

ROAD TO GROWTH

Interim Financial Report
for the half year ended
June 30, 2017
(Un-audited)



Road to Success & Growth

The Country is going through an exciting time when massive Infrastructure Development programs are being undertaken by the Government of Pakistan. In the vicinity of Agritech Urea Plant; four major such projects are being developed i.e. CPEC (Hakla-Daudkhel-DI Khan Section); New Daudkhel-Jand-Pindi Road; New Mianwali-Daudkhel Road and Indus Waterway Transportation Network. Agritech is proud contributor to these projects particularly to CPEC by offering a total 444 kanals of its prime land for the projects. Agritech Technical Team at Plant is also facilitating the CPEC Project Team by providing additional 50 kanals of land for the camp office and concrete plant for fast pace implementation of the project. This is historical time for Pakistan and completion of CPEC will bring the country on world stage linking it with global trade routes. Agritech is a proud contributor to this history making project.

New Daudkhel-Jand-Pindi road reduces travel time between Daudkhel to Islamabad by atleast 2 hours and Improves the link between southern Punjab with Northern Punjab and KPK. Indus Waterway Transportation, using Indus River, will open a new concept of transportation of goods and people through the Mighty Indus. These infrastructure projects will transform Daudkhel into one of the potential hub for industrial and commercial activities. Agritech land, Having all necessary utility infrastructure in place, augments such potential industrial activities in the area with the completion of these projects.



“China-Pak Economic Corridor projects span across the provinces and areas of Pakistan and the two sides have also made it clear that they will include the Central and Western lines of the Corridor in the long and midterm plans, and I believe this will help the comprehensive balance and steady growth of the corridor building.”

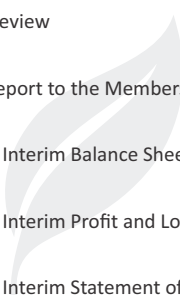
President of the People's Republic of China.

“China-Pak Economic Corridor will equally benefit all provinces and areas of Pakistan, and transform our country into regional hub and pivot for commerce and investment.”

Prime Minister of Islamic Republic of Pakistan

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Company Information

BOARD OF DIRECTORS

Mr. Wajahat A. Baqai
Chairman

Mr. Muhammad Faisal Muzammil
Chief Executive Officer

Mr. Talha Saeed

Mr. Bilal Asghar

Mr. Asim Murtaza Khan

Mr. Rehmat Ali Hasnie

Mr. Ahsan Raza Durrani

Ms. Saira Ahmed

COMPANY SECRETARY & CFO

Syed Taneem Haider

AUDIT COMMITTEE

Mr. Asim Murtaza Khan
Chairman

Mr. Ahsan Raza Durrani

Mr. Bilal Asghar

Mr. Talha Saeed

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 Limited
United Bank Limited
Habib Bank Limited
MCB Bank

Registered Office

2nd Floor Asia Centre, 8-Babar Block,
New Garden Town, Lahore
Ph: +92 (0) 42 35860341-44
Fax: +92 (0) 42 35860339-40

Project Locations

Unit I

Urea Plant

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

Unit II

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

Directors' Review

The Directors of Agritech Limited, henceforth called the Company, along with the management team are pleased to present the Company's Interim Report accompanied by the Reviewed Financial Statements for the Six months ended June 30, 2017.

These financial statements have been endorsed by the 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 the manufacturing facility of GSSP (Granular Single Super Phosphate) at Haripur Hazara, Khyber Pakhtunkhwa (KPK) Province. The Company markets its fertilizers under one of the most trusted brand name "TARA" in the fertilizer industry.

First Half in Review

Financial Results of Agritech Limited

	Half Year ended June 30, 2017	Half Year ended June 30, 2016
Sales - Net	1,463,811,381	2,906,225,879
Operating Profit / (Loss)	(803,904,357)	38,377,429
Finance cost	1,022,215,739	1,109,538,493
Profit / (Loss) before Tax	(1,826,120,096)	(1,071,161,064)
Profit / (Loss) after Tax	(1,774,298,387)	(842,885,747)
Earning / (Loss) per share	(4.74)	(2.37)

The Company faced to higher winter gas curtailment during the 1st half of 2017 vs last year as gas supply in 2017 was restored in April whereas last year the gas supply was available in February. The delay in gas supply is primarily attributed to the limited provision of gas from the northern gas sources due to SNGPL system constraints. In order to have continuous gas supply post winter, the Company has worked out with SNGPL to operate on the domestic gas supply mix, avoiding the costly and uncertain LNG mix. The flow of gas supply since then has been fairly consistent to operate the company's urea plant.

Overview of Fertilizer Industry:

During the 1st half of 2017 the Production of Urea declined by 3% to 2.86 million tons over 2.95 million tons in 2016 owing to lower gas availability to the fertilizer sector versus same period last year. Urea offtakes during first half 2017 recorded at 2.7 million tons increasing by 48% vs 1.82 million tons in same period last year owing to better farms economics with the continuity of subsidy scheme by GOP.

Industry also embark upon the exports of Urea to minimize the glut like situation and against the ECC approval of 600 KT exports, industry managed to export 116 KT urea during the 1st half 2017, besides contracting to further export deals in later part of the year.

The Company faced extended winter gas curtailment during the period under review and managed to produce 66 KT of urea against installed capacity of 217 K tons (137 KT: 1 H 2016). The Company sold 42 KT Urea during 1H 2017 (87 KT: 1 H 2016).

Continuity of subsidy on all phosphates products contributed to the offtakes increase of 20% on phosphates. The Company, being a major SSP player, produced 23 KT SSP in 2017 (32 KT: 2016) and sold 17 KT in 2017 (14 KT: 2016).

Capital Restructuring:

Gas curtailment to the Company's Urea plant during the past six years was the major cause of non-servicing of the debt of the Company and the accumulation of mark-ups further increased its debt burden. In order to streamline this debt burden, a

Directors' Review

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. Infrastructure developments around the Company's both plants will likely to increase the value of its land. Particularly, the use of the Company land in CPEC project (Hakla-Daudkhel-DI Khan Section) through land acquisition by GOP for the said project looks promising. It is expected that with the completion of CPEC, the surplus land of the Company has potential for commercial and industrial activities for CPEC related trades.

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

Continuity of subsidy on both Nitrogen (Urea) and Phosphates fertilizers; the positive outlook of the farmers economics will likely to sustain the increase in offtakes of fertilizers during the 2nd half 2017. Furthermore the completion of export quota of 600 KT Urea, will reduce the higher inventory being carried by the industry.

The Company's sustainable performance is dependent on the continuous gas supply from the domestic gas sources. Increase in LNG imports and likely additional indigenous gas from northern sources will likely to improve the overall gas availability in the SNGPL Network, benefitting the Company to ensure gas availability during balance of the year.

Modification in the Auditors report

Qualification

In auditor's report for the period, auditors raised concern, "the Company could not make timely repayments of principal and interest related to long term loans and certain financial & other covenants imposed by lenders could not be complied with. IAS – 1 requires that if an entity breaches a provision of long term loan, that liability becomes payable on demand and it should classify the liability as current. However, in these financial statements the long term debts have continued to be classified as long term according to respective loan repayment schedules."

