



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

Annual Report | 2017



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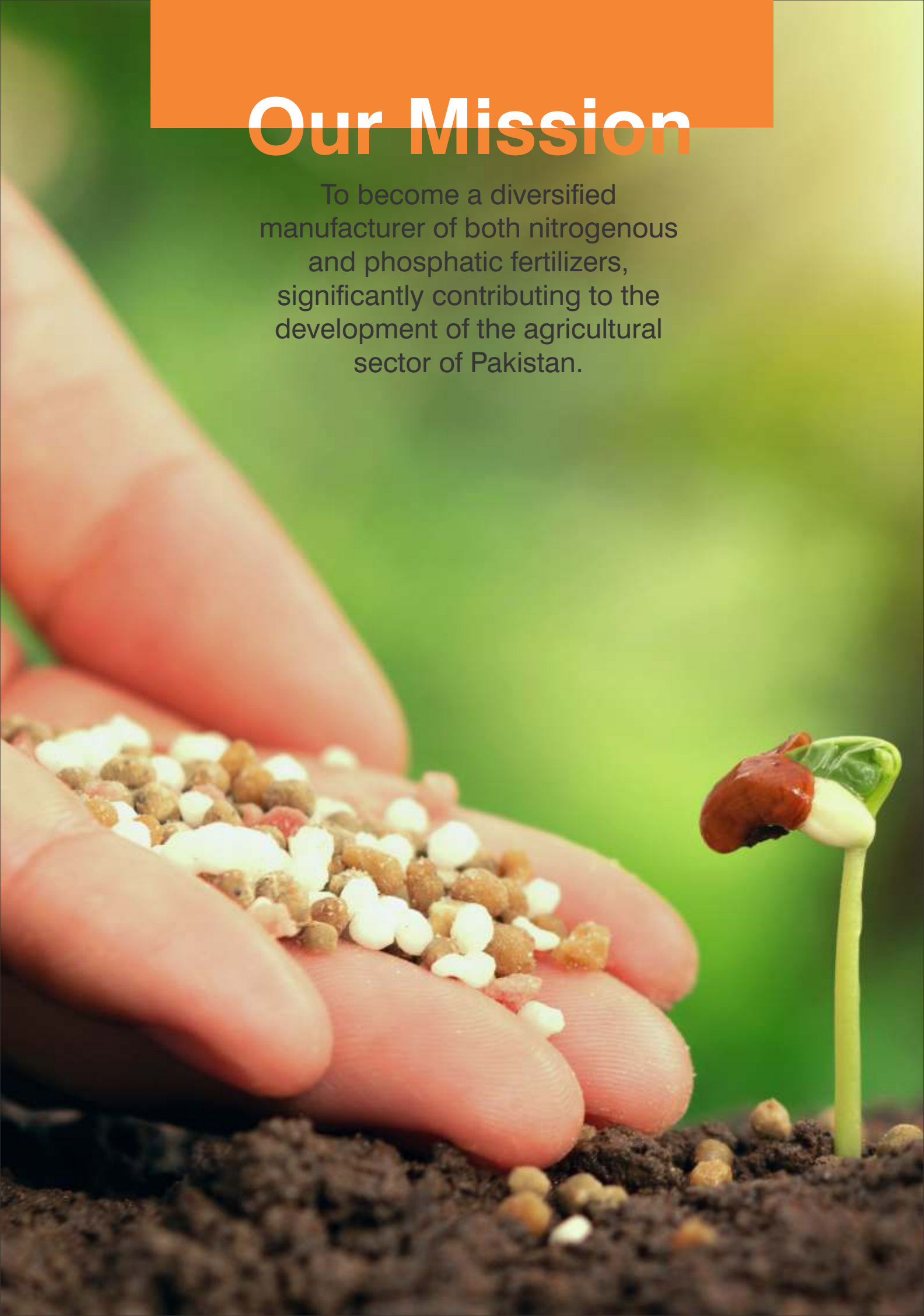
Agritech Limited owns and operates Pakistan's one of the newest and most efficient urea manufacturing plant at Mianwali, Punjab Province. The Company also operates the manufacturing facility of GSSP (Granular Single Super Phosphate) at Haripur Hazara, Khyber Pakhtunkhwa (KPK) Province. The Company markets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



*Agritech Urea Fertilizer Plant
Daudkhel*

Our Mission

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



Our Vision

To become a major regional
diversified fertilizer company



Company Information

Board of Directors

Mr. Muhammad Faisal Muzammil
Chief Executive Officer

Mr. Sardar Azmat Babar

Mr. Talha Saeed

Mr. Asim Murtaza Khan

Mr. Abdul Karim Sultanali

Mr. Asim Jilani

Ms. Amena Zafar Cheema

Chief Financial Officer

Mr. Taneem Haider

Audit Committee

Mr. Asim Murtaza Khan (Chairman)

Mr. Talha Saeed

Mr. Abdul Karim Sultanali

Mr. Asim Jilani

HR & Remuneration Committee

Mr. Muhammad Faisal Muzammil

Ms. Amena Zafar Cheema

Mr. Asim Jilani

Legal Advisor

Mr. Barrister Babar S Imran

Shares Registrar

Hameed Majeed Associates (Private) Limited

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants,
Lahore.

Bankers

JS Bank Limited

Faysal Bank Limited

National Bank of Pakistan

Standard Chartered Bank (Pakistan) Limited

Albaraka Bank Pakistan Limited

Dubai Islamic Bank Pakistan Limited

Summit Bank Limited

Silk Bank Limited

Allied Bank Limited

Bank Alfalah Limited

The Bank of Punjab

Bank Islami Pakistan Limited

Askari Bank Limited

Pak Libya Holding Company (Pvt.) Limited

Soneri Bank Limited

Citi Bank N.A.

Meezan Bank Limited

United Bank Limited

Habib Bank Limited

MCB Bank

Registered Office

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

Ph: +92 (0) 42 35860341-44

Fax: +92 (0) 42 35860339-40

Project Locations

Unit I

Urea Plant

Iskanderabad, District Mianwali.

Ph: +92 (0) 459 392346-49

Unit II

GSSP Plant

Hattar Road, Haripur.

Ph: +92 (0) 995 616124-5



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

Directors' Report

ڈائریکٹرز رپورٹ

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

ایگری ٹیک لمیٹڈ، کمپنی کے بورڈ آف ڈائریکٹرز اور مینجمنٹ ٹیم، 31 دسمبر 2017ء کو ختم ہونے والے سال کے لئے نظر ثانی شدہ مالیاتی گوشواروں کے ہمراہ کمپنی کی سالانہ رپورٹ پیش کرتے ہوئے خوش ہے۔

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

Business Review

کاروباری جائزہ

Principal Activities

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

بنیادی سرگرمیاں

کمپنی کا بنیادی کاروبار کھاد کی پیداوار اور ترسیل ہے۔ کمپنی ملک میں موجود توانائی کے لحاظ سے 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 پلانٹس سے کھاد کو مارکیٹ کرتی ہے۔

Year in Review

سال کا جائزہ

Financial Results of Agritech Limited for the year ending:

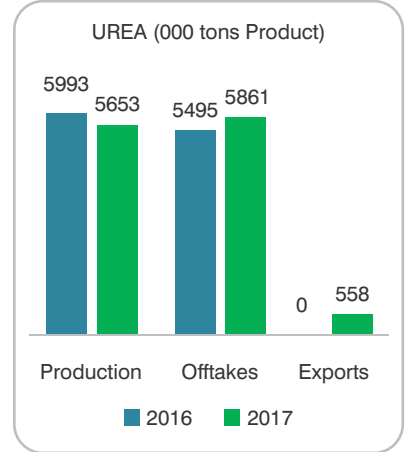
ایگری ٹیک لمیٹڈ کے مالیاتی نتائج سال اختتام

		December 31, 2017	December 31, 2016
Sales - Net	فروخت - نیٹ	3,551,518,706	7,515,414,222
Operating Profit / (Loss)	آپریٹنگ منافع / (نقصان)	(1,751,126,580)	452,040,731
Finance cost	فنانس لاگت	(2,125,212,925)	(2,178,480,370)
Profit / (Loss) before Tax	منافع / (نقصان) قبل از ٹیکس	(3,876,339,505)	(1,726,439,639)
Profit / (Loss) after Tax	منافع / (نقصان) بعد از ٹیکس	(4,308,414,920)	(2,308,924,696)
Earning / (Loss) per share	آمدنی / (نقصان) فی حصص	(11.43)	(6.33)

Overview of Fertilizer Industry

Urea industry registered an offtake increase of 7% (5861KT: 2017 vs 5495KT: 2016) due to better farmers' economics of major crops. Continuity of subsidy on Urea help reduce input cost to the farmers that has resulted in significant recovery urea offtakes. Production of Urea, however, saw a reduction of 6% (5653KT:2017 vs 5993KT: 2016) due as gas curtailment again meted out to the plants on SNGPL network. Industry also exported some 558KT of Urea to ease off the pressure of urea glut that has been prevailing in the market from last year due to higher production and lower offtakes.

The Company was also effected by the recurring gas curtailment on SNGPL Network and managed to produce 114KT Urea (249KT: 2016) vs installed capacity of 430KT. The Company sold 110KT urea (261KT: 2016) including 5KT of exports during the year.



