1.5 Impairment of financial assets

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

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

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

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

3.9.2 Financial liabilities

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

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

3.9.2.1 Financial liabilities - Derecognition

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

3.10 Offsetting of financial assets and financial liabilities

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

3.11 Loans and borrowings

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

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

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

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

3.12 Ijarah

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

3.13 Trade and other payables

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

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

3.14 Provisions and contingencies

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

3.15 Revenue recognition

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

- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.

- Return on deposit is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

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

3.16 Government grants

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

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

3.17 Taxation

Current tax

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

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not recognized for:

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

- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

3.18 Earnings per share (EPS)

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

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

3.19 Cash and cash equivalents

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

3.20 Foreign currency transactions

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

3.21 Segment reporting

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

3.22 Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective

The following amendments are not effective for the financial year beginning on January 1, 2019 and have not been early adopted by the Company:

IAS 1, 'Presentation of financial statements and IAS 8, 'Accounting policies, changes in accounting estimates and errors (effective for the accounting periods beginning on and after January 1, 2020).

These amendments and consequential amendments to other IFRSs: (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and (iii) incorporate some of the guidance in IAS 1 about immaterial information. These amendments are not expected to have a significant impact on the Company's financial statements.

There are certain other standards and amendments to the published accounting and reporting standards that are not yet effective and are considered not to have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

	Note	**2019 Rupees**	2018 Rupees
4 Authorized share capital			
Ordinary shares of Rs. 10 each			
600,000,000 (2018: 600,000,000) class A shares	*4.1*	**6,000,000,000**	6,000,000,000
200,000,000 (2018: 200,000,000) class B shares	*4.2*	**2,000,000,000**	2,000,000,000
200,000,000 (2018: 200,000,000) class C shares	*4.3*	**2,000,000,000**	2,000,000,000
		10,000,000,000	10,000,000,000
Preference shares of Rs. 10 each			
500,000,000 (2018: 500,000,000) shares	*4.4*	**5,000,000,000**	5,000,000,000
		15,000,000,000	15,000,000,000

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

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

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

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

	Note	**2019 Rupees**	2018 Rupees
5 Issued, subscribed and paid-up ordinary share capital			
Class A ordinary shares of Rs. 10 each			
383,430,000 (2018: 383,430,000) shares issued fully paid in cash	*5.1*	**3,834,300,000**	3,834,300,000
9,000,000 (2018: 9,000,000) shares issued for consideration other than cash		**90,000,000**	90,000,000
		3,924,300,000	3,924,300,000

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

	2019	2018	2019	2018
	(Percentage held)		(Number of shares)	
National Bank of Pakistan	**27.01%**	26.95%	**106,014,632**	105,772,577
Faysal Bank Limited	**4.56%**	4.66%	**17,914,040**	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

		2019 Rupees	2018 Rupees
6	**Reserves**		
	Revenue reserve	**9,000,000**	9,000,000

		2019 Rupees	2018 Rupees
7	**Surplus on revaluation of fixed assets - *net***		
	Revaluation surplus as at 01 January	**12,096,130,611**	12,483,324,044
	Surplus arising during the year on revaluation of		
	- Freehold Land, building, plant & machinery and electrical equipments	**22,474,685,566**	-
	Surplus transferred to accumulated losses on account of:		
	- disposal of building on freehold land and plant and machinery - net of deferred tax	**-**	(43,083,303)
	- incremental depreciation charged during the year - net of deferred tax	**(231,824,035)**	(231,824,035)
	Related deferred tax liability		
	- disposal of building on freehold land and plant and machinery	**-**	(17,597,404)
	- incremental depreciation charged during the year	**(94,688,690)**	(94,688,691)
		(326,512,725)	(387,193,433)
	Revaluation surplus as at 31 December	**34,244,303,452**	12,096,130,611
	Less: deferred tax liability on revaluation surplus as at 01 January	**3,401,402,339**	3,634,850,104
	Deferred tax liability on revaluation of		
	- Building, plant & machinery and electrical equipment	**6,191,748,385**	-
	Reduction in deferred tax liability due to:		
	- disposal of building on freehold land and plant and machinery	**-**	(17,597,404)
	- incremental depreciation charged during the year	**(94,688,690)**	(94,688,691)
	- tax rate adjustment		(121,161,670)
		(94,688,690)	(233,447,765)
	Deferred tax liability on revaluation surplus as at 31 December	**9,498,462,034**	3,401,402,339
	Revaluation surplus as at 31 December - net	**24,745,841,418**	8,694,728,272

7.1 The Company's freehold land, buildings on freehold land, residential colony assets, plant and machinery and electrical installations (owned) were revalued by Nayyar Hameed Associates, an independent valuer not connected with the Company and approved by Pakistan Banks' Association (PBA) in "any amount" category, resulting in surplus of Rs. 22,473.69 million at 31 December 2019. Land was revalued on the basis of prevailing market value and buildings have been revalued on the basis of replacement value. The forced sale value of freehold land, buildings on freehold land, plant and machinery, residential colony assets, and electrical and other installations was Rs.2,300.49 million, Rs.1,016.19 million, Rs.38,867.59 million, Rs. 240 million respectively. The basis of revaluation for items of these fixed assets were as follows:

Freehold land

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

Buildings on freehold land

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

Residential colony assets

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

Plant machinery electrical and other installations

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

		Note	**2019 Rupees**	2018 Rupees
8	**Redeemable capital - *secured***			
	Privately Placed Term Finance Certificates - *I*	*8.2*	**1,498,602,000**	1,498,602,000
	Privately Placed Term Finance Certificates - *II*	*8.3*	**6,894,286,800**	6,894,286,800
	Privately Placed Term Finance Certificates - *III*	*8.4*	**495,460,750**	495,460,750
	Privately Placed Term Finance Certificates - *IV*	*8.5*	**548,825,000**	548,825,000
	Privately Placed Term Finance Certificates - *V*	*8.6*	**618,685,000**	618,685,000
	Privately Placed Term Finance Certificates	*8.7*	**509,874,996**	509,874,996
	Privately Placed Sukuk Certificates	*8.8*	**1,599,800,000**	1,599,800,000
			12,165,534,546	12,165,534,546
	Transaction costs	*34*	**-**	-
			12,165,534,546	12,165,534,546
	Current maturity presented under current liabilities	*13 & 2.3*	**(12,165,534,546)**	(12,165,534,546)
			-	-

8.1 **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
	12,165,534,546	12,165,534,546

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

Principal redemption

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

Call option

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

Return on PPTFC - I

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

Trustee

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

Security

The issue is secured by:

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

At the reporting date, principal amounting to Rs. 1,498.60 million (2018: Rs. 1,223.86 million) and interest amounting to Rs. 1,401.01 million (2018: Rs. 1,183.31 million) were overdue. (Refer to note 41.2.2 for details.)

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

Principal redemption

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

Call option

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

Return on TFCs

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

Trustee

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

Security

The issue is secured by:

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

At the reporting date, principal amounting to Rs. 6,894.28 million (2018: Rs. 5,630.33 million) and interest / mark-up amounting to Rs. 6,257.93 million (2018: Rs. 5,052.18 million) were overdue. (Refer to note 41.2.2 for details.)

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

Principal redemption

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

Call option

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

Return on PPTFC - III

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

Trustee

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

Security

The issue is secured by:

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

At the reporting date, principal amounting to Rs. 495.46 million (2018: Rs. 404.65 million) and interest / mark-up amounting to Rs. 503.89 million (2018: Rs. 426.08 million) were overdue. (Refer to note 41.2.2 for details.).

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

Principal redemption

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

Call option

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

Trustee

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

Security

The issue is secured by:

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

- ranking mortgage charge (ranking subordinate and subservient to mortgages created in favour of the existing creditors) over immoveable fixed assets (inclusing land and building) of the Company.

At the reporting date principal amounting to Rs. 548.83 million (2018: Rs. 548.83 million) was overdue. Refer to note (41.2.2) for details.

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

Principal redemption

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

Call option

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

Return on PPTFC - V

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

Trustee

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

Security

The issue is secured by:

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

- ranking mortgage charge (ranking subordinate and subservient to mortgages created in favour of the existing creditors) over immoveable fixed assets (inclusing land and building) of the Company.

At the reporting date, principal amounting to Rs. 618.69 million (2018: Rs. 618.69 million) and interest / mark-up amounting to Rs. 578 million (2018: Rs. 510.32 million) were overdue. (Refer to note 41.2.2 for details.)

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

Principal redemption

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

Return on PPTFCs

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

Security

The issue is secured by:

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

- ranking mortgage charge (ranking subordinate and subservient to mortgages created in favour of the existing creditors) over immoveable fixed assets (inclusing land and building) of the Company.

- demand promissory note amounting to Rs. 679.83 million in favour of JS Infocom.

At the reporting date, principal amounting to Rs. 467.38 million (2018: Rs. 382.41 million) and interest / mark-up amounting to Rs. 403.56 million (2018: Rs. 333.64 million) were overdue. (Refer to note 41.2.2 for details.)

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

Principal redemption

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

Call option

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

Return on PPSCs

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

Trustee

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

Security

The issue is secured by:

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

- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 1,599.80 million (2018: Rs. 1,306.50 million) and profit amounting to Rs. 1,508.68 million (2018: Rs. 1,190.90 million) were overdue. (Refer to note 41.2.2 for details.)

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

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

8.11 Assets held as collateral are disclosed in Note 44 to these financial statements.

	Note	**2019 Rupees**	2018 Rupees
9 Long term finances - *secured*			
Syndicate Term Finance - *I*	*9.2*	**3,000,000,000**	3,000,000,000
Syndicate Term Finance - *II*	*9.3*	**472,037,000**	472,037,000
Syndicate Term Finance - *III*	*9.4*	**2,862,845,329**	2,862,845,329
Bank Islami Pakistan Limited - *Term Finance*	*9.5*	**300,000,000**	300,000,000
National Bank of Pakistan - *Term Finance*	*9.6*	**132,083,735**	132,083,735
Dubai Islamic Bank Limited - *Term Finance*	*9.7*	**365,000,000**	365,000,000
AlBaraka Bank (Pakistan) Limited - *Diminishing Musharika*	*9.8*	**6,561,313**	9,431,198
		7,138,527,377	7,141,397,262
Transaction costs	*34*	**-**	-
		7,138,527,377	7,141,397,262
Current maturity presented under current liabilities	*13 & 2.3*	**(7,138,527,377)**	(7,141,397,262)
		-	-

9.1 Types of long term finances - secured

Interest / mark-up based financing	**6,766,966,064**	6,766,966,064
Islamic mode of financing	**371,561,313**	374,431,198
	7,138,527,377	7,141,397,262

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

Principal repayment:

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

Return on STF - I

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

Security

The facility is secured by:

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

- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 2,725.00 million (2018: Rs. 2,450.00 million) and interest / mark-up amounting to Rs. 2,905.64 million (2018: Rs. 2,478.26 million) were overdue. (Refer to note 41.2.2 for details.)

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

Principal repayment:

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

Return on STF - II

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

Security

The facility is secured by:

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

- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, the installments of principal and interest / mark-up amounting to Rs. 472.04 million (2018: Rs. 472.04 million) and Rs. 502.05 million (2018: Rs. 429.49 million) respectively were overdue. (Refer to note 41.2.2 for details.)

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

Principal repayment:

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

Return on STF - III

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

Security

The facility is secured by:

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

- first parri passu mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 2,862.85 million (2018: Rs. 2,862.85 million) and interest / mark-up amounting to Rs. 2,875.63 million (2018: Rs. 2,500.71 million) were overdue. (Refer to note 41.2.2 for details.)

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

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

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

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

Principal repayment:

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

Return on facility

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

Security

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

At the reporting date, principal amounting to Rs. 300.00 million (2018: Rs. 252.88 million) and mark-up amounting to Rs. 283.84 million (2018: Rs. 240.35 million) were overdue. (Refer to Note 41.2.2 for details.)

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

Principal repayment:

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

Return on facility

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

Security

The facility is secured by :

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

- ranking mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 132.08 million (2018: Rs. 132.08 million) and interest / mark-up amounting to Rs. 248.10 million (2018: Rs. 230.51 million) was overdue. (Refer to Note 41.2.2 for details.)

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

Principal repayment:

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

Return on facility

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

Security

The facility is secured by:

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

- ranking mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date, principal amounting to Rs. 365 million (2018: Rs. 365 million) and interest / mark-up amounting to Rs. 297.72 million (2018: Rs. 246.48 million) were overdue. (Refer to Note 41.2.2 for details.)

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

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

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

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

	Note	**2019 Rupees**	2018 Rupees
10 Convertible, redeemable preference shares			
Preference shares of Rs. 10 each			
159,334,269 (2018: 159,334,269)			
shares issued fully paid in cash	*10.1*	**1,593,342,690**	1,593,342,690

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

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

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

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

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

	Note	2019	2018
		--- (Number of shares) ---	
Faysal Bank Limited		**31,035,594**	31,035,594
National Bank of Pakistan Limited		**3,458,756**	3,458,756
		34,494,350	34,494,350

11 Long term payable - *unsecured*

	Note	2019	2018
Payable to contractor	11.1	**31,135,199**	31,135,199
Payable to SNGPL	15.1.2	**2,210,367,309**	-
		2,241,502,508	31,135,199

11.1 This represents amount payable to a contractor who had claimed additional amounts payable in arbitrational proceedings which is pending award of court as explained in Note 18.1.1.1.

