



*nurturing*  
**GROWTH...**



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## Company Information

### BOARD OF DIRECTORS

Mr. Tariq Jamali  
Chairman

Mr. Ahmed Jaudet Bilal  
Chief Executive Officer

Mian Asif Said  
Chaudhary Khaqan Saadullah Khan

Mr. Nauman Ansari

Mr. Ahsan Raza Durrani

Mr. Rehmat Ali Hasnie

Mr. Muhammad Faisal Muzammil

### COMPANY SECRETARY

Mr. Affan Sajjad

### CHIEF FINANCIAL OFFICER

Mr. Taneem Haider

### AUDIT COMMITTEE

Mian Asif Said  
Chairman

Mr. Nauman Ansari

Mr. Ahsan Raza Durrani

### HR & REMUNERATION COMMITTEE

Chaudhary Khaqan Saadullah Khan  
Chairman

Mr. Ahmed Jaudet Bilal

Mr. Nauman Ansari

### LEGAL ADVISOR

Mr. Babar Shahzad Imran

### SHARES REGISTRAR

Hameed Majeed Associates (Private) Limited

### EXTERNAL AUDITORS

KPMG Taseer Hadi & Co.  
Chartered Accountants, Lahore

### INTERNAL AUDITORS

M. Yousuf Adil Saleem & Co.,  
Chartered Accountants, (Deloitte Pakistan)

### 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

KASB 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.

HSBC Bank Middle East Limited

United Bank Limited

Habib Bank Limited

### REGISTERED OFFICE

1st Floor, 307-Upper Mall, Lahore, 45000

Ph: +92 (0) 42 35958771-74

Fax: +92 (0) 42 35958775

### PROJECT LOCATIONS

Unit I

Urea Plant

Iskanderabad, District Mianwali.

Ph: +92 (0) 459 392346-49

Unit II

GSSP Plant

Hattar Road, Haripur.

Ph: +92 (0) 995 616124-5

## Directors' Review

The directors of Agritech Limited (Formerly Pak-American Fertilizers Limited), henceforth called the Company, along with the management team are pleased to present the Company's Quarterly Report accompanied by the Audited Financial Statements for the Quarter ended March 31, 2014.

These financial statements have been endorsed by the Chief Executive Officer and the 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 newest and most efficient urea manufacturing plant at Mianwali as well as a facility for the manufacture of SSP (Single Super Phosphate) at Haripur Hazara, which is the single largest SSP manufacturing plant in the country.

Having achieved the Company's strategic goal to become a diversified fertilizer manufacturer producing both nitrogenous and phosphatic fertilizers, the Company's products are sold under one of the most celebrated and trusted brand name "Tara" in the fertilizer market.

#### Year in Review

#### Quarterly Financial Results of Agritech Limited

|                 | March 31, 2014  | March 31, 2013  |
|-----------------|-----------------|-----------------|
| Sales Net       | 277,962,314     | 502,462,012     |
| Operating Loss  | (598,215,276)   | (500,083,109)   |
| Finance Cost    | (677,939,878)   | (742,083,663)   |
| Loss before Tax | (1,255,850,234) | (1,235,862,151) |
| Loss after Tax  | (813,870,707)   | (797,659,269)   |
| Loss per share  | (2.18)          | (2.14)          |

The Company faced extended winter load shedding as per the previous year practice, due to severe natural gas crisis in Pakistan. The Plant remained closed from 4th of November 2013 till the reporting date. SSP sales were as planned. 1st quarter demand for the phosphates is historically low due to off season. However, plant continued to operate at full capacity. AGL successfully completed the Annual turn around and plant is ready to produce on supply of Natural Gas.

#### Capital Restructuring:

As a result of the Share Transfer and Debt Swap Agreement, the new shareholders (comprising majority of Banks and Financial Institutions), through their representatives, formed the new board of directors of Agritech. After a detailed briefing by the management of the Company, the BOD agreed to a financial rehabilitation plan. As a consequence of gas curtailment in last three years, debt servicing was negatively impacted resulting in increase of debt burden. The operating cash flow is healthy if gas remains available to the urea manufacturing plant. A capital restructuring has to be done with the cooperation of lenders to enable company to devise a capital structure, which will be sustainable for both company and lenders, given the likely gas availability to the plant as allocated by the Government of Pakistan.

#### Future Outlook

Consistent supply of natural gas continues to be the biggest challenge for the fertilizer industry in the near future amid the current gas shortage and pressure on Government of Pakistan from competing industries. Government is committed to increase domestic fertilizer production to save on Foreign Exchange and the cost of subsidizing imported Urea. Consequently, it is expected that gas availability is likely to improve particularly during summer months as witnessed during 2013.

## Directors' Review

In the longer run, natural gas supply from the northern network is likely to increase over the next few years. This can benefit the company by virtue of its plant location in improvement of gas supply. Over the next few years, phosphate business development remains a key strategic thrust for the company to become the major SSP supplier in Pakistan.

### **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 cultivate 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.