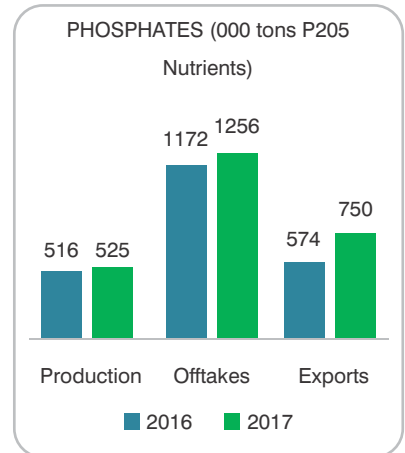
کھاد کی صنعت کا مجموعی جائزہ

کھاد کی صنعت نے بڑی فصلوں کے کسانوں کی بہتر معیشت کے سبب فروخت میں 7 فیصد (5495:2016 ہزار ٹن کے مقابلے 5861:2017 ہزار ٹن) کا اضافہ درج کیا ہے۔ یوریا کی مسلسل سبسڈی نے کسانوں کے اخراجات کو کم کرنے میں مدد کی ہے جس کے نتیجے میں یوریا کی فروخت میں نمایاں ریکوری ہوئی۔ گیس کی تخفیف کے باعث دوبارہ پلانٹس کو SNGPL نیٹ ورک سے ہٹائے جانے کی وجہ سے یوریا کی پیداوار، تاہم، 6 فیصد (5993:2016 ہزار ٹن کے مقابلے 5653:2017 ہزار ٹن) کم ہوئی۔ صنعت نے یوریا کی بہتات کے دباؤ کو ختم کرنے کے لئے 558 ہزار ٹن یوریا برآمد بھی کیا جو گزشتہ سالوں سے زیادہ پیداوار اور کم فروخت کی وجہ سے مارکیٹ میں چلی آ رہی تھی۔

کمپنی SNGPL نیٹ ورک پر گیس کی تخفیف کا سامنا کرنے سے بھی کافی متاثر ہوئی تھی اور 430 ہزار ٹن کی نصب شدہ صلاحیت کے برعکس 114 ہزار ٹن یوریا (249:2016 ہزار ٹن) بنانے کے قابل رہی۔ کمپنی نے سال کے دوران 5 ہزار ٹن برآمدات سمیت 110 ہزار ٹن یوریا (261:2016 ہزار ٹن) فروخت کیا۔

Phosphates

Consumption of phosphates continued to register strong growth as all phosphates products offtakes in Nutrient terms increased by 7% (1256KT: 2017 vs 1172KT: 2016) that is attributed to the continuity of subsidy on phosphatic fertilizers in the form of reduced taxes. Major increase witnessed in the offtakes of DAP product with 8% growth and DAP imports also surged by 31% (1628KT:2017 vs 1243KT:2016). The Company, being a major SSP player, produced 62K tons SSP in 2017 (70 K tons: 2016) and sold 61 K tons in 2017 (64 K tons: 2016).



فاسفیٹس

فاسفیٹس کا استعمال مضبوط نمو کے ساتھ جاری رہا کیونکہ نیوٹریٹ شرائط میں تمام فاسفیٹس مصنوعات کی فروخت 7 فیصد تک بڑھ گئی (1172:2016 ہزار ٹن کے مقابلے 2017: 1256 ہزار ٹن) جو کم ٹیکس کی شکل میں فاسفیٹ کھادوں پر سبسڈی کے تسلسل سے منسوب ہے۔ ڈی اے پی مصنوعات کے فروخت میں اہم اضافہ 8 فیصد نمودار کیا گیا اور ڈی اے پی کی درآمدات بھی 31 فیصد تک کم ہوئی (1243:2016 ہزار ٹن کے مقابلے 1628:2017 ہزار ٹن)۔ کمپنی نے، ایس ایس پی کے اہم مینوفیکچر ہونے کے ناطے، 2017 میں 62 ہزار ٹن ایس ایس پی (70 ہزار ٹن: 2016) پیدا کی اور 2017 میں 61 ہزار ٹن (64 ہزار ٹن: 2016) فروخت کی ہے۔



Future Outlook

Recovery in Urea offtakes likely to continue in 2018 with improved farms economics of major crops. Higher Urea offtakes during 2018 likely to create supply demand gap in urea, requiring increased urea supply to meet the growing demand. Indigenous urea capacity that remained closed will become vital to meet the increased demand as the local production of Urea helps GOP save previous Foreign Exchange and lower subsidy requirement than urea imports. The scenario will surely be helpful for Agritech to streamline its gas supply issue on consistent basis with GOP to meet the urea offtakes deficit in the country. The commercial operations of second LNG terminal in the country will increase the overall gas availability in the country, particularly in the SNGPL system. Higher gas availability with SNGPL will likely to create necessary space for The Company to negotiate gas supply at affordable rates to operationally revive its urea plant.

Growing awareness of importance of phosphate use among farmers coupled with better returns from major crops will help sustain demand for Phosphates fertilizers including SSP in the country. The Company will further strengthen its leadership position in the SSP category with improved sales and margin in the business.

مستقبل کا نقطہ نظر

2018 میں یوریا کی فروخت میں ریکوری بڑی فصلوں کی بہتر فارمز معیشت کے ساتھ جاری رہنے کا امکان ہے۔ 2018 کے دوران یوریا کی زیادہ فروخت کی وجہ سے یوریا کی فراہمی اور طلب میں خلاء پیدا ہونے کا امکان ہے، مطلوبہ اضافی یوریا کی فراہمی بڑھتی ہوئی طلب کو پورا کرے گی۔ مقامی یوریا کی صلاحیت جو ختم ہو گئی ہے اضافی طلب کو پورا کرنے کے لئے اہم ہو جائے گی کیونکہ یوریا کی مقامی پیداوار پچھلے غیر ملکی زرمبادلہ کو محفوظ کرنے اور یوریا درآمدات سے سبسڈی کی ضروریات کو کم کرنے میں حکومت پاکستان کی مدد کرتی ہے۔ منظر نامہ ملک میں یوریا کی فروخت کے خسارہ کو پورا کرنے کے لئے حکومت پاکستان کے ساتھ مستقل بنیاد پر گیس کی فراہمی کے مسئلہ کو حل کرنے کے لئے یقیناً ایگری ٹیک کی مدد کرے گا۔ ملک میں دوسرے LNG ٹرمینل کے تجارتی آپریشنز ملک میں مجموعی، خاص طور پر SNGPL سسٹم میں گیس کی دستیابی کو بڑھا دیں گے۔ SNGPL کے ساتھ زیادہ گیس کی دستیابی اپنے یوریا پلانٹ کی آپریشنلی بحالی کے لئے سستے نرخوں پر گیس کی فراہمی پر بات چیت کرنے کے امکانات پیدا کر دے گی۔

کاشتکاروں میں فاسفیٹ کے استعمال کی اہمیت اجاگر ہونے کے ساتھ ساتھ بڑی فصلوں سے بہتر منافع ملک میں ایس ایس پی سمیت فاسفیٹس کھادوں کی طلب کو مستحکم کرنے میں مدد کرے گا۔ کمپنی کا روبرار میں بہتر فروخت اور مارجن کے ساتھ ایس ایس پی میں اپنی قیادتی پوزیشن کو مزید مستحکم بنائے گی۔

Capital Restructuring

Gas curtailment to the Company's Urea plant during the past five years was the major cause of non-servicing of the debt of the Company and the accumulation of mark-ups further increased its debt burden. In order to streamline this debt burden, a Capital Restructuring Plan was envisaged with the cooperation of lenders to devise a sustainable capital structure, which included the conversion of its existing long term debt including mark-ups into Preference Shares. The plan also includes sale of excess land to payoff long term lenders after seeking the necessary approvals. The infrastructure developments plans of GOP around the Company's both plants will likely to increase the value of its land. Particularly, the participation of the Company in CPEC project's section Hakla-Daudkhel-DI Khan through provision of land for the said project looks very exciting and with the completion of CPEC, the surplus land of the Company has potential for commercial and industrial activities for CPEC related trades in the future.

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.

سرماہی کی تنظیم نو

گزشتہ پانچ سالوں کے دوران کمپنی کے یوریا پلانٹ کو گیس کی تخفیف نہ صرف قرض کی واپسی میں تاخیر کی اہم وجہ ہے بلکہ قرض اور سود میں اضافے کا سبب بھی ہے۔ اس 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 کمپنی کے پاس موجود اضافی اراضی کا فروخت ہے جس کی آمدنی سے طویل مدتی قرض دہندہ کے واجبات کی ادائیگی ممکن ہوگی۔ حکومت کے بنیادی ڈھانچے کی ترقی کے منصوبے سے دونوں پلانٹس کے گرد اراضی کی قیمت میں اضافے کا امکان ہے۔ خاص طور پر سی پیک منصوبے کے سیکشن ہاکلا-داؤدخیل-ڈی آئی خان میں کمپنی کی شرکت، بذریعہ اراضی کی فراہمی، بہت اہم ہے۔ سی پیک کی تکمیل کے بعد کمپنی کی اضافی اراضی مستقبل میں متعلقہ ٹریڈرز کے لئے تجارتی اور صنعتی سرگرمیوں میں اہم کردار ادا کرے گی۔ سرماہی کی تنظیم نو کے اس پلان کیلینڈر آرڈیننس 1984 کی دفعہ 284-288 کے تحت جون 2016 میں لاہور ہائی کورٹ میں ایک پٹیشن کے ذریعے دائر کیا گیا۔ لاہور ہائی کورٹ میں سماعت جاری ہے اور کمپنی عدالت کے ذریعے فیصلہ اپنے حق میں حاصل کرنے کے لئے پُر امید ہے، جس سے کمپنی کی مالی پوزیشن میں بہتری آئے گی۔

Modification in the Auditors report

آڈٹ کی رپورٹ میں اعتراضات

Qualifications

In auditor's report for the period, auditors raised following concerns

- "the Company has not made repayments of principal and interest / mark-up related to long term debts as per the repayment schedules and as at the reporting date has not complied with certain financial and other covenants as required under the loan agreements. 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. Despite of these non-compliances, the long term debts have been classified as non-current according to their respective repayment terms. Had these debts been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 2,647.22 million as at the reporting date"

In this regards, the long term lenders have continued to show their confidence in diversified business and experienced management to gradually improve the financial performance despite unlawful gas curtailment inflicted to the company and did not call the loans. Also the banks/ lenders have signed the debt swap agreement, by virtue of which they have become sponsors of the company and have given NOCs for the Rehabilitation plan that shows their continuous support for the company. The management expects to deliver better performance with revitalized shareholding strength and continued support from its lenders.