	Note	2019 Rupees	2018 Rupees
12 Deferred Liabilities			
Staff retirement benefits	*12.1*	**17,569,221**	13,533,831
Deferred taxation-net	*12.2*	**9,159,652,570**	3,471,011,626
		9,177,221,791	3,484,545,457

12.1 Staff retirement benefits

The latest actuarial valuation of the Company's defined benefit plan was conducted on 31 December 2019 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	Note	2019 Rupees	2018 Rupees
Staff retirement benefits	*12.1.1*	**17,569,221**	13,533,831
12.1.1 Statement of financial position liability			
Present value of defined benefit obligations	*12.1.3*	**113,205,687**	106,464,576
Fair value of plan assets	*12.1.4*	**(95,636,466)**	(93,335,233)
Benefits due but not paid during the year		**-**	404,488
Net liability		**17,569,221**	13,533,831
12.1.2 Movement in net liability			
Net liability as at 01 January		**13,533,831**	31,758,941
Charge to statement of profit or loss for the year		**31,254,168**	9,018,035
Charge to statement of comprehensive income for the year		**7,783,276**	179,929
Contributions made during the year		**(35,002,054)**	(27,423,074)
Net liability as at 31 December		**17,569,221**	13,533,831

		Note	2019 Rupees	2018 Rupees
12.1.3	**Movement in the present value for defined benefit obligations is as follows:**			
	Present value of defined benefit obligations as at 01 January		**106,464,576**	105,245,855
	Current service cost for the year		**7,062,704**	7,332,733
	Interest cost for the year		**13,650,352**	9,672,691
	Benefits paid during the year		**(40,711,120)**	(6,451,630)
	Benefits due but not paid during the year		**-**	(404,488)
	Losses arising on plan settlement		**22,475,080**	-
	Actuarial (gains) / losses on defined benefit obligation		**4,264,095**	(8,930,585)
	Present value of defined benefit obligation as at 31 December		**113,205,687**	106,464,576
12.1.4	**Movement in fair value of plan assets is as follows:**			
	Fair value of plan assets as at 01 January		**93,335,233**	73,697,203
	Expected return on plan assets for the year		**11,933,968**	7,987,389
	Contribution made during the year		**772,544**	27,423,074
	Benefits paid during the year		**(6,886,098)**	(6,451,630)
	Benefits paid pertaining to prior year		**-**	(210,289)
	Actuarial losses on plan assets		**(3,519,181)**	(9,110,514)
	Fair value of plan assets as at 31 December		**95,636,466**	93,335,233
12.1.5	**Actual return on plan assets**			
	Expected return on plan assets		**11,933,968**	7,987,389
	Actuarial losses on plan assets		**(3,519,181)**	(9,110,514)
			8,414,787	(1,123,125)
12.1.6	**Fair value of plan assets is as follows:**			
	Shares of HBL		**33,058**	25,295
	CDC Alfalah Bank Limited		**4,573,896**	-
	JS Cash Fund		**60,699,146**	-
	NIT Units		**427,245**	437,976
	Term Deposit Receipt-UBL		**-**	13,000,000
	Income receivable on investments		**1,785,726**	-
	Cash at banks		**28,117,395**	79,871,962
			95,636,466	93,335,233
12.1.7	**Plan assets comprise of:**			
	Equity		**68.70%**	14.42%
	Cash and / or term deposits/receipts		**31.30%**	85.58%
			100.00%	100.00%
12.1.8	**Charge for the year in statement of profit or loss**			
	Current service cost for the year		**7,062,704**	7,332,733
	Interest cost for the year		**13,650,352**	9,672,691
	Losses arising on plan settlements / amendments		**22,475,080**	-
	Expected return on plan assets for the year		**(11,933,968)**	(7,987,389)
			31,254,168	9,018,035

	Note	2019 Rupees	2018 Rupees
12.1.9 Actuarial (gains) and losses recognized directly in statement of comprehensive income			
Actuarial losses / (gains) on present value			
- Changes in financial assumptions		**(410,469)**	795,680
- Experience adjustments		**4,674,564**	(9,726,265)
		4,264,095	(8,930,585)
Return on plan assets, excluding interest income		**3,519,181**	9,110,514
Losses recognized during the year		**7,783,276**	179,929

12.1.10 The Company expects to recognize Rs. 10.48 million to profit or loss on account of defined benefit plan in 2020.

12.1.11 Historical information

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

	31 December 2019 Rupees	31 December 2018 Rupees	31 December 2017 Rupees	31 December 2016 Rupees	31 December 2015 Rupees
Present value of defined benefit obligations	**113,205,687**	106,464,576	105,245,855	105,948,341	83,521,903
Fair value of plan assets	**(95,636,466)**	(93,335,233)	(73,697,203)	(77,954,629)	(60,630,477)
Benefits due but not paid during the year	**-**	404,488	210,289	705,103	-
Deficit in the plan	**17,569,221**	13,533,831	31,758,941	28,698,815	22,891,426
Experience adjustment arising on plan liabilities	**4,264,095**	(8,930,585)	(9,848,192)	10,216,613	(8,105,800)
Experience adjustment arising on plan assets	**3,519,181**	9,110,514	3,485,427	2,754,817	(10,408,942)

12.1.12 Assumptions used for valuation of defined benefit plan

	2019	2018
Discount rate used for interest cost	**13.25%**	9.50%
Expected return on plan assets	**13.25%**	9.50%
Discount rate used for year ended obligation	**11.25%**	13.25%
Expected rates of salary increase in future	**10.25%**	12.25%
Expected mortality rate	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Retirement assumption	**60 years**	60 years

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

Salary risks

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

Mortality / withdrawal risks

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

Investment risks

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

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

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

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

12.1.17 **Sensitivity analysis**

If the significant actuarial assumptions used to estimate the define benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at 31 December 2019 would have been as follows:

	Gratuity	
	Impact on present value of defined benefit obligation	
	Increase	**Decrease**
	..........Rupees........	
Discount rate + 100 bps	**103,409,610**	**124,415,069**
Future salary increase + 100 bps	**124,542,556**	**103,128,100**

12.1.18 The average duration of the defined benefit obligation is 9 years (2018: 10 years)

12.2 Deferred taxation - *net*

The liability for deferred taxation comprises temporary differences relating to:

	Note	**2019 Rupees**	2018 Rupees
Deferred tax liability arising on			
Accelerated tax depreciation		**6,068,097,565**	6,147,566,222
Revaluation of fixed assets		**9,498,462,032**	3,401,402,338
Deferred tax asset arising on			
Provision for trade debtors		**(14,174,630)**	(14,006,775)
Provision for gratuity		**(5,095,074)**	(3,924,811)
Unabsorbed tax losses	*12.2.1*	**(6,387,637,323)**	(6,060,025,348)
		9,159,652,570	3,471,011,626

12.2.1 Tax losses on account of unabsorbed depreciation amounting to Rs. 22,026.33 million (2018: Rs. 20,896.64 million) is available to the Company's credit. Deferred tax asset in respect thereof has been recognized as availability of sufficient taxable profits in future tax years to absorb these losses is expected on the basis of five year business plan as discussed in note 20.2.

Business losses available for carry forward amounting to Rs. 13,489.78 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. 383.05 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.

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

12.2.3 Movement in deferred tax balances is as follows:

	2019			
		Charge to / (reversal from)		
	Opening balance	Profit and loss	Equity	Closing balance
Deferred taxation	Rupees	Rupees	Rupees	Rupees
Taxable / (deductible) temporary difference				
Accelerated tax depreciation allowances	6,147,566,222	(79,468,657)	-	**6,068,097,565**
Surplus on revaluation of fixed assets	3,401,402,338	(94,688,691)	6,191,748,385	**9,498,462,032**
Trade debtors	(14,006,775)	(167,855)	-	**(14,174,630)**
Provision for gratuity	(3,924,811)	1,086,887	(2,257,150)	**(5,095,074)**
Unused tax losses	(6,060,025,348)	(327,611,975)	-	**(6,387,637,323)**
	3,471,011,626	**(500,850,291)**	**6,189,491,235**	**9,159,652,570**

	2018			
		Charge to / (reversal from)		
	Opening	Profit and loss	Equity	Closing
	Rupees	Rupees	Rupees	Rupees
Taxable / (deductible) temporary difference				
Accelerated tax depreciation allowances	6,447,743,585	(300,177,363)	-	6,147,566,222
Surplus on revaluation of fixed assets	3,634,850,103	(112,286,095)	(121,161,670)	3,401,402,338
Trade debtors	(14,266,558)	259,783	-	(14,006,775)
Provision for gratuity	(9,527,682)	5,656,850	(53,979)	(3,924,811)
Unused tax losses	(6,113,585,563)	53,560,215	-	(6,060,025,348)
	3,945,213,885	(352,986,610)	(121,215,649)	3,471,011,626

	Note	**2019 Rupees**	2018 Rupees
13 Current maturity of long term liabilities			
Redeemable capital	*8*	**12,165,534,546**	12,165,534,546
Long term finances	*9*	**7,138,527,377**	7,141,397,262
		19,304,061,923	19,306,931,808

14 Short term borrowings - secured

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

	2019 Rupees	2018 Rupees
Secured:		
Running finance	**2,697,055,249**	2,696,369,695
Cash finance	**3,651**	3,651
Finance against trust receipt	**88,528,540**	88,528,540
Istisna / Salam	**561,735,176**	561,735,176
Demand finance	**91,683,224**	91,683,224
Bills payable	**187,030,000**	187,030,000
	3,626,035,840	3,625,350,286

14.1 Particulars of borrowings

Interest / mark-up based financing	**2,925,468,593**	2,924,783,039
Islamic mode of financing	**700,567,247**	700,567,247
	3,626,035,840	3,625,350,286

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

These financing facilities carry mark-up at rates ranging from one to nine months KIBOR plus a spread of 1.00% to 2.75% per annum (2018: one to nine months KIBOR plus a spread of 1.00% to 2.75% per annum), payable quarterly and semi-annually.

The aggregate available short term funded facilities amount to Rs. 4,985.70 million (2018: Rs. 4,974.52 million) out of which Rs. 1,546.70 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. 1,127.25 million were expired as at reporting date and which not renewed. Facilities amounting to Rs. 866.39 million have been expired subsequent to the reporting date.

14.3 At the reporting date, principal and interest amounting to Rs. 1,993.64 million (2018: Rs. 1,993.20 million) and Rs. 1,237.02 million (2018: Rs. 987.00 million) respectively were overdue. (Refer Note 41.2.2 for details.)

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

14.5 Aggregate limits available for non-funded facilities amount to Rs. 2,115.63 million (2018: Rs. 2,126.91 million) out of which limits that remain unutilized as at reporting date amount to Rs. 1,565.02 million (2018: Rs. 1,576.29 million). Theses non-funded facilities mainly include limits for opening letter of credits, guarantees and bills discounting and are secured by lien over underlying documents and overall charge over current assets of the Company.

At the reporting date, bills and markup / interest amounting to Rs. 187.03 million (2018: Rs. 187.03 million) and Rs. 196.56 million (2018: Rs. 168.53 million) respectively were overdue. (Refer to Note 41.2.2 for details.)

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

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

15 Trade and other payables

	Note	2019 Rupees	2018 Rupees
Trade and other creditors	*15.1*	**1,319,557,327**	4,858,710,452
Accrued liabilities		**200,582,486**	236,463,042
Security deposits and retention money		**16,256,483**	17,458,254
Advances from customers		**174,243,902**	224,352,523
Tax deducted at source		**53,211,667**	38,144,463
Provincial Excise Duty		**90,170**	323,244
Workers' Welfare Fund		**9,003,142**	9,003,142
Other payables	*15.2*	**43,464,347**	64,855,457
		1,816,409,524	5,449,310,577

15.1 It includes Rs. 115.641 million current portion of present value of GIDC payable amounting to Rs. 3,040.81 million (2018: Rs. 3,040.81 million) on account of Gas Infrastructure Development Cess (GIDC). After the promulgation of the GIDC Act, SNGPL sought to recover GIDC from industrial concerns relating to period prior to 2015, without there being actual determination as to whether any industrial concern had actually collected GIDC prior to 2015 or not. The said attempt of SNGPL was challenged by various parties before the Honourable Lahore High Court, Lahore, which, vide its Order dated 03-09-2019 directed SNGPL to form a high powered Committee to determine in each case individually as to whether GIDC has been collected by a particular industrial concern prior to 2015 or not. At the same time, the Company was also defending such cess in the Supreme Court of Pakistan along with other stakeholders. Subsequent to year end, Supreme Court of Pakistan has decided petition and allowing waiver of LPS and payment of GIDC in 24 installments. The Company filed review petition with other stakeholders before Apex Court which has also been decided whereby the Honorable Court advised the Company to pay GIDC in 48 instalments instead of 24 installments. However, adjustment relating to reversal of LPS payable amounting to Rs. 846.211 million uptil prior year as other income and LPS of Rs. 502.464 million relating to current year adjusted through Finance cost reversal. Further amortization of payable of GIDC in 48 installments from November 2020 amounting to Rs. 714.803 million has been made in these financial statements.

		2019 Rupees	2018 Rupees
15.1.1	GIDC Payable as on 31 Dec 2019	**3,040,811,856**	3,040,811,856
	Less PV Adjustment during the year	**(714,803,040)**	-
	GIDC Payable net of Discounting as on 31 Dec 2019	**2,326,008,816**	3,040,811,856
15.1.2	GIDC Payable as on 31 Dec 2019	**2,326,008,816**	-
	Less Transfer to non Current portion	**(2,210,367,309)**	-
	Balance Current Portion of GIDC	**115,641,507**	-

15.2 This includes an amount of Rs. 10.45 million (2018: Rs. 20.33 million) relating to housing colony payable.

	2019 Rupees	2018 Rupees
16 Interest / mark-up accrued on borrowings		
Redeemable capital - *secured*	**10,641,057,329**	9,070,753,478
Long term finances - *secured*	**7,113,007,997**	6,126,995,935
Short term borrowings - *secured*	**1,506,831,936**	1,204,530,802
	19,260,897,262	16,402,280,215

The overdue amounts of mark-up / interest are disclosed under their respective financing notes and in Note 41.2.2.

17 Preference dividend payable

This represents preference dividend payable as per the terms described in Note 10. Out of total preference dividend payable, Rs. 328.75 million pertains to the amount payable until 31 December 2013.

18 Contingencies and commitments

18.1 Contingencies

18.1.1 Other Contingencies

18.1.1.1 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 Tribunal gave the final award on 10.08.2019. The arbitral Tribunal rejected all claims of AKCC and no amount was awarded to the contractor against its claims. At the same time the Company's counter-claims were also denied by the Tribunal. The award has been filed in the Civil Court at Lahore by the Company in order to make it rule of court.

18.1.1.2 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.