The lenders have continued to show their confidence in diversified business and experienced management to gradually improve the financial performance of the company in this improved gas supply situation. Moreover, the lenders have also signed the debt swap agreement, by virtue of which they have become sponsors of the Company. The management expects to deliver better performance with revitalized shareholding strength.

Emphasis

Auditors also raised concern about the Company's ability to operate as going concern. The management is confident that the Company will be able to continue as a going concern based on the expectation of continuous availability of gas and restructuring of its existing over-due long-term debts and related mark-up as per the rehabilitation plan approved by the shareholders and currently filed in the Honorable Lahore High Court as per the provisions of repealed Companies Ordinance, 1984.

The expectation of continuous availability of gas for the rest of the year and in future looks promising based on the fact that the GOP has signed a 15 year agreement with Government of Qatar, to import nearly 3.75 million tons of LNG per year. The import of LNG has been streamlined at 600 mmscf per day and GOP is planning to further increase it to 1,200 mmscf per day through installation of second LNG terminal in the country. SNGPL is receiving almost complete flow of LNG imports under swap arrangement. This has significantly improved the gas supply situation in Pakistan. Besides this, the exploration activities in the north of the country particularly in Khyber Pakhtunkhwa (KPK) Province are being accelerated which will increase the gas supply into SNGPL system from the northern sources. The increased gas supply will greatly benefit to the Company being the bulk gas consumer in north on the SNGPL network.

With the support of its lenders, the management, for rehabilitation of the Company, has prepared a Scheme of Arrangement ("the Scheme") to restructure its existing over-due long term debts and related markup as of 31 December 2013 through issuance of preference shares. The scheme also envisages settlement / restructuring and repayment of that portion of overdue markup which is not converted into preference shares. After the approval by the Board of directors and shareholders of the proposed scheme in their meeting held on 05 November 2013 and 10 December 2013 respectively, the said scheme was filed with Honorable Lahore High Court under the provisions of Companies Ordinance, 1984 on 10 June

2016 for necessary sanction and order. As at the reporting date, the proceeding are in progress and the order of the Lahore High Court is awaited.

In addition to above, the Company sees strong potential in selling its spare land after the necessary legal and commercial approvals. In 2016, 227 kanals Company's land was acquired by National Highway Authority (NHA) for the construction of China Pakistan Economic Corridor (CPEC) that crosses through the land owned by the Company. With the development of CPEC in next two years, the Company foresees significant appreciation of its spare land. The proceeds from the sale of land will also help settle the long term liabilities of the Company.

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

Acknowledgement

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

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

On behalf of the Board

Lahore
Date : 25 August, 2017



Chief Executive Officer

ڈائریکٹرز رپورٹ

ایگری ٹیک لمیٹڈ، کمپنی کے ڈائریکٹرز اور مینجمنٹ ٹیم، 30 جون 2017 کو ختم ہونے والی ششماہی کے نظر ثانی شدہ مالیاتی حسابات کے ہمراہ اپنی عبوری رپورٹ پیش کرتے ہوئے خوش ہیں۔

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

کاروباری جائزہ

بنیادی سرگرمیاں

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

پہلی ششماہی کا جائزہ

ایگری ٹیک لمیٹڈ کے مالیاتی نتائج:

2016 جون 30	2017 جون 30	
2,906,225,879	1,463,811,381	خالص فروخت
38,377,429	(803,904,357)	آپریٹنگ منافع (نقصان)
1,109,538,493	1,022,215,739	مالیاتی لاگت
(1,071,161,064)	(1,826,120,096)	قبل از ٹیکس منافع (نقصان)
(842,885,747)	(1,774,298,387)	بعد از ٹیکس منافع (نقصان)
(2.37)	(4.74)	فی حصص آمدنی (نقصان)

کمپنی نے گزشتہ سال کے مقابلے میں 2017 کی پہلی ششماہی کے دوران سر دیوں میں اضافی ٹیکس کی تخفیف کا سامنا کیا ہے، جب اپریل 2017 میں ٹیکس بحال کی گئی جبکہ گزشتہ سال ٹیکس فروری میں بحال کردی گئی تھی ٹیکس کی عدم دستیابی کے نتیجے میں یوریا پلانٹ کو جبری بند کرنا پڑا۔ ٹیکس کی عدم دستیابی کی بنیادی وجہ ایس این جی پی ایل کے سسٹم کی رکاوٹوں کے باعث شمالی ذرائع سے ٹیکس کی فراہمی تک محدود ہو جانا ہے۔ سر دیوں کے بعد مسلسل ٹیکس کی سپلائی بحال رکھنے کے لئے، کمپنی نے موہنگی اور غیر ٹیکس ایبل این جی ایس سے بچنے کے لئے ایس این جی پی ایل کے ساتھ مقامی ٹیکس ذرائع سے پلانٹ چلانے کے لئے کام کیا ہے۔ جس کے بعد سے ٹیکس کی فراہمی کا بہاؤ کمپنی کے یوریا پلانٹ کو چلانے کے لئے کافی مناسب رہا ہے۔

کھاد کی صنعت کا مجموعی جائزہ:

2017 کی پہلی ششماہی کے دوران کھاد کے شعبہ کو کم ٹیکس کی دستیابی کی بدولت یوریا کی پیداوار 3 فیصد کم کے ساتھ 2.86 ملین ٹن رہی، جو کہ گزشتہ سال کی اسی مدت میں 2.95 ملین ٹن تھی۔ حکومت پاکستان کی طرف سے سبسڈی اسکیم کے تسلسل کے ساتھ کسان کی بہتر مالی حالت کی وجہ سے، سال 2017 کی پہلی ششماہی میں یوریا کی فروخت 2.7 ملین ٹن ریکارڈ کی گئی جو کہ گزشتہ سال کی 1.82 ملین ٹن سے 48 فیصد اضافی ہیں۔ بہتات کی صورت حال کو کم کرنے کے لئے صنعت یوریا کی برآمدات پر انحصار کرتی ہے اور 6 لاکھ ٹن برآمدات کی اسی ہی منظوری کے برعکس، صنعت نے 2017 کی پہلی ششماہی کے دوران 1 لاکھ سولہ ہزار ٹن یوریا برآمد کرنے کا انتظام کیا، اس کے علاوہ صنعت سال کے باقی عرصہ میں مزید برآمدات کے معاہدے کر رہی ہے۔

کمپنی کو زبردست جائزہ مدت کے دوران موسم سرما میں ٹیکس کی تخفیف کا وسیع پیمانے پر سامنا کرنا پڑا اور 2 لاکھ سترہ ہزار ٹن کی نصب صلاحیت کے مقابلے میں 66 ہزار ٹن یوریا کی پیداوار

ڈائریکٹرز رپورٹ

ہوئی (137 ہزار ٹن : پہلی ششماہی 2016)۔ کپینی نے 2017 کی پہلی ششماہی کے دوران 42 ہزار ٹن یوریا فروخت کیا (87 ہزار ٹن : پہلی ششماہی 2016)۔ تمام فاسفیس مصنوعات پر سبسڈی کے تسلسل کی وجہ سے فاسفیت کی فروخت میں 20 فیصد اضافہ ہوا۔ کپینی نے، ایس ایس پی کے اہم میٹو فیکچر ہونے کے ناطے، 2017 میں 23 ہزار ٹن ایس ایس پی (32 ہزار ٹن : 2016) پیدا کی جبکہ 2017 میں 17 ہزار ٹن (14 ہزار ٹن : 2016) فروخت کی ہے۔