- "management has assessed the recoverability of deferred tax asset on tax losses and tested the impairment of goodwill based on five years business plan approved by the Board of Directors and asserts that no impairment is required. However, we are unable to obtain sufficient appropriate audit evidence with respect to key assumptions used in the business plan i.e. operational days based on availability of natural gas and cost of raw material based on gas rates as approval for supply and price of gas to the Company from Government of Pakistan is available only till October 2019. Management is

however confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustments in respect of impairment were necessary for goodwill amounting to Rs. 2,567.31 million and deferred tax assets amounting to Rs. 6,113.59 million recognized on tax losses of Rs. 20,378.62 million in these financial statements".

کوالیفیکیشن

آڈیٹر نے رپورٹ میں تشویش کا اظہار کیا ہے کہ

(a) "کمپنی اپنے طویل مدتی قرض کے متعلقہ اصل رقم اور سود/مارک اپ کی واپس ادائیگی کے شیڈول کے مطابق ادا کرنے اور رپورٹنگ تاریخ تک قرض معاہدہ کے تحت قرض دہندہ کی طرف سے عائد بعض مالی اور دیگر معاہدوں پر عمل نہیں کر سکی ہے۔ مالی گوشواروں کی پیشگی پرائیویٹسٹل اکاؤنٹنگ معیارات (IAS-1) کے مطابق ضروری ہے کہ اگر کوئی رپورٹنگ مدت کے اختتام پر یا قبل طویل مدتی قرض کی خلاف ورزی کرتا ہے تو اس کے قرض کے واجبات کی ادائیگی قرض دہندہ کے مطالبے پر واجب الادا ہو جاتی ہے اور اس صورت میں اس کو اپنا موجودہ قرضہ قلیل مدتی ذمہ داری میں دکھانا ہوگا۔ تاہم، IAS-1 کے مطابق ان مالی گوشواروں میں طویل مدتی قرضوں کو طویل مدتی دکھایا گیا ہے، کمپنی کی موجودہ واجب ادائیگیاں رپورٹنگ تاریخ کو 2,647.22 ملین روپے تک زیادہ ہو گئیں۔"

بابت ہذا میں، طویل مدتی قرض دہندہ نے متنوع کاروبار میں اور تجربہ کار مینجمنٹ پر اعتماد کا اظہار کیا ہے تاکہ وہ اس بہتر گیس کی فراہمی کی صورت حال میں کمپنی کی مالیاتی کارکردگی کو بہتر بنا سکے اور قرض کا مطالبہ نہیں کیا۔ بینکوں / قرض دہندہ نے قرض کے تبادلے کے معاہدے پر بھی دستخط کیے ہیں جس کی بنا پر وہ کمپنی کے مالکان بن گئے ہیں اور منصوبہ کی بحالی کے لئے این اوی دیا ہے جو کمپنی کے ساتھ ان کے مسلسل تعاون کو ظاہر کرتا ہے۔ مینجمنٹ بحالی شیڈولنگ قوت اور قرض دہندگان سے مسلسل تعاون کے ساتھ اگلے سالوں میں بہتر کارکردگی کی امید رکھتی ہے۔

(b) "مینجمنٹ نے بورڈ آف ڈائریکٹرز کی طرف سے منظور شدہ پانچ سالہ کاروباری منصوبہ کی بنیاد پر ٹیکس نقصانات پر منحصر ٹیکس اثاثوں کی وصولی کا جائزہ لیا اور اچھی طرح سے خرابی کی جانچ پڑتال کی اور اس بات پر زور دیا کہ کوئی نقصان نہیں ہوا ہے۔ تاہم، ہم کاروباری منصوبے میں استعمال ہونے والے کلیدی مفادات کے بارے میں مناسب آڈٹ کے ثبوت حاصل کرنے میں قاصر ہیں مثلاً قدرتی گیس کی دستیابی پر مبنی آپریشنل دنوں اور فراہمی کی منظوری کے مطابق گیس کی شرحوں پر مبنی خام مال کی قیمت اور حکومت پاکستان سے کمپنی کے لئے گیس کی قیمت صرف اکتوبر 2019 تک دستیاب ہے۔ تاہم مینجمنٹ کو یقین ہے کہ گیس کی فراہمی طویل مدت تک دستیاب ہوگی۔ اس کے نتیجے میں، ہم اس بات کا تعین کرنے سے قاصر تھے کہ خرابی کے سلسلے میں ان مالیاتی گوشواروں میں 20,378.62 ملین روپے کے تسلیم شدہ ٹیکس نقصانات 6,113.59 ملین روپے کے ٹیکس اثاثوں اور 2,567.31 ملین روپے کی بہتر کارکردگی کی ایڈجسٹمنٹ ضروری تھی۔"

Emphasis

Auditors also raised concern about company ability to operate as going concern. The fact of the matter is that the company was forced to breach the covenants imposed by the lenders due to operational issues faced by the continued gas curtailments unduly inflicted upon it in past years and repeated urea plant closure owing to gas load shedding. These financial statements are, however, being prepared on a going concern basis.

The expectation of continuous availability of gas is 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 in 2017 with debottlenecking and 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 surplus gas from Khyber Pakhtunkhwa ("KPK") post winter is also available in the SNGPL north system. The increased gas supply will greatly benefit to the Company being the bulk gas consumer in north on the SNGPL network. At present the Company has the option of both; keep on getting domestic gas from SNGPL system or switch to RLNG under swap arrangement.

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 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 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.

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 financial statements are prepared on a going concern basis and do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

Auditors also emphasized on treatment of Redeemable Preference Shares. The redeemable Preference shares have been treated as part of equity, in view of the requirements of Companies Ordinance, 1984. The matter of its clarification will be dealt in accordance with the clarification from Securities and Exchange Commission of Pakistan (SECP).

تاکید

آڈیٹرز نے چلتی ہوئی کمپنی (Going Concern) ہونے کی صلاحیت پر تشویش کا اظہار کیا ہے۔ اس معاملے کی حقیقت یہ ہے کہ کمپنی کو گزشتہ سالوں میں گیس کی تخفیف کا سامنا ہونے اور گیس کی لوڈ شیڈنگ کی وجہ سے یوریا پلانٹ کی بار بار بندش کی بدولت آپریشنل مسائل کے سبب قرض دہندگان کی طرف سے عائد معاہدوں کی خلاف ورزی پر مجبور ہو گئی تھی۔ تاہم، یہ مالی گوشوارے جاری تشویش کی پر مبنی ہیں۔

گیس کی مسلسل فراہمی کی اُمید 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 ملین ٹن ایل این جی درآمد کرے گی۔ ایل این جی کی درآمد 600 MMCFD ہے اور حکومت پاکستان ملک میں مزید ایک ایل این جی ٹرمینل کی تنصیب کے ذریعے 1,200 MMCFD تک پہنچانے کا ارادہ رکھتی ہے۔ ایل این جی پی ایل تبادلہ نظام کے تحت ایل این جی کی درآمد کا 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، SNGPL کے شمالی سسٹم میں خاص طور پر خیبر پختونخواہ (کے پی کے) کے صوبے سے گیس کی اضافی فراہمی دستیاب ہے۔ جہاں اضافی گیس کی فراہمی سے کمپنی کو بلک گیس صارف ہونے کی وجہ سے فائدہ ہوگا۔ اس وقت کمپنی کے پاس SNGPL سسٹم سے مقامی گیس حاصل کرنے یا معاہدے کے تحت RLNG پر منتقلی کے دونوں آپشن ہیں۔

کمپنی کے بحالی کے لئے اس کے قرض دہندہ کی حمایت کے ساتھ طویل مدتی قرضوں اور سود کی تشکیل نو کے 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۔ ڈائریکٹر 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۔

مینیجمنٹ 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 کے مالی گوشوارے چلتی ہوئی کمپنی (Going Concern Basis) پر مرتب کئے گئے 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۔

آڈیٹرز نے قابل وصولی ترجیحی حصص کی ٹریڈنگ پر بھی زور دیا ہے۔ کمپنیز آرڈیننس 1984ء کی ضروریات کے مطابق، قابل وصولی ترجیحی حصص کو ایکویٹی کا حصہ تصور کیا گیا ہے۔ اس معاملہ کی وضاحت پاکستان سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی وضاحت کے مطابق پیش کی جائے گی۔

Loss per share

The loss per share of the Company for the period ended on 31 December 2017 is Rs. 11.43 per share.

فی شیئر نقصان

31 دسمبر 2017 کو ختم ہونے والی مدت کے لئے کمپنی کا فی شیئر نقصان 11.43 روپے فی شیئر ہے۔

Dividend

Due to circumstances already discussed the Board of Directors does not recommend any dividend for the period ended on 31 December 2016.

ڈیویڈنڈ

مذکورہ بالا حالات کے باعث 31 دسمبر 2017 کو ختم ہونے والی مدت کے لئے بورڈ آف ڈائریکٹرز نے کسی ڈیویڈنڈ کی سفارش نہیں کی ہے۔

Corporate Governance and Financial reporting framework

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

- The financial statements prepared by the management of company present accurate state of company's operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards as applicable in Pakistan have been followed in the preparation of financial statements
- The system of internal controls is sound and has been effectively implemented and monitored
- The Board is satisfied that the company is performing well as going concern under the Code of corporate governance.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- There are no statutory payment on account of taxes, duties levies and charges which are outstanding as on 31 December 2017 except of those disclosed in the financial statements.
- No material changes and commitments affecting the financial position have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's report.