18.1.1.3 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.

18.1.1.4 The Company filed a suit against the recovery proceedings of WAPDA amounting to Rs. 2.24 million in the court of Senior Civil Judge Mianwali. During the pendency of case, G.M.(Operation) WAPDA withdraw the said bill, consequently the suit was withdrawn by the Company. In 2002 WAPDA again started recovery proceedings and the Company again approached Civil Court at Mianwali but the court dismissed Company's case on 02-06-2004. The Company preferred an appeal before Add.Distt.& Session Judge, Mianwali which was accepted vide order dated 12-1-2005. WAPDA preferred an appeal before the Lahore High Court, Lahore on 23-4-2005. Court adjudicated the case in favor of the Company on 21-11-2015.Wapda preferred an appeal in Supreme Court of Pakistan which is pending adjudication.

18.1.2 Contingencies relating to Banks

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

18.1.2.2 During the year, 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.

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

18.1.2.4 During the year, civil suit no. 29172/2019 has been filed by Soneri Bank against the Company for recovery of Rs. 738,452,864.

Application for leave to appear and Defend the above mentioned suit under the provisions of Financial Institutions (Recovery of Finances), Ordinance 2001 has been filed in the Lahore High Court on behalf of the defendant, which is pending before the Honorable Lahore High Court. In view of the legal advisor, this suit lacks merit as it is filed by one of the creditors who has agreed to the Scheme of arrangement date 31-12-2013, which is pending before the Lahore High Court.

18.1.2.5 Subsequent to the year end, civil suit no. 23043/2020 has been filed by Bank Alfalah Limited in the Honourable Lahore High Court in its jurisdiction under the Financial Institutions (Recovery of Finances) Ordinance, 2001 for the recovery of Rs. 1,969.88 million including markup along with cost of funds and other charges till the realization of whole amount by sale of mortgaged, hypothecated properties and other assets. The Company has filed PLA No. 40218 in the titled suit. However, Bank Alfalah Limited did not file the requisite replication and vide order dated November 09, 2020 the right of the Bank Alfalah Limited to file replication has been closed by the Honourable Lahore High Court.

18.1.3 Taxation Contingencies

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

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

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

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

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

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

18.1.3.4 Income tax return for tax year 30 June 2011 was filed under the self-assessment scheme declaring a tax loss of Rs. 9,327.07 million and a refund of Rs 1.16 million was claimed. Later on, the said return was revised resulting in increase of refunds due to claim of previous years refunds. The Company was selected for audit under section 214C of the Income tax Ordinance (ITO), 2001 and on completion of audit proceedings, the assessment was amended under section 122(1) and 122(5) of the Income Tax Ordinance, 2001 and additions amounting to Rs. 77.98 million were made to the assessment.

The Company, being aggrieved, preferred an appeal before CIR-A who vide Order No. 15 dated 17 March 2014 has deleted the additions to the tune of Rs. 47.33 million and upheld the remaining amount. The tax authority has filed an appeal before ATIR, Lahore which is pending for fixation.

18.1.3.5 Income tax return for tax year 30 June 2012 was filed under the self-assessment scheme declaring tax loss of Rs. 18,120.36 million and a refund of Rs. 514.29 million was claimed. Later on the said return was revised resulting in increase of refunds at Rs. 542. 78 million wherein previous year refunds were also claimed.

The DCIR passed rectification order by amending the annual income tax return under section 221 of the Ordinance. Being aggrieved, the Company filed and appeal before CIR-A. The Order was passed in favor of the Company while tax department has filed appeal before ATIR, Lahore which is pending for fixation.

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

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

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

The Adl. CIR initiated proceedings under section 122 of the Ordinance for the amendment of assessment whereby passed Order under section 122(5A) of the Ordinance dated 25 June 2019 through which no demand was created, however, depreciation loss amounting to Rs. 1.8 billion was curtailed. The Company, being aggrieved, filed appeal before CIR-A which is pending for fixation.

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

The Company was selected for audit through computerized random balloting by FBR. DCIR passed order under section 122(1) of the Ordinance dated 31 October 2017 where in loss was curtailed to Rs. 41.61 million and resultantly refunds come to Rs. 24.28 million. Being aggrieved, the Company filed an appeal before CIR-A that is pending for fixation.

Proceedings under section 161/236G and 236H of the Income Tax Ordinance, 2001 in respect of tax year 2014 was initiated by the department against the Company and a demand of Rs. 34.61 million was created by order dated 24 May 2017. However, the Company filed an appeal in the office of Commissioner Inland Revenue Appeals-I which is pending for fixation. The said demand has been adjusted against refunds of Tax Year 2016 vide adjustment memo dated 23-06-2017.

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

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

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

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

18.1.3.11 The DCIR passed an assessment order under Sales Tax Act, 1990 (the Act) pertaining to the period July 2009 to June 2010 dated 27 June 2012 whereby creating demand of Rs. 4.96 million. The Company, being aggrieved, filed an appeal before CIR-A who passed the Order date 16 November 2012, whereby reduced the said demand to Rs.4.51 million. Being aggrieved, the Company filed an appeal before ATIR, Lahore which is pending fixation.

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

		Note	2019 Rupees	2018 Rupees
18.2	**Commitments**			
18.2.1	Commitments under irrevocable letters of credit for			
	- purchase of plant and machinery	**41.3.1(a)**	**12,167,670**	869,262
	- purchase of raw material		**-**	22,983,345
			12,167,670	23,852,607

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

	2019 Rupees	2018 Rupees
Not later than one year	**6,561,313**	3,892,432
	6,561,313	3,892,432

These represent vehicles hired under the Ijarah financing and are secured by depositing amount equal to 10 - 20 percent of the total cost of Ijarah asset. Under terms of agreements, rentals are payable monthly in arrears. Moreover, operational repair and maintenance costs in respect of assets subject to Ijarah financing are borne by the Company and the title of vehicles remain in the name of lessors .The Company does have the option to acquire these assets at the end of the respective lease term.

18.2.3 Guarantees given by banks on behalf of the Company at the reporting date amount to Rs. 86.50 million (2018: Rs. 248.50 million).

	Note	**2019 Rupees**	2018 Rupees
19 Property, plant and equipment			
Operating fixed assets	*19.1*	**59,996,710,029**	38,555,912,863
Capital work in progress	*19.2*	**46,670,648**	36,319,510
		60,043,380,678	38,592,232,373

19.1 Operating fixed assets

	2019												
	Cost / revalued amount						Depreciation						
	As at 01 January 2019	Additions/ Adjustments	Revaluation Adjustment	Disposals / Write offs	As at 31 December 2019	Useful lives in years	As at 01 January 2019	For the year/ Adjustments	Revaluation Adjustment	Disposals / Write offs	As at 31 December 2019	Net book value as at 31 December 2019	Depreciation rate (% per annum)
	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned assets													
a Freehold land	2,626,745,932	-	1,123,829,068	-	3,750,575,000		-	-	-	-	-	3,750,575,000	Nil
b Factory Buildings	2,698,479,862	-	(16,383,638)	-	2,682,096,224	45	854,314,792	40,067,067	3,342,808	-	897,724,667	1,784,371,557	2
c Plant, Machinery, Electrical and other installations	48,288,309,791	6,175,000	36,337,489,839	-	84,631,974,630	35-45	14,741,513,295	980,017,196	14,951,800,939	-	30,673,331,431	53,958,643,199	2.5 - 25
d Residential colony building	543,392,699	5,450,575	(19,924,331)	-	528,918,943	45	123,461,972	9,266,857	(4,818,376)	-	127,910,453	401,008,490	2
e Road, bridges and culverts	88,742,859	-	-	-	88,742,859	50	22,245,623	1,752,281	-	-	23,997,904	64,744,955	2
f Furniture, fixtures and office equipment	130,352,486	2,958,644	-	-	133,311,130	3 - 10	112,305,937	5,324,345	-	-	117,630,282	15,680,848	10 - 30
g Vehicles and rail transport	123,740,915	944,000	-	-	124,684,915	5	101,586,104	4,525,147	-	-	106,111,251	18,573,664	2
h Tools and other equipment	155,260,163	-	-	-	155,260,163	3 - 10	152,677,190	670,721	-	-	153,347,911	1,912,252	10
i Plantation	296,476	-	-	-	296,476		296,476	-	-	-	296,476	-	10
j Books and literature	926,479	-	-	-	926,479	10	926,413	-	-	-	926,413	66	10
k Catalyst	260,717,768	-		-	260,717,768	3 - 6	251,724,765	7,793,005	-	-	259,517,770	1,199,998	17-33
2019	**54,916,965,430**	**15,528,219**	**37,425,010,938**		**92,357,504,587**		**16,361,052,567**	**1,049,416,619**	**14,950,325,371**		**32,360,794,558**	**59,996,710,029**	

19.1.1 Title documents of the company continued to be in the former name i.e Pak American Fertilizers Limited (Urea business) and Hazara Phosphate Fertilizers Limited (SSP business).

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

	2018										
	Cost / revalued amount					Depreciation					
	As at 01 January 2018	Additions	Disposals / Write offs	As at 31 December 2018	Useful lives in years	As at 01 January 2018	For the year	Disposals / Write offs	As at 31 December 2018	Net book value as at 31 December 2018	Depreciation rate (% per annum)
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	
Owned assets											
Freehold land	2,626,745,932	-	-	2,626,745,932		-	-	-	-	2,626,745,932	Nil
Buildings on freehold land	2,662,456,280	37,078,105	(1,054,523)	2,698,479,862	45	815,556,198	39,201,663	(443,069)	854,314,792	1,844,165,070	2
Plant, Machinery, Electrical and other installations	48,511,477,278	1,798,274	(224,965,761)	48,288,309,791	35-55	13,833,662,329	982,300,207	(74,449,241)	14,741,513,295	33,546,796,496	2.5 - 25
Residential colony assets	547,853,039	-	(4,460,340)	543,392,699	45	117,117,807	9,154,374	(2,810,209)	123,461,972	419,930,727	2
Road, bridges and culverts	88,857,450	-	(114,591)	88,742,859	50	20,607,864	1,752,281	(114,522)	22,245,623	66,497,236	2
Furniture, fixtures and office equipment	149,070,117	1,302,662	(20,020,293)	130,352,486	3 - 10	124,406,460	7,296,871	(19,397,394)	112,305,937	18,046,549	10 - 30
Vehicles and rail transport	124,617,452	18,944,557	(19,821,094)	123,740,915	5	114,972,281	2,901,784	(16,287,961)	101,586,104	22,154,811	2
Tools and other equipment	157,418,601	-	(2,158,438)	155,260,163	3 - 10	154,043,513	791,018	(2,157,341)	152,677,190	2,582,973	10
Plantation	296,476	-	-	296,476		296,476	-	-	296,476	-	10
Books and literature	926,479	-	-	926,479	10	920,293	6,120	-	926,413	66	10
Catalyst	260,717,768	-	-	260,717,768	3 - 6	243,075,699	8,649,066	-	251,724,765	8,993,003	17-33
2018	55,130,436,872	59,123,598	(272,595,040)	54,916,965,430		15,424,658,920	1,052,053,384	(115,659,737)	16,361,052,567	38,555,912,863	

	Note	2019 Rupees	2018 Rupees
19.1.3 Allocation of depreciation charge			
Cost of sales	*29*	**1,042,674,320**	1,046,144,000
Administrative and general expenses	*31*	**5,372,368**	5,641,277
Other expenses / other income	*32.1 / 33.2*	**194,732**	268,107
		1,048,241,420	1,052,053,384

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

	2019 Rupees	2018 Rupees
Revalued Assets		
Freehold land	**-**	-
Buildings on freehold land	**1,447,130,769**	1,480,131,111
Residential colony assets	**54,968,780**	50,618,608
Plant machinery electrical and Other Installations	**21,888,606,348**	22,145,939,884
	23,390,705,897	23,676,689,603

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

Location	Usage of Immovable Property	Total area (acres)	Covered Area (Square Feet)
Iskanderabad, Distt. Mianwali.	Housing colony, Farms and Manufacturing facility	1,546.550	1,342,985
Hattar Road, Haripur.	Housing colony and Manufacturing facility	58.006	461,227

19.2 Capital work in progress

		2019			
		As at 01 January 2019	**Additions during the year**	**Transfers / written off**	**As at 31 December 2019**
	Note	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Civil work		**-**	**657,500**	**-**	**657,500**
Plant and machinery		**36,319,510**	**9,693,638**	**-**	**46,013,148**
	19.2.1	**36,319,510**	**10,351,138**	**-**	**46,670,648**

	2018			
	As at 01 January 2018	Additions	Transfers / written off	As at 31 December 2018
	Rupees	Rupees	Rupees	Rupees
Civil work	34,559,273	2,518,832	(37,078,105)	-
Plant and machinery	33,292,063	3,785,554	(758,107)	36,319,510
	67,851,336	6,304,386	(37,836,212)	36,319,510

19.2.1 These represents expenditure on plant and machinery in the course of construction, development and installation and majorly comprises of urea reactor, boiler shell, storage tank for production and electric generators for power generation.

	Note	2019 Rupees	2018 Rupees
20 Intangible assets			
Oracle computer software and implementation	20.1	**-**	-
Goodwill acquired in business combination	20.2	**2,567,310,828**	2,567,310,828
		2,567,310,828	2,567,310,828

20.1 Oracle computer software and implementation

	Note	2019 Rupees	2018 Rupees
Cost			
As at 01 January		**-**	42,567,574
Accumulated amortisation			
Opening		**-**	(42,376,293)
Amortisation for the year	31	**-**	(191,281)
		-	(42,567,574)
As at 31 December		**-**	-
Rate of amortisation		**25%**	25%

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

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

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

The recoverable amount of goodwill was tested for impairment as at 31 December 2019, by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS 36 "Impairment of Assets". The recoverable amount was calculated on the basis of five years business plan approved by the Board which includes a comprehensive analysis of existing operational deployments of the Company along with strategic business plans and business growth. The aforesaid plans are stated in detail in note 2.2. The value in use calculations are based on cash flow projections derived from aforesaid business plan which assumes availability of natural gas / RLNG on long term basis and at a subsidized rate. These cash flow projections have been extrapolated beyond five years, by using a steady 5.00% growth rate which is consistent with the long term average growth rate for the country. The cash flows are discounted using a discount rate of 7.98% 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	2019 Rupees	2018 Rupees
21 Long term loans and advances - *considered good*			
Advances to employees - *secured*	21.1 & 21.2	**21,518,559**	**20,873,643**
Less: Current maturity presented under current assets	26	**(7,228,864)**	**(7,174,439)**
		14,289,695	**13,699,204**

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

21.2 This includes advances to executives amounting to Rs. 7.37 million (2018: Rs. 9.08 million). The movement is as follows:

	2019 Rupees	2018 Rupees
Balance as at 01 January	**9,083,416**	2,644,403
Additions during the year	**1,083,273**	7,317,528
Recoveries during the year	**(2,791,063)**	(878,515)
Balance as at 31 December	**7,375,626**	9,083,416

The maximum aggregate amount outstanding during the year is Rs. 7.37 million (2018: Rs. 9.08 million).