Lahore  
Date : 30 April, 2014

On behalf of the Board



Chief Executive Officer

# Condensed Interim Balance Sheet (Un-audited)

As at 31 March 2014

|   |      | 31 March<br>2014      | 31 December<br>2013   |
|---|------|-----------------------|-----------------------|
|   | Note | Rupees<br>Un-Audited  | Rupees<br>Audited     |
| <b>EQUITY AND LIABILITIES</b>                         |      |                       |                       |
| <b>Share capital and reserves</b>                     |      |                       |                       |
| Issued, subscribed and paid up capital                |      | 5,517,642,690         | 5,517,642,690         |
| Reserves  |      | 9,000,000             | 9,000,000             |
| Accumulated profit                                    |      | (940,523,776)         | (104,496,573)         |
|   |      | <u>4,586,118,914</u>  | <u>5,422,146,117</u>  |
| <b>Surplus on revaluation of fixed assets</b>         |      | <b>3,796,826,346</b>  | <b>3,817,886,542</b>  |
| <b>Non-current liabilities</b>                        |      |                       |                       |
| Redeemable capital - Secured                          | 6    | 8,785,921,801         | 9,516,754,658         |
| Long term finances - Secured                          | 7    | 4,632,215,042         | 4,969,800,304         |
| Long term payables - Unsecured                        |      | 31,135,199            | 31,135,199            |
| Staff retirement benefits                             |      | 16,030,283            | 13,757,997            |
| Deferred taxation - net                               |      | 1,775,058,667         | 2,217,038,194         |
|   |      | <u>15,240,360,992</u> | <u>16,748,486,352</u> |
| <b>Current liabilities</b>                            |      |                       |                       |
| Current portion of non current liabilities secured    |      | 5,835,355,149         | 4,748,202,377         |
| Short term borrowings -secured                        |      | 3,523,872,571         | 3,640,781,136         |
| Trade and other payables                              |      | 2,919,532,611         | 2,838,529,371         |
| Interest/mark-up accrued on borrowings                |      | 7,349,974,134         | 6,694,402,656         |
| Preference dividend payable                           |      | 371,965,309           | 328,748,615           |
|   |      | <u>20,000,699,774</u> | <u>18,250,664,155</u> |
| <b>Contingencies and commitments</b>                  | 8    | <u>43,624,006,026</u> | <u>44,239,183,166</u> |
| <b>ASSETS</b>   |      |                       |                       |
| <b>Non-current assets</b>                             |      |                       |                       |
| Fixed assets  | 9    | 35,814,900,420        | 35,953,627,796        |
| Intangible asset                                      |      | 2,590,548,449         | 2,592,026,353         |
| Long term advances                                    |      | 21,413,531            | 21,736,130            |
| Long term deposits -unsecured, considered good        |      | 47,033,749            | 47,128,749            |
|   |      | <u>38,473,896,149</u> | <u>38,614,519,028</u> |
| <b>Current assets</b>                                 |      |                       |                       |
| Stores, spares and loose tools                        |      | 2,051,086,746         | 2,037,838,649         |
| Stock-in-trade  |      | 523,388,235           | 539,320,247           |
| Trade debts   |      | 9,308,280             | 14,415,382            |
| Advances, deposits, prepayments and other receivables |      | 1,415,038,766         | 1,432,356,296         |
| Current taxation                                      |      | 197,522,430           | 165,907,478           |
| Cash and bank balances                                |      | 953,765,420           | 1,434,826,086         |
|   |      | <u>5,150,109,877</u>  | <u>5,624,664,138</u>  |
|   |      | <u>43,624,006,026</u> | <u>44,239,183,166</u> |

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR

## Condensed Interim Profit and Loss Account (Un-audited)

For the quarter ended 31 March 2014

|                                   | Period ended                |                        |
|-----------------------------------|-----------------------------|------------------------|
|                                   | 31 March 2014               | 31 March 2013          |
|                                   | Rupees                      | Rupees                 |
|                                   | Un-Audited                  | Un-Audited             |
| Sales - net                       | 277,962,314                 | 502,462,012            |
| Cost of sales                     | (661,719,869)               | (816,575,912)          |
| <b>Gross loss</b>                 | <b>(383,757,555)</b>        | <b>(314,113,900)</b>   |
| Selling and distribution expenses | (23,353,447)                | (16,327,904)           |
| Administrative expenses           | (191,104,274)               | (170,416,305)          |
| <b>Loss from operations</b>       | <b>(598,215,276)</b>        | <b>(500,858,109)</b>   |
| Finance cost                      | (677,939,878)               | (742,083,663)          |
| Net other income                  | 20,304,920                  | 7,079,621              |
| <b>Loss before taxation</b>       | <b>(1,255,850,234)</b>      | <b>(1,235,862,151)</b> |
| Taxation                          | 441,979,527                 | 438,202,882            |
| <b>Loss after taxation</b>        | <b>(813,870,707)</b>        | <b>(797,659,269)</b>   |
| <b>Earning / (loss) per share</b> |                             |                        |
| <b>basic and diluted</b>          | <i>Rupees</i> <b>(2.18)</b> | <b>(2.14)</b>          |

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

## Condensed Interim Statement of Comprehensive Income (Un-audited)

For the quarter ended 31 March 2014

|   | Period ended         |                      |
|---|----------------------|----------------------|
|   | 31 March 2014        | 31 March 2013        |
|   | Rupees               | Rupees               |
|   | Un-audited           | Un-audited           |
| loss after taxation                                     | (813,870,707)        | (797,659,269)        |
| Other comprehensive income                              | 21,060,198           | 39,480,086           |
| <b>Total comprehensive income (loss) for the period</b> | <b>(792,810,509)</b> | <b>(758,179,183)</b> |

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.