Investment in retirement benefits

The value of investments made by the employees retirement benefits funds operated by the company as per their respective financial statements for the period ended on 31 December 2017 are as follows:

	Value (Rupees)
Provident fund	162,281,735
Gratuity fund	73,697,203

Board of Directors

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

Name of Director	Eligibility	Attended
Mr. Wajahat Ahmad Baqai	6	6
Mr. Bilal Asghar	8	8
Mr. Rehmat Ali Hasnie	9	8
Mr. Ahsan Raza Durrani	9	7
Mr. Sardar Azmat Babar	3	3
Mr. Asim Murtaza Khan	9	6
Mr. Talha Saeed	9	8
Mr. Zahid Anjum	1	1
Ms. Saira Ahmed	9	6

Audit Committee

During the year under review, four meetings of the Audit Committee were held and the attendance by each director is as follows:

Name of Director	Eligibility	Attended
Mr. Asim Murtaza Khan	4	4
Mr. Ahsan Raza Durrani	4	3
Mr. Bilal Asghar	4	4
Mr. Zahid Anjum	0	0
Mr. Talha Saeed	4	2

HR & Remuneration Committee

During the year under review, three meetings of the HR & Remuneration Committee were held and the attendance by each director is as follows:

Name of Director	Eligibility	Attended
Mr. Rehmat Ali Hasnie	1	1
Mr. Ahsan Raza Durrani	1	1
Mr. Zahid Anjum	0	0
Mr. M. Faisal Muzammil	1	1

Director's Training Program

During the period, In Board of Directors of Agritech Limited Mr. Bilal Asghar was a certified Director under Directors Training Program; further Mr. Wajahat Ahmed Baqai was exempt from the training program as prescribed under the applicable Code of Corporate Governance Regulations. All the directors are professionals and senior executives who possess wide experience and awareness of the duties of Directors. The training is an on-going process

and the Company is determined to comply with the directors' training as required by the Code and completion of certification in the succeeding year in a comprehensive manner.

Appointment of Auditors

The Audit Committee has recommended the reappointment of KPMG Taseer Hadi & Co. Chartered Accountant as external auditors of the Company for the upcoming Financial Year.

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.



Mr. Muhammad Faisal Muzammil
Chief Executive Officer

30 April 2019

Pattern of Shareholding

The shareholding of the company as at 31 December 2017 is as follows:

Shareholders' category	Number of shareholders	Number of shares held	Percentage of holding
Individuals	2117	35,797,080	9.12%
Banks Development			
Financial Institutions, Non-Banking Finance Companies	50	348,499,086	88.81%
Modarabas & Mutual Funds	2	4,230,500	1.08%
Directors & their spouse(s) and minor children	3	1,501	0.00%
Others	5	3,901,833	0.99%
Total	2,178	392,430,000	100%

The information of shareholding as at 31 December 2017 as required under Code of Corporate Governance is as follows:

Category no.	Shareholder's category	Number of shares held	Percentage %
1.	Associated Companies, undertakings and related parties.		
	National Bank of Pakistan	104,562,302	26.64%
	Faysal Bank Limited	48,296,861	12.31%
	Summit Bank Limited	32,975,097	8.40%
	Standard Chartered Bank (Pakistan) Limited	22,373,615	5.70%
	Silk Bank Limited	10,233,043	2.61%
		218,440,918	55.66%
2.	Mutual Funds	4,230,500	1.08%
3.	Directors and their spouses(s) and minor children		
	Sardar Azmat Babar	-	0.00%
	Asim Murtaza Khan	1,000	0.00025%
	Ahsan Raza Durrani	1	0.00%
	Zahid Anjum	-	0.00%
	Rehmat Ali Hasnie	-	0.00%
	Talha Saeed	-	0.00%
	Saira Ahmed	-	0.00%
		1,001	0.00025%
4.	Executives	-	-
	Muhammad Faisal Muzammil	500	0.00013%
5.	Public Sector Companies & Corporations	-	-
6.	Banks, DFIs and NBFIs, Insurance Companies, Modarabas and Pension Funds	348,499,086	88.81%
7.	Shareholders holding five percent or more voting rights in the listed company		
	National Bank of Pakistan	104,562,302	26.64%
	Faysal Bank Limited	48,296,861	12.31%
	Bank Islami Pakistan Limited	21,748,326	5.54%
	Pak Brunei Investment Company Limited	40,565,273	10.34%
	Summit Bank Limited	32,975,097	8.40%
	Standard Chartered Bank (Pakistan) Limited	22,373,615	5.70%
		270,521,474	68.93%

Pattern of Shareholding

The pattern of holding of shares held by the shareholders as at 31 December 2017 is as follows:

Number of shareholders	Shareholding		Total shares held
	From	To	
261	1	100	2,517
329	101	500	160,419
324	501	1,000	320,874
661	1,001	5,000	2,097,975
224	5,001	10,000	1,908,201
132	10,001	20,000	2,029,500
81	20,001	30,000	2,079,632
27	30,001	40,000	936,130
32	40,001	50,000	1,540,643
11	50,001	60,000	605,000
6	60,001	70,000	391,500
8	70,001	80,000	613,000
4	80,001	90,000	345,000
15	90,001	100,000	1,494,000
29	100,001	500,000	7,037,881
7	500,001	1,000,000	5,054,998
3	1,000,001	1,500,000	4,204,587
2	1,500,001	2,000,000	3,190,729
6	2,000,001	5,000,000	18,792,199
5	5,000,001	10,000,000	42,051,576
10	10,000,001	50,000,000	193,011,337
1	50,000,001	200,000,000	104,562,302
2,178			392,430,000

نمونہ حصص داری

31 دسمبر 2017 کو شیئر ہولڈرز کے ملکیتی حصص کا نمونہ حسب ذیل ہے:

کل ملکیتی شیئرز	از	شیئر ہولڈنگ تک	شیئر ہولڈرز کی تعداد
2,517	1	100	261
160,419	101	500	329
320,874	501	1,000	324
2,097,975	1,001	5,000	661
1,908,201	5,001	10,000	224
2,029,500	10,001	20,000	132
2,079,632	20,001	30,000	81
936,130	30,001	40,000	27
1,540,643	40,001	50,000	32
605,000	50,001	60,000	11
391,500	60,001	70,000	6
613,000	70,001	80,000	8
345,000	80,001	90,000	4
1,494,000	90,001	100,000	15
7,037,881	100,001	500,000	29
5,054,998	500,001	1,000,000	7
4,204,587	1,000,001	1,500,000	3
3,190,729	1,500,001	2,000,000	2
18,792,199	2,000,001	5,000,000	6
42,051,576	5,000,001	10,000,000	5
193,011,337	10,000,001	50,000,000	10
104,562,302	50,000,001	200,000,000	1
392,430,000			2,178

کیٹگری نمبر	شیئر ہولڈرز کی کیٹگریاں	ملکیتی حصص کی تعداد	فیصد
		4,001	0.00025%
4	ایگزیکٹوز		
	محمد فیصل منزل	500	0.00013%
5	پبلک سیٹرم کمپنیاں اور کارپوریشنز	-	-
6	بینک، DFIs اور NBFIs، انشورنس کمپنیاں، مضاربے اور پنشن فنڈز	348,499,086	88.81%
7	مندرجہ کمپنی میں پانچ فیصد یا زیادہ ووٹنگ حقوق کے مالک حصص داران		
	نیشنل بینک آف پاکستان	104,562,302	26.64%
	فیصل بینک لمیٹڈ	48,296,861	12.31%
	بینک اسلامی پاکستان لمیٹڈ	21,748,326	5.54%
	پاک بروٹائی انویسٹمنٹ کمپنی لمیٹڈ	40,565,273	10.34%
	سمٹ بینک لمیٹڈ	32,975,097	8.40%
	سٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ	22,373,615	5.70%
		270,521,474	68.93%

نمونہ حصص داری

31 دسمبر 2017 کو کمپنی کا نمونہ حصص داری حسب ذیل ہے:

شیر ہولڈر کی کیٹگری	شیر ہولڈر کی تعداد	ملکیتی حصص کی تعداد	فیصد شیر ہولڈنگ
انفرادی	2117	35,797,080	9.12%
بینکس ڈیپونٹ			
مالیاتی ادارے، غیر بینکنگ مالی کمپنیاں	50	348,499,086	88.81%
مضاربہ اور میوچل فنڈز	2	4,230,500	1.08%
ڈائریکٹرز اور ان کے زوج اور نابالغ بچے	3	1,501	0.00%
دیگر	5	3,901,833	0.99%
کل	2,178	392,430,000	100%

کوڈ آف کارپوریٹ گورننس کے تحت مطلوبہ 31 دسمبر 2017 کو شیر ہولڈنگ کی معلومات

کیٹگری نمبر	شیر ہولڈرز کی کیٹگریاں	ملکیتی حصص کی تعداد	فیصد
1	شریک کمپنیاں، انڈر ٹیکنگ اور متعلقہ پارٹیاں		
	نیشنل بینک آف پاکستان	104,562,302	26.64%
	فیصل بینک لمیٹڈ	48,296,861	12.31%
	سمٹ بینک لمیٹڈ	32,975,097	8.40%
	سٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ	22,373,615	5.70%
	سلک بینک لمیٹڈ	10,233,043	2.61%
		218,440,918	55.66%
2	میوچل فنڈ	4,230,500	1.08%
3	ڈائریکٹرز اور ان کے زوج اور نابالغ بچے		
	سردار عظمت باہر	-	0.00%
	عاصم مرتضیٰ خان	1,000	0.00025%
	احسن رضا درانی	1	0.00%
	زاہد انجم	-	0.00%
	رحمت علی حسنی	-	0.00%
	طلحہ سعید	-	0.00%
	سائرہ احمد	-	0.00%

Financial Highlights

Six years at a glance

	2017	2016	2015	2014	2013 (18 Months)	2012
Operating performance (Rs. 000)						آپریٹنگ کارکردگی
Sales-Net فروخت - نیٹ	3,551,519	7,515,414	3,542,570	2,794,627	8,627,668	5,697,064
Operating (loss) آپریٹنگ (نقصان)	(1,751,127)	452,041	(1,452,207)	(1,938,818)	729,814	734,340
(Loss) before tax (نقصان) قبل از ٹیکس	(3,876,339)	(1,726,440)	(3,681,939)	(5,153,159)	(3,866,608)	(1,835,660)
(Loss) after tax (نقصان) بعد از ٹیکس	(4,308,415)	(2,308,925)	(3,490,217)	(4,303,974)	(3,382,156)	(1,628,459)
Financial position (Rs. 000)						مالی حالات
Total equity کل ایکویٹی	(8,921,036)	(4,673,643)	(2,414,335)	1,022,194	5,422,146	8,919,056
Long term debt طویل مدت کے قرضے	19,363,731	19,319,355	19,303,467	19,327,016	19,265,892	19,491,270
Property, plant and equipment زمین مشینری اور آلات	39,773,629	40,769,567	41,896,368	42,967,113	35,953,627	37,197,945
Financial analysis						مالی تجزیہ
Current ratio (ratio) موجودہ تناسب	0.12	0.13	0.15	0.17	0.31	0.44
Profitability analysis						منافع تجزیہ
Operating profit to sales (%) آپریٹنگ (نقصان) / منافع کا تناسب نسبت فروخت	(49.31)	6.05	(40.99)	(69.38)	9.19	12.89
(Loss) per share (Rs.) (نقصان) فی حصص (روپے)	(11.43)	(6.33)	(9.34)	(11.41)	(9.23)	(4.35)



Agritech is fully committed to adopting international benchmarks governing corporate social responsibility.