سرماہی کی تنظیم نو:

گزشتہ پانچ سال کے دوران کپینی کی یوریا پلانٹ کو گیس کی تخفیف نہ صرف قرض کی واپسی میں تاخیر کی اہم وجہ ہے بلکہ قرض اور سود میں اضافے کا سبب بھی ہے۔ اس قرض کی تنظیم نو کے لئے قرض دہندہ کے تعاون سے ایک منصوبے کو مرتب کیا گیا ہے۔ جس کا بنیادی مقصد قرض اور اس پر سود کو ترجیحی حصص میں تبدیل کرنا ہے۔ اس منصوبے کا ایک اور مقصد کپینی کے پاس موجود اضافی اراضی کا فروخت ہے جس کی آمدنی سے طویل مدتی قرض دہندہ کے واجبات کی ادائیگی ممکن ہوگی۔ حکومت کے بنیادی ڈھانچے کی ترقی کے منصوبے سے دونوں پلانٹس کے گرو اراضی کی قیمت میں اضافے کا امکان ہے۔ خاص طور پر پری پیک منصوبے کے سیکشن ہا کا۔ داؤد خیل۔ ڈی آئی خان میں کپینی کی شرکت، بذریعہ اراضی کی فراہمی، بہت اہم ہے۔ سی پیک کی تکمیل کے بعد کپینی کی اضافی اراضی مستقبل میں متعلقہ ٹریڈرز کے لئے تجارتی اور صنعتی سرگرمیوں میں اہم کردار ادا کرے گی۔

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

مستقبل کا نقطہ نظر:

ناٹروجن (یوریا) اور فاسفیس کھادوں پر سبسڈی کا تسلسل اور کاشتکاروں کی بہتر معاشیات دوسری ششماہی کے دوران کھادوں کی فروخت میں اضافے کا امکان کو مستحکم کرتی ہے۔ اس کے علاوہ 6 لاکھ ٹن یوریا کی برآمد کے کوئی تکمیل بصنعت کے پاس موجود اضافی اسٹاک کو کم کرے گا۔

کپینی کی پائیدار کارکردگی مقامی گیس ذرائع سے مسلسل گیس کی فراہمی پر منحصر ہے۔ ایل این جی کی درآمد میں اضافہ اور شمالی وسائل سے ممکنہ طور پر اضافی مقامی گیس ایس این جی پی ایل نیٹ ورک میں مجموعی گیس کی دستیابی کو بہتر بنانے میں مدد کرے گا، کپینی کو اس سال کے باقی عرصہ کے دوران گیس کی یقینی دستیابی کا فائدہ ہوگا۔

آڈیٹر کی رپورٹ میں ترمیم

کو ایفیکٹس

آڈیٹر نے رپورٹ میں توثیق کا اظہار کیا ہے کہ "کپینی اپنے طویل مدتی قرض کے اور قرض دہندہ کی طرف سے عائد بعض مالی اور دیگر معاہدوں پر عمل نہیں کر سکی ہے۔ IAS-1 مطابق اگر کوئی طویل مدتی قرض کی خلاف ورزی کرتا ہے تو اس کے قرض کے واجبات کی ادائیگی قرض دہندہ کے مطالبے پر واجب الادا ہوجاتی ہے اور اس صورت میں اس کو اپنا موجودہ قرضہ قلیل مدتی ذمہ داروں میں دیکھنا ہوگا۔ تاہم، ان مالی گوشواروں میں طویل مدتی قرضوں کو طویل مدتی دکھایا گیا ہے جو کہ قرضہ دہن کی شہدوں کے مطابق ہے۔"

قرض دہندہ نے تجربہ کار مینجمنٹ پر اعتماد کا اظہار کیا ہے تاکہ وہ اس بہتر گیس کی فراہمی کی صورت حال میں مالیاتی کارکردگی کو بہتر بنا سکے۔ اس کے علاوہ، قرض دہندہ نے قرض کے تبادلے کے معاہدے پر بھی دیکھنا کیے ہیں جس کی بنا پر وہ کپینی کے مالکان بن گئے ہیں۔ مینجمنٹ بحالی شیئر ہولڈنگ ٹولٹ کے ساتھ اگلے سالوں میں بہتر کارکردگی کی امید رکھتی ہے۔

تاکید

آڈیٹر نے پٹیشن ہوئی کپینی (Going Concern) ہونے کی صلاحیت پر توثیق کا اظہار کیا ہے۔ انتظامیہ کو یقین ہے کہ کپینی گیس کی مستقل دستیابی کی توقع اور اس کے موجودہ مجوزہ طویل مدتی قرضوں کی تعمیر نو اور شیئر ہولڈرز کی طرف سے منظور شدہ بحالی کے منصوبے کے مطابق متعلقہ مارک اپ اور منسوخ شدہ کپینی آڈیٹس، 1984 کے مجوزات کے مطابق معزز لاہور عدالت عالیہ میں حالیہ دائر کردہ درخواست کی بنیاد پر چلتی ہوئی کپینی بننے کے قابل ہوجائے گی۔

باقی سال میں گیس کی مسلسل فراہمی کی امید اس حقیقت پر مبنی ہے کہ حکومت پاکستان نے قطر کی حکومت کے ساتھ 15 سال کے معاہدے پر دستخط کیے ہیں، جس کی بنیاد پر حکومت ہر سال تقریباً 3.75 بلین ٹن ایل این جی درآمد کرے گی۔ ایل این جی کی درآمد MMSCFD 600 ہے اور حکومت پاکستان ملک میں مزید ایک ایل این جی ٹرینل کی تنصیب کے ذریعے MMSCFD 1,200 تک پہنچانے کا ارادہ رکھتی ہے۔ ایس این جی پی ایل تبادلہ نظام کے تحت ایل این جی کی درآمد تقریباً مکمل بہاؤ وصول کر رہا ہے۔ جس کی وجہ سے پاکستان میں گیس کی ترسیل میں نمایاں طور پر بہتری آئی ہے۔ اس کے علاوہ، ملک کے شمال میں خاص طور پر جمہوریتونخواہ (کے پی کے) کے صوبے میں گیس کی تلاش اور پیداوار کی سرگرمیوں کو بڑھا دیا گیا ہے جس کی بدولت شمالی وسائل سے ایس این جی پی ایل نظام میں گیس کی ترسیل میں اضافہ ہوگا۔ جہاں اضافی گیس کی فراہمی سے کپینی کو بلک گیس

ڈائریکٹرز رپورٹ

صارف ہونے کی وجہ سے فائدہ ہوگا۔

کمپنی کی بحالی کے لئے اس کے قرض دہندہ کی حمایت کے ساتھ طویل مدتی قرضوں اور سود کی تکمیل نوکے لئے ایک اسکیم پلان کر رہی ہے۔ اس اسکیم کے ذریعے وہ سود بھی ادا کیا جائے گا جو ترجیحی حصص میں تبدیل نہیں ہوا۔ ڈائریکٹرز اور حصص یافتگان کی طرف سے 05 نومبر 2013ء اور 10 دسمبر 2013ء میں منظوری کے بعد اسکیم کو جون 2016 میں کمپنیز