## Condensed Interim Cash flow Statement (Un-audited)

For the quarter ended 31 March 2014

|   | Note | March<br>2014<br>Rupees<br>(Un-audited) | March<br>2013<br>Rupees<br>(Un-audited) |
|---|------|---|---|
| <b>Cash flows from operating activities</b>                             |      |   |   |
| Cash generated from operations  | 11   | (240,446,819)                           | 489,499,926                             |
| Finance cost paid   |      | (3,633,747)                             | (313,936,207)                           |
| Tax paid  |      | (31,080,229)                            | 117,286,455                             |
| Interest Received   |      | -                                       | 79,130,589                              |
| Net cash (used in)/generated from operating activities                  |      | (275,160,795)                           | 371,980,763                             |
| <b>Cash flows from investing activities</b>                             |      |   |   |
| Capital expenditure including purchase of property, plant and equipment |      | (89,408,904)                            | (3,773,623)                             |
| Long Term advances  |      | 322,599                                 | 993,169                                 |
| Long term deposits  |      | 95,000                                  | 270,000                                 |
| Proceeds from disposal of property, plant and equipment                 |      | -                                       | (328,950)                               |
| Loan to related party   |      | -                                       | (355,740,822)                           |
| Net cash used in investing activities                                   |      | (88,991,305)                            | (358,580,226)                           |
| <b>Cash flows from financing activities</b>                             |      |   |   |
| Redemption of redeemable capital  |      | -                                       | 169,874,996                             |
| Repayment of liabilities against assets subject to finance lease        |      | -                                       | (14,588,678)                            |
| Transaction costs incurred on restructuring process                     |      | -                                       | 10,611,559                              |
| Net increase in short term borrowings                                   |      | (15,625,584)                            | (93,739,165)                            |
| Net cash generated from financing activities                            |      | (15,625,584)                            | 72,158,712                              |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             |      | (379,777,684)                           | 85,559,249                              |
| <b>Cash and cash equivalents at the beginning of period</b>             |      | (744,751,941)                           | (2,019,859,364)                         |
| <b>Cash and cash equivalents at the end of period</b>                   | 13   | (1,124,529,625)                         | (1,934,300,115)                         |

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

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

For the quarter ended 31 March 2014

|   | Share Capital             |                             | Reserves                  |                                 | Total equity<br>Rupees |
|---|---------------------------|-----------------------------|---------------------------|---------------------------------|------------------------|
|   | Ordinary Shares<br>Rupees | Preference Shares<br>Rupees | Revenue reserve<br>Rupees | Accumulated<br>profit<br>Rupees |                        |
| <b>Balance as at 31 December 2012</b>   | 3,924,300,000             | 1,593,342,690               | 9,000,000                 | 1,522,824,603                   | 7,049,467,293          |
| Total comprehensive income for the period   | -                         | -                           | -                         | (797,659,269)                   | (797,659,269)          |
| Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax | -                         | -                           | -                         | 39,480,086                      | 39,480,086             |
| Preference shares dividend for the period   | -                         | -                           | -                         | (43,816,923)                    | (43,816,923)           |
| <b>Balance as at 31 March 2013</b>  | <b>3,924,300,000</b>      | <b>1,593,342,690</b>        | <b>9,000,000</b>          | <b>720,828,497</b>              | <b>6,247,471,187</b>   |
| <b>Balance as at 31 December 2013 - Audited</b>   | <b>3,924,300,000</b>      | <b>1,593,342,690</b>        | <b>9,000,000</b>          | <b>(104,496,573)</b>            | <b>5,422,146,117</b>   |
| Total comprehensive income for the period   | -                         | -                           | -                         | (813,870,707)                   | (813,870,707)          |
| Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax | -                         | -                           | -                         | 21,060,197                      | 21,060,197             |
| Preference shares dividend for the period   | -                         | -                           | -                         | (43,216,693)                    | (43,216,693)           |
| <b>Balance as at 31 March 2014 - Unaudited</b>  | <b>3,924,300,000</b>      | <b>1,593,342,690</b>        | <b>9,000,000</b>          | <b>(940,523,776)</b>            | <b>4,586,118,914</b>   |

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

Lahore



CHIEF EXECUTIVE



DIRECTOR

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

*For the quarter ended 31 March 2014*

## 1 Status and nature of business

Agritech Limited was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the Companies Act, 1913 (Now 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. On 12 April 2010 the Company was listed on Karachi Stock Exchange (“KSE”) vide KSE Notification No. KSE/N-1940. ANL, during the period has sold its major shareholding in the Company to a consortium of banks and financial institutions. The registered office of the Company is situated at 307-Upper Mall, First Floor, 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 Statement of compliance

This condensed quarter financial information of the Company for the three months period ended 31 March 2014 has been prepared in accordance with the requirements of the International Accounting Standard 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.