Corporate Social Responsibility

Health Center

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

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

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

Community Programs

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



Students of an AGRITECH School



Health check at AGRITECH Hospital

Certifications & Achievements

Some of our key certifications and initiatives are mentioned below.



OSHA Standards

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



ISO 9001

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



ISO 14001

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

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



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

Increased Efficiency

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

Employee Morale

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

International Recognition

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

Supplier Relationships

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

Factual Approach to Decision Making

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

Documentation

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

Consistency

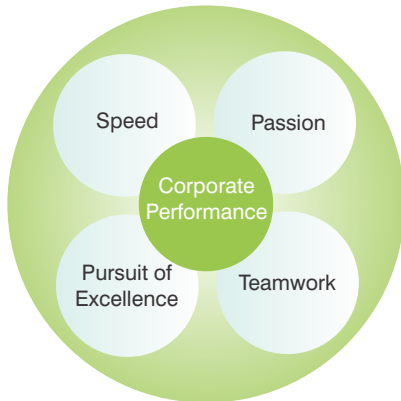
All processes for development, to production, to shipping, are defined, outlined and documented, minimizing room for error. Even the process of making changes to a process is documented, ensuring that changes are well planned and implemented in the best possible way to maximize efficiency.

Customer Satisfaction

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

Our Human Capital

The corporate culture at Agritech is based on four essential pillars:



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

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

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

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

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

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



"We Endeavour to be the best employer in the Fertilizer Industry with high growth opportunity in an expanding company, locally and Internationally. Employment at PAFL has an opportunity to move into Fertilizer sector enabling you to acquire experience in largest Industrial Sectors of Pakistan"



Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (“CCG”) contained in Regulation No. 5.19.24 of listing regulations of Pakistan Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of Independent non-executive directors and directors representing minority interests on its Board of Directors. As at 31 December 2017, the Board includes;

Category	Names
Independent Directors	Mr. Asim Murtaza Khan
Executive Directors	Mr. Muhammad Faisal Muzammil Chief Executive Officer
Non-Executive Directors	Mr. Sardar Azmat Babar
	Mr. Rehmat Ali Hasnie
	Mr. Ahsan Raza Durrani
	Mr. Zahid Anjum
	Mr. Talha Saeed
	Ms. Saira Ahmed

The Independent Director meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Following casual vacancies occurred on the Board of Directors during the year:

Name of Directors	Category	Date of Resignation	Reason of casual vacancy
Mr. Wajahat Ahmed Baqai	Non-Executive (Elected) Director	25-08-2017	Resignation
Mr. Bilal Asghar	Non-Executive (Nominee) Director	23-11-2017	Resignation

The vacancies are filled up by the Directors within the prescribed time by appointing the following directors:

Name of Directors	Category	Date of Appointment	Casual Vacancy filled within (90) days
Mr. Sardar Azmat Babar	Non-Executive (Nominee) Director	22-09-2017	✓
Ms. Zahid Anjum	Non-Executive (Nominee) Director	29-11-2017	✓

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and Non-Executive Directors, have been taken by the Board. The Board of Directors confirmed the appointment of Acting CEO as Chief Executive Officer (CEO) in their meeting held on February 17, 2017 effective from March 01, 2017 on revised terms and conditions.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated to the members before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. As at December 31, 2017, 4 out of 8 directors have completed training as per the requirement of Code. Training of directors is an ongoing process and the Board intend to provide training to remaining directors, from duly approved training institution by Securities and Exchange Commission of Pakistan, as per the requirements of the Code.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment. There is no change in CFO during the year, however, Board has approved appointment of Company Secretary in their meeting held on August 25, 2017 effective from on September 01, 2017. Resultantly, the position for head of internal audit became

vacant, however, Head of Internal Audit was inducted on December 04, 2017 which was ratified by the Board in their meeting held subsequent to the year-end on February 06, 2019.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of the following Board members:

Name	Type of Directorship	Position
Mr. Asim Murtaza Khan	Independent	Chairman
Mr. Ahsan Raza Durrani	Non-Executive	Member
Mr. Talha Saeed	Non-Executive	Member

The Chairman of the Audit Committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The updated terms of reference of the Committee have been approved by the Board of Directors in their meeting held on October 10, 2017 and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of the following Board members:

Name	Type of Directorship	Position
Mr. Rehmat Ali Hasnie	Non-Executive	Chairman
Mr. M. Faisal Muzammil	Executive	Member
Mr. Zahid Anjum	Non-Executive	Member
Mr. Ahsan Raza Durrani	Non-Executive	Member

The chairman of the HR and recommendation committee is a non-executive director.

18. The Board has outsourced the Internal Audit Function to Messer's Deloitte Yousuf Adil Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names from the said list.
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with except for sub-clause b (v) of clause 5.19.4 which requires that Board of Directors shall ensure that within two years of coming into force of the CCG, a mechanism is put in place for an annual evaluation of their own performance. Criteria for evaluation of the Board's performance has been presented and approved in the Board of Directors meeting, however annual evaluation has not been carried out.



Mr. Muhammad Faisal Muzammil
Chief Executive Officer

30 April 2019



KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

Review Report to the Members

on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Agritech Limited ("the Company")** for the year ended 31 December 2017 to comply with the requirements of Listing Regulation No. 5.19.24 (b) of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2017.

Further, we highlight below instances of non-compliances with the requirements of the Code as are stated in the Statement of Compliance:

Reference	Description
i. Paragraph 24:	Under sub-clause b (v) of clause 5.19.4 of the Code, the Board of Directors are required to put in place a mechanism for an annual evaluation of their own performance. Criteria for evaluation of the Board's performance has been presented and approved in the Board of Directors meeting, however annual evaluation for the year ended 31 December 2017 has not been carried out.
ii. Paragraph 10:	As required under clause 5.19.8 of the Code, appointment of Head of Internal Audit shall be determined by Board of Directors. The position of Head of Internal Audit became vacant on 01 September 2017. Although the Head of Internal Audit was inducted on 04 December 2017, however, formal approval of appointment of such was ratified by the Board subsequently on 06 February 2019.

Lahore

Date : 30 April 2019

KPMG Taseer Hadi & Co.

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

Financial Statements



KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

Auditors' Report to the Members

We have audited the annexed balance sheet of **Agritech Limited** ("the Company") as at 31 December 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, except for as stated in para (b) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our qualified opinion and, after due verification, we report that:

- a) as stated in notes 2.3 and 42.2.2 to the financial statements, the Company has not made repayments of principal and interest / mark-up related to long term debts as per the repayment schedules and as at the reporting date has not complied with certain financial and other covenants as required under the loan agreements. 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. Despite of these non-compliances, the long term debts have been classified as non-current according to their respective repayment terms. Had these debts been classified as per IAS – 1, current liabilities of the Company would have increased by Rs. 2,647.22 million as at the reporting date;
- b) as stated in note 13.1 and 21.2, management has assessed the recoverability of deferred tax asset on tax losses and tested the impairment of goodwill based on five years business plan approved by the Board of Directors and asserts that no impairment is required. However, we are unable to obtain sufficient appropriate audit evidence with respect to key assumptions used in the business plan i.e. operational days based on availability of natural gas and cost of raw material based on gas rates as approval for supply and gas tariff has not been notified to the Company from Government of Pakistan is available only till October 2019. Management is however confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustments in respect of impairment were necessary for goodwill amounting to Rs. 2,567.31 million and deferred tax assets amounting to Rs. 6,113.59 million recognized on tax losses of Rs. 20,378.62 million in these financial statements.
- c) except for the matters discussed in paragraphs (a) and (b) above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- d) in our opinion:
 - i) except for the matter discussed in paragraphs (a) and (b) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;



KPMG Taseer Hadi & Co.

- ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- e) except for the effect on the financial statements of the matter discussed in paragraph (a) above and the possible effect on the financial statements of the matter discussed in paragraph (b) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- f) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to the following matters:

- i. note 6.3 to the accompanying financial statements, 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 resolution of the matter, as fully explained in note 6.3 to the financial statements; and
- ii. notwithstanding the matter as discussed in paragraph (a) and (b) above, the Company during the year ended 31 December 2017 has incurred loss before tax of Rs. 3,876.34 million and its current liabilities exceeded its current assets by Rs. 35,855.63 million, and its accumulated losses stood at Rs. 14,447.68 million. These conditions, along with other matters as set forth in note 2.3 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the financial statements.