آرڈیننس 1984ء کی دفعات 284/288 کے تحت لاہور ہائی کورٹ میں دائر کیا گیا ہے۔ رپورٹنگ تاریخ پر لاہور ہائی کورٹ کے حکم کا انتظار ہے۔

مندرجہ بالا کے علاوہ، کمپنی ضروری قانونی اور تجارتی منظوری کے بعد اپنی اضافی زمین کی فروخت میں بہت فائدہ دیکھتی ہے۔ 2016ء میں، چین پاکستان اقتصادی راہداری (سی پیک) کی تعمیر کے لئے پیشکش ہائی وے اتھارٹی (این ایچ اے) نے 227 کنال کمپنی کی زمین خریدی تھی جو کہ کمپنی کے ملکیتی رقبہ میں سے گذرتا ہے۔ اگلے دو سالوں میں سی پیک کی ترقی کے ساتھ، کمپنی اپنے اضافی رقبہ کی اہمیت دیکھتی ہے۔ زمین کی فروخت سے آمدنی کمپنی کی طویل مدتی ذمہ داریوں کو پورا کرنے میں بھی مدد کرے گی۔

میجسٹریٹ یقین رکھتی ہے کہ اوپر بتائے گئے اقدامات سے مالی وسائل کے حصول میں اضافہ ہوگا جس سے مستقبل قریب میں نفع کی توقع کی جاتی ہے۔ اس وجہ سے کمپنی کی منجمد مالی معلومات کو چلتی ہوئی کمپنی (Going Concern Basis) پر مرتب کی گئی ہیں اور اس کے اثاثوں کی وصولی اور کسی بھی مواخذہ کی ذمہ داری سے متعلق کوئی ایڈجسٹمنٹ شامل نہیں ہے جو چلتی ہوئی کمپنی بننے کے قابل نہ ہونے کے لئے ضروری ہونی چاہئے۔

اظہار نظر

بورڈ کمپنی کے قابل قدر صارفین اور مالیاتی اداروں جن کے اعتماد اور حمایت نے سال کے دوران کاروبار کی ترقی میں اہم کردار ادا کیا ہے، کی باہم مفید تعلق داری کا شکریہ ادا کرتا ہے۔

بورڈ کمپنی کے ملازمین کی خدمات کو بھی سراہتا ہے۔ مشکل کاروباری ماحول میں کاروبار کی پائیداری ان کی محنت اور عزم کی وجہ سے ممکن ہوئی ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے



چیف ایگزیکٹو

لاہور

تاریخ: 25 اگست 2017ء

Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Agritech Limited ("the Company") as at 30 June 2017 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Basis for qualified conclusion

As stated in note 2.4 and 17 to the condensed interim financial information, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at the reporting date certain financial and other covenants imposed by the lenders could not be 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, in this condensed interim financial information the long term debts have continued to be classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per the requirements of IAS-1, current liabilities of the Company would have increased by Rs. 3,949.88 million as at the reporting date.

Qualified conclusion

Based on our review, with the exception of matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to the following matters:

- i) Note 5 to the accompanying condensed interim financial information, whereby Redeemable Preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984. The matter of its classification will be dealt in accordance with the clarification from the Securities and Exchange Commission of Pakistan, as fully explained in note 5 to the condensed interim financial information; and
- ii) The Company has incurred a loss before tax of Rs. 1,826.12 million and reported negative cash flows of Rs. 797 million from operations during the six months period ended 30 June 2017 and, as of that date; its current liabilities exceeded its current assets by Rs. 32,924.93 million, including Rs. 27,269.69 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 6,413.15 million. The difference between current liabilities and current assets would be Rs. 36,874.81 million, had the Company classified its long term debts as current for reasons more fully explained in note 2.4 to the condensed interim financial information. These conditions indicate the existence of a material uncertainty that may 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 for the reasons more fully explained in note 2.3 to the condensed interim financial information.

Our conclusion is not qualified in respect of the above matters.

Other matters

The figures for the quarters ended 30 June 2017 and 30 June 2016 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: 25 August, 2017
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2017

		30 June 2017	31 December 2016
	Note	Rupees	Rupees
EQUITY AND LIABILITIES			
<u>Authorized share capital</u>		<u>15,000,000,000</u>	<u>15,000,000,000</u>
<u>Share capital and reserves</u>			
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		(11,939,789,074)	(10,200,286,153)
		(6,413,146,384)	(4,673,643,463)
Surplus on revaluation of fixed assets		8,963,434,865	9,080,310,370
<u>Non-current liabilities</u>			
Redeemable capital - <i>secured</i>	6	3,011,801,303	3,997,844,489
Long term finances - <i>secured</i>	7	889,738,411	1,183,232,758
Long term payable - <i>unsecured</i>		31,135,199	31,135,199
<i>Deferred liabilities:</i>			
- staff retirement benefits		26,113,341	28,698,815
- deferred taxation		3,492,206,095	3,560,429,299
		7,450,994,349	8,801,340,560
<u>Current liabilities</u>			
Current maturity of long term liabilities		15,440,058,909	14,138,278,307
Short term borrowings - <i>secured</i>	8	4,427,053,741	3,410,526,346
Trade and other payables		3,954,236,571	3,467,251,716
Interest / mark-up accrued on borrowings		13,677,693,348	12,825,980,154
Preference dividend payable		941,465,282	854,551,711
		38,440,507,851	34,696,588,234
Contingencies and commitments	9	48,441,790,681	47,904,595,701
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	10	40,287,906,593	40,769,566,767
Intangible assets		2,568,797,594	2,570,071,958
Long term loans and advances - considered good		13,045,915	13,971,976
Long term deposits - unsecured, considered good		56,464,765	61,451,273
		42,926,214,867	43,415,061,974
<u>Current assets</u>			
Stores, spares and loose tools		2,076,074,793	2,049,475,897
Stock-in-trade		991,361,424	337,248,202
Trade debts		262,847,152	51,016,085
Advances, deposits, prepayments and other receivables		1,683,933,783	1,657,045,069
Tax refunds due from Government - <i>net</i>		255,752,329	247,454,816
Cash and bank balances	11	245,606,333	147,293,658
		5,515,575,814	4,489,533,727
		48,441,790,681	47,904,595,701

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Lahore


Chief Executive


Director

Condensed Interim Profit and Loss Account (Un-audited)