	Note	**2019 Rupees**	2018 Rupees
22 Long term deposits - *unsecured, considered good*			
Deposits against leased assets	*22.1*	**1,916,192**	3,948,025
Security deposits with utility companies		**44,269,712**	44,268,141
		46,185,904	48,216,166
Current maturity presented under current assets		**(1,198,970)**	(1,677,733)
		44,986,934	46,538,433

22.1 These have been deposited with various banking companies and financial institutions against assets subject to Ijarah and Diminishing Musharika arrangements amounting to Rs. 1.30 million (2018: Rs. 2.64 million) and Rs. 0.60 million (2018: Rs. 1.31 million) respectively.

	Note	**2019 Rupees**	2018 Rupees
23 Stores, spare parts and loose tools			
Stores		**142,595,450**	142,893,912
Spare parts		**1,955,968,068**	1,911,424,958
Loose tools		**324,540**	375,728
		2,098,888,058	2,054,694,598
24 Stock-in-trade			
Raw material		**41,208,001**	64,825,646
Packing material		**13,568,324**	7,795,395
Work in process		**95,566,686**	86,242,415
Finished goods		**637,222,060**	134,457,139
		787,565,071	293,320,595
25 Trade debts			
Considered good - *unsecured*		**-**	34,865,063
Considered doubtful - *unsecured*		**48,878,035**	48,299,224
		48,878,035	83,164,287
Less: provision for doubtful trade debts	*25.1*	**(48,878,035)**	(48,299,224)
		-	34,865,063

		Note	2019 Rupees	2018 Rupees
25.1	**Movement in provision for doubtful trade debts**			
	As at 01 January		**48,299,224**	47,555,194
	Provision for the year - net of recoveries		**578,811**	744,030
	As at 31 December		**48,878,035**	48,299,224

26 Advances, deposits, prepayments and other receivables

	Note	2019 Rupees	2018 Rupees
Advances to suppliers - *unsecured, considered good*	*26.1*	**456,983,594**	607,464,486
Advances to employees - *secured, considered good*			
- against salaries and post employment benefits	*21*	**7,228,864**	7,174,439
- against purchases and expenses		**17,328,041**	16,003,364
Deposit with High Court	*18.1.1.3*	**36,000,000**	36,000,000
Prepayments		**7,045,228**	5,661,299
Deposits against Ijarah	*22.1*	**1,198,970**	1,677,733
Receivable from Government of Pakistan	*26.2*	**1,346,250**	1,346,250
Sales tax receivable		**1,649,323,255**	666,279,540
Subsidy receivable	*26.3*	**812,227,932**	812,227,932
Other receivables	*26.4*	**98,939,265**	75,876,074
		3,087,621,399	2,229,711,117
Less: provision against doubtful receivable		**(215,000,000)**	(215,000,000)
		2,872,621,399	2,014,711,117

26.1 This includes Rs. 359.57 million receivable from SNGPL in respect of gas supply. GOP has approved subsidy of differential of capped Gas/RLNG blend price of Rs. 782/MMBTU (inclusive of GIDC) with the OGRA notified Gas/RLNG Blend Prices (inclusive of GIDC) at ratio of 62:38. The subsidy is to be paid by GOP directly to SNGPL. This amount will be adjusted against payable to SNGPL once SNGPL receives the subsidy from GOP in respect of supply of gas to the Company at the subsidized rate of Rs. 782 / MMBTU (inclusive of GIDC).

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

		Note	2019 Rupees	2018 Rupees
26.3	**Subsidy receivable**			
	- from Ministry of Food, Agriculture and Livestock	*26.3.1*	**550,823,960**	550,823,960
	- from Ministry of National Food Security and Research	*26.3.2*	**261,403,972**	261,403,972
			812,227,932	812,227,932

26.3.1 This represents receivable from Government of Pakistan against subsidy granted by Ministry of Food, Agriculture, and Livestock ("MINFAL") amounting to Rs. 550.82 million (2018: Rs. 550.82 million) through letter No. F-4-13/2000-Fert dated 05 September 2008, on Phosphatic and Potassic Fertilizer ("PPF") at the rate of Rs. 19,120 per metric ton. The Company being a producer of PPF, was entitled to the same subsidy for the period commencing on 05 September 2008 and ending on 14 April 2009. However, on 14 April 2009 subsidy regime was withdrawn by MINFAL with retrospective effect from 31 December 2008 which was contended by the Company through filling a legal suit in the Court of 1st Class Civil judge ("the Court") for recovery of subsidy relating to the period from 01 January 2009 to 14 April 2009, on the grounds that the Company had priced and sold its product in said period based on bonafide belief and legitimate expectation that subsidy regime was available and therefore the Company is entitled to the payment of aforesaid amount being the sum of the subsidy claim for said period along with markup. In the year 2017, an ex-parte decision for the recovery of subsidy claim along with markup was given in favor of the Company by the Court. Based on the above decision, the management is pursuing its claim with the concerned authorities. However being prudent, Rs. 215 million has been provided against this receivable in these financial statements.

26.3.2 This includes the following:

- Subsidy amounting to Rs. 16.40 million (2018: Rs. 16.40 million) at the rate of Rs. 196 /- per 50 kg bag of SSP Fertilizer sold (based on phosphorous content) as notified by Ministry of National Food Security and Research ("MNFSR"), Government of Pakistan through Notification No. F.1-11/2012/DFSC-II/Fertilizer dated 03 November 2015 and subsidy amounting to Rs. 30.78 million (2018: Rs. 30.78 million) at the rate of Rs. 117/- per 50 kg bag of SSP Fertilizer sold (based on phosphorous content) as notified by Ministry of National Food Security and Research ("MNFSR"), Government of Pakistan through Notification No. F. 1-11/2012/DFSC-II/Fertilizer dated 12 August 2016.

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

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

	Note	**2019 Rupees**	2018 Rupees
27 Cash and bank balances			
Cash in hand		**497,389**	598,567
Cash at bank - local currency			
Current accounts	*27.1*	**480,884,534**	277,412,992
Saving accounts	*27.2*	**81,117,033**	48,544,154
		562,001,567	325,957,146
		562,498,956	326,555,713

27.1 These include bank accounts of Rs. 45.04 million (2018: Rs. 44.25 million) maintained under Shariah compliant arrangements.

27.2 These carry mark-up at the rates ranging from 7.35% to 9.80% per annum (2018: 3.08% to 8.05% per annum).

27.3 As referred to in note 18.1.2.3, during the year, a lien has been imposed by Meezan Bank Limited ("MBL") on the account of the Company to the extent of Rs. 40.21 million (2018: Rs. 40.21 million).

	Note	2019 Rupees	2018 Rupees
28 Sales - *net*			
Sale of fertilizer			
- Local		**12,581,176,472**	4,580,593,840
Other products		**128,302,083**	101,467,056
Gross sales		**12,709,478,555**	4,682,060,896
Sales tax		**(273,106,386)**	(118,012,202)
Trade discounts		**(261,953,177)**	(30,732,280)
Net sales		**12,174,418,992**	4,533,316,414
29 Cost of sales			
Raw and packing material consumed	*29.1*	**7,505,600,045**	2,427,724,715
Salaries, wages and other benefits	*29.2*	**531,374,325**	403,603,146
Fuel and power		**1,623,118,045**	571,637,318
Stores, spare part and loose tools consumed		**205,927,146**	114,761,554
Travelling, conveyance and entertainment		**42,706,331**	21,320,232
Rent, rates and taxes		**428,272**	447,808
Insurance expenses		**31,052,459**	37,780,426
Repair and maintenance		**24,150,564**	15,979,617
Research and development		**164,015**	120,700
Depreciation on property, plant and equipment	*19.1.3*	**1,042,674,320**	1,046,144,000
Printing and stationery		**2,851,586**	656,909
Communication		**5,028,346**	1,335,493
Loading and handling charges		**31,075,145**	10,330,441
Ijarah lease rentals	*29.3*	**301,859**	4,098,887
Contract services		**29,813,729**	28,024,349
Security services		**42,848,109**	34,021,407
Others	*29.4*	**36,250,847**	41,596,799
		11,155,365,143	4,759,583,801
Opening work-in-process		**86,242,415**	91,804,431
Closing work-in-process		**(95,566,686)**	(86,242,415)
		(9,324,271)	5,562,016
Cost of goods manufactured		**11,146,040,872**	4,765,145,817
Opening finished goods		**134,457,139**	244,967,940
Closing finished goods		**(637,222,060)**	(134,457,139)
		(502,764,921)	110,510,801
Cost of goods sold		**10,643,275,951**	4,875,656,618

29.1 This is net of Government subsidy Nil (2018: Rs. 10.03 million) as stated in Note 26.3.2.

29.2 These include charges in respect of employees' retirement benefits amounting to Rs. 26.3 million (2018: Rs. 7.67 million) and Rs 14.4 million (2018: Rs 11.60 million) on account of gratuity and provident fund respectively.

29.3 This represents vehicles under ijarah financing provided to the executives under the Company's policy.

29.4 Other expenses include housing colony expenses aggregating to Rs. 25.78 million (2018: Rs. 33.31 million).

		Note	2019 Rupees	2018 Rupees
30	**Selling and distribution expenses**			
	Salaries, wages and other benefits	*30.1*	**39,917,001**	30,651,347
	Freight and other expenses		**449,434,717**	114,843,017
	Communication		**515,896**	332,322
	Travelling and conveyance		**2,906,076**	1,165,110
	Advertisement and marketing		**16,423,849**	17,759,479
	Rent, rates and taxes		**8,008,766**	989,927
	Insurance expenses		**2,631,193**	2,130,556
	Vehicle running and maintenance		**43,690**	192,648
	Printing and stationery		**206,571**	62,415
	Security services		**4,054,227**	978,479
	Ijarah lease rentals	*29.3*	**99,422**	833,871
	Miscellaneous		**519,819**	191,173
			524,761,227	170,130,344

30.1 These include charges in respect of employees retirement benefits amounting to Nil (2018: Nil) and Rs. 1.37 million (2018: Rs. 1.17 million) on account of gratuity and provident fund respectively.

		Note	2019 Rupees	2018 Rupees
31	**Administrative and general expenses**			
	Salaries and other benefits	*31.1*	**147,905,511**	127,727,116
	Travelling, conveyance and entertainment		**11,892,265**	4,808,492
	Rent, rates and taxes		**5,881,290**	5,459,564
	Printing and stationery		**3,983,342**	1,468,845
	Communication		**2,575,766**	1,744,699
	IT consultancy		**4,818,834**	4,042,274
	Legal and professional charges	*31.2*	**45,698,273**	48,620,838
	Depreciation on property, plant and equipment	*19.1.3*	**5,372,368**	5,641,277
	Amortisation of computer software	*20.1*	**-**	191,281
	Guest house expenses		**1,619,481**	752,946
	Utilities		**11,453,493**	7,458,337
	Repair and maintenance		**2,071,838**	1,221,914
	Insurance expenses		**1,096,281**	1,219,654
	Subscription fee		**47,113**	777,403
	Ijarah lease rentals	*29.3*	**1,226,916**	714,238
	Miscellaneous		**8,830,596**	9,236,168
			254,473,367	221,085,046

31.1 These include charges in respect of employees' retirement benefits amounting to Rs. 4.35 million (2018: Rs. 1.35 million) and Rs. 3.89 million (2018: Rs. 3.14 million) on account of gratuity and provident fund respectively.

		2019		2018
		Rupees		Rupees
31.2	**These include following in respect of auditors' remuneration:**	**GTAR**	**KPMG**	KPMG
	Statutory audit fee for the year	**5,200,000**	**-**	5,156,140
	Review report under Code of Corporate Governance	**75,000**	**-**	75,000
	Interim review	**-**	**1,168,800**	1,168,800
	Taxation and other services	**-**	**4,514,000**	5,348,960
	Out of pocket expenses	**500,000**	**116,800**	770,000
		5,775,000	**5,799,600**	12,518,900

32 Other expenses

	Note	2019	2018
Loss from experimental farm	*32.1*	**-**	194,274
Loss on disposal of property, plant and equipment		**977,799**	-
Provision against doubtful receivable	*26.3.1*	**578,811**	215,000,000
Loss on write off and disposal of property, plant and equipment		**-**	143,611,125
		1,556,610	358,805,399

32.1 Depreciation amounting to Rs. Nil (2018: Rs. 0.27 million) has been netted off in this balance.

33 Other income

	Note	2019 Rupees	2018 Rupees
Income from financial assets			
Profit on a profit and loss sharing bank balance	*27*	**13,198,693**	7,431,744
Present Value adjustment of GIDC payable	*15.1*	**714,803,040**	-
Reversal of LPS	*33.1*	**846,211,215**	-
Mark-up on advances to employees		**604,048**	452,178
		1,574,816,996	7,883,922
Income from non-financial assets			
Sale of scrap		**-**	11,502,302
Sale of sweep urea and busted bags		**-**	13,037,524
Gain from experimental farm	*33.2*	**521,213**	-
Others		**3,720,639**	2,850,587
		4,241,852	27,390,413
		1,579,058,848	35,274,335

33.1 This represents LPS on GIDC of Rs 846.211 million reversed during the year on the judgment of Honourable Supreme Court of Pakistan dated 13-08-2020.