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

Lahore

Date : 30 April 2019



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

Balance Sheet

as at 31 December 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Authorized share capital	4	15,000,000,000	15,000,000,000
<u>Share capital and reserves</u>			
Issued, subscribed and paid-up ordinary share capital	5	3,924,300,000	3,924,300,000
Issued, subscribed and paid-up preference share capital	6	1,593,342,690	1,593,342,690
Reserves	7	9,000,000	9,000,000
Accumulated losses		(14,447,678,404)	(10,200,286,153)
		(8,921,035,714)	(4,673,643,463)
Surplus on revaluation of fixed assets - net	8	8,848,473,940	9,080,310,370
<u>Non-current liabilities</u>			
Redeemable capital - <i>secured</i>	9	2,021,653,329	3,997,844,489
Long term finances - <i>secured</i>	10	597,546,023	1,183,232,758
Long term payable - <i>unsecured</i>	11	31,135,199	31,135,199
<i>Deferred liabilities:</i>			
- staff retirement benefits	12	31,758,941	28,698,815
- deferred taxation - <i>net</i>	13	3,945,213,885	3,560,429,299
		6,627,307,377	8,801,340,560
<u>Current liabilities</u>			
Current maturity of long term liabilities	14	16,744,531,922	14,138,278,307
Short term borrowings - <i>secured</i>	15	3,526,881,717	3,410,526,346
Trade and other payables	16	4,708,220,667	3,467,251,716
Interest / mark-up accrued on borrowings	17	14,524,481,877	12,825,980,154
Preference dividend payable	18	1,029,819,407	854,551,711
		40,533,935,590	34,696,588,234
Contingencies and commitments	19		
		47,088,681,193	47,904,595,701

The annexed notes from 1 to 52 form an integral part of these financial statements.

	Note	2017 Rupees	2016 Rupees
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	20	39,773,629,288	40,769,566,767
Intangible assets	21	2,567,502,109	2,570,071,958
Long term loans and advances - <i>considered good</i>	22	12,347,413	13,971,976
Long term deposits - <i>unsecured, considered good</i>	23	56,894,115	61,451,273
		42,410,372,925	43,415,061,974
<u>Current assets</u>			
Stores, spare parts and loose tools	24	2,089,007,431	2,049,475,897
Stock-in-trade	25	386,158,732	337,248,202
Trade debts	26	16,531,013	51,016,085
Advances, deposits, prepayments and other receivables	27	1,744,236,386	1,657,045,069
Tax refunds due from Government - <i>net</i>		244,699,529	247,454,816
Cash and bank balances	28	197,675,177	147,293,658
		4,678,308,268	4,489,533,727
		47,088,681,193	47,904,595,701


Director

Profit and Loss Account

for the year ended 31 December 2017

	Note	2017 Rupees	2016 Rupees
Sales - net	29	3,551,518,706	7,515,414,222
Cost of sales	30	(4,781,882,062)	(6,264,168,766)
Gross (loss) / profit		(1,230,363,356)	1,251,245,456
Selling and distribution expenses	31	(228,633,799)	(387,184,565)
Administrative and general expenses	32	(303,490,090)	(429,320,373)
Other expenses	33	-	(5,026,699)
		(532,123,889)	(821,531,637)
Other income	34	11,360,665	22,326,912
Operating (loss) / profit		(1,751,126,580)	452,040,731
Finance cost	35	(2,125,212,925)	(2,178,480,370)
Loss before taxation		(3,876,339,505)	(1,726,439,639)
Taxation	36	(432,075,415)	(582,485,057)
Loss after taxation		(4,308,414,920)	(2,308,924,696)
Loss per share - basic and diluted	37	(11.43)	(6.33)

The annexed notes from 1 to 52 form an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2017

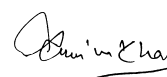
	Note	2017 Rupees	2016 Rupees
Loss after taxation		(4,308,414,920)	(2,308,924,696)
<u>Other comprehensive income / (loss)</u>			
<i>Items that will not be reclassified to profit and loss account:</i>			
- Remeasurement of defined benefit liability	12.1.8	6,362,765	(12,971,430)
- Related tax	13.2	(1,908,830)	3,891,429
		4,453,935	(9,080,001)
Total comprehensive loss for the year		(4,303,960,985)	(2,318,004,697)

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore



Chief Executive



Director

Cash Flow Statement

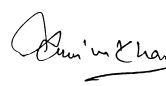
for the year ended 31 December 2017

	Note	2017 Rupees	2016 Rupees
<u>Cash flow from operating activities</u>			
Cash generated from operations	38	116,721,540	335,412,190
Interest income received		2,934,233	3,386,481
Income tax paid		(45,848,012)	(48,891,360)
Staff retirement benefits paid		(1,022,787)	(15,481,729)
Long term loans and advances received		1,624,563	3,005,730
Long term deposits - net		4,557,158	6,833,990
Net cash generated from operating activities		78,966,695	284,265,302
<u>Cash flow from investing activities</u>			
Capital expenditure incurred		(73,691,515)	(28,078,807)
Proceeds from disposal of property, plant and equipment	20.1.3	80,223,763	2,906,898
Net cash generated from / (used in) investing activities		6,532,248	(25,171,909)
<u>Cash flow from financing activities</u>			
Increase / (decrease) in long term finances		5,075,357	(38,253,297)
Net increase / (decrease) in short term borrowings		166,081,461	(51,046,575)
Finance cost paid		(156,548,152)	(292,558,941)
Net cash generated from / (used in) financing activities		14,608,666	(381,858,813)
Net increase / (decrease) in cash and cash equivalents		100,107,609	(122,765,420)
Cash and cash equivalents at beginning of the year		(2,347,518,944)	(2,224,753,524)
Cash and cash equivalents at end of the year	39	(2,247,411,335)	(2,347,518,944)

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore


Chief Executive


Director

Statement of Changes in Equity

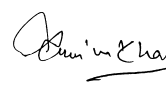
for the year ended 31 December 2017

	Share capital		Reserves		Total
	Ordinary shares	Preference shares	Revenue reserve	Accumulated losses	
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 January 2016	3,924,300,000	1,593,342,690	9,000,000	(7,940,977,277)	(2,414,334,587)
Total comprehensive loss for the year ended 31 December 2016	-	-	-	(2,318,004,697)	(2,318,004,697)
Surplus transferred to accumulated losses on account of:					
- disposal of freehold land	-	-	-	3,956,037	3,956,037
- disposal of buildings and plant and machinery - net of deferred tax	-	-	-	1,454,179	1,454,179
- incremental depreciation on property, plant and equipment - net of deferred tax	-	-	-	228,553,301	228,553,301
<u>Transaction with owners of the Company, recognized directly in equity</u>					
Preference dividend for the year ended 31 December 2016	-	-	-	(175,267,696)	(175,267,696)
As at 31 December 2016	3,924,300,000	1,593,342,690	9,000,000	(10,200,286,153)	(4,673,643,463)
As at 01 January 2017	3,924,300,000	1,593,342,690	9,000,000	(10,200,286,153)	(4,673,643,463)
Total comprehensive loss for the year ended 31 December 2017	-	-	-	(4,303,960,985)	(4,303,960,985)
Surplus transferred to accumulated losses on account of:					
- disposal of freehold land	-	-	-	228,229	228,229
- disposal of buildings and plant and machinery - net of deferred tax	-	-	-	2,083,734	2,083,734
- incremental depreciation on property, plant and equipment - net of deferred tax	-	-	-	229,524,467	229,524,467
<u>Transaction with owners of the Company, recognized directly in equity</u>					
Preference dividend for the year ended 31 December 2017	-	-	-	(175,267,696)	(175,267,696)
As at 31 December 2017	3,924,300,000	1,593,342,690	9,000,000	(14,447,678,404)	(8,921,035,714)

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore


Chief Executive


Director

Notes to the Financial Statements

for the year ended 31 December 2017

1 Reporting entity

Agritech Limited ("the Company") was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and was a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited ("NFC"), a Government owned Corporation, until 15 July 2006. Subsequently, 100% shares of the Company were acquired by Azgard Nine Limited ("ANL") as part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. On 31 October 2012, ANL sold its major shareholding in the Company to a consortium of banks and financial institutions. The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 2nd Floor Asia Center, 8 – Babar Block, Main Boulevard, New Garden Town, Lahore. The principal business of the Company is the production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer. The Company has two production units with Unit I located at Iskanderabad, District Mianwali and Unit II at Hattar Road, Haripur.

2 Basis of preparation

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Reporting Standards ("IFAS") issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives issued under the repealed Companies Ordinance, 1984 shall prevail.

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, in continuation to its circular 17 dated 20 July 2017 and press release of the same date, vide its circular no. 23 of 2017 dated 04 October 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Ordinance.

2.2 Going concern assumption

The gas curtailment coupled with gas pricing issue to the Company's urea plant has been the most crucial factor for the past few years' operational and liquidity issues of the Company. The fertilizer sector as a whole and the Company in particular faced unprecedented gas curtailment during the last five years. The Company has been financing its assets and operations through high level of borrowings. Due to overall gas shortage in the system, Government of Pakistan ("GOP") diverted gas from fertilizer sector to other sectors particularly power sector during summer and domestic sector during winter. This gas curtailment caused low urea production versus available capacity resulting in continuous operational and liquidity issues which further resulted in overdue borrowings and related mark-up as referred to in note 42.2.2 to the financial statements.

However, there has been some improvement in the supply / availability of gas to the Company with regular imports of liquefied natural gas ("LNG") by the Government of Pakistan ("GOP"). Consistent LNG imports improved RLNG flow to Sui Northern Gas Pipelines Limited ("SNGPL") benefitting consumers including fertilizer sector. Unlike past years, the major cause of gas curtailment was not due to availability of gas in SNGPL rather it was mainly due to gas pricing issue. The Company, unlike other gas consumers on SNGPL, did not opt for high cost of RLNG and preferred to stay on system gas network even operating with lower days of system gas supply. In 2017, gas supply to the Company's urea plant was restored in the April from domestic gas sources after the extended winter curtailment, however, the supply had been on intermittent basis during the year. The Company operated its urea plant for 113 days in 2017 (2016: 234 days) which resulted in Urea production of 114,201 tons (2016: 248,136 tons). The Company during the current year was also able to sell 109,995 tons Urea (2016: 261,061 tons). The Company has incurred a loss before tax of Rs. 3,876.34 million (2016: Rs. 1,726.44 million) during the year and as at the reporting date, its current liabilities have exceeded its current assets by Rs. 35,855.63 million, including Rs. 30,524.67 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 8,921.04 million. The difference between current liabilities and current assets would have been Rs. 38,502.85 million, had the Company classified its long term debts as current for reasons fully explained in note 2.3 to the financial statements.