For the six months period and quarter ended 30 June 2017

	Six months period ended		Three months period ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
Note	Rupees	Rupees	Rupees	Rupees
Sales - net	1,463,811,381	2,906,225,879	1,340,288,532	1,714,665,706
Cost of sales	(2,018,240,182)	(2,442,780,406)	(1,469,400,818)	(1,191,532,328)
Gross (loss) / profit	(554,428,801)	463,445,473	(129,112,286)	523,133,378
Selling and distribution expenses	(117,950,777)	(156,505,489)	(99,711,068)	(101,077,507)
Administrative and general expenses	(136,955,068)	(289,824,895)	(70,275,569)	(126,785,278)
Other operating expenses	(1,517,584)	(6,069,024)	2,409,951	(9,298,649)
Other income	6,947,873	27,331,364	988,277	22,779,265
Operating (loss) / profit	(803,904,357)	38,377,429	(295,700,695)	308,751,209
Finance cost	(1,022,215,739)	(1,109,538,493)	(522,559,775)	(542,357,571)
Loss before taxation	(1,826,120,096)	(1,071,161,064)	(818,260,470)	(233,606,362)
Taxation	51,821,709	228,275,317	(27,531,984)	(101,154,050)
Loss after taxation	(1,774,298,387)	(842,885,747)	(845,792,454)	(334,760,412)
Loss per share - basic and diluted	(4.74)	(2.37)	(2.27)	(0.95)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Lahore


Chief Executive


Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period and quarter ended 30 June 2017

	Six months period ended		Three months period ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Rupees	Rupees	Rupees	Rupees
Loss after taxation	(1,774,298,387)	(842,885,747)	(845,792,454)	(334,760,412)
<u>Other comprehensive income</u>	-	-	-	-
<i>Items that will not be reclassified to profit and loss account:</i>				
Remeasurement of defined benefit liability	6,905,043	4,578,819	-	-
Related Tax	(2,071,513)	(1,373,646)	-	-
	4,833,530	3,205,173	-	-
Total comprehensive loss for the period	(1,769,464,857)	(839,680,574)	(845,792,454)	(334,760,412)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Lahore


Chief Executive


Director

Condensed Interim Cash flow Statement (Un-audited)

For the six months period ended 30 June 2017

	Note	30 June 2017 Rupees	30 June 2016 Rupees
<u>Cash flows from operating activities</u>			
Cash used in operations	14	(797,018,887)	(1,319,534,603)
Finance cost paid		(58,879,788)	(253,343,753)
Interest income received		1,074,118	2,170,299
Staff retirement benefits paid		(2,956,541)	(1,859,745)
Long term advances received		926,061	1,739,135
Long term deposits - net		4,986,508	12,198
Income tax paid		(18,228,875)	(33,832,468)
Net cash used in operating activities		(870,097,404)	(1,604,648,937)
<u>Cash flows from investing activities</u>			
Capital expenditure incurred		(58,012,879)	(3,554,653)
Proceeds from disposal of property, plant and equipment		10,279,712	2,518,907
Net cash used in investing activities		(47,733,167)	(1,035,746)
<u>Cash flows from financing activities</u>			
Long term finances repaid		(384,149)	(14,994,930)
Net increase in short term borrowings		1,013,566,087	1,208,172,149
Net cash generated from financing activities		1,013,181,938	1,193,177,219
Net increase/ (decrease) in cash and cash equivalents		95,351,367	(412,507,464)
Cash and cash equivalents at beginning of the period		(2,347,518,944)	(2,025,853,035)
Cash and cash equivalents at end of the period	16	(2,252,167,577)	(2,438,360,499)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Lahore


Chief Executive


Director

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

For the six months period ended 30 June 2017

	Share capital		Reserves		Total equity
	Ordinary shares	Preference shares	Revenue reserve	Accumulated losses	
	Rupees	Rupees	Rupees	Rupees	
Balances as at 01 January 2016 - audited	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 June 2016	-	-	-	(839,680,573)	(839,680,573)
Surplus transferred to accumulated losses on account of:					
- disposal of property, plant and equipment	-	-	-	4,568,763	4,568,763
- incremental depreciation on revaluation of property, plant and equipment - net of tax	-	-	-	163,647,439	163,647,439
<u>Transaction with owners of the Company, recognized directly in equity</u>					
Preference dividend for the period	-	-	-	(87,154,982)	(87,154,982)
As at 30 June 2016 - unaudited	3,924,300,000	1,593,342,690	9,000,000	(8,699,596,630)	(3,172,953,940)
Total comprehensive loss for the period ended 31 December 2016	-	-	-	(1,478,324,124)	(1,478,324,124)
Surplus transferred to accumulated losses on account of:					
- disposal of property, plant and equipment	-	-	-	841,453	841,453
- incremental depreciation on revaluation of property, plant and equipment - net of tax	-	-	-	64,905,862	64,905,862
<u>Transaction with owners of the Company, recognized directly in equity</u>					
Preference dividend for the period	-	-	-	(88,112,714)	(88,112,714)
As at 31 December 2016 - audited	3,924,300,000	1,593,342,690	9,000,000	(10,200,286,153)	(4,673,643,463)
Total comprehensive loss for the period ended 30 June 2017	-	-	-	(1,769,464,857)	(1,769,464,857)
Surplus transferred to accumulated losses on account of:					
- disposal of property, plant and equipment	-	-	-	2,095,094	2,095,094
- incremental depreciation on revaluation of property, plant and equipment - net of tax	-	-	-	114,780,413	114,780,413
<u>Transaction with owners of the Company, recognized directly in equity</u>					
Preference dividend for the period	-	-	-	(86,913,571)	(86,913,571)
As at 30 June 2017 -un-audited	3,924,300,000	1,593,342,690	9,000,000	(11,939,789,074)	(6,413,146,384)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Lahore


Chief Executive


Director

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

For the six months period ended 30 June 2017

1 Reporting Entity

Agritech Limited was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the Companies Act, 1913 (now repealed 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 Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. On 31 October 2012, ANL sold majority of its shareholding in the Company to a consortium of banks and financial institutions. The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 2nd Floor, Asia Centre, 8-Babar Block, New Garden Town, Lahore. The principal business of the Company is 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 Basis of accounting

- 2.1.1 This condensed interim financial information comprises the condensed interim balance sheet of Agritech Limited ("the Company") as at 30 June 2017 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 is being submitted to the shareholders as required by Section 237 of the Companies Act, 2017 and is un-audited but subject to limited review by external auditors as required by the Act and Code of Corporate Governance.
- 2.1.3 This condensed interim financial information of the Company for the six months period ended 30 June 2017 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 repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

On 30 May 2017 the Companies Act, 2017 was enacted which replaced and repealed the Companies Ordinance, 1984 (the "repealed Ordinance"). However, the Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 dated 20 July 2017 and press release of the said date, has clarified that all the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017, can prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

- 2.1.4 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 financial statements for the year ended on 31 December 2016.

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 expense. 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 2016.

2.3 Going concern assumption

The gas curtailment to the Company's urea plant has been the most crucial factor for the past few years' operational and liquidity issues of the Company. The fertilizer sector as a whole and the Company in particular faced unprecedented gas curtailment during the last five years. The Company has been financing its assets and operations through high level of borrowings. Due to overall gas shortage in the system, Government of Pakistan ("GOP") diverted gas from fertilizer sector to other sectors particularly power sector during summer and domestic sector during winter. This gas curtailment caused low urea production versus available capacity resulting in continuous operational and liquidity issues which further resulted in over due borrowings and related mark-up as referred to in note 17 to the condensed interim financial information.