33.2 Depreciation amounting to Rs. 0.19 (2018: Rs. Nil) has been netted off in this balance.

	Note	2019 Rupees	2018 Rupees
34 Finance cost			
Interest / mark-up on:			
- *Redeemable capital*		**1,570,303,851**	1,018,983,396
- *Long term finances*		**987,129,816**	660,042,137
- *Short term borrowings*		**558,054,995**	303,884,617
- *Gas Infrastructure Development Cess*	*34.1*	**-**	379,654,518
- *Workers' Welfare Fund ("WWF")*		**-**	964,622
		3,115,488,662	2,363,529,290
Dividend on preference shares	*10*	**175,267,699**	175,267,696
Amortisation of transaction costs	*8 & 9*	**-**	34,732,730
Bank charges and commission		**9,665,186**	8,992,703
		3,300,421,547	2,582,522,419

34.1 The Company has not recognized LPS on GIDC pertaining to current year due to the Judgment of Honourable Supreme Court decision dated 13-08-2020.

	Note	2019 Rupees	2018 Rupees
35 Taxation			
For the year			
- Current tax		**182,616,285**	57,050,609
- Deferred tax	*12.2.3*	**(500,850,291)**	(352,986,610)
		(318,234,006)	(295,936,001)

35.1 Tax reconciliation is not provided in the financial statements as the Company is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001.

		2019 Rupees	2018 Rupees
36 Loss per share - *basic and diluted*			
Loss attributable to ordinary shareholders		**(652,776,856)**	(3,343,673,076)
		2019	2018
		Number of shares	
Weighted average number of ordinary shares outstanding during the year		**392,430,000**	392,430,000
Loss per share - *basic and diluted*	***(Rupees)***	**(1.66)**	(8.52)

The effect of conversion of preference shares into ordinary shares is anti-dilutive, accordingly the diluted loss per share (LPS) is restricted to basic LPS.

	Note	2019 Rupees	2018 Rupees

37 Cash generated from operations

	Note	2019 Rupees	2018 Rupees
Loss before taxation		**(971,010,862)**	(3,639,609,077)
Adjustments for non-cash items:			
Interest / mark-up / dividend expense		**3,300,421,547**	2,168,135,171
Amortisation of transaction costs		**-**	34,732,730
Depreciation on property, plant and equipment		**1,048,241,420**	1,052,053,384
Amortisation of computer software		**-**	191,281
Staff retirement benefits		**31,254,168**	9,018,035
Provision against doubtful receivable		**-**	215,000,000
Reversal of provisioning		**578,811**	744,030
Mark-up / interest income/reversal of markup/discounting income		**(1,574,816,996)**	(7,883,922)
Loss on disposal of property plant and equipment		**-**	143,611,125
		2,805,678,950	3,615,601,834
Operating profit / (loss) before changes in working capital		**1,834,668,088**	(24,007,243)
Changes in working capital:			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		**(44,193,460)**	34,312,833
Stock-in-trade		**(494,244,476)**	92,838,137
Trade debts		**34,286,252**	(19,078,080)
Advances, deposits, prepayments and other receivables		**(857,910,282)**	(485,474,731)
		(1,362,061,966)	(377,401,841)
Increase in current liabilities:			
Trade and other payables		**123,413,307**	741,323,453
Cash generated from operations		**596,019,429**	339,914,369

38 Cash and cash equivalents

	Note	2019 Rupees	2018 Rupees
Running finance - *secured*	*14*	**(2,697,055,249)**	(2,696,369,695)
Cash and bank balances	*27*	**562,498,956**	326,555,713
		(2,134,556,293)	(2,369,813,982)

39 Transactions and balances with related parties

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

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

		Note	2019 Rupees	2018 Rupees
39.1	**Transactions with related parties**			
39.1.1	**Associated Undertakings**			
	Shareholding and common directorship			
	National Bank of Pakistan			
	Mark-up expense for the year	*34*	**410,109,522**	277,411,160
	Preference dividend for the year		**3,804,632**	3,804,632
	Bank Balances - *net*		**4,552,796**	(1,595,523)
	Common directorship			
	Faysal Bank Limited			
	Mark-up expense for the year	*34*	**257,559,882**	163,960,611
	Preference dividend for the year		**34,139,153**	34,139,153
	Trustee fee for the year		**2,500,000**	2,760,000
	Trustee fee paid		**-**	2,760,000
	Bank Balances - *net*		**7,367**	1,910
	Standard Chartered Bank (Pakistan) Limited			
	Mark-up expense for the year	*34*	**209,702,079**	129,674,562
	Short term borrowings		**299,997,050**	-
	Bank Balances - *net*		**-**	(92,447,453)
	Silk Bank Limited			
	Mark-up expense for the year	*34*	**106,456,082**	54,236,883
	Markup paid		**65,327,177**	37,112,197
	Short term borrowings - *net*		**-**	22,334,072
	Summit Bank Limited			
	Mark-up expense for the year	*34*	**176,883,197**	76,023,511
	Markup paid		**102,226,792**	10,720,913
	Short term borrowings - *net*		**173,014,293**	(4,521)
	Bank Balances - *net*		**79,942,062**	(77,696,949)
39.1.2	**Post employment benefit plans**			
	- Provident fund trust-contribution		**33,133,004**	35,401,905
	- Gratuity trust-contribution		**772,544**	27,423,074

39.1.3 Key management personnel

The remuneration paid to chief executive officer, directors and executives (key management personnel) in terms of their employment is disclosed in note 40 to the financial statements.

		Note	2019 Rupees	2018 Rupees
39.2	**Balances with related parties**			
39.2.1	**Associated Undertakings**			
	Shareholding and common directorship			
	National Bank of Pakistan			
	Long term finances	*9.2, 9.4 & 9.6*	**2,467,083,735**	2,467,083,735
	Redeemable capital	*8.3*	**462,057,100**	462,057,100
	Bills payable	*14*	**187,030,000**	187,030,000
	Preference shares	*10*	**34,587,560**	34,587,560
	Mark-up payable	*16*	**3,117,743,983**	2,681,796,622
	Preference dividend payable		**182,371,710**	178,567,079
	Bank account balances	*27*	**7,218,242**	2,665,446
	Advisory fee	*15*	**738,600,000**	738,600,000
	Advance for transaction cost	*26*	**23,200,000**	23,200,000
	Common directorship			
	Faysal Bank Limited			
	Redeemable capital	*8.3 & 8.8*	**1,499,109,500**	1,499,109,500
	Long term finances	*9.3 & 9.4*	**350,000,000**	350,000,000
	Preference shares	*10*	**310,355,940**	310,355,940
	Mark-up payable	*16*	**1,731,696,280**	1,477,297,386
	Preference dividend payable		**268,904,291**	234,765,137
	Bank account balances	*27*	**167,517**	160,150
	Trustee fee payable		**5,688,582**	5,688,582
	Standard Chartered Bank (Pakistan) Limited			
	Redeemable capital	*8.5*	**146,995,500**	146,995,500
	Long term finances	*9.2 & 9.4*	**1,352,860,982**	1,352,860,982
	Mark-up payable	*16*	**1,436,531,876**	1,240,529,863
	Bank account balances	*27*	**5,976,578**	-
	Silkbank Limited			
	Long term finances	*9.4*	**130,607,546**	130,607,546
	Short term borrowings	*14*	**551,442,066**	551,442,066
	Mark-up payable	*16*	**222,302,573**	198,462,166
	Summit Bank Limited			
	Redeemable capital	*8.3 & 8.5*	**603,406,000**	603,406,000
	Short term borrowings	*14*	**646,671,002**	646,671,002
	Mark-up payable	*16*	**445,153,188**	371,828,113
	Bank account balances	*14 & 27*	**80,678,328**	736,266
39.2.2	**Post employment benefit plans**			
	Payable to Provident fund trust		**-**	-
	Payable to Gratuity trust	*12*	**17,569,221**	13,533,831

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

40 Remuneration of Chief Executive Officer, Directors and Executives

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

	2019			
		Directors		
	Chief Executive	Executive	Non-executive	Executives
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	**12,600,000**	**-**	**-**	**35,813,535**
House rent allowance	**3,780,000**	**-**	**-**	**10,329,096**
Utility allowance	**1,260,000**	**-**	**-**	**1,701,288**
Other	**1,245,875**	**-**	**-**	**22,322,425**
Post employment benefits	**1,049,580**	**-**	**-**	**2,988,038**
Meeting fee	**-**	**-**	**78,000**	**-**
Bonus	**550,000**	**-**	**-**	**2,982,372**
	20,485,455	**-**	**78,000**	**76,136,754**
Number of persons	**1**	**-**	**6**	**16**

	2018			
		Directors		
	Chief Executive	Executive	Non-executive	Executives
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	10,762,500	-	-	28,531,392
House rent allowance	3,228,750	-	-	8,144,457
Utility allowance	1,076,250	-	-	1,185,820
Other	1,388,537	-	-	14,707,328
Post employment benefits	896,518	-	-	2,381,456
Meeting fee	-	-	94,000	-
Bonus	-	-	-	475,356
	17,352,555	-	94,000	55,425,809
Number of persons	1	-	6	14

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

41 Financial risk management

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

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

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

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

Risk Management Framework

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

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

41.1 Credit risk and concentration of credit risk

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

41.1.1 Exposure to credit risk

Credit risk of the Company arises principally from trade debts, advances, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Out of total financial assets of Rs. 782.47 million (2018: Rs. 558.39 million), the financial assets that are subject to credit risk amount to Rs. 768.76 million (2018: Rs. 520.91 million).

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

	2019 Rupees	2018 Rupees
Long term deposits - *unsecured, considered good*	**44,986,934**	46,538,433
Trade debts - *considered good*	**-**	34,865,063
Advances and other receivables	**136,138,235**	113,553,807
Bank balances	**562,001,567**	325,957,146
	743,126,736	520,914,449

41.1.2 Concentration of credit risk

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

	2019 Rupees	2018 Rupees
Customers	-	34,865,063
Banking companies and financial institutions	**563,917,759**	329,905,171
Others	**179,208,977**	156,144,215
	743,126,736	520,914,449

41.1.3 Credit quality and impairment

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

41.1.3(a) Counterparties with external credit ratings

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

Banks and financial institutions

Bank	Rating		Rating	2019	2018
	Long term	Short term	Agency	Rupees	Rupees
Bank balances					
Al Baraka Bank (Pakistan) Limited	A	A1	PACRA	**1,784,862**	915,047
Allied Bank Limited	AAA	A1+	PACRA	**21,611**	20,388
Askari Bank Limited	AA+	A1+	PACRA	**3,244,856**	28,442,933
Bank Alfalah Limited	AA+	A1+	PACRA	**72,189**	72,189
BankIslami Pakistan Limited	A	A1	PACRA	**1,519,489**	1,576,776
Dubai Islamic Bank Pakistan Limited	AA	A1+	JCR-VIS	**1,548,199**	1,548,199
Faysal Bank Limited	AA	A1+	PACRA	**167,516**	160,150
Habib Bank Limited	AAA	A1+	JCR-VIS	**3,268,075**	35,042,881
MCB Bank Limited	AA+	A1+	PACRA	**7,462,097**	15,571,142
Meezan Bank Limited	AAA	A1+	JCR-VIS	**40,212,297**	40,212,297
National Bank of Pakistan	AAA	A1+	PACRA	**7,218,242**	2,665,446
NIB Bank Limited	AA-	A1+	PACRA	**11,513**	10,561
Soneri Bank Limited	AA-	A1+	PACRA	**24,649**	24,649
Standard Chartered Bank (Pakistan) Limited	AAA	A1+	PACRA	**5,976,578**	-
Summit Bank Limited	A-	A1	JCR-VIS	**80,678,327**	736,266
The Bank of Punjab	AA	A1+	PACRA	**2,765**	2,765
United Bank Limited	AAA	A1+	JCR-VIS	**408,788,302**	198,955,457
				562,001,567	325,957,146
Security Deposits					
Albaraka Bank (Pakistan) Limited	A	A1	PACRA	**1,309,472**	1,309,472
Bank Islami Pakistan Limited	A+	A1	PACRA	**354,100**	354,100
JS Bank Limited	AA-	A1+	PACRA	**2,284,453**	2,284,453
				3,948,025	3,948,025
				565,949,592	329,905,171

41.1.3(b) Counterparties without external credit ratings

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

	2019		2018	
	Gross carrying amount Rupees	**Accumulated impairment Rupees**	Gross carrying amount Rupees	Accumulated impairment Rupees
Neither past due nor impaired	-	-	34,179,075	-
Past due by 3 to 6 months	-	-	-	-
Past due by 6 to 12 months	-	-	-	-
Past due by more than one year	**48,878,035**	**48,878,035**	48,985,212	48,299,224
	48,878,035	**48,878,035**	83,164,287	48,299,224

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

41.1.4 Credit risk management

As mentioned in note 41.1.3(b) to the financial statements, the Company's financial assets do not carry significant credit risk. The Company also avoids any significant exposure to a single customer.