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 is based on the fact that the GOP has commissioned second LNG terminal in the country with capacity of 600 mmscf/d gas processing and additional RLNG imports for second terminal has already been started. This new terminal is in addition to the first terminal commissioned in 2015 with a 15 year agreement with Government of Qatar, to import nearly 3.75 million tons of LNG per year. The import of LNG has been streamlined at 600 mmscf/d per day and GOP is planning to further increase it to 1,200 mmscf/d per day on both terminals in the country. SNGPL is receiving almost complete flow of LNG imports under swap arrangement from both terminals. This will further improve the flow of gas into SNGPL system and making available required gas volumes for the closed

fertilizer plants. However, in the present situation RLNG prices are too high to operate Urea plants, the Company along with other closed fertilizer plants on SNGPL network are working on two pronged strategy with GOP. It has been proposed that these plants are operated with a blend of System Gas and RLNG to reduce the straight cost of RLNG during the months when system gas availability is ensured in SNGPL system. Thereafter it is proposed to ensure reduced RLNG price through provision of subsidy to these plant to bridge urea shortages in the country and subsidy intended to import urea shall be utilized to run local plants. Economic Corridor Committee ("ECC") on the proposals submitted by the Company and the relevant GOP ministries accorded approval for restoration of gas supply to the Company and another fertilizer plant in September 2018, initially for two months and then extended the same till Rabi season and further extended the same till October 2019, at a reduced gas rate with provision of subsidy to SNGPL from GOP. The Company based on its negotiations with the GOP is hopeful that they will be able to secure availability of gas for a long term after October 2019 and at a subsidized rate. Moreover, after discontinuity of subsidy on Urea in year 2018, the urea price capping has also be removed enabling the Company to pass on the impact of higher input costs for sustainability of business operations in the long term. These measures will ensure the economic viability of utilizing RLNG for the production of Urea in the country and also ensure continuous supply of commodity to avoid recurrence of Urea shortages in the country.

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

In addition to above, the Company sees strong potential in selling its spare land after the necessary legal and commercial approvals. In 2016, 216 kanals of Company's land was acquired by National Highway Authority (NHA) for the construction of China Pakistan Economic Corridor (CPEC) that crosses through the land owned by the Company. With the development of CPEC in next two years, the Company foresee significant appreciation of its spare land. The proceeds from the sale of land will also help settle the long term liabilities of the Company.

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

2.3 Financial liabilities

The Company has not made repayments of principal and interest / mark-up related to long term debts as referred to in note 42.2.2. Further, as at the reporting date, the Company has not complied with certain financial and other covenants as required under the loan agreements. As per the agreed terms of long term debts, the lenders have unconditional right to call the loans if 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. 2,647.22 million as detailed below have continued to be classified as non - current according to their respective repayment terms in these financial statements as the management considers that event of default has not been declared by the lenders at the reporting date:

2.3.1 Principal net of current maturity

	2017 Rupees
<u>Redeemable capital- secured</u>	
Privately Placed Term Finance Certificates - I	274,743,700
Privately Placed Term Finance Certificates - II	1,263,952,580
Privately Placed Term Finance Certificates - III	90,813,800
Privately Placed Term Finance Certificates	127,468,749
Privately Placed Sukuk Certificates	293,096,667
	2,050,075,496

		2017 Rupees
2.3.2	Principal net of current maturity	
	<u>Long term finances- secured</u>	
	Syndicate Term Finance - /	550,000,000
	BankIslami Pakistan Limited - Term Finance	47,142,857
		597,142,857
		2,647,218,353
2.4	Basis of measurement	
	These financial statements have been prepared under the historical cost convention except for certain financial instruments measured at fair value and / or amortized cost, employees retirement benefits under defined benefit plan at present value and certain items of property, plant and equipment measured at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.	
2.5	Use of estimates and judgments	
	The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:	
2.5.1	Depreciation method, rates and useful lives of property, plant and equipment	
	The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.	
2.5.2	Amortisation method, rates and useful lives of intangible assets	
	The management of the Company reassesses useful lives, amortisation method and rates for each intangible asset having finite lives annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available.	
2.5.3	Recoverable amount of assets / cash generating units and impairment	
	The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication of impairment.	
2.5.4	Taxation	
	The management of the Company takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities. For recognition of deferred tax assets, estimates of the Company's future taxable profits against which carry forward tax losses can be used are taken into account.	
2.5.5	Provisions	
	Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.	
2.5.6	Revaluation of property, plant and equipment	
	Revaluation of property, plant and equipment was carried out by an independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.	

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

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

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

2.5.8 Staff retirement benefits

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

2.5.9 Fair values of financial instruments with no active market

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

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

2.6 Functional currency

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

3.1 Property, plant and equipment

Owned

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

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

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

The Company recognizes depreciation in profit and loss by applying straight line method over the useful life of each item of property, plant and equipment as specified in note 20 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

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

Capital work-in-progress

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

Leased

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. Subsequently, these assets are carried at initially recorded amount less accumulated depreciation and accumulated impairment with the exception of plant and machinery which is measured at revalued amount less accumulated depreciation and indentified impairment loss. Depreciation on leased assets is charged by applying straight line method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of assets at end of the lease term.

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

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

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

The treatment of surplus has been explained in note 8.2 to the financial statements.

3.3 Intangible assets

3.3.1 Software

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

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

3.3.2 Goodwill acquired in business combination

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

All intangible assets are tested for impairment at each reporting date.

3.4 Stores, spare parts and loose tools

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

3.5 Stock-in-trade

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

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

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

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

3.6 Trade debts

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

3.7 Employee benefits

3.7.1 Short-term employee benefits

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

3.7.2 Post-employment benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

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

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

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

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

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

3.8 Financial instruments

3.8.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at the time of initial recognition.

3.8.1(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading or financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

3.8.1(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period in which case they are classified as non-current assets.

3.8.1(c) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available for sale securities calculated using effective interest method is recognised in the profit and loss account. Dividends on available for sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

3.8.1(d) Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost.

3.8.1(e) All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortised cost using effective interest rate method.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

3.8.2 Financial liabilities

Non-derivative financial liabilities that are not financial liabilities at fair value through profit and loss are classified as financial liabilities at amortised cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

3.8.3 Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

3.9 Impairment

3.9.1 Financial assets

Financial assets not classified as at fair value through profit and loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognized.

3.9.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a cash generating unit on a pro rata basis. Impairment losses recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognized.

3.10 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.11 Loans and borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

3.12 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.13 Operating leases / Ijarah

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

3.14 Trade and other payables

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

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

3.15 Provisions and contingencies

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

3.16 Revenue recognition

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

- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.
- Return on deposit is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

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

3.17 Government grants

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

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

3.18 Taxation

Current tax

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

Deferred tax

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

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

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

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

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

3.19 Earnings per share (EPS)

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

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

3.20 Cash and cash equivalents

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

3.21 Foreign currency transactions

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

3.22 Segment reporting

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

3.23 New Companies Act, 2017 and new / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective.

The Companies Act, 2017 applicable for financial year beginning on 01 January 2018 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. The effects of change are disclosed in note 8.2 to the financial statements.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective from annual period beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes (if any) on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

	Note	2017 Rupees	2016 Rupees
4 Authorized share capital			
<i>Ordinary shares of Rs. 10 each</i>			
600,000,000 (2016: 600,000,000)			
class A shares	4.1	6,000,000,000	6,000,000,000
200,000,000 (2016: 200,000,000)			
class B shares	4.2	2,000,000,000	2,000,000,000
200,000,000 (2016: 200,000,000)			
class C shares	4.3	2,000,000,000	2,000,000,000
		10,000,000,000	10,000,000,000
<i>Preference shares of Rs. 10 each</i>			
500,000,000 (2016: 500,000,000) shares		5,000,000,000	5,000,000,000
		15,000,000,000	15,000,000,000

- 4.1** Class A ordinary shares include all ordinary shares of the Company other than non-voting ordinary shares and restrictive rights voting ordinary shares, having all rights and privileges, including voting rights as provided in the Companies Act, 2017.
- 4.2** Class B ordinary shares are restrictive rights voting ordinary shares that have the restricted or disproportionate rights and privileges.
- 4.3** Class C ordinary shares are non-voting ordinary shares of the Company that do not have any voting rights attached thereto and do not have any rights to receive notice of, attend, or vote at a general meeting of the Company, however, holders of such shares shall have all other rights of ordinary shares, including right to dividend and to share in the assets of the Company in event of its winding up.

	Note	2017 Rupees	2016 Rupees
5 Issued, subscribed and paid-up ordinary share capital			
<i>Class A ordinary shares of Rs. 10 each</i>			
383,430,000 (2016: 383,430,000)			
shares issued fully paid in cash	5.1	3,834,300,000	3,834,300,000
9,000,000 (2016: 9,000,000)			
shares issued for consideration other than cash		90,000,000	90,000,000
		3,924,300,000	3,924,300,000

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

	Note	2017 Rupees	2016 Rupees
6 Issued, subscribed and paid-up preference share capital			
<i>Preference shares of Rs. 10 each</i>			
159,334,269 (2016: 159,334,269)			
shares issued fully paid in cash	6.1 & 6.3	1,593,342,690	1,593,342,690

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

The Company shall have the option to redeem the preference shares plus any accumulated unpaid dividends in full or in part, within ninety days after the expiry of each anniversary of the Completion date by giving at least thirty days notice in compliance with the provisions of the repealed Companies Ordinance, 1984.

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.