The disclosures in the condensed quarter financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statement for the year ended 31 December 2013.

The comparative interim balance sheet as at 31 December 2013 and the comparative interim profit and loss account, interim statement of other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes for the year then ended are based on audited financial statements. The interim profit and loss account and interim statement of other comprehensive income for the quarters ended 31 March 2014 and 31 March 2013 are neither audited nor reviewed.

### 2.2 Financial liabilities and continuing operations

The Company, continues to face operational issues due to extended gas load shedding in winter and gas curtailment by Government of Pakistan for shifting the gas towards power sector to reduce electricity load shedding which has perpetuated temporary liquidity issues resulted in over dues as referred in note 15 to the condensed interim financial information. Due to these factors, the Company has incurred a loss before tax of Rs. 1,255.85 million during the three months quarter ended 31 March 2014 and, as of that date, its current liabilities exceeded current assets by Rs. 14,850.59 million. These conditions cast significant doubt about the Company's ability to continue as a going concern.

This condensed interim financial information has however been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the fact that the Economic Coordination Committee (“ECC”) of the Cabinet in its meeting held on 18 December 2012 has approved a Dedicated Long Term Gas Supply Solution for Fertilizer Industry by virtue of which a consortium of Four Fertilizer Manufacturers (“FFM”) including AGL, which are currently on SNGPL system, has been allowed to purchase gas directly from alternate dedicated gas supply sources. All important pertinent contracts have been signed with the gas producers and the Gas transporters. The execution of these contracts is currently being negotiated with the new GOP. As a consequence of additional gas supply from Northern network the gas supply for the company has improved considerably.

Further, the Company has planned to convert its existing total long term and short term debts including mark-up into preference shares. The necessary steps for the said conversion have already been initiated by the Company. With the aforesaid conversion and other measures mentioned in the above paragraph, the management of the Company envisages that sufficient financial resources will be available for the continuing operations and it is expected to operate profitably.

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

For the quarter ended 31 March 2014

### 2.3 Financial liabilities

The Company could not make timely repayments of principal and interest / markup related to long term debts as referred to in note 14. 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. 13,698.76 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:

|   | <b>Principal net of<br/>current maturity</b> |
|---|--|
|   | <b>Rupees</b>                                |
| <b><u>Redeemable capital</u></b>          |  |
| Term Finance Certificates (TFCs) - I      | 1,209,585,900                                |
| Term Finance Certificates (TFCs) - II     | 5,121,470,194                                |
| Term Finance Certificates (TFCs) - III    | 384,007,450                                  |
| Term Finance Certificates (TFCs) - IV     | -  |
| Term Finance Certificates (TFCs) - V      | 617,818,841                                  |
| Sukkuks                                   | 1,188,422,857                                |
| Term Finance Certificates (TFCs) - VI     | 467,385,413                                  |
|   | <hr/> 8,988,690,655                          |
| <b><u>Long term finances</u></b>          |  |
| Syndicate Term Finance - I                | 2,421,428,571                                |
| Syndicate Term Finance - II               | -  |
| Syndicate Term Finance - III              | 1,664,514,254                                |
| KASB Bank Limited - Term Finance          | 222,857,143                                  |
| National Bank of Pakistan - Term Finance  | 132,083,735                                  |
| Dubai Islamic Bank Limited - Term Finance | 269,187,500                                  |
|   | <hr/> 4,710,071,203                          |
|   | <hr/> <b>13,698,761,859</b> <hr/>            |

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

*For the quarter ended 31 March 2014*

### 3 Estimates

The preparation of the condensed interim unconsolidated financial information requires management to make judgments, estimates and assumptions that affect 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 the condensed interim unconsolidated financial information the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Retirement and other benefits
- Provisions and contingencies

### 4 Significant accounting policies

4.1 The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding eighteen months financial statements for the year ended 31 December 2013, except as follows:

During the current period, the Company has adopted the following amendments to IFRSs which became effective for the current period:

- IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income (amendment)
- IAS 12 Income Taxes - Recovery of Underlying Assets (amendment)

4.2 In addition to above, following amendments to the International Financial Reporting Standards/ International Accounting Standards are mandatory for the first time for the financial year beginning on or after 1 January 2013, however, the adoption of these amendments is either not yet effective or the amendments did not have any significant impact on the financial information of the company.

- IAS 1 (amendment) - Presentation of Financial Statements
- IFRS 7 (amendment) - Offsetting Financial assets and Financial Liabilities
- IAS 16 Property, Plant and Equipment
- IAS 19 (amendment) - Employee Benefits
- IAS 27 (amendment) - Separate Financial Statements
- IAS 28 (amendment) - Investments in Associates and Joint Ventures
- IAS 32 (amendment) - Offsetting Financial assets and Financial liabilities
- IAS 32 (amendment) - Financial Instruments: Presentation

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

For the quarter ended 31 March 2014

|  |             | <b>31 March<br/>2014</b>    | 31 December<br>2013         |
|--|-------------|-----------------------------|-----------------------------|
|  | <i>Note</i> | <b>Rupees</b>               | Rupees                      |
|  |             | <b>Un-audited</b>           | Audited                     |
| <b>5 Issued, subscribed and paid up capital</b>                            |             |                             |                             |
| Class A ordinary shares of Rs. 10 each                                     |             | 383,430,000                 |                             |
| (2012: 383,430,000)Shares issued fully paid in cash                        | 5.1 & 5.2   | <b>3,834,300,000</b>        | 3,834,300,000               |
| 9,000,000 (2013: 9,000,000)Shares issued for consideration other than cash |             | <b>90,000,000</b>           | 90,000,000                  |
| Preference shares of Rs. 10 each   |             | 159,334,269                 |                             |
| (2013: 159,334,269)Shares issued fully paid in cash                        | 5.3         | <b>1,593,342,690</b>        | 1,593,342,690               |
|  |             | <b><u>5,517,642,690</u></b> | <b><u>5,517,642,690</u></b> |

5.1 As at 31 March 2014, National Bank of Pakistan, an associated undertaking holds 110,715,224 (31 December 2013:110,715,224) ordinary shares of the Company.

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.
- The 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 the ICAP has advised the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the Companies Ordinance, 1984 and the International Accounting Standards. Pending the decision of the SECP in this matter, the Preference share capital has been classified as equity in these financial statements.

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

For the quarter ended 31 March 2014

|   | Note | 31 March<br>2014<br>Rupees<br>Un-audited | December<br>2013<br>Rupees<br>Audited |
|---|------|--|---------------------------------------|
| <b>6 Redeemable Capital - Secured</b>                         |      |  |                                       |
| 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               | 7.1  | 548,825,000                              | 548,825,000                           |
| Privately Placed Term Finance Certificates - V                |      | 618,685,000                              | 618,685,000                           |
| Sukkuks   |      | 1,599,800,000                            | 1,599,800,000                         |
| Privately Placed Term Finance Certificates - Vi               | 7.2  | 509,874,996                              | 509,874,996                           |
|   |      | <u>12,165,534,546</u>                    | <u>12,165,534,546</u>                 |
| Deferred notional income                                      |      | (21,705,956)                             | (28,941,608)                          |
| Transaction costs   |      | (181,062,898)                            | (189,678,336)                         |
|   |      | <u>11,962,765,692</u>                    | <u>11,946,914,602</u>                 |
| Current maturity presented under current liabilities          |      | <u>(3,176,843,891)</u>                   | <u>(2,430,159,944)</u>                |
|   |      | <u>8,785,921,801</u>                     | <u>9,516,754,658</u>                  |
| <b>7 Long term finances</b>                                   |      |  |                                       |
| 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                                  |      | 3,009,833,663                            | 3,009,833,663                         |
| KASB Bank Limited - Term Finance                              |      | 300,000,000                              | 300,000,000                           |
| National Bank of Pakistan - Term Finance                      |      | 132,083,735                              | 132,083,735                           |
| Dubai Islamic Bank Limited - Term Finance                     |      | 365,000,000                              | 365,000,000                           |
|   |      | <u>7,281,917,398</u>                     | <u>7,281,917,398</u>                  |
| Transaction Cost  |      | (77,856,161)                             | (80,739,723)                          |
|   |      | <u>7,204,061,237</u>                     | <u>7,201,177,675</u>                  |
| Current maturity presented under current liabilities          |      | (2,096,846,195)                          | (1,756,377,371)                       |
| Reclassification of Syndicate Term Finance - II to short term |      | (475,000,000)                            | (475,000,000)                         |
|   |      | <u>(2,571,846,195)</u>                   | <u>(2,231,377,371)</u>                |
|   |      | <u>4,632,215,042</u>                     | <u>4,969,800,304</u>                  |
| <b>8 Contingencies and commitments</b>                        |      |  |                                       |
| <b>8.1 Contingencies</b>                                      |      |  |                                       |

There is no material change in contingencies from the preceding eighteen months publish financial statements of the company for the year ended 31 December 2013.

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

For the quarter ended 31 March 2014

|   |             | <b>31 March<br/>2014</b> | 31 December<br>2013 |
|---|-------------|--------------------------|---------------------|
|   | <i>Note</i> | <b>Rupees</b>            | Rupees              |
|   |             | <b>Un-audited</b>        | Audited             |
| <b>8.2 Commitments</b>  |             |                          |                     |
| <b>8.2.1</b> Commitments under irrevocable letters of credit for: |             |                          |                     |
| - purchase of stores, spares and loose tools                      |             | -                        | -                   |
| - purchase of plant and machinery                                 |             | <b>62,653,568</b>        | -                   |
|   |             | <b>62,653,568</b>        | -                   |
| <b>9 Fixed assets</b>   |             |                          |                     |
| Property, plant and equipment                                     | 9.1         | <b>35,744,560,749</b>    | 35,890,049,631      |
| Capital work in progress  |             | <b>70,339,671</b>        | 63,578,165          |
|   |             | <b>35,814,900,420</b>    | 35,953,627,796      |
| <b>9.1 Property, plant and equipment</b>                          |             |                          |                     |
| Opening book value  |             | <b>35,890,049,631</b>    | 37,156,269,276      |
| Add: Additions during the period/ year                            | 9.1.1       | <b>81,788,189</b>        | 68,679,758          |
| Reclassification to assets held for sale                          |             | -                        | -                   |
|   |             | <b>81,788,189</b>        | 68,679,758          |
| Less: Disposals during the period/ year - net book value          |             | -                        | 9,322,913           |
| Depreciation charged during the period/ year                      |             | <b>227,277,071</b>       | 1,325,576,490       |
|   |             | <b>227,277,071</b>       | 1,334,899,403       |
| Closing book value  |             | <b>35,744,560,749</b>    | 35,890,049,631      |



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

For the quarter ended 31 March 2014

|  | <b>31 March<br/>2014</b> | 31 December<br>2013 |
|--|--------------------------|---------------------|
| <i>Note</i>                                    | <b>Rupees</b>            | Rupees              |
|  | <b>Un-audited</b>        | Audited             |
| <b>9.1.1 Additions during the period/ year</b> |                          |                     |
| <i>Owned assets</i>                            |                          |                     |
| Buildings on freehold land                     | <b>88,946</b>            | -                   |
| Plant and machinery                            | <b>4,276,543</b>         | 21,688,540          |
| Residential colony assets                      | -                        | -                   |
| Furniture, fixtures and office equipment       | <b>4,380,286</b>         | 2,222,268           |
| Vehicles and rail transport                    | -                        | 960,500             |
| Tools and other equipment                      | <b>71,500</b>            | 913,000             |
| Electrical and other installations             | <b>447,400</b>           | 1,917,348           |
| Catalyst                                       | <b>72,523,514</b>        | 40,978,102          |
|  | <b>81,788,189</b>        | 68,679,758          |

### 10 Transactions with related parties

Related parties comprise holding company, subsidiary company, subsidiaries, associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length with the exceptions as approved by the Board of Directors.

| <b>31 March<br/>2014</b> | 31 March<br>2013 |
|--------------------------|------------------|
| <b>Rupees</b>            | Rupees           |
| <b>Un-audited</b>        | Un-audited       |

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

#### 10.1 Transactions with related parties

##### 10.1.1 Associate

###### National Bank of Pakistan

|                |                   |            |
|----------------|-------------------|------------|
| Markup expense | <b>84,304,714</b> | 81,366,031 |
|----------------|-------------------|------------|

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

For the quarter ended 31 March 2014

|   | <b>31 March<br/>2014</b>     | 31 March<br>2013     |
|---|------------------------------|----------------------|
|   | <b>Rupees<br/>Un-audited</b> | Rupees<br>Un-audited |
| Preference dividend                         | <b>16,748,293</b>            | 16,748,293           |
| Advisory Fee                                | <b>90,000,000</b>            | 87,000,000           |
| Bank Balances - net                         | <b>(61,752,914)</b>          | 2,914,215            |
| <b>10.1.2 Other related parties</b>         |                              |                      |
| <b>Faysal Bank Limited</b>                  |                              |                      |
| Mark up Expense                             | <b>56,310,209</b>            | 54,203,766           |
| Preference dividend                         | <b>8,417,873</b>             | 8,417,873            |
| Bank Balances - net                         | <b>(140,051,501)</b>         | -                    |
| <b>JS Infocom Limited</b>                   |                              |                      |
| Mark-up expense                             | <b>18,884,868</b>            | 9,498,575            |
| <b>KASB Bank Limited</b>                    |                              |                      |
| Mark-up expense                             | <b>19,420,890</b>            | 18,603,810           |
| Bank Balances - net                         | <b>8.00</b>                  | 20.00                |
| <b>Silk Bank limited</b>                    |                              |                      |
| Mark-up expense                             | <b>18,341,323</b>            | 17,157,483           |
| <b>Summit Bank Limited</b>                  |                              |                      |
| Mark-up expense                             | <b>32,524,894</b>            | 25,598,182           |
| <b>10.1.3 Post employment benefit plans</b> |                              |                      |
| Contribution to employees provident fund    | <b>4,812,137</b>             | 3,977,191            |
| Contribution to employees gratuity fund     | <b>2,301,480</b>             | 2,400,000            |
| <b>10.1.4 Key management personnel</b>      |                              |                      |
| Short term employee benefits                | <b>6,238,800</b>             | 4,716,000            |
| Post employment benefits                    | <b>355,857</b>               | 270,606              |

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

For the quarter ended 31 March 2014

|   | <b>31 March<br/>2014</b>     | 31 December<br>2013 |
|---|------------------------------|---------------------|
|   | <b>Rupees<br/>Un-audited</b> | Rupees<br>Audited   |
| <b>10.2 Balances with related parties</b> |                              |                     |
| <b>10.2.1 Associate</b>                   |                              |                     |
| <b>National Bank of Pakistan</b>          |                              |                     |
| Long term loans                           | <b>2,467,083,735</b>         | 2,467,083,735       |
| Redeemable capital                        | <b>335,976,581</b>           | 335,976,581         |
| Bills payable                             | <b>187,030,000</b>           | 187,030,000         |
| Preference shares                         | <b>617,487,560</b>           | 617,487,560         |
| Mark-up payable                           | <b>1,193,465,272</b>         | 1,109,160,558       |
| Preference dividend payable               | <b>143,969,210</b>           | 127,220,918         |
| Bank accounts                             | <b>719,944</b>               | 62,472,859          |
| Advisory and other fee                    | <b>83,200,000</b>            | 23,200,000          |
| <b>10.2.2 Other related parties</b>       |                              |                     |
| <b>Faysal Bank</b>                        |                              |                     |
| Redeemable capital                        | <b>1,499,109,500</b>         | 1,499,109,500       |
| Long term loan                            | <b>350,000,000</b>           | 350,000,000         |
| Short term borrowings                     | <b>63,186,325</b>            | 63,186,325          |
| Preference shares                         | <b>310,355,940</b>           | 310,355,940         |
| Mark up payable                           | <b>658,830,937</b>           | 602,520,728         |
| Preference dividend payable               | <b>72,487,244</b>            | 64,069,370          |
| Bank accounts                             | <b>599,405,135</b>           | 739,456,636         |
| <b>JS Infocom Limited</b>                 |                              |                     |
| Redeemable capital                        | <b>621,362,996</b>           | 621,362,996         |
| Mark-up payable                           | <b>139,149,285</b>           | 120,264,417         |

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

For the quarter ended 31 March 2014

|   | <b>31 March<br/>2014</b>     | 31 December<br>2013 |
|---|------------------------------|---------------------|
|   | <b>Rupees<br/>Un-audited</b> | Rupees<br>Audited   |
| <b>KASB Bank Limited</b>                    |                              |                     |
| Redeemable capital                          | <b>242,005,200</b>           | 242,005,200         |
| Long term loan                              | <b>300,000,000</b>           | 300,000,000         |
| Short term borrowings                       | <b>99,999,290</b>            | 99,999,290          |
| Mark up payable                             | <b>200,334,924</b>           | 180,914,033         |
| Bank accounts                               | <b>1,543</b>                 | 1,535               |
| <b>Silk Bank</b>                            |                              |                     |
| Long term loans                             | <b>130,607,546</b>           | 130,607,546         |
| Short term borrowings                       | <b>500,007,879</b>           | 525,363,419         |
| Mark up payable                             | <b>151,024,764</b>           | 132,683,441         |
| <b>Summit Bank Limited</b>                  |                              |                     |
| Redeemable capital                          | <b>603,406,000</b>           | 603,406,000         |
| Short term borrowings                       | <b>399,930,447</b>           | 399,930,447         |
| Bills payable                               | <b>111,810,000</b>           | 111,810,000         |
| Mark up payable                             | <b>191,412,260</b>           | 158,887,367         |
| <b>10.2.3 Post employment benefit plans</b> |                              |                     |
| Payable to provident fund                   | <b>482,635</b>               | 23,017,241          |
| Payable to gratuity trust                   | <b>16,030,283</b>            | 13,757,997          |

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

For the quarter ended 31 March 2014

|   | 31 March<br>2014     | 31 March<br>2013     |
|---|----------------------|----------------------|
|   | Rupees<br>Un-audited | Rupees<br>Un-audited |
| <b>11 Cash flow from operating activities</b>                     |                      |                      |
| Profit & (Loss) before tax  | (1,255,850,234)      | (1,235,862,151)      |
| <i>Adjustment for non-cash and other items:</i>                   |                      |                      |
| Interest / markup expense   | 659,205,226          | 704,443,638          |
| Amortization of transaction costs                                 | 18,734,652           | 52,106,765           |
| Depreciation  | 227,277,070          | 221,846,246          |
| Amortization of computer software                                 | 2,337,108            | 1,990,367            |
| Provision for doubtful balances                                   | -                    | (14,466,739)         |
| Staff retirement benefit  | 2,301,480            | -                    |
| Mark-up / Interest Income   | -                    | (19,240,742)         |
| Gain on sale of property, plant and equipment                     | -                    | (283,007)            |
| <b>Operating profit before changes in working capital</b>         | <b>(345,994,698)</b> | <b>(289,465,623)</b> |
| <b>Changes in working capital</b>                                 |                      |                      |
| (Increase) / decrease in current assets:                          |                      |                      |
| Increase in stores, spares and loose tools                        | (13,248,097)         | 12,811,838           |
| Decrease in stock in trade  | 15,932,012           | 75,683,603           |
| Decrease in trade receivables                                     | 5,107,102            | (2,755,112)          |
| Increase in advances, deposits, prepayments and other receivables | 17,317,529           | 60,705,728           |
| Staff retirement benefits   | (29,194)             | 26,995,019           |
|   | 25,079,352           | 173,441,076          |
| <i>Increase / (decrease) in current liabilities</i>               |                      |                      |
| - Trade and other payables  | 80,468,527           | 605,524,473          |
| Cash generated from operations                                    | <b>(240,446,819)</b> | <b>489,499,926</b>   |