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The gas supply over the past one and half year has shown considerable improvement with the regular imports of liquefied natural gas ("LNG") by the Government of Pakistan ("GOP"). Consistent LNG imports improved RLNG flow to Sui Northern Gas Pipelines Limited ("SNGPL") benefiting consumers including fertilizer sector. Gas supply to the Company was restored in the last week of April 2017 from domestic gas sources after Company's successful negotiation with SNGPL and thereafter supply has been fairly consistent throughout the period. Due to availability of gas the Company operated its urea plant (primary manufacturing facility) for 66 days in 2017 (30 June 2016: 123 days) which resulted in Urea production of 65,769 tons (30 June 2016: 137,175 tons). The Company during the current period was also able to sell 42,069 tons Urea (30 June 2016: 86,944 tons). The Company has incurred a loss before tax of Rs. 1,826.12 million (30 June 2016: Rs. 1,071.16 million) during the period and as at the reporting date, its current liabilities have exceeded its current assets by Rs. 32,924.93 million, including Rs. 27,269.69 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 6,413.15 million. The difference between current liabilities and current assets would have been Rs. 36,874.81 million, had the Company classified its long term debts as current for reasons fully explained in note 2.4 to the condensed interim financial information.

These conditions cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business. However, the management is confident that the Company will be able to continue as a going concern based on the expectation of continuous availability of gas and restructuring of its existing over-due long-term debts and related mark-up as per the rehabilitation plan approved by the shareholders and currently filed in the Honorable Lahore High Court as per the provisions of repealed Companies Ordinance, 1984.

The expectation of continuous availability of gas for the rest of the year and in future looks promising based on the fact that the GOP has signed a 15 year agreement with Government of Qatar, to import nearly 3.75 million tons of LNG per year. The import of LNG has been streamlined at 600 mmscfd per day and GOP is planning to further increase it to 1,200 mmscfd per day through installation of second LNG terminal in the country. SNGPL is receiving almost complete flow of LNG imports under swap arrangement. Resultantly post winter gas situation in Pakistan has significantly improved. Besides this, the exploration activities in the north of the country particularly in Khyber Pakhtunkhwa (KPK) Province are being accelerated which will increase the gas supply into SNGPL system from the northern sources. The increased gas supply will greatly benefit the Company being the bulk gas consumer in north on the SNGPL network.

With the support of its lenders, the Company, for its rehabilitation, has prepared a scheme of arrangement ("the Scheme") to restructure its existing over-due long term debts and related markup as of 31 December 2013 through issuance of preference shares. The scheme also envisages settlement / restructuring and repayment of that portion of over due markup that is not converted into preference shares. After the approval by the Board of directors and shareholders of the proposed scheme in their meeting held on 05 November 2013 and 10 December 2013 respectively, the said scheme was filed with Honorable Lahore High Court under the provisions of repealed Companies Ordinance, 1984 on 10 June 2016 for necessary sanction and order. As at the reporting date, the proceeding are in progress and the order of the Honorable Lahore High Court is awaited.

In addition to above, the Company sees strong potential in selling its spare land after the necessary legal and commercial approvals. In 2016, 227 kanals Company's land was acquired by National Highway Authority (NHA) for the construction of China Pakistan Economic Corridor (CPEC) that crosses through the land owned by the Company. With the development of CPEC in next two years, the Company foresees significant appreciation of its spare land. The proceeds from the sale of land will also help settle the long term liabilities of the Company.

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

2.4 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 17. 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.

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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. 3,949.88 million as detailed below have continued to be classified as long term as per the repayment schedules in this condensed interim financial information as the management considers that event of default was not declared by the lenders at the reporting date:

<u>Redeemable capital</u>	Principal net of current maturity
	Rupees
Term Finance Certificates - I	412,115,550
Term Finance Certificates - II	1,895,928,870
Term Finance Certificates - III	136,220,700
Privately Placed Term Finance Certificates - VI	169,958,332
Sukkuks	439,945,000
	3,054,168,452
<u>Long term finances</u>	
Syndicate Term Finance - I	825,000,000
Bank Islami Pakistan Limited Term Finance	70,714,286
	895,714,286
	3,949,882,738

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 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.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 - Share-based Payment	01 January 2018
IAS 40 - Investment Property	01 January 2018
IAS 28 - Investment in Associates and Joint Ventures	01 January 2018
IFRIC 22- Foreign Currency Transactions and advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

- 3.3 The Companies Act, 2017 applicable for financial year beginning on 01 July 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – Property, plant and equipment. This would have resulted in reclassification of surplus on revaluation of property, plant and equipment - net of tax to equity by restating the corresponding figures which would result in increase in equity by Rs. 9,314.27 million, Rs. 9,080.31 million and Rs. 8,953.61 as at 31 December 2015, 31 December 2016 and 30 June 2017 respectively.

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For the six months period ended 30 June 2017

		(Un-audited) 30 June 2017 Rupees	(Audited) 31 December 2016 Rupees
4	Issued, subscribed and paid-up ordinary share capital		
	Class A ordinary shares of Rs. 10 each 383,430,000 (31 December 2016: 383,430,000)		
	Shares issued fully paid in cash	4.1 3,834,300,000	3,834,300,000
	Ordinary shares of Rs. 10 each 9,000,000 (31 December 2016: 9,000,000)		
	Shares issued for consideration other than cash	90,000,000	90,000,000
		<u>3,924,300,000</u>	<u>3,924,300,000</u>

- 4.1 As at 30 June 2017, National Bank of Pakistan, an associated undertaking holds 104,562,302 (31 December 2016: 104,562,302) representing 26.64% (31 December 2016: 26.64%) of the ordinary share capital of the Company.

		(Un-audited) 30 June 2017 Rupees	(Audited) 31 December 2016 Rupees
5	Issued, subscribed and paid-up preference share capital		
	Preference shares of Rs. 10 each 159,334,269 (31 December 2016: 159,334,269)		
	Shares issued fully paid in cash	5.1 1,593,342,690	1,593,342,690
		<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 shares issued at the rate of Rs. 10 per share under the agreement between the Company and various investors entered on 13 February 2012 ("Completion date") effective from 01 August 2011.

The Company shall have the option to redeem the preference shares plus any accumulated unpaid dividends in full or in part, within ninety days after the expiry of each anniversary of the issue date by giving at least thirty days notice in compliance with the provisions of the repealed Companies Ordinance, 1984. The Company will maintain a Capital Redemption Reserve as per the provisions of the repealed Companies Ordinance, 1984 in this regard.