41.2 Liquidity risk

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

41.2.1 Exposure to liquidity risk

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

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

			2019		
	Carrying amount Rupees	**Contractual cash flow Rupees**	**Less than one year Rupees**	**One to three years Rupees**	**More than three years Rupees**
Non-derivative financial liabilities					
Redeemable capital - *secured*	12,165,534,546	12,165,534,546	12,165,534,546	-	-
Long term finances - *secured*	7,138,527,377	7,138,527,377	7,138,527,377	-	-
Convertible, redeemable preference shares	1,593,342,690	1,593,342,690	-	-	1,593,342,690
Long term payable	2,241,502,508	31,135,199	-	2,210,367,309	31,135,199
Short term borrowings - *secured*	3,626,035,840	3,626,035,840	3,626,035,840	-	-
Trade and other creditors	1,319,557,327	1,319,557,327	1,319,557,327	-	-
Accrued liabilities	200,582,486	200,582,486	200,582,486	-	-
Security deposits and retention money	16,256,483	16,256,483	16,256,483	-	-
Other payables	43,464,347	43,464,347	43,464,347	-	-
Mark-up accrued on borrowings	19,260,897,262	19,260,897,262	19,260,897,262	-	-
Preference dividend payable	1,380,354,802	1,380,354,802	1,380,354,802	-	-
	48,986,055,668	**46,775,688,359**	**45,151,210,470**	**2,210,367,309**	**1,624,477,889**

	2018				
	Carrying amount Rupees	Contractual cash flow Rupees	Less than one year Rupees	One to three years Rupees	More than three years Rupees
Non-derivative financial liabilities					
Redeemable capital - *secured*	12,165,534,546	12,165,534,546	12,165,534,546	-	-
Long term finances - *secured*	7,141,397,262	7,141,397,262	7,141,397,262	-	-
Convertible, redeemable preference shares	1,593,342,690	1,593,342,690	-	-	1,593,342,690
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowings - *secured*	3,625,350,286	3,625,350,286	3,625,350,286	-	-
Trade and other creditors	4,858,710,452	4,858,710,452	4,858,710,452	-	-
Accrued liabilities	236,463,042	236,463,042	236,463,042	-	-
Security deposits and retention money	17,458,254	17,458,254	17,458,254	-	-
Other payables	64,855,457	64,855,457	64,855,457	-	-
Mark-up accrued on borrowings	16,402,280,215	16,402,280,215	16,402,280,215	-	-
Preference dividend payable	1,205,087,103	1,205,087,103	1,205,087,103	-	-
	47,341,614,506	47,341,614,506	45,717,136,617	-	1,624,477,889

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

41.2.2 Liquidity risk management

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

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

		2019		
	Note	**Principal** **Rupees**	**Interest / mark up** **Rupees**	**Total** **Rupees**
Nature of liability				
Redeemable capital	*8*	12,123,044,963	10,653,106,538	22,776,151,501
Long term finances	*9*	6,856,911,221	7,092,202,386	13,949,113,607
Short term borrowings	*14*	2,175,260,427	1,243,673,179	3,418,933,606
		21,155,216,611	**18,988,982,103**	**40,144,198,714**

		2018		
		Principal Rupees	Interest / mark up Rupees	Total Rupees
Nature of Liability				
Redeemable capital	*8*	10,565,734,546	8,696,526,975	18,811,786,025
Long term finances	*9*	6,534,823,207	6,125,805,862	12,660,629,069
Short term borrowings	*14*	2,180,233,566	1,155,529,977	3,335,763,543
		19,280,791,319	15,977,862,814	34,808,178,637

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

41.3 Market risk

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

41.3.1 Currency risk

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

41.3.1(a) Exposure to currency risk

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

	2019 **Rupees**	2018 Rupees
Off balance sheet items		
Outstanding letters of credit:		
US $	**3,853,676**	22,983,945
EUR €	**1,997,502**	-
GBP	**96,610**	-
CHF	**259,927**	-
JPY	**5,959,954**	869,262
Net exposure	**12,167,670**	23,853,207

41.3.1(b) Exchange rates applied during the year

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

		2019 **Rupees**	2018 Rupees
Reporting date spot rate:			
- buying	***US $***	**154.68**	138.62
- selling	***US $***	**155.05**	138.96
Average rate for the year	***US $***	**147.01**	124.75
Reporting date spot rate:			
- buying	***EUR €***	**173.30**	158.45
- selling	***EUR €***	**173.72**	158.81
Average rate for the year	***EUR €***	**166.27**	145.42

		2019 Rupees	2018 Rupees
Reporting date spot rate:			
- buying	***GBP***	**202.91**	175.87
- selling	***GBP***	**203.39**	176.27
Average rate for the year	***GBP***	**189.83**	162.51
Reporting date spot rate:			
- buying	***CHF***	**159.80**	140.70
- selling	***CHF***	**160.17**	141.03
Average rate for the year	***CHF***	**150.60**	126.99
Reporting date spot rate:			
- buying	***JPY***	**142**	1.26
- selling	***JPY***	**1.43**	1.26
Average rate for the year	***JPY***	**1.35**	1.12

41.3.1(c) Sensitivity analysis

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

	2019 Rupees	2018 Rupees
US $	**38,537**	229,839
EUR €	**19,975**	-
GBP	**966**	-
CHF	**2,599**	-
JPY	**59,600**	8,693
	121,677	238,532

41.3.1(d) Currency risk management

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

41.3.2 Interest / markup rate risk

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

41.3.2(a) Fixed rate financial instruments

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

	Note	2019 Financial asset Rupees	2019 Financial liability Rupees	2018 Financial asset Rupees	2018 Financial liability Rupees
Non-derivative financial instruments					
Redeemable capital	*8*	-	**618,685,000**	-	618,685,000
Convertible, redeemable preference shares	*10*	-	**1,593,342,690**	-	1,593,342,690
Long term advance to employees	*21*	**14,289,695**	-	13,699,204	-
		14,289,695	**2,212,027,690**	13,699,204	2,212,027,690

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit or loss.

41.3.2(b) *Variable rate financial instruments*

	Note	2019 Financial asset Rupees	2019 Financial liability Rupees	2018 Financial asset Rupees	2018 Financial liability Rupees
Non-derivative financial instruments					
Redeemable capital	*8*	**-**	**10,998,024,546**	-	10,998,024,546
Long term finances	*9*	**-**	**7,138,527,377**	-	7,141,397,262
Short term borrowings - *secured*	*14*	**-**	**3,626,035,840**	-	3,625,350,286
Bank balances at saving accounts	*27*	**81,117,033**	**-**	48,544,154	-
		81,117,033	**21,762,587,763**	48,544,154	21,764,772,094

41.3.2(c) *Cash flow sensitivity analysis for variable rate instruments*

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

	2019 Rupees	2018 Rupees
Increase of 100 basis points		
Variable rate instruments	**(216,814,707)**	(217,162,279)
Decrease of 100 basis points		
Variable rate instruments	**216,814,707**	217,162,279

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

41.3.2(d) *Interest/markup rate risk management*

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

41.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

41.4 Fair value measurement of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

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

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

41.4.1 Financial instruments by category

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

Particulars	Carrying amount				Fair Value			
	Amortised Cost Rupees	FVTPL Rupees	FVTOCI Rupees	Total Rupees	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
December 31, 2019								
Financial assets not measured at fair value								
Long term loans and advances	**14,289,695**	**-**	**-**	**14,289,695**	**-**	**-**	**-**	**-**
Long term deposits	**44,986,934**	**-**	**-**	**44,986,934**	**-**	**-**	**-**	**-**
Advances and other receivables	**160,695,140**	**-**	**-**	**160,695,140**	**-**	**-**	**-**	**-**
Cash and bank balances	**562,498,956**	**-**	**-**	**562,498,956**	**-**	**-**	**-**	**-**
Total	**782,470,725**	**-**	**-**	**782,470,725**	**-**	**-**	**-**	**-**

Particulars	Carrying amount					Total	Fair Value			
	Cash and cash equivalents Rupees	Loans and receivables Rupees	Available for sale instruments Rupees	Fair value through profit or loss Rupees	Other financial instruments Rupees	Total	Level 1	Level 2	Level 3	Total
December 31, 2018										
Financial assets not measured at fair value										
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	-	-	-	-
Total	326,555,713	231,834,310	-	-	-	558,390,023	-	-	-	-

41.4.2 The Company does not hold any financial liability at fair value. Remaining financial liabilities are as follow.

	2019 Rupees	2018 Rupees
Financial liabilities at amortised cost		
Redeemable capital	**12,165,534,546**	12,165,534,546
Long term finances	**7,138,527,377**	7,141,397,262
Convertible, redeemable preference shares	**1,593,342,690**	1,593,342,690
Long term payable	**2,241,502,508**	31,135,199
Short term borrowings	**3,626,035,840**	3,625,350,286
Trade and other payables	**1,319,557,327**	4,858,710,452
Accrued liabilities	**200,582,486**	236,463,042
Security deposits and retention money	**16,256,483**	17,458,254
Other payables	**43,464,347**	64,855,457
Mark-up accrued on borrowings	**19,260,897,262**	16,402,280,215
Preference dividend payable	**1,380,354,802**	1,205,087,103
	48,986,055,668	47,341,614,506

41.5 Operational risk

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

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

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

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

42 Capital management

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

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

	2019 Rupees	2018 Rupees
Total debt	**20,897,404,613**	20,900,274,498
Total equity (including surplus)	**10,736,092,379**	(4,888,541,820)
Total capital employed	**31,633,496,992**	16,011,732,678
Gearing - rate	**66%**	131%

There were no changes in the Company's approach to capital management during the year. The Company's debt is at the same level as the management is planning to convert its long term as explained in note 2.2 and 41.2.2. The Company has filed a scheme for conversion of its over-due long term debts and related markup into preference shares in accordance with a scheme of arrangement to be approved by the Honorable Lahore High Court under the provisions of repealed Companies Ordinance, 1984. The proceedings of the Court are in progress at the reporting date. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance which the Company could not comply as at the reporting date.

43 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities							Equity		
	Long term finances	Redeemable capital	Short term borrowings	Short term running finances - note 39	Accrued finance cost	Convertible, redeemable preference shares	Preference Dividend Payable	Ordinary Share Capital	Reserves	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2019	**7,141,397,262**	**12,165,534,546**	**928,980,591**	**2,696,369,695**	**16,402,280,215**	**1,593,342,690**	**1,205,087,103**	**3,924,300,000**	**9,000,000**	**46,066,292,102**
Cash flows										
Net decrease in long term finances	**(2,869,886)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,869,886)**
Short term borrowings received net of payments	-	-	-	-	-	-	-	-	-	**-**
Finance cost paid	-	-	-	-	(266,536,801)	-	-	-	-	**(266,536,801)**
Total changes from financing cash flows	**(2,869,886)**	**-**	**-**	**-**	**(266,536,801)**	**-**	**-**	**-**	**-**	**(269,406,686)**
Non-cash changes										
Preference dividend expense	-	-	-	-	-	-	175,267,699	-	-	175,267,699
Changes in running finances	-	-	-	685,554	-	-	-	-	-	685,554
Interest / markup expense	-	-	-	-	3,300,421,547	-	-	-	-	3,300,421,547
Total liability related other changes	**-**	**-**	**-**	**685,554**	**3,300,421,547**	**-**	**175,267,699**	**-**	**-**	**3,476,374,800**
Closing as at 31 December 2019	**7,138,527,377**	**12,165,534,546**	**928,980,591**	**2,697,055,249**	**19,436,164,961**	**1,593,342,690**	**1,380,354,802**	**3,924,300,000**	**9,000,000**	**49,273,260,216**
Balance as at 01 January 2018	7,232,929,458	12,165,534,546	1,081,795,205	2,445,086,512	14,524,481,877	1,593,342,690	1,029,819,407	3,924,300,000	9,000,000	44,006,289,695
Cash flows										
Net decrease in long term finances	(91,532,196)	-	-	-	-	-	-	-	-	(91,532,196)
Short term borrowings received net of payments	-	-	(152,814,614)	-	-	-	-	-	-	(152,814,614)
Finance cost paid	-	-	-	-	(115,069,137)	-	-	-	-	(115,069,137)
Total changes from financing cash flows	(91,532,196)	-	(152,814,614)	-	(115,069,137)	-	-	-	-	(359,415,947)
Non-cash changes										
Preference dividend expense	-	-	-	-	-	-	175,267,696	-	-	175,267,696
Changes in running finances	-	-	-	251,283,183	-	-	-	-	-	251,283,183
Interest / markup expense	-	-	-	-	1,992,867,475	-	-	-	-	1,992,867,475
Total liability related other changes	-	-	-	251,283,183	1,992,867,475	-	175,267,696	-	-	2,419,418,354
Closing as at 31 December 2018	7,141,397,262	12,165,534,546	928,980,591	2,696,369,695	16,402,280,215	1,593,342,690	1,205,087,103	3,924,300,000	9,000,000	46,066,292,102

44 Restriction on title, and assets pledged as security

	2019 Rupees	2018 Rupees
Mortgages and charges		
Hypothecation of stocks and movables	**27,037,263,333**	27,528,763,333
Hypothecation of book debts and receivables	**27,778,763,333**	26,444,763,333
Mortgage over land and building	**29,005,040,872**	29,005,040,872
Hypothecation of plant and machinery	**35,506,373,872**	35,506,373,872
Charge over stocks - (pledge)	**1,122,000,000**	886,000,000

45 Segment reporting

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

Reportable Segments	***Operation of reportable segments***
Urea fertilizer segment	production of Urea fertilizer and ammonia from natural gas
Phosphate fertilizer segment	production of Phosphate fertilizer from rock phosphate

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

45.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	2019 Rupees	2018 Rupees	**2019 Rupees**	2018 Rupees	**2019 Rupees**	2018 Rupees
External revenues	**11,345,853,590**	3,385,010,274	**828,565,402**	1,148,306,140	**12,174,418,992**	4,533,316,414
Inter-segment revenue	**-**	-	**-**	-	**-**	-
Reportable segment revenue	**11,345,853,590**	3,385,010,274	**828,565,402**	1,148,306,140	**12,174,418,992**	4,533,316,414
Reportable segment (loss) /profit before tax	**(1,043,166,041)**	(3,545,847,596)	**72,155,178**	(93,761,481)	**(971,010,862)**	(3,639,609,077)

45.3 Other segment information

	Urea 2019	Urea 2018	Phosphate 2019	Phosphate 2018	Total 2019	Total 2018
Interest income	**13,761,835**	7,830,156	**40,906**	53,766	**13,802,741**	7,883,922
Interest expense	**3,290,756,361**	2,573,529,716	**-**	-	**3,290,756,361**	2,573,529,716
Depreciation	**1,001,291,000**	1,001,565,560	**48,125,619**	50,487,824	**1,049,416,619**	1,052,053,384
Amortisation	**-**	191,281	**-**	-	**-**	191,281
Capital expenditure incurred during the year	**13,078,852**	22,158,795	**2,449,367**	5,432,977	**15,528,218**	27,591,771

45.4 Segment assets and liabilities

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	2019 Rupees	2018 Rupees	**2019 Rupees**	2018 Rupees	**2019 Rupees**	2018 Rupees
Reportable segment assets	**64,619,151,285**	42,717,970,871	**5,853,766,384**	4,717,063,998	**70,472,917,669**	47,435,034,869
Reportable segment liabilities	**59,222,772,640**	51,711,839,650	**514,052,650**	611,737,039	**59,736,825,290**	52,323,576,689

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

	2019 Rupees	2018 Rupees
45.5.1 Profit or loss		
Total loss for reportable segments	**(971,010,862)**	(3,639,609,077)
Unallocated corporate expenses	**318,234,006**	295,936,001
Consolidated loss after tax	**(652,776,856)**	(3,343,673,076)
45.5.2 Assets		
Total assets for reportable segments	**70,472,917,669**	47,435,034,869
Elimination of inter-segment assets	**(1,336,998,950)**	(1,225,593,354)
Consolidated total assets	**69,135,918,719**	46,209,441,515

		2019 **Rupees**	2018 Rupees
45.5.3	**Liabilities**		
	Total liabilities for reportable segments	**59,736,825,290**	52,323,576,689
	Elimination of inter-segment liabilities	**(1,336,998,950)**	(1,225,593,354)
	Consolidated total liabilities	**58,399,826,340**	51,097,983,335

45.5.4 Other material items

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

		2019 **Rupees**	2018 Rupees
45.6	**Geographical information**		
	Sales are made by the Company in the following countries:		
	Pakistan	**12,174,418,992**	4,533,316,414
		12,174,418,992	4,533,316,414

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

45.7 100% (2018: 100%) of the gross sales of the Company are made to customers located in Pakistan.

45.8 All non-current assets of the Company as at 31 December 2019 are located in Pakistan.

46 Plant capacity and actual production

Urea fertilizer	**Unit**	**2019**	2018
Rated capacity	Metric tons	**433,125**	433,125
Actual production for the year	Metric tons	**338,090**	95,934
Production efficiency	%age	**78%**	22%
Phosphate fertilizer			
Rated capacity	Metric tons	**81,000**	81,000
Actual production for the year	Metric tons	**41,809**	59,059
Production efficiency	%age	**52%**	73%

The low production is due to working capital constraints.

47 Provident Fund Trust

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

		30 June 2019	30 June 2018
Size of fund - *total assets*	***Rupees***	**174,920,301**	177,017,190
Cost of investments made	***Rupees***	**150,672,896**	150,098,083
Percentage of investments made	***Percentage***	**86.14%**	84.79%
Fair value of investments	***Rupees***	**166,030,292**	153,167,525

The breakup of fair value of investments is as follows:

	30 June 2019		30 June 2018	
	Rupees	**Percentage**	Rupees	Percentage
Shares of listed companies	**23,785**	**0.01%**	34,953	0.02%
CDC NBP funds	**71,344,511**	**42.97%**	-	0.00%
Mutual Funds	**-**	**0.00%**	3,179,684	2.08%
MCB Arif Habib	**62,381,796**	**37.57%**	-	0.00%
Saving certificates	**15,277,797**	**9.20%**	23,850,000	15.57%
Cash at bank	**17,002,403**	**10.24%**	126,102,888	82.33%
	166,030,292	**100.00%**	153,167,525	100.00%

The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

48 Number of employees

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

	2019	2018
	(Number of persons)	
Total number of employees as at 31 December		
-Head Office	**25**	20
-Iskanderabad Factory	**673**	682
-Haripur Factory	**158**	181
	856	883
Average number of employees during the year		
-Head Office	**23**	23
-Iskanderabad Factory	**678**	690
-Haripur Factory	**170**	188
	870	900

49 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison and better presentation.

50 Date of authorization for issue

These financial statements were authorized for issue on December 10, 2020 by the Board of Directors of the Company.

51 General

- Figures have been rounded off to the nearest rupee.
- The novel coronavirus (COVID-19) emerged on March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID–19 which was lifted subsequently in June 2020. The accounting implications of such developments on these financial statements has been assessed. However, there is no significant impact on these financial statements as agriculture sector is not adversely affected by outbreak of COVID 19.

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

Notice of Annual General Meeting

Notice is hereby given to all the members of Agritech Limited (the Company) that an **Annual General Meeting for Financial Year ended 31 December 2019** of the Company is scheduled to be held on January 06, 2021 at 11:30 AM at Park Plaza Hotel, 107-B3, M.M Alam Road, Gulberg III, Lahore, as well as through video link, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting held on August 30, 2019;
2. To receive, consider and adopt the financial statements for the year ended on December 31, 2019, together with Director's and Auditor's reports thereon;
3. To appoint external auditors for the financial year ending December 31, 2020 and to fix their remuneration.

Special Business

4. Alteration in clause-88 of the Articles of Association pertaining to remuneration/fee of directors for attending meeting of the Company to be considered. The original clause along with amended clause is reproduced herein below:

Original Clause 88	Proposed Amended Clause 88
The remuneration paid for attending meetings of the Board to persons other than the regularly paid Chief Executive/Managing Director and full-time working directors shall not exceed Rs.2000 per meeting. Each Director (including each alternate Director) shall be entitled to be reimbursed his reasonable expenses incurred in consequence of his attendance art meeting of the directors, or of committee of Directors.	The remuneration paid for attending meetings of the Board to persons other than the regularly paid Chief Executive/Managing Director and full-time working directors shall be determined by the Board of Directors from time to time, Each Director (including each alternate Director) shall be entitled to be reimbursed his reasonable expenses incurred in consequence of his attendance at meeting of the directors, or of committee of Directors.

Statement of Material Facts under Section 134 of Companies Act, 2017 is attached herewith.

Other Business

5. Any other business with the permission of the Chair.

By Order of the Board

Fauzia Noorani
Company Secretary

15th December 2020

NOTES:

1. Share transfer books of the Company will remain closed from 30 December 2020 to 06 January 2021(both days inclusive). Share transfers received at the address of M/s Hameed Majeed Associates (Pvt.) Limited at 1st Floor, HM House, 7 Bank Square, Lahore at the close of business on 29 December 2020 will be treated in time, for the purpose of entitlement to the transferees.
2. A member entitled to attend and vote at the meeting may appoint any person/member as his/her proxy to attend and vote in his/her place. Proxies completed in all respect, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
3. A member who have not yet submitted photocopies of the Computerized National Identity Card (CNIC) are requested to send the same at the earliest.
4. CDC Account Holders will further have to follow the guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. FOR ATTENDING THE MEETING:

I. In case of individuals, the accounts holders and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his original CNIC or Passport at the time of attending the Meeting.

Notice of Annual General Meeting

ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. ONLINE PARTICIPATION IN AGM:

On: January 6, 2021, 11:30 AM

Video link: Available on AGL website (http://www.pafl.com.pk/)

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

ii. In this regard, shareholders are required to update their valid e-mail addresses with the Share Registrar, latest by December 30, 2020.

C. FOR APPOINTING PROXIES:

I. In case of individuals, the account holders and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements. Proxy form is attached herewith.

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

iii. Attested copies of CNIC or the passport of the beneficial owner and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his/her original CNIC or original Passport at the time of meeting.

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

5. Members may avail video conference facility for this General Meeting, provided the Company receives consent (standard format is given below) at least 10 days prior to the date of the Meeting from members holding in aggregate 10% or more shareholding residing at location.

   The Company will intimate respective members regarding venue of the video-link facility before the date of Meeting along with complete information necessary to enable them to access the facility.

   "I/we ___________ of ________ being member(s) of Agritech Limited, holder of ________ Ordinary Share(s) as per Registered Folio No./CDC Account No. _______ hereby opt for video conference facility at _________ in respect of Annual General Meeting of the Company to be held on January 06, 2021.

   "Signature of Member"

6. Members are requested to notify/submit the following information/documents; in case of book entry securities in CDS to their respective participants/investor account services and in case of physical shares to the Registrar of the Company by quoting their folio numbers and name of the Company at the above mentioned address, if not earlier notified/submitted:

   - Change in their addresses, if any;
   - Valid and legible copy of CNIC/Passport (in case of individual) and NTN Certificate (in case of corporate entity). Please note that CNIC number is mandatory for issuance of dividend warrants and in the absence of this information payment of dividend shall be withheld.

7. For any query/problem/information, Members may contact the Company at email Corporate@pafl.com.pk and/or the Share Registrar of the Company at (+92 42) 37235081-82, email shares@hmaconsultants.com. Members may also visit website of the Company www.pafl.com.pk for notices/information.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF COMPANIES ACT, 2017

Material Facts:

a. The remuneration of the elected directors for attending various board meeting of the Company has remained stagnant for a substantial period. The elected directors being highly paid executives bring their knowledge & collective experience to the various operational aspect of the Company and hence in order to commensurate the input by the directors is highly appropriate & necessary that they are compensated equitably in accordance with their efforts, time and work being put in the various meeting. Majority of nominee directors from the board do not retain the meeting fee amount.

اطلاع سالانہ اجلاس عام

i۔حصص یافتگان حصص یافتگان کی توثیق اور شناخت کے لئے درکار تمام رسمی تقاضوں کو مکمل کرنے کے بعد اپنے اسمارٹ فونز یا کمپیوٹر آلات کے ذریعے AGM کی کارروائی میں لاگ اِن اور ان میں حصہ لے سکیں گے۔

ii۔اس سلسلے میں، حصص یافتگان کو لازم ہے کہ وہ اپنے درست ای میل پتے شیئر رجسٹرار کے ہاں کم از کم 30 دسمبر 2020 تک اپ ڈیٹ کریں۔

C۔پراکسی تقرری کیلئے:

i۔بصورت افراد، اکاؤنٹ ہولڈر اور/ یا سب اکاؤنٹ ہولڈر اور اُنکی رجسٹریشن تفصیلات سی ڈی سی قواعد کے مطابق اپ لوڈ ہیں، کو بالا ریکوائرمنٹ کے مطابق پراکسی فارم جمع کرانا ہوگا۔ پراکسی فارم ساتھ منسلک ہے۔

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

iii۔بینیفشل اونرز اور پراکسی کے CNIC یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ہمراہ جمع کرانا ہونگی۔

iv۔پراکسی، اجلاس کے وقت اپنا اصل CNIC یا اصل پاسپورٹ مہیا کرے گا۔

v۔کارپوریٹ اینٹٹی کی صورت میں بورڈ آف ڈائریکٹر کی قرارداد/ مختار نامہ معہ نمونہ دستخط، کمپنی کو پراکسی فارم کے ہمراہ جمع کرانا ہونگے۔(اگر پہلے مہیا نہیں کئے گئے)۔

5۔کمپنی اس اجلاس عام کے لئے ارکان کو وڈیو کانفرنس سہولت مہیا کرے گی، اگر کمپنی کو خاص محل وقوع میں سکونتی مجموعی 10% یا زیادہ شیئر ہولڈنگ کے مالک ممبران اجلاس کی تاریخ سے کم از کم 10 یوم قبل وڈیو کانفرنس کے ذریعے اجلاس میں شرکت کیلئے (معیاری فارم جو درج ذیل میں دیا گیا ہے) رضامندی مہیا کرتے ہیں۔

وڈیو لنک سہولت کے مقام معہ سہولت تک رسائی کے قابل بنانے کے لئے مکمل ضروری معلومات کے بارے اجلاس کی تاریخ سے قبل متعلقہ ارکان کو کمپنی مطلع کرے گی۔

"میں رہم .... ساکن .... بحیثیت رکن ایگری ٹیک لمیٹڈ، مالک .... عام حصص بمطابق رجسٹرڈ فولیو نمبر/ سی ڈی سی اکاؤنٹ نمبر .... بذریعہ ہذا! .... میں 06 جنوری 2021ء کو منعقد ہونے والے سالانہ اجلاس عام کی بابت وڈیو کانفرنس سہولت اختیار کرنا چاہتا/ چاہتے ہیں۔

دستخط رکن ....

6۔ارکان سے درخواست ہے کہ درج ذیل معلومات/ دستاویزات، سی ڈی ایس میں بک انٹری سیکورٹیز کی صورت میں اپنے متعلقہ پارٹیسپنٹس/ انویسٹر اکاؤنٹ سروسز کو اور مادی حصص کی صورت میں اپنے فولیو نمبرز اور کمپنی کا نام تحریر شدہ مذکورہ بالا پتہ پر کمپنی کے رجسٹرار کو مطلع/ جمع کرائیں، اگر پہلے مطلع/ جمع نہیں کرایا۔

- اپنے پتوں میں تبدیلی، اگر کوئی ہو۔
- CNIC/ پاسپورٹ کی کارآمد اور واضح کاپی (بصورت فرد) اور این ٹی این سرٹیفکیٹ (بصورت کارپوریٹ اینٹٹی)۔ براہِ مہربانی ذہن نشین فرمالیں کہ ڈیویڈینڈ وارنٹس کے اجراء کے لئے CNIC نمبر لازمی ہے اور اس معلومات کی غیر موجودگی میں ڈیویڈینڈ کی ادائیگی روک لی جائے گی۔

7۔کسی استفسار/ مسئلہ/ معلومات کے لئے، ارکان کمپنی سے ای میل corporate@pafl.com.pk اور/ یا کمپنی کے شیئر رجسٹرار سے 82-37235081 (42 92+)، ای میل: shares@hmaconsultants.com پر رابطہ کرسکتے ہیں۔ ارکان نوٹسز/ معلومات کے لئے کمپنی کی ویب سائٹ www.pafl.com.pk بھی ملاحظہ کرسکتے ہیں۔

کمپنیز ایکٹ 2017 کی دفعہ (3)134 کے تحت مادی حقائق کا بیان

مادی حقائق:

a۔کمپنی کے بورڈ کے مختلف اجلاسوں میں شرکت کے لئے منتخب ڈائریکٹرز کا معاوضہ خاطر خواہ مدت تک مستحکم رہا ہے۔ منتخب ڈائریکٹرز انتہائی پیڈ ا یگزیکٹو ہونے کے ناطے اپنے علم اور مجموعی تجربے کو کمپنی کے مختلف آپریشنل پہلوؤں پر لاتے ہیں اور اسی وجہ سے ڈائریکٹرز کی خدمات کے موافق انتہائی مناسب اور ضروری ہے کہ ان کی کوششوں، وقت اور مختلف اجلاسوں میں کئے گئے کام کے مطابق ان کو مساوی طور پر معاوضہ دیا جائے۔ بورڈ پر نامزد ڈائریکٹرز کی اکثریت اجلاس فیس کی رقم برقرار نہیں رکھتے ہیں۔

اطلاع سالانہ اجلاس عام

بذریعہ نوٹس ہذا ایگری ٹیک لمیٹڈ (کمپنی) کے ارکان کو مطلع کیا جاتا ہے کہ کمپنی کا 31 دسمبر 2019 کوختم ہونے والے مالی سال کے لئے سالانہ اجلاس عام، پارک پلازہ ہوٹل B3-107، ایم ایم عالم روڈ، گلبرگ III، لاہور پر اور مندرجہ ذیل نوٹ میں فراہم کردہ لنک کے مطابق وڈیولنک کے ذریعے 06 جنوری 2021ء کو صبح 11:30 بجے درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عام امور:

1۔30 اگست 2019ء کو منعقدہ کمپنی کے گزشتہ سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔

2۔31 دسمبر 2019 کوختم ہونے والے سال کے لئے مالی حسابات معہ ان پر ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی، غوروخوض اور منظوری دینا۔

3۔31 دسمبر 2020 کوختم ہونے والے مالی سال کے لئے بیرونی آڈیٹرز کی تقرری اور ان کے مشاہرہ کا تعین کرنا۔

خصوصی امور:

4۔ کمپنی کے اجلاس میں شرکت کے لئے ڈائریکٹرز کے معاوضے/فیس پر مشتمل آرٹیکلز آف ایسوسی ایشن کی کلاز 88 میں تبدیلی پر غوروخوض کرنا۔ اصل کلاز معہ ترمیم شدہ کلاز حسبِ ذیل میں دی گئی ہے:

اصل کلاز 88	مجوزہ ترمیم شدہ کلاز 88
باقاعدہ پیڈ چیف ایگزیکٹو/مینجنگ ڈائریکٹر اور کل وقتی کام کرنے والے ڈائریکٹرز کے علاوہ بورڈ کے اجلاسوں میں شرکت کرنے والے افراد کا ادا شدہ معاوضہ 2000 روپے فی اجلاس سے زائد نہیں ہوگا۔ ہر ایک ڈائریکٹر (بشمول ہر ایک متبادل ڈائریکٹر) ڈائریکٹرز کے یا ڈائریکٹرز کی کمیٹی کے اجلاسوں میں اپنی شرکت کے سلسلے میں ہونے والے اپنے مناسب اخراجات حاصل کرنے کا حقدار ہوگا۔	باقاعدہ پیڈ چیف ایگزیکٹو/مینجنگ ڈائریکٹر اور کل وقتی کام کرنے والے ڈائریکٹرز کے علاوہ بورڈ کے اجلاسوں میں شرکت کرنے والے افراد کو اجلاسوں میں حاضری کے لئے ادا شدہ معاوضہ کا تعین وقتاً فوقتاً بورڈ آف ڈائریکٹرز کرے گا۔ ہر ایک ڈائریکٹر (بشمول ہر ایک متبادل ڈائریکٹر) ڈائریکٹرز کے یا ڈائریکٹرز کی کمیٹی کے اجلاسوں میں اپنی شرکت کے سلسلے میں ہونے والے اپنے مناسب اخراجات حاصل کرنے کا حقدار ہوگا۔

کمپنیز ایکٹ 2017 کی دفعہ 134 کے تحت مادی حقائق کا بیان لف ہے۔

دیگر امور:

5۔صاحب صدر کی اجازت سے کسی دیگر امر پر کارروائی کرنا۔

بحکم بورڈ

(فوزیہ نورانی)

کمپنی سیکرٹری

15 دسمبر 2020ء

نوٹ:

1۔کمپنی کی حصص منتقلی کتابیں 30 دسمبر 2020ء تا 06 جنوری 2021ء (بشمول ہر دو ایام) بند رہیں گی۔ حصص منتقلیاں میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کے پتہ پہلی منزل، ایچ ایم ہاؤس، 7 بینک اسکوائر، لاہور میں 29 دسمبر 2020 کو کاروبار کے اختتام تک وصول ہونے والی ٹرانسفریز کے استحقاق کے لئے بروقت تصور ہونگی۔

2۔اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر اپنی بجائے اجلاس میں شرکت اور ووٹ دینے کیلئے دیگر ممبر کو بطور اپنا راپنی پراکسی مقرر کرسکتا رکرسکتی ہے۔ ہر لحاظ سے مکمل پراکسیاں تاآنکہ مؤثر ہوسکیں، اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر میں لازماً وصول ہوجانی چاہئیں۔

3۔رکن جس نے ابھی تک اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی نقول جمع نہیں کرائیں سے التماس ہے کہ وہ جلد از جلد ارسال کریں۔

4۔سی ڈی سی اکاؤنٹ ہولڈرز کو مزید برآں سکیورٹیز اینڈ ایکسچینج کمیشن پاکستان کی دی گئی درج ذیل گائیڈ لائنز کی پیروی کرنا ہوگی۔

A۔اجلاس میں شرکت کیلئے

i)۔بصورت افراد، اکاؤنٹ ہولڈر اور/یا سب اکاؤنٹ ہولڈر اور اُنکی رجسٹریشن تفصیلات سی ڈی سی قواعد کے مطابق اپ لوڈ ہیں، کو اجلاس میں شرکت کے وقت اپنے اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھا کر اپنی شناخت ثابت کرنا ہوگی۔

ii۔کارپوریٹ اینٹٹی کی صورت میں بورڈ آف ڈائریکٹر کی قرارداد/مختار نامہ معہ نامزدہ کے نمونہ دستخط اجلاس کے وقت مہیا کرنا ہونگے (اگر پہلے مہیا نہیں کئے گئے)۔

B۔اے جی ایم میں آن لائن شراکت:

مورخہ 6 جنوری، 2021 کو صبح 11:30 بجے

وڈیولنک: AGL ویب سائٹ (http://www.pafl.com.pk) پر دستیاب

Form of Proxy
Agritech Limited

I/We ____________________

son/daughter of ____________________

a member of Agritech Limited and holder of ____________________ shares as per Registered Folio No. __________ do hereby appoint Mr./Ms. ____________________

son/daughter of ____________________ or failing him/her

Mr. Ms. ____________________

son/daughter of ____________________

who is also member of the Company vide Registered Folio No. ____________________

as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 06 January 2021 at 11:30 AM at Park Plaza Hotel, 107-B3, MM Alam Road Gulberg III, Lahore and at any adjournment thereof.

In witness whereof on this __________ day of __________ 2021.

WITNESSES:

1. Signature: ____________________
   Name ____________________
   Address ____________________
   ____
   CNIC: ____________________

Affix Revenue Stamp

2. Signature: ____________________
   Name ____________________
   Address ____________________
   ____
   CNIC: ____________________

Member's Signature

NOTE:

1. 1.The Form of Proxy should be deposited at the Registered Office of the Agritech Limited situated at 2nd Floor Asia Centre, 8-Babar Block, New Garden Town, Lahore not later than 48 hours before the time for holding the meeting.

2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national Identity Cards/Passport in original to provide his/her identity, and in case of Proxy, must enclosed an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents for such purpose.

AFFIX
CORRECT
POSTAGE

The Company Secretary

AGRITECH LIMITED

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

AGRITECH
ALL OVER AND BEYOND

ایگری ٹیک لمیٹڈ
پراکسی فارم

میں/ہم ______ پسر/دختر ______

بحیثیت رکن ایگری ٹیک لمیٹڈ اور مالک ______ حصص بمطابق رجسٹرڈ فولیو نمبر ______

بذریعہ ہذا

محترم/محترمہ ______ پسر/دختر ______ یا اسکی غیر موجودگی میں ______

محترم/محترمہ ______ پسر/دختر ______

جو بروئے رجسٹرڈ فولیو نمبر۔۔۔۔۔۔۔۔۔۔۔۔۔۔ کی روسے مذکورہ کمپنی کا حصص دار بھی ہے کو اپنے/ہمارے ایماء پر مورخہ 06 جنوری 2021ء کو صبح 11:30 بجے

بمقام: پارک پلازہ ہوٹل، 107-B3، ایم ایم عالم روڈ گلبرگ 3، لاہور پر منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

آج بروز.................. بتاریخ.......... 2021ء کو میرے/ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

گواہان

رسیدی ٹکٹ یہاں چسپاں کریں

1۔

دستخط: ______

نام: ______

پتہ: ______

______

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ______

دستخط رکن

2۔

دستخط: ______

نام: ______

پتہ: ______

______

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ______

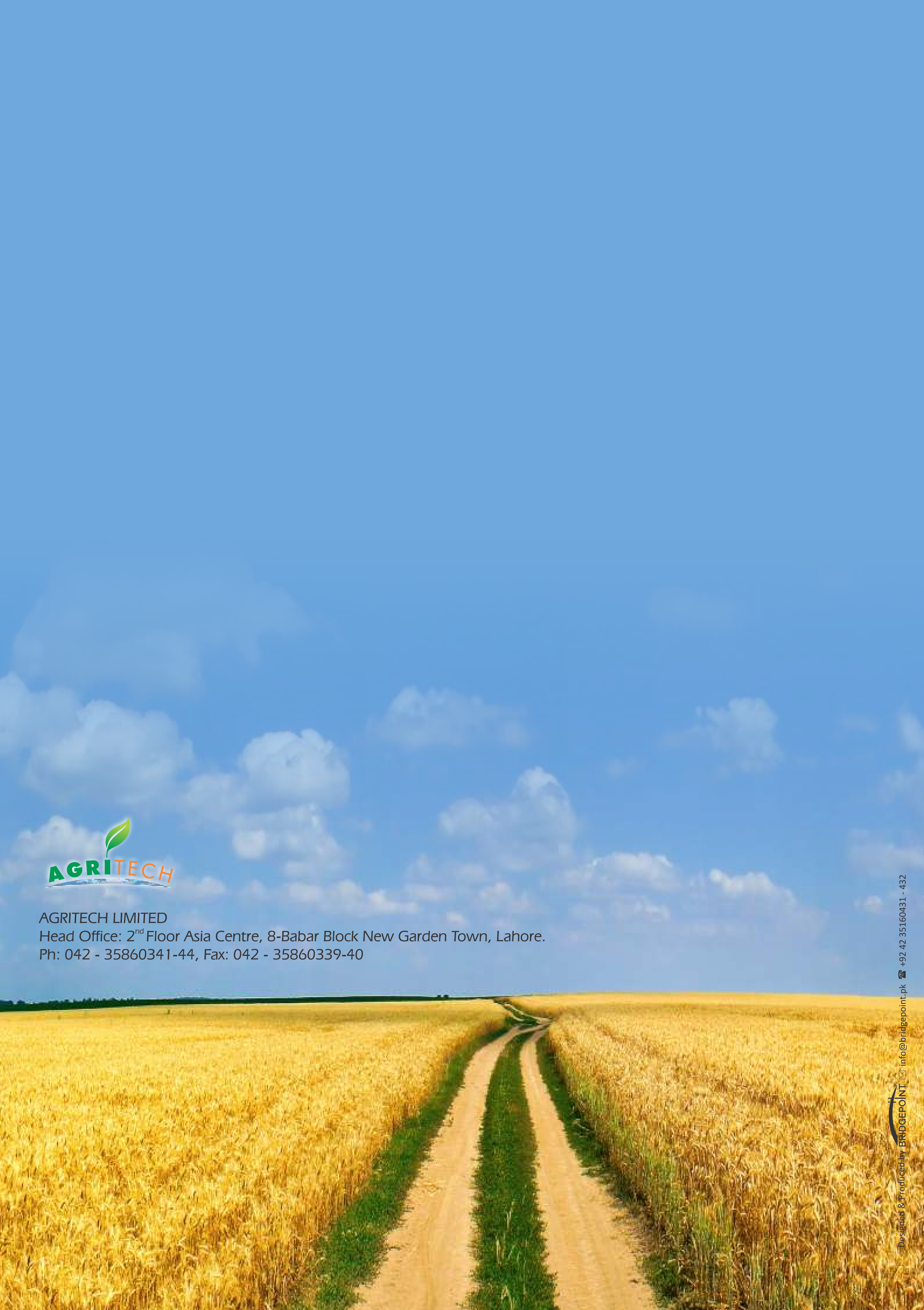
اہم نوٹ:

1۔ پراکسی فارم کمپنی کے رجسٹرڈ دفتر بواقع دوسری منزل ایشیاء سنٹر، 8 بابر بلاک، نیو گارڈن ٹاؤن، لاہور میں اجلاس منعقد ہونے سے کم از کم 48 (اڑتالیس) گھنٹے قبل لازماً جمع ہو جانا چاہیئے۔

2۔ اجلاس ہذا میں شرکت اور ووٹ دینے کا مستحق سی ڈی سی حصص داران کو اپنی شناخت ثابت کرنے کے لئے اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ اصل ہمراہ لانا چاہیئے اور پراکسی کی صورت میں اپنے CNIC یا پاسپورٹ کی کاپی لف کرنی چاہیئے۔ کارپوریٹ ارکان کے نمائندگان کو ایسے مقصد کے لئے معمول کے دستاویزات ہمراہ لانے چاہئیں۔

AFFIX
CORRECT
POSTAGE

کمپنی سیکرٹری
ایگری ٹیک لمیٹڈ
دوسری منزل ایشیا سنٹر، 8۔ بابر بلاک،
نیوگارڈن ٹاؤن لاہور۔



AGRITECH LIMITED
Head Office: 2nd Floor Asia Centre, 8-Babar Block New Garden Town, Lahore.
Ph: 042 - 35860341-44, Fax: 042 - 35860339-40

Designed & Produced by BRIDGEPOINT info@bridgepoint.pk +92 42 35160431 - 432