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

For the quarter ended 31 March 2014

## 12 Segment reporting

### 12.1 Reportable segments

The Company's reportable segments are as follows:

- 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:

### 12.2 Segment revenue and results

Following is the information about reportable segments of the Company:

|                            | Urea fertilizers segment |                 | Phosphate fertilizers segment |               | Total           |                 |
|----------------------------|--------------------------|-----------------|-------------------------------|---------------|-----------------|-----------------|
|                            | 31 March 2014            | 31 March 2013   | 31 March 2014                 | 31 March 2013 | 31 March 2014   | 31 March 2013   |
| External revenues          | 160,239,460              | 414,805,857     | 117,722,854                   | 87,656,155    | 277,962,314     | 502,462,012     |
| Inter-segment revenue      | -                        | -               | -                             | -             | -               | -               |
| reportable segment (Loss)/ | -                        | -               | -                             | -             | -               | -               |
| Profit before tax          | (1,261,665,542)          | (1,195,670,987) | 5,815,307                     | (40,191,165)  | (1,255,850,235) | (1,235,862,152) |

  

|                                | Urea fertilizers segment |                  | Phosphate fertilizers segment |                  | Total          |                  |
|--------------------------------|--------------------------|------------------|-------------------------------|------------------|----------------|------------------|
|                                | 31 March 2014            | 31 December 2013 | 31 March 2014                 | 31 December 2013 | 31 March 2014  | 31 December 2013 |
| Reportable segment assets      | 44,891,096,166           | 45,564,040,863   | 3,749,839,419                 | 3,773,733,745    | 48,640,935,585 | 49,337,774,608   |
| Reportable segment liabilities | 34,556,211,181           | 34,366,253,170   | 1,198,526,702                 | 1,228,236,340    | 35,754,737,883 | 35,594,489,510   |

As at

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

For the quarter ended 31 March 2014

|   | <b>31 March<br/>2014</b>      | 31 March<br>2013       |
|---|-------------------------------|------------------------|
|   | <b>Rupees</b>                 | Rupees                 |
|   | <b>Un-audited</b>             | Un-audited             |
| <b>12.3 Reconciliation of reportable segment profitable segment profit and loss</b> |                               |                        |
| For the three months ended  |                               |                        |
| Total loss for reportable segments before tax                                       | <b>(1,255,850,234)</b>        | (1,235,862,151)        |
| Unallocated corporate expenses  | <b>441,979,527</b>            | 438,202,882            |
| Loss after tax  | <b>(813,870,707)</b>          | (797,659,269)          |
| <b>13 Cash and cash equivalents</b>   |                               |                        |
| Short term borrowings - secured   | <b>(2,078,295,046)</b>        | (1,988,676,947)        |
| Cash and bank balances  | <b>953,765,420</b>            | 54,376,832             |
|   | <b><u>(1,124,529,626)</u></b> | <u>(1,934,300,115)</u> |

### 14 Overdue financial liabilities

The Company in previous year as well as in current period faced operational issues and extended gas load shedding from SNGPL. As a result, the Company is facing liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

|                            | <b>Principal</b>            | <b>Interest / mark up</b>   | <b>Total</b>                 |
|----------------------------|-----------------------------|-----------------------------|------------------------------|
|                            | <b>Rupees</b>               | <b>Rupees</b>               | <b>Rupees</b>                |
| <b>Nature of Liability</b> |                             |                             |                              |
| Redeemable capital         | 1,508,848,109               | 3,618,157,537               | 5,127,005,646                |
| Long term finances         | 1,402,747,834               | 2,576,665,672               | 3,979,413,506                |
| Short term borrowings      | 847,891,495                 | 138,807,473                 | 986,698,968                  |
| Bills payable              | 187,031,000                 | 79,046,734                  | 266,077,734                  |
|                            | <b><u>3,946,518,438</u></b> | <b><u>6,412,677,416</u></b> | <b><u>10,359,195,854</u></b> |

In lieu of prevailing situation, the Company has appointed National Bank of Pakistan (“NBP”) as Financial Advisor (“FA”) to review its Capital structure and propose financial rehabilitation plan. 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. In addition to this, it was also discussed to utilize excess cash generated from operations in 2013, for payment of mark-up by creating options benefiting both company and lenders. With a view to further reduce the financial burden of the Company and bring it to a more sustainable level, the Company’s Board as part of the rehabilitation plan approved to offer settlement of entire accrued mark up till 31 December 2013. This scheme has been approved in BOD meeting held on 5 November 2013 and subsequently approved by Shareholders in an Extra Ordinary General Meeting held on 10 December 2013. Further, lenders of the company have also approached the scheme positively and started providing consents for its implementation. Company is hopeful to receive the requisite consents and implementation of the scheme in 2014. By implementing this scheme, company will achieve suitable capital structure, reduce servicing burden to a sustainable level eventually leading to improved financial position.

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

*For the quarter ended 31 March 2014*

### 15 Date of authorization

This quarter ended financial information was authorized for issue by the Board of Directors of the Company on 30 April 2014.

### 16 General

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





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