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

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

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

For the six months period ended 30 June 2017

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

	(Un-audited)	(Audited)
	30 June	31 December
	2017	2016
	No. of shares	No. of shares
Faysal Bank Limited	31,035,594	31,035,594
National Bank of Pakistan	3,458,756	3,458,756
	<u>34,494,350</u>	<u>34,494,350</u>

5.3 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 repealed 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 issue of the Shares were duly approved by shareholders of the Company at 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 the 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 take 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 in the repealed Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the repealed Companies Ordinance, 1984 and the International Accounting Standards. Pending the resolution of 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 six months period ended 30 June 2017

		(Un-audited) 30 June 2017	(Audited) 31 December 2016
		Rupees	Rupees
6 Redeemable capital - secured	<i>Note</i>		
<u>Under interest / markup arrangements</u>			
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		1,599,800,000	1,599,800,000
		<u>12,165,534,546</u>	<u>12,165,534,546</u>
Transaction costs		(42,367,149)	(60,216,920)
		<u>12,123,167,397</u>	<u>12,105,317,626</u>
Current maturity presented under current liabilities		(9,111,366,094)	(8,107,473,137)
		<u>3,011,801,303</u>	<u>3,997,844,489</u>
7 Long term finances - secured			
Syndicate Term Finance - I		3,000,000,000	3,000,000,000
Syndicate Term Finance - II		472,037,000	472,037,000
Syndicate Term Finance - III		2,955,286,366	2,955,286,366
BankIslami Pakistan Limited - Term Finance		300,000,000	300,000,000
National Bank of Pakistan - Term Finance		132,083,735	132,083,735
Dubai Islamic Bank Limited - Term Finance		365,000,000	365,000,000
AlBaraka Bank (Pakistan) Limited - Diminishing Musharika		3,062,851	3,447,000
	7.1	<u>7,227,469,952</u>	<u>7,227,854,101</u>
Transaction costs		(9,038,726)	(13,816,173)
		<u>7,218,431,226</u>	<u>7,214,037,928</u>
Current maturity presented under current liabilities		(6,328,692,815)	(6,030,805,170)
		<u>889,738,411</u>	<u>1,183,232,758</u>
7.1 Types of long term finances - secured			
Interest / mark-up based financing		6,859,407,101	6,859,407,101
Islamic mode of financing		368,062,851	368,447,000
		<u>7,227,469,952</u>	<u>7,227,854,101</u>
8 Short term borrowings - secured			
These include outstanding balance of running finance facilities (istisna / salam / murabaha) obtained under shariah based arrangements amounting to Rs. 975.79 million (31 December 2016: Rs. 700.78 million) having a limit of Rs. 1,240.61 million (31 December 2016: Rs. 948.62 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 2016.			
9 Contingencies and commitments			
9.1 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 2016.			

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

For the six months period ended 30 June 2017

		(Un-audited) 30 June 2017 Rupees	(Audited) 31 December 2016 Rupees
9.2 Commitments			
9.2.1 Commitments under irrevocable letters of credit for:			
- purchase of plant and machinery		5,153,712	44,158,553
- purchase of raw material		17,417,927	19,389,743
		<u>22,571,639</u>	<u>63,548,296</u>
9.2.2	The amount of future ijarah rentals and the period in which these payments will become due are as follows:		
		(Un-audited) 30 June 2017 Rupees	(Audited) 31 December 2016 Rupees
	<i>Note</i>		
	Not later than one year	34,164,624	53,190,752
	Later than one year but not later than five year	10,215,742	10,582,955
		<u>44,380,366</u>	<u>63,773,707</u>
10 Property, plant and equipment			
Operating fixed assets	<i>10.1</i>	40,226,281,192	40,721,679,326
Capital work in progress		61,625,401	47,887,441
		<u>40,287,906,593</u>	<u>40,769,566,767</u>
10.1 Operating fixed assets			
Net book value at beginning of the period		40,721,679,326	41,859,633,079
Add: Additions during the period	<i>10.1.1</i>	44,274,920	8,637,284
Less: Disposals during the period - net book value		11,797,298	74,205,909
Depreciation for the period		527,875,756	1,072,385,128
		539,673,054	1,146,591,037
Net book value at end of the period		<u>40,226,281,192</u>	<u>40,721,679,326</u>

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

For the six months period ended 30 June 2017

		(Un-audited) 30 June 2017	(Audited) 31 December 2016
		Rupees	Rupees
10.1.1 Additions - cost	<i>Note</i>		
<u>Owned assets</u>			
Buildings on freehold land		17,937,935	-
Plant and machinery		-	347,161
Furniture, fixtures and office equipment		1,776,397	4,827,723
Vehicles and rail transport		1,577,768	3,462,400
Tools and other equipment		1,395,300	-
Catalyst		21,587,520	-
		<u>44,274,920</u>	<u>8,637,284</u>
11 Cash and bank balances			
Cash in hand		636,619	997,634
Cash at banks			
<i>Local currency</i>			
- current accounts	<i>11.1</i>	243,320,262	130,216,762
<i>Interest based deposits with conventional banks</i>			
- savings accounts	<i>11.2</i>	1,649,452	16,079,262
<i>Profit based deposits with islamic banks</i>			
- Saving accounts		-	-
		<u>244,969,714</u>	<u>146,296,024</u>
		<u>245,606,333</u>	<u>147,293,658</u>
11.1	These include Rs. 3.95 million (31 December 2016 : Rs 22.37 million) placed under an arrangement permissible under Shariah with Islamic Bank.		
11.2	Rate of return on saving accounts ranges from 5% to 6% per annum (31 December 2016: 5% to 6% per annum).		
12 Other Income	<i>Note</i>	(Un-audited) 30 June 2017	(Un-audited) 30 June 2016
		Rupees	Rupees
<u>Income from financial assets</u>			
Return on bank deposits		712,022	1,985,168
Mark-up on advances to employees		362,093	185,131
		1,074,115	2,170,299
<u>Income from non-financial assets</u>			
Sale of scrap		1,335,589	6,919,645
Liabilities no longer payable written back - net		-	5,142,508
Income from experimental farm		4,105,498	1,980,488
Miscellaneous	<i>12.1</i>	432,671	11,118,424
		<u>5,873,758</u>	<u>25,161,065</u>
		<u>6,947,873</u>	<u>27,331,364</u>

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

For the six months period ended 30 June 2017

12.1 This includes sale of dust urea amounting to Rs. Nil (30 June 2016: Rs. 9.84 million).

13 Transactions and balances with related parties

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

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

	(Un-audited) January to June 2017 Rupees	(Un-audited) January to June 2016 Rupees
13.1 Transactions with related parties		
13.1.1 Associate		
National Bank of Pakistan		
Mark-up expense	120,655,999	126,252,600
Preference dividend	1,886,680	1,891,921
Advisory fees	-	60,000,000
Bank balances - net	(12,345,511)	(809,100)
13.1.2 Other related parties		
Faysal Bank Limited		
Mark-up expense	74,547,737	78,084,740
Preference dividend	16,929,279	16,976,300
Trustee fee	-	8,034,172
Bank balances - net	(5,591)	(1,764)
Standard Chartered Bank (Pakistan) Limited		
Mark-up expense	60,227,884	70,307,078
Long term loan repaid	-	15,049,773
Bills payable - net	-	459,997,051
Short term borrowings - net	79,535,350	-
Bank balances - net	684,539	(11,446,873)
Silk Bank Limited		
Mark-up expense	25,370,345	23,089,974
Mark-up paid	19,266,821	26,604,136
Short term borrowings - net	201,480,069	39,882,669
Bank balances - net	-	(153,000,000)
Bills payable - net	1,162,489	38,401,453
Summit Bank Limited		
Mark-up expense	41,922,047	41,147,711
Mark-up paid	8,576,221	21,485,236
Short term borrowings - net	507,710,506	446,694,952
Bank Balances - net	-	(125,000,030)
Bills payable-net	21,409,150	-