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

	2017	2016
	--- (Number of shares) ---	
Faysal Bank Limited	31,035,594	31,035,594
National Bank of Pakistan	3,458,756	3,458,756
	34,494,350	34,494,350

6.3 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 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 the 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 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 the ICAP has advised the Securities and Exchange Commission of Pakistan ("SECP") to make necessary amendments in the Ordinance 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.

	2017 Rupees	2016 Rupees
7 Reserves		
Revenue reserve	9,000,000	9,000,000
8 Surplus on revaluation of fixed assets - net		
Revaluation surplus as at the beginning of the year	12,814,421,132	13,146,959,282
<i>Surplus transferred to accumulated losses on account of:</i>		
- disposal of freehold land	(228,229)	(3,956,037)
- disposal of building on freehold land & plant and machinery - net of deferred tax	(2,083,734)	(1,454,179)
- incremental depreciation charged during the year - net of deferred tax	(229,524,467)	(228,553,301)
<i>Related deferred tax liability</i>		
- disposal of building on freehold land and plant and machinery	(893,029)	(623,219)
- incremental depreciation charged during the year	(98,367,629)	(97,951,414)
	(331,097,088)	(332,538,150)
Revaluation surplus as at end of the year	12,483,324,044	12,814,421,132
Less: deferred tax liability on revaluation surplus as at the beginning of the year	3,734,110,762	3,832,685,395
<i>Reduction in deferred tax liability due to:</i>		
- disposal of building on freehold land & plant and machinery	(893,029)	(623,219)
- incremental depreciation charged during the year	(98,367,629)	(97,951,414)
	(99,260,658)	(98,574,633)
Deferred tax liability on revaluation surplus as at end of the year	3,634,850,104	3,734,110,762
Revaluation surplus as at end of the year - net	8,848,473,940	9,080,310,370

- 8.1** The Company's freehold land, buildings on freehold land, residential colony assets and plant and machinery (owned & leased) were revalued by Maricon Consultants (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association (PBA) in "any amount" category, at 31 December 2014. The basis of revaluation for items of these fixed assets were as follows:

Freehold land

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

Buildings on freehold land

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

Residential colony assets

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

Plant and machinery

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

- 8.2** As discussed in note 3.23 to these financial statements, the Companies Act, 2017 is applicable for period beginning on 01 January 2018. This would result in reclassification of surplus on revaluation of fixed assets – 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. 8,848.47 million as at 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

	Note	2017 Rupees	2016 Rupees
9 Redeemable capital -secured			
Privately Placed Term Finance Certificates - I	9.2	1,498,602,000	1,498,602,000
Privately Placed Term Finance Certificates - II	9.3	6,894,286,800	6,894,286,800
Privately Placed Term Finance Certificates - III	9.4	495,460,750	495,460,750
Privately Placed Term Finance Certificates - IV	9.5	548,825,000	548,825,000
Privately Placed Term Finance Certificates - V	9.6	618,685,000	618,685,000
Privately Placed Term Finance Certificates	9.7	509,874,996	509,874,996
Privately Placed Sukuk Certificates	9.8	1,599,800,000	1,599,800,000
		12,165,534,546	12,165,534,546
Transaction costs	35	(28,622,167)	(60,216,920)
		12,136,912,379	12,105,317,626
Current maturity presented under current liabilities	14	(10,115,259,050)	(8,107,473,137)
		2,021,653,329	3,997,844,489
9.1 Types of redeemable capital			
Interest / mark-up based financing		10,565,734,546	10,565,734,546
Islamic mode of financing		1,599,800,000	1,599,800,000
		12,165,534,546	12,165,534,546

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

Principal redemption

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

Call option

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

Return on PPTFC - I

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

Trustee

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

Security

The issue is secured by:

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

At the reporting date principal amounting to Rs. 949.11 million (2016: Rs. 674.37 million) and interest / mark-up amounting to Rs. 1,058.81 million (2016: Rs. 940.93 million) were overdue. Refer to note 42.2.2 for details.

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

Principal redemption

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

Call option

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

Return on TFCs

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

Trustee

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

Security

The issue is secured by:

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

At the reporting date principal amounting to Rs. 4,366.38 million (2016: Rs. 3,102.43 million) and interest / mark-up amounting to Rs. 4,505.82 million (2016: Rs. 3,965.67 million) were overdue. Refer to note 42.2.2 for details.

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

Principal redemption

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

Call option

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

Return on PPTFC - III

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

Trustee

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

Security

The issue is secured by:

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

At the reporting date principal amounting to Rs. 313.83 million (2016: Rs. 223.02 million) and interest / mark-up amounting to Rs. 376.18 million (2016: Rs. 329.81 million) were overdue. Refer to note 42.2.2 for details.

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

Principal redemption

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

Call option

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

Return on PPTFC - IV

The issue carried nil return and was amortized using effective interest rate of 13.76% per annum over three years.

Trustee

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

Security

The issue is secured by:

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

At the reporting date principal amounting to Rs. 548.83 million (2016: Rs. 548.83 million) was overdue. Refer to note 42.2.2 for details.

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

Principal redemption

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

Call option

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

Return on PPTFC - V

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

Trustee

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

Security

The issue is secured by:

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

At the reporting date principal amounting to Rs. 618.69 million (2016: Rs. 1.24 million) and interest / mark-up amounting to Rs. 442.36 million (2016: Rs. 340.28 million) were overdue. Refer to note 42.2.2 for details.

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

Principal redemption

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

Return on PPTFCs

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

Security

The issue is secured by:

- ranking hypothecation charge over all present and future fixed assets (excluding immovable properties) of the Company; and
- ranking mortgage charge over immovable fixed assets (including land and building) of the Company.
- demand promissory note amounting to Rs. 679.83 million in favour of JS Infocom.

At the reporting date principal amounting to Rs. 297.43 million (2016: Rs. 212.45) and interest / mark-up amounting to Rs. 269.05 million (2016: Rs. 248.55 million) were overdue. Refer to note 42.2.2 for details.

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

Principal redemption

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

Call option

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

Return on PPSCs

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

Trustee

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

Security

The issue is secured by:

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

At the reporting date principal amounting to Rs. 1,013.21 million (2016: Rs. 719.91 million) and interest / mark-up amounting to Rs. 1,058.29 million (2016: Rs. 929.26 million) were overdue. Refer to note 42.2.2 for details.

- 9.9** As per the financing agreements, the Company is required to comply with certain financial covenants which mainly includes current ratio, interest coverage ratio, debt service coverage ratio and leverage ratio. The Company is not in compliance with these covenants. Further, the Company is required to comply with certain conditions imposed by the providers of finance to make dividend payments.
- 9.10** As explained in note 2.2, the Company has filed a scheme of arrangement in the Honorable Lahore High Court as per the provisions of the repealed Companies Ordinance, 1984 to restructure its existing over-due redeemable capital along-with related markup as of 31 December 2013 through conversion into preference shares.
- 9.11** For restrictions on title as security, refer to note 45 to the financial statements.

	Note	2017 Rupees	2016 Rupees
10 Long term finances - secured			
Syndicate Term Finance - I	10.2	3,000,000,000	3,000,000,000
Syndicate Term Finance - II	10.3	472,037,000	472,037,000
Syndicate Term Finance - III	10.4	2,955,286,366	2,955,286,366
BankIslami Pakistan Limited - Term Finance	10.5	300,000,000	300,000,000
National Bank of Pakistan - Term Finance	10.6	132,083,735	132,083,735
Dubai Islamic Bank Limited -Term Finance	10.7	365,000,000	365,000,000
AlBaraka Bank (Pakistan) Limited - Diminishing Musharika	10.8	8,522,357	3,447,000
		7,232,929,458	7,227,854,101
Transaction costs	35	(6,110,563)	(13,816,173)
		7,226,818,895	7,214,037,928
Current maturity presented under current liabilities	14	(6,629,272,872)	(6,030,805,170)
		597,546,023	1,183,232,758
10.1 Types of long term finances - secured			
Interest / mark-up based financing		6,859,407,101	6,862,854,101
Islamic mode of financing		373,522,357	365,000,000
		7,232,929,458	7,227,854,101

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

Principal repayment:

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

Return on STF - I

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

Security

The facility is secured by:

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

At the reporting date principal amounting to Rs. 1,900.00 million (2016: Rs. 1,350.00 million) and interest / mark-up amounting to Rs. 2,211.97 million (2016: Rs. 1,960.58 million) were overdue. Refer to note 42.2.2 for details.

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

Principal repayment:

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

Return on STF - II

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

Security

The facility is secured by:

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

At the reporting date the installments of principal and interest / mark-up amounting to Rs. 472.04 million (2016: Rs. 472.04 million) and Rs. 380.53 million (2016: Rs. 336.33 million) respectively were overdue. Refer to note 42.2.2 for details.

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

Principal repayment:

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

Return on STF - III

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

Security

The facility is secured by:

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

At the reporting date principal amounting to Rs. 2,955.29 million (2016: Rs. 2,539.16 million) and interest / mark-up amounting to Rs. 2,230.02 million (2016: Rs. 1,917.44 million) were overdue. Refer to note 42.2.2 for details.

- 10.5** This term finance facility has been obtained from BankIslami Pakistan Limited to meet working capital requirements. This facility was rescheduled by way of First Supplemental Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011 and accordingly the terms and conditions of the facility are as follows:

Principal repayment:

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

Return on facility

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

Security

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

At the reporting date principal amounting to Rs. 205.71 million (2016: Rs. 158.57 million) and interest / mark-up amounting to Rs. 212.97 million (2016: Rs. 187.04 million) were overdue. Refer to note 42.2.2 for details.

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

Principal repayment:

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

Return on facility

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

Security

The facility is secured by :

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

At the reporting date principal amounting to Rs. 132.08 million (2016: Rs. 51.46 million) and interest / mark-up amounting to Rs. 218.47 million (2016: Rs. 205.83 million) was overdue. Refer to note 42.2.2 for details.

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

Principal repayment:

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

Return on facility

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

Security

The facility is secured by:

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

At the reporting date principal amounting to Rