



Interim Financial Report | for the nine months ended
September 30, 2016 (Un-audited)

Contents

Company Information	2
Directors' Review	3
Condensed Interim Balance Sheet	5
Condensed Interim Profit and Loss Account	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Cash flow Statement	8
Condensed Interim Statement of Changes in Equity	9
Condensed Interim Notes to the Financial Information	10

Company Information

BOARD OF DIRECTORS

Mr. Wajahat A. Baqai
Chairman

Mr. Muhammad Faisal Muzammil
Acting Chief Executive Officer

Mr. Bilal Asghar

Mr. Asim Murtaza Khan

Mr. Rehmat Ali Hasnie

Mr. Ahsan Raza Durrani

Mr. Talha Saeed Ahmed

Ms. Saira Ahmed

COMPANY SECRETARY & CFO

Mr. Syed Taneem Haider

AUDIT COMMITTEE

Mr. Asim Murtaza Khan
Chairman

Mr. Ahsan Raza Durrani

Mr. Bilal Asghar

HR & REMUNERATION COMMITTEE

Mr. Rehmat Ali Hasnie
Chairman

Mr. Bilal Asghar

Mr. Muhammad Faisal Muzammil

LEGAL ADVISOR

Mr. Barrister Babar S Imran

SHARES REGISTRAR

Hameed Majeed Associates (Private) Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants, Lahore.

BANKERS

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

Project Locations

Unit I

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

Unit II

GSSP Plant
Hattar Road, Haripur.
Ph: +92 (0) 995 616124-5

Company Website

www.pafli.com.pk

Directors' Review

The Directors of Agritech Limited (AGL), henceforth called the Company, along with the management team are pleased to present the Company's Interim Report accompanied by the Financial Statements for the nine months ending September 30, 2016.

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

Business Review

Principal Activities

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

First Half in Review

Financial Results of Agritech Limited

	Nine months ended September 30, 2016	Nine Months ended September 30, 2015
Sales - Net	5,521,280,019	1,667,211,734
Operating Profit / (Loss)	246,483,082	(1,437,218,533)
Finance cost	1,654,420,896	1,792,856,507
Profit / (Loss) before Tax	(1,381,935,497)	(3,192,829,989)
Profit / (Loss) after Tax	(1,030,135,374)	(2,122,870,439)
Earning / (Loss) per share	(2.93)	(5.71)

Urea Business:

The Company produced 200,728 tons of Urea (2015: 50,934 tons) vs installed capacity of 360,000 tons during the nine months ended. The improvement in production vs last year is attributed to the improved gas supply to the company's Urea plant. The Company sold 177,800 tons of Urea (2015: 29,906 tons).

During 2016 an improved gas supply to the fertilizer sector increased the production of Urea by 16% (4,497KT in 2016 vs 3,864KT in 2015). However, the offtakes of Urea saw a decline of 12% during the first nine months of 2016 (3468KT in 2016 vs 3939KT in 2015). Poor farm economics due to reduction in commodity prices was the main reason of the urea offtakes decline. Higher urea production eliminated any urea imports requirements vs imports of 647KT in 2015.

Phosphates Business:

The Company produced 46,221 tons (2015: 39,647 tons) of SSP. This production was 17% higher than last year. The Company sold 27,746 tons during 2016 (2015: 28,395 tons); a decrease of 2% vs last year. SSP business of the company is being affected due to non-implementation of the Peshawar High Court and Supreme Court orders by the GOP whereby both lower and upper courts has ordered to include the SSP of the company, manufactured from local rock, in the subsidy scheme. The contempt proceedings are continued at the respective courts.

Phosphates (P2O5) consumption have registered a growth of 50% vs last year (2016: 530KT Nutrient Tons vs 2015: 355KT Nutrient Tons). DAP, being the major phosphates fertilizer, showed the offtakes increase of 56% during the period ending Sep 30, 2016 (937KT vs 599KT in 2015). This increase is attributed to the reduction in international DAP prices and continuity of the subsidy on the phosphates by GOP. Imports of DAP also increased by 67% (673KT vs 403KT) during 2016 vs last year.

Directors' Review

Capital Restructuring:

Gas curtailment to the Company's Urea plant during the past five years was the major cause of non-servicing of the debt of the Company. The accumulation of mark-ups further increased the debt burden of 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 Rehabilitation Plan was filed through a petition in Lahore High Court in June 2016 for the enforceability of the scheme under section 284-288 of the Companies Ordinance, 1984. The hearings at the LHC are continued and the Company is confident to obtain decision through the court for the Rehabilitation Plan and committed to implement the plan to improve the financial position of the company.

Future Outlook

Continuous gas supply to the Company's Urea plant is vital for the sustainable performance of the company. The regular import of LNG in the country under the Government to Government agreement between Pakistan and Qatar has significantly improved the gas supply in the country. Fertilizer sector, being on the transmission network of the Sui Companies, will greatly benefit by this improved gas supply situation. On dem and side the s ubsidy on both Urea and phosphate fertilizers will likely to improve the farmers' economics of the key crops. Lower fertilizer prices to farmers will likely to register growth in the consumption of fertilizers in subsequent quarter.

Acknowledgement

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

The Board also wishes to place on record its appreciation for the employees of the Company. All this has been possible with their hard work and commitment.

On behalf of the Board

Lahore
Date : 29 October, 2016


Acting Chief Executive Officer

Condensed Interim Balance Sheet (Un-audited)

As at 30th September 2016

	Note	30 September 2016 Rupees	31 December 2015 Rupees
EQUITY AND LIABILITIES			
Authorized share Capital		15,000,000,000	15,000,000,000
Share capital and reserves			
Issued, subscribed and paid-up ordinary share capital	4	3,924,300,000	3,924,300,000
Issued, subscribed and paid-up preference share capital	5	1,593,342,690	1,593,342,690
Reserves		9,000,000	9,000,000
Accumulated Losses		(8,849,614,870)	(7,940,977,277)
		(3,322,972,180)	(2,414,334,587)
Surplus on revaluation of fixed assets		9,064,769,941	9,314,273,887
Non-current liabilities			
Redeemable capital - Secured	7	4,192,342,929	6,583,561,201
Long term finances - Secured	8	1,478,190,326	2,259,740,740
Long term payables - Unsecured		31,135,199	31,135,199
<i>Deferred Liabilities</i>			
- staff retirement benefits		68,972,132	22,891,426
- deferred taxation		2,661,675,245	3,063,713,959
		8,432,315,831	11,961,042,525
Current liabilities			
Current maturity of non-current liabilities		13,639,421,212	10,460,164,858
Short term borrowings -secured	9	4,306,549,045	3,674,801,309
Trade and other payables		3,689,801,200	4,105,651,487
Interest/mark-up accrued on borrowings		12,444,659,553	11,203,349,154
Preference dividend payable	6	810,495,350	679,284,007
		34,890,926,360	30,123,250,815
Contingencies and commitments	10		
		49,065,039,952	48,984,232,640
ASSETS			
Non-current assets			
Property, plant and equipment	11	41,090,421,832	41,896,367,476
Intangible asset		2,569,814,782	2,575,781,782
Long term loans and advances - considered good		14,576,223	16,977,706
Long term deposits - unsecured, considered good		68,283,723	68,295,921
		43,743,096,560	44,557,422,885
Current assets			
Stores, spares and loose tools		2,022,324,200	2,050,290,642
Stock-in-trade	12	1,243,715,653	630,947,812
Trade debts		21,813,744	61,149,299
Advances, deposits, prepayments and other receivables		1,587,533,570	918,899,965
Advances tax -net of provision		273,793,425	282,234,570
Cash and bank balances	13	172,762,800	483,287,467
		5,321,943,392	4,426,809,755
		49,065,039,952	48,984,232,640

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Lahore


Acting Chief Executive


Director

Condensed Interim Profit and Loss Account (Un-audited)