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

For the six months period ended 30 June 2017

	(Un-audited) January to June 2017 <u>Rupees</u>	(Un-audited) January to June 2016 <u>Rupees</u>
13.1.3 Post employment benefit plans		
Provident Fund Trust	9,357,001	8,685,420
Gratuity Trust	5,204,597	4,551,361
13.1.4 Key management personnel		
Short term employee benefits	8,150,000	7,972,400
Post employment benefits	441,490	274,890
	(Un-audited) 30 June 2017 <u>Rupees</u>	Audited 31 December 2016 <u>Rupees</u>
13.2 Balances with related parties		
13.2.1 Associate		
National Bank of Pakistan		
Long term finances	2,467,083,735	2,467,083,735
Redeemable capital	462,057,100	462,057,100
Bills payable	187,030,000	187,030,000
Preference shares	34,587,560	34,587,560
Mark-up payable	2,265,000,357	2,144,344,358
Preference dividend payable	172,844,496	170,957,816
Bank accounts balances	1,999,580	14,345,091
Advisory fee	738,600,000	738,600,000
Advance for transaction cost	23,200,000	23,200,000
13.2.2 Other related parties		
Faysal Bank Limited		
Redeemable capital	1,499,109,500	1,499,109,500
Long term finances	350,000,000	350,000,000
Preference shares	310,355,940	310,355,940
Mark-up payable	1,237,211,869	1,162,664,131
Preference dividend payable	183,416,109	166,486,830
Bank account balances	153,158	158,749
Standard Chartered Bank (Pakistan) Limited		
Redeemable capital	146,995,500	146,995,500
Long term finances	1,445,302,020	1,445,302,020
Mark-up payable	1,047,823,900	987,596,016
Bank account balances	77,548,835	76,864,296
Short term borrowings	79,535,350	-

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For the six months period ended 30 June 2017

	(Un-audited) 30 June 2017 <u>Rupees</u>	Audited 31 December 2016 <u>Rupees</u>
Silk Bank Limited		
Long term finances	130,607,546	130,607,546
Short term borrowings	751,241,681	549,761,612
Bills payable	1,162,489	-
Mark-up payable	189,990,182	183,886,656
Summit Bank Limited		
Redeemable capital	603,406,000	603,406,000
Short term borrowings	961,106,083	453,395,577
Mark-up payable	312,700,205	279,354,380
Bills payable	21,409,150	-
Bank account balances	97,564	97,564
13.2.3 Post employment benefit plans		
Payable to Provident Fund Trust	-	-
Payable to Gratuity Trust	26,113,341	28,698,815

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

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

For the six months period ended 30 June 2017

	(Un-audited) January to June 2017 Rupees	(Un-audited) January to June 2016 Rupees
14 Cash flow from operating activities		
Loss before taxation	(1,826,120,096)	(1,071,161,064)
<i>Adjustment for non-cash items:</i>		
Interest / mark-up expense	999,588,521	1,080,936,527
Amortization of transaction costs	22,627,218	28,601,966
Depreciation on property, plant and equipment	527,875,756	533,569,206
Amortization of computer software	1,274,364	5,313,000
Provision for staff retirement benefit	5,204,597	4,551,361
Mark-up / interest income	(1,074,115)	(2,170,299)
Loss on sale of property, plant and equipment	1,517,584	6,069,024
	1,557,013,925	1,656,870,785
Operating (loss) / profit before changes in working capital	(269,106,171)	585,709,721
Changes in working capital		
<i>(Increase) / decrease in current assets:</i>		
Stores, spares and loose tools	(26,598,896)	19,446,848
Stock-in-trade	(654,113,222)	(1,077,776,350)
Trade receivables	(211,831,067)	(146,439,200)
Advances, deposits, prepayments and other receivables	(26,888,714)	(420,679,860)
	(919,431,899)	(1,625,448,562)
<i>Increase/ (decrease) in current liabilities:</i>		
Trade and other payables	391,519,183	(279,795,762)
Cash used in operations	(797,018,887)	(1,319,534,603)

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

For the six months period ended 30 June 2017

15 Segment reporting

15.1 Reportable segments

The Company's reportable segments are as follows:

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

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

15.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	(Un-audited) 30 June 2017	(Un-audited) 30 June 2016	(Un-audited) 30 June 2017	(Un-audited) 30 June 2016	(Un-audited) 30 June 2017	(Un-audited) 30 June 2016
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
For the six months period ended						
External revenues	1,216,513,811	2,688,353,752	247,297,570	217,872,127	1,463,811,381	2,906,225,879
Inter-segment revenue	-	-	-	-	-	-
Reportable segment loss before tax	(1,784,973,102)	(1,055,174,391)	(41,146,994)	(15,986,673)	(1,826,120,096)	(1,071,161,064)
	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	(Un-audited) 30 June 2017	Audited 31 December 2016	(Un-audited) 30 June 2017	Audited 31 December 2016	(Un-audited) 30 June 2017	Audited 31 December 2016
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at						
Reportable segment assets	44,243,013,441	43,808,046,008	4,198,777,240	4,096,549,693	48,441,790,681	47,904,595,701
Reportable segment liabilities	45,381,375,997	42,937,640,108	510,126,203	560,288,686	45,891,502,200	43,497,928,794

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For the six months period ended 30 June 2017

	(Un-audited) January to June 2017	(Un-audited) January to June 2016
	Rupees	Rupees
15.3 Reconciliation of reportable segment profit or loss		
For the six months period ended		
Total loss for reportable segments before taxation	(1,826,120,096)	(1,071,161,064)
Taxation	51,821,709	228,275,317
Loss after taxation	<u>(1,774,298,387)</u>	<u>(842,885,747)</u>
	(Un-audited) 30 June 2017	(Un-audited) 30 June 2016
	Rupees	Rupees
16 Cash and cash equivalents		
Short term borrowings -running finance - secured	(2,497,773,909)	(2,479,841,379)
Cash and bank balances	245,606,333	41,480,880
	<u>(2,252,167,576)</u>	<u>(2,438,360,499)</u>

17 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 June 2017 are as follows:

	Principal Rupees	Interest / markup Rupees	Total Rupees
Nature of liability			
Redeemable capital - secured	7,103,580,181	7,259,098,792	14,362,678,973
Long term finances - secured	5,731,549,958	5,003,799,856	10,735,349,814
Short term borrowings - secured	1,275,027,597	896,631,997	2,171,659,594
	<u>14,110,157,736</u>	<u>13,159,530,645</u>	<u>27,269,688,381</u>

18 Fair value of financial assets and liabilities

The carrying amounts of redeemable capital and long term finances equal their fair values and are determined using the valuation model that considers the present value of expected future cash flows, discounted using a market rate of interest. As the input is unobservable market data, it is classified under level 2.

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

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 2016.

19 Financial risk management

The Company's financial risk management objective and policies are consistent with the disclosed in the financial statements for the financial year ended on 31 December 2016.

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For the six months period ended 30 June 2017

20 Date of authorization

This condensed interim financial information was authorized for issue by Board of Directors of the Company on 25 August, 2017.

21 General

Figures have been rounded off to the nearest rupee.



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