For the nine month period and quarter ended 30th September 2016

	Nine month period ended		Three months period ended	
	30 September 2016	30 September 2015	July to September 2016	July to September 2015
	Rupees	Rupees	Rupees	Rupees
Sales - net	5,521,280,019	1,667,211,734	2,615,054,138	874,627,263
Cost of sales	(4,650,661,916)	(2,502,429,046)	(2,207,881,505)	(1,206,326,537)
Gross Profit / (Loss)	870,618,103	(835,217,312)	407,172,633	(331,699,274)
Selling and distribution expenses	(267,588,399)	(106,451,855)	(111,082,909)	(56,191,620)
Administrative and general expenses	(350,542,255)	(494,235,371)	(60,717,361)	(170,131,667)
Other charges	(6,004,367)	(1,313,995)	-	(122,447)
Operating Profit / (Loss)	246,483,082	(1,437,218,533)	235,372,363	(558,145,008)
Finance cost	(1,654,420,896)	(1,792,856,507)	(544,882,405)	(568,132,372)
Other income	26,002,317	37,245,051	(1,264,392)	5,414,693
Loss before taxation	(1,381,935,497)	(3,192,829,989)	(310,774,434)	(1,120,862,687)
Taxation	351,800,123	1,069,959,550	123,524,806	285,608,537
Loss after taxation	(1,030,135,374)	(2,122,870,439)	(187,249,628)	(835,254,150)
Loss per share - basic and diluted	(2.93)	(5.71)	(0.58)	(2.13)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine month period and quarter ended 30th September 2016

	Nine months period ended	
	30 September	30 September
	2016	2015
	Rupees	Rupees
(Loss) / Profit after taxation	(1,030,135,374)	(2,122,870,439)
<u>Other comprehensive income:</u>		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit liability	4,578,819	6,746,255
Related Tax	(1,373,644)	(1,556,829)
	3,205,174	5,189,426
Total comprehensive loss for the period	(1,026,930,199)	(2,117,681,013)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Condensed Interim Cash flow Statement (Un-audited)

For the nine month period ended 30th September 2016

	Note	30 September 2016 Rupees	30 September 2015 Rupees
<u>Cash flows from operating activities</u>			
Cash used in operations	16	(541,780,079)	(157,712,994)
Finance cost paid		(367,885,531)	(153,157,854)
Interest income received		2,799,877	5,649,880
Taxes paid		(38,732,575)	(77,444,641)
Staff retirement benefits paid		43,107,428	(389,878)
Net cash generated/(used) in operating activities		(902,490,880)	(383,055,487)
<u>Cash flows from investing activities</u>			
Acquisition of property, plant & equipment		(6,364,804)	(8,373,871)
Long Term advances received		2,401,483	2,830,665
Long term deposits (paid) / received		12,198	(15,506,572)
Proceeds from disposal of property, plant & equipment		2,906,898	9,711,285
Net cash generated/(used) in investing activities		(1,044,226)	(11,338,493)
<u>Cash flows from financing activities</u>			
Long term loans - Repaid		(38,737,297)	-
Repayment of liabilities against assets subject to finance lease		-	(40,821,115)
Short term borrowings Net		625,026,144	38,041,067
Net cash generated/(used) in financing activities		586,288,847	(2,780,048)
Net increase/(decrease) in cash and cash equivalents		(317,246,259)	(397,174,028)
Cash and cash equivalents at the beginning of period		(2,224,753,524)	(2,199,737,107)
Cash and cash equivalents at the end of period	18	(2,541,999,783)	(2,596,911,135)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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

For the nine month period ended 30th September 2016

	Share Capital		Reserves		Total equity Rupees
	Ordinary Shares Rupees	Preference Shares Rupees	Revenue reserve Rupees	Accumulated Losses Rupees	
As at 01 January 2015	3,924,300,000	1,593,342,690	9,000,000	(4,504,448,372)	1,022,194,318
Total comprehensive loss for the period ended 30 September-2015	-	-	-	(2,117,681,013)	(2,117,681,013)
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	-	-	-	521,813,021	521,813,021
Transaction with shareholders of the company					
Preference dividend for the period	-	-	-	(131,090,635)	(131,090,635)
As at September 30, 2015	3,924,300,000	1,593,342,690	9,000,000	(6,231,406,999)	(704,764,309)
As at 01 January 2016	3,924,300,000	1,593,342,690	9,000,000	(7,940,977,277)	(2,414,334,587)
Total comprehensive loss for the period ended 30 September-2016	-	-	-	(1,026,930,199)	(1,026,930,199)
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	-	-	-	249,503,945	249,503,945
Transaction with shareholders of the company					
Preference dividend for the period	-	-	-	(131,211,336)	(131,211,336)
As at September 30, 2016	3,924,300,000	1,593,342,690	9,000,000	(8,849,614,867)	(3,322,972,177)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

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

For the nine month period and quarter ended 30th September 2016

1 Reporting Entity

Agritech Limited ("the Company") was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the Companies Act, 1913 (now the Companies Ordinance, 1984) 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 a 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. Previously, the shares of the Company were quoted on Karachi Stock Exchange ("KSE") of Pakistan. However, due to integration of Karachi, Lahore and Islamabad Stock Exchanges into Pakistan Stock Exchange ("PSX") with effect from 11 January 2016 the shares of the Company are now quoted on PSX. The registered office of the Company is situated at 2nd Floor Asia Center, 8 – Babar Block, Main Boulevard, New Garden Town, Lahore. The principal business of the Company is the production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer. The Company has two production units with Unit I located at Iskanderabad, District Mianwali and Unit II at Hattar Road, Haripur.

2 Basis of preparation

2.1.1 Basis of accounting

This condensed interim financial information comprises of the condensed interim balance sheet of Agritech Limited ("the Company"), as at 30 September 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof.

2.1.2 This condensed interim financial information of the Company for the Nine months period ended 30 September 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.1.3 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the twelve months financial statements as at and for the period ended 31 December 2015.

2.1.4 This condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

2.2 Judgments and estimates

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions for the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2015.

2.3 Going concern assumption

Gas curtailment to the Company's urea plant was the most crucial factor for the preceding years' operational and liquidity issues at the Company. Fertilizer plants on SNGPL Network including the Company faced unprecedented gas curtailment during last five years. This forced the Company to finance its assets and operations through additional borrowings. Lower than installed capacity of Urea production in past 5 years resulted in over-due borrowings and related mark-up as referred to in note 19 to the condensed interim financial information.

In 2016 a significant improvement in gas supply is witnessed in the country particularly in the SNGPL Network. The improvement is primarily attributed to the regular imports of Liquefied Natural Gas ("LNG") by the Government of Pakistan ("GOP") from Qatar under the Government to Government agreement for 400 mmscfd. With the improvement in overall gas supply, the Company was able to operate its Urea plant on continuous basis since last week of Feb 2016. The Company produced 200,728 M.Ton urea (30 September 2015: 50,934 M.Ton) and during the said period also sold 177,800 M. tons Urea (30 September 2015: 29,906 M. tons) significantly improving the financial position of the company. The Company also reduced the loss before tax to Rs. 1,381.94 million from Rs. 3,192.83 million last year.

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

For the nine month period and quarter ended 30th September 2016

GOP is putting all-out efforts to further increase the imports of LNG from 400 mmscf/d to 1200 mmscf/d in the short term. New LNG terminals as well as additional LNG volume deals are being undertaken. Besides this the gas exploration activities in the KPK Province also looks promising. All this will further improve the supply of gas in the SNGPL system and the Company will be able to operate its Urea plant on continuous basis in coming years.

With the support of its lenders, the Company has planned to convert its existing long term debt including mark-up into preference shares. Consequent to the approval by the Board of Directors; the proposed Scheme of Arrangement ("the scheme") has been filed with Honorable Lahore High Court (LHC) under the provisions of Companies Ordinance, 1984 and the order of the LHC is awaited. The Company also plans to start the development and sale of the spare land after the necessary legal and commercial approvals. The proceeds from the sale of land will help settle the long term liabilities.

These measures will likely to make the sufficient financial resources available for the continuing and profitable operations of the Company. Accordingly, this condensed financial information is 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.

2.4 Financial liabilities

The Company could not make timely repayments of principal and interest / markup related to long term debts as referred to in note 19. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 5,753.48 million as detailed below have continued to be classified as long term as per the repayment schedules in these financial statements as the management considers that event of default was not declared by the lenders at the reporting date:

	Principal net of current maturity
	Rupees
<u>Redeemable capital</u>	
Privately Placed Term Finance Certificates - I	686,859,250
Privately Placed Term Finance Certificates - II	2,527,905,160
Privately Placed Term Finance Certificates - III	204,331,050
Privately Placed Term Finance Certificates	254,937,498
Sukuks	586,593,334
	<u>4,260,626,292</u>
<u>Long term finances</u>	
Syndicate Term Finance - I	1,375,000,000
BankIslami Pakistan Limited -Term Finance	117,857,143
	<u>1,492,857,143</u>
	<u><u>5,753,483,435</u></u>

3 Significant accounting policies

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the financial year ended on 31 December 2015.

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

For the nine month period and quarter ended 30th September 2016

- 3.2 There were certain other new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

Following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 38 - Intangible Assets	01 January 2016
IAS 16 - Property, Plant and Equipment	01 January 2016
IAS 27 - Separate Financial Statements	01 January 2016
IAS 41 - Agriculture	01 January 2016
IAS 12 - Income taxes	01 January 2017
IAS 7 - Statement of Cash Flows	01 January 2017
IFRS 10 - Investment entities	01 January 2016
IFRS 11 - Accounting for acquisitions of Interests in Joint Operations	01 January 2016
IFRS 2 - Share-based Payment	01 January 2018

	Un-audited 30 September 2016	Audited 31 December 2015
<i>Note</i>	Rupees	Rupees

4 Issued, subscribed and paid up ordinary share capital

Class A ordinary shares of Rs. 10 each 383,430,000 (December 2015: 383,430,000) Shares issued fully paid in cash	<i>4.1</i>	3,834,300,000	3,834,300,000
Ordinary shares of Rs. 10 each 9,000,000 (December 2015: 9,000,000) Shares issued for consideration as Machinery		90,000,000	90,000,000
		<u>3,924,300,000</u>	<u>3,924,300,000</u>

- 4.1 As at 30 September 2016, National Bank of Pakistan, an associated undertaking holds 104,562,302 (December 2015:130,715,224) ordinary shares of the Company.

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

For the nine month period and quarter ended 30th September 2016

		Un-audited 30 September 2016	Audited 31 December 2015
	<i>Note</i>	Rupees	Rupees
5 Issued, subscribed and paid up preference share capital			
Preference shares of Rs. 10 each			
159,334,269 (31 December 2015: 159,334,269)			
Shares issued fully paid in cash	5.1	<u>1,593,342,690</u>	<u>1,593,342,690</u>
		<u>1,593,342,690</u>	<u>1,593,342,690</u>

- 5.1** This represents local currency, listed, non-voting, redeemable, convertible and cumulative preference share 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 issue date by giving at least thirty days notice in compliance with the provisions of the Companies Ordinance, 1984. The Company will maintain a Capital Redemption Reserve as per the provisions of the Companies Ordinance, 1984 in this regard.

Each Investor will also have the right to convert the 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 rights 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.

- 5.2** The preference shares (the shares) have been treated as part of equity on the following basis:

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- The financial capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 29 August 2011.
- Return of allotment of shares was filed under section 73(1) of the Ordinance.
- The Company is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.
- Requirements of the Ordinance takes precedence over the requirements of International Accounting Standards.
- The preference shareholders have the right to convert these shares into Ordinary shares.

Further, the matter regarding the classification of Redeemable Preference share capital as either debt or equity instrument has been examined by the Institute of Chartered Accountants of Pakistan ("ICAP") as a result of which ICAP has advised the Securities and Exchange Commission of Pakistan ("SECP") to make necessary amendments to the Ordinance, and / or to issue a clarification in order to remove the inconsistency between the Ordinance and the International Accounting Standards. Pending the decision of the SECP in this matter, the preference share capital has been classified as equity in this condensed interim financial information.

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

For the nine month period and quarter ended 30th September 2016**6 Preference Dividend Payable**

Out of total preference dividend payable of Rs. 810.5 million as at September 30, 2016, Rs. 328.7 million pertains to the amount until December 31, 2013.

	Un-audited 30 September 2016	Audited 31 December 2015
<i>Note</i>	Rupees	Rupees

7 Redeemable Capital - Secured**Under interest/markup arrangement**

Term Finance Certificates - I	1,498,602,000	1,498,602,000
Term Finance Certificates - II	6,894,286,800	6,894,286,800
Term Finance Certificates - III	495,460,750	495,460,750
Privately Placed Term Finance Certificates - IV	548,825,000	548,825,000
Privately Placed Term Finance Certificates - V	618,685,000	618,685,000
Privately Placed Term Finance Certificates	509,874,996	509,874,996
Sukkuks	<u>1,599,800,000</u>	<u>1,599,800,000</u>
	12,165,534,546	12,165,534,546
Transaction costs	(68,283,362)	(99,733,750)
	12,097,251,184	12,065,800,796
Current maturity presented under current liabilities	(7,904,908,254)	(5,482,239,595)
	4,192,342,930	6,583,561,201

8 Long term finances

Syndicate Term Finance - I	3,000,000,000	3,000,000,000
Syndicate Term Finance - II	475,000,000	475,000,000
Syndicate Term Finance - III	2,955,286,366	2,994,023,663
Bankislami Pakistan - Term Finance	300,000,000	300,000,000
National Bank of Pakistan - Term Finance	132,083,735	132,083,735
Dubai Islamic Bank Limited - Term Finance	365,000,000	365,000,000
	7,227,370,101	7,266,107,398
Transaction Cost	(14,666,817)	(28,441,395)
	7,212,703,284	7,237,666,003
Current maturity presented under current liabilities	(5,734,512,958)	(4,977,925,263)
	1,478,190,326	2,259,740,740

8.1 Types of long term finances - secured

Interest / mark-up based financing	6,862,370,101	6,901,107,398
Islamic mode of financing	365,000,000	365,000,000
	7,227,370,101	7,266,107,398

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

For the nine month period and quarter ended 30th September 2016

9 Short term borrowings - secured

These include outstanding balance of running finance facilities (istisna / salam / murabaha) obtained under shariah based arrangements amounting to Rs. 817.63 million (31 December 2015: Rs. 751.86 million) having a limit of Rs. 925.79 million (31 December 2015: Rs. 987.19 million). All terms and conditions applicable on these facilities are same as those disclosed in the annual financial statements for the year ended 31 December 2015.

10 Contingencies and commitments

10.1 Contingencies

There is no material change in the status of contingencies from the preceding published financial statements of the Company for the year ended 31 December 2015.

10.2 Commitments

10.2.1 The amount of future ijarah rentals and the period in which these payments will become due are as follow:

	Un-audited	Audited
	30 September	31 December
	2016	2015
<i>Note</i>	Rupees	Rupees
Not Later than one year	55,664,383	56,085,118
Later than one year but not later than five years	22,192,461	66,030,391
	77,856,844	122,115,509

10.2.2 Commitments under irrevocable letters of credit for:

- purchase of stores, spares and loose tools	2,398,222	-
- purchase of plant and machinery	10,020,251	-
	12,418,473	-

11 Property, plant and equipment

Operating fixed assets	<i>11.1</i> 41,051,376,989	41,859,633,079
Capital work in progress	39,044,842	36,734,397
	41,090,421,831	41,896,367,476

11.1 Operating fixed assets

Net book value at end of the period	41,859,633,079	42,895,817,528
Add: Additions during the period	<i>11.1.1</i> 3,912,857	42,889,688
Less: Disposals during the period - net book value	8,911,264	2,768,108
Depreciation for the period	803,257,683	1,076,306,029
	812,168,947	1,079,074,137
Net book value at end of the period	41,051,376,989	41,859,633,079

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

For the nine month period and quarter ended 30th September 2016

	Un-audited 30 September 2016	Audited 31 December 2015
	Rupees	Rupees
11.1.1 Additions - cost		
<u>Owned assets</u>		
Plant and machinery	18,799	31,924,544
Residential colony assets	-	335,847
Furniture, fixtures and office equipment	3,835,558	9,903,834
Vehicles and rail transport	58,500	-
Tools and other equipment	-	60,000
Electrical and other installations	-	665,463
	3,912,857	42,889,688

12 Stock-in-trade

Aggregate stocks with a cost of Rs. Nil (31 December 2015: Rs. 18.88 million) are being valued at net realizable value of Rs. Nil (31 December 2015: Rs. 18.79 million).

	Un-audited 30 September 2016	Audited 31 December 2015
	Rupees	Rupees

13 Cash and bank balances

Cash in hand	900,249	477,861
Cash at banks		
- current accounts	169,893,941	148,651,181
- savings accounts	1,968,611	7,158,425
- term deposit receipts	-	327,000,000
	171,862,552	482,809,606
	172,762,800	483,287,467

13.1 Rate of return on saving accounts ranges from 4.00% to 5.85% per annum (31 December 2015: 4.00% to 7.00% per annum).

13.2 These represent fixed deposits with commercial banks with maturity of less than three months and carry nil return (31 December 2015: 5.00% to 6.00%) per annum.

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

For the nine month period and quarter ended 30th September 2016

	Un-audited 30 September 2016	Audited 31 December 2015
Note	Rupees	Rupees
14 Other Income		
<u>Income from financial assets</u>		
Return on bank deposits	2,614,746	5,569,602
Mark-up on advances to employees	185,131	80,278
	2,799,877	5,649,880
<u>Income from non-financial assets</u>		
Sale of scrap	6,919,645	9,902,616
Gain on disposal of property, plant and equipment	-	4,473,003
Sale of fine/ dust urea	9,837,843	-
Liabilities no longer payable written back - net	5,142,508	-
Income from experimental farm	(210,631)	-
Miscellaneous	1,513,074	17,219,552
14.1	23,202,440	31,595,171
	26,002,317	37,245,051

14.1 This includes compensation received from SNGPL for use of Company's land for installation of gas pipeline amounting to Nil (30 September 2015: Rs. 7.66 million).

15 Transactions and balances with related parties

Related parties from the Company's perspective comprise associated undertakings, key management personnel (comprising 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. All transactions with related parties have been carried out on commercial terms and conditions.

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

	(Un-audited) January to 30 September 2016	(Un-audited) January to 30 September 2015
	Rupees	Rupees
15.1 Transactions with related parties		
15.1.1 Associate		
National Bank of Pakistan		
Markup expense	187,374,909	238,560,393
Preference dividend	2,848,276	2,845,656
Advisory Fee	135,851,027	270,000,000
Fee paid	(40,000,000)	-
Bank Balances - net	1,544,991	(1,738,345)

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

For the nine month period and quarter ended 30th September 2016

	(Un-audited) January to 30 September 2016 Rupees	(Un-audited) January to 30 September 2015 Rupees
15.1.2 Other related parties		
Faysal Bank Limited		
Mark up Expense	130,490,278	151,121,564
Preference dividend	25,557,727	25,534,216
Trustee Fee	8,034,172	4,854,172
Makup paid	(8,999,759)	
Bank Balances - net	(3,704,653)	964
Standard Chartered Bank (Pakistan) Limited		
Mark-up expense	104,105,102	122,825,225
Markup paid	(5,288,865)	-
Loan paid	(38,737,297)	-
Bank balances - net	8,343,293	-
Silk Bank limited		
Mark-up expense	35,632,802	47,866,832
Markup paid	(34,943,999)	(13,605,700)
Short term borrowings - net	(6,883,080)	20,958,018
Bank balances - net	(153,000,000)	-
Bills payable - net	3,149,300	-
Summit Bank Limited		
Mark-up expense	62,165,074	78,303,305
Markup paid	(32,393,619)	(60,077,944)
Short term borrowings - net	446,861,295	(45,188,394)
Bank Balances - net	(125,000,000)	-
	-	
15.1.3 Post employment benefit plans		
Contribution to employees provident fund	13,922,858	11,383,738
Contribution to employees gratuity fund	6,178,452	2,472,848
15.1.4 Key management personnel		
Short term employee benefits	10,372,400	20,889,342
Post employment benefits	366,520	856,800

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

For the nine month period and quarter ended 30th September 2016

	(Un-audited) 30 September 2016	(Audited) 31 December 2015
	Un-audited	Audited
	Rupees	Rupees
15.2 Balances with related parties		
15.2.1 Associate		
National Bank of Pakistan		
Long term loans	2,467,083,735	2,467,083,735
Redeemable capital	462,057,100	462,057,100
Bills payable	187,030,000	187,030,000
Preference shares	34,587,560	34,587,560
Mark-up payable	2,083,581,951	1,896,207,042
Preference dividend payable	170,001,460	167,153,184
Bank accounts	3,136,405	1,591,414
Advisory and other fee	774,531,034	782,200,000
Advance for transaction Cost	23,200,000	23,200,000
15.2.2 Other related parties		
Faysal Bank		
Redeemable capital	1,499,109,500	1,499,109,500
Long term loan	350,000,000	350,000,000
Preference shares	310,355,940	310,355,940
Mark up payable	1,138,896,215	1,017,405,696
Preference dividend payable	157,905,404	132,347,677
Bank accounts	(2,364,796)	1,339,261
Standard Chartered Bank (Pakistan) Limited		
Redeemable capital	146,995,500	146,995,500
Long term finances	1,445,302,020	1,484,094,160
Mark-up payable	955,634,657	856,818,420
Bank accounts	21,582,102	13,238,809
Silk Bank		
Long term loans	130,607,546	130,607,546
Short term borrowings	545,933,073	552,816,153
Bills payable	3,149,300	-
Mark up payable	181,330,922	180,642,119
Bank accounts	-	153,000,000

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

For the nine month period and quarter ended 30th September 2016

	(Un-audited) 30 September 2016	(Audited) 31 December 2015
	Un-audited	Audited
	Rupees	Rupees
Summit Bank Limited		
Redeemable capital	603,406,000	603,406,000
Short term borrowings	1,117,629,488	670,768,193
Mark up payable	270,837,962	241,066,507
Bank accounts	97,564	125,097,564
15.2.3 Post employment benefit plans		
(Receivable) / payable to Provident Fund Trust	29,930	-
Payable to gratuity Trust	68,972,132	22,891,426
16 Cash flow from operating activities		
Profit & (Loss) before tax	(1,381,935,497)	(3,192,829,989)
Adjustment for non-cash items:		
Interest / markup expense	1,609,195,930	1,750,955,557
Amortization of transaction costs	45,224,966	41,900,950
Depreciation on property, plant and equipment	803,399,185	858,252,433
Amortization of computer software	5,967,000	7,983,000
Provision for staff retirement benefit	6,178,452	2,472,848
Mark-up / Interest Income	(2,799,877)	(5,649,880)
Loss on sale of property, plant and equipment	6,004,367	(4,473,003)
Profit/(loss) before changes in working capital	1,091,234,526	(541,388,084)
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	27,966,442	(30,549,355)
Stock in trade	(612,767,841)	(732,691,729)
Trade receivables	39,335,555	17,657,331
Advances, deposits, prepayments and other receivables	(668,633,607)	(68,250,408)
	(1,214,099,451)	(813,834,161)
Increase / (decrease) in current liabilities		
Trade and other payables	(418,915,154)	1,197,509,251
Cash used in operations	(541,780,079)	(157,712,994)

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

For the nine month period and quarter ended 30th September 2016

	(Un-audited) 30 September 2016 Rupees	(Un-audited) 30 September 2015 Rupees
17.3 Reconciliation of reportable segment profitable segment profit and loss		
For the Nine months ended		
Total loss for reportable segments before taxation	(1,381,935,497)	(3,192,829,989)
Taxation	351,800,123	1,069,959,550
Loss after taxation	<u>(1,030,135,374)</u>	<u>(2,122,870,439)</u>
18 Cash and cash equivalents		
Short term borrowings - running finance - secured	(2,714,762,583)	(2,706,562,956)
Cash and bank balances	172,762,800	109,651,821
	<u>(2,541,999,783)</u>	<u>(2,596,911,135)</u>

19 Overdue financial liabilities

Due to the facts disclosed in note 2.3, the Company continues to face a liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details of overdue financial liabilities as at 30 September 2016 are as follows:

Nature of Liability	Principal Rupees	Interest / mark up Rupees	Total Rupees
Redeemable capital	4,765,395,338	6,630,118,573	11,395,513,911
Long term finances	4,278,859,621	4,545,545,452	8,824,405,073
Short term borrowings	747,039,108	750,373,861	1,497,412,969
Bills payable	187,030,000	82,632,025	269,662,025
	<u>9,978,324,067</u>	<u>12,008,669,911</u>	<u>21,986,993,978</u>

20 Fair Value of Financial Assets and Liabilities

The carrying amount of redeemable capital and long term finance equal their fair values and are determined using the valuating model that considers the present value of expected further cash flows discounted using a market rate of interest as the input is unabsorbable market data it is classified under level 2.

In case of other financial assets and financial liabilities that are expected to be settled with in one year carrying amount are a reasonable approximation of the fair values.

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

For the nine month period and quarter ended 30th September 2016

There is no change in the nature and corresponding hierarchies of fair valuation levels of financial instruments for those as disclosed in the audited financial statements of the Company for the year ended 31 December 2015.

21 Financial Risk Management

The Company's financial risk management objective and policies are consistent with the disclosed in the financial statement for the financial year ended on 31 December 2015.

22 Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on 29 October 2016.

23 General

Figures have been rounded off to the nearest thousand of Rupees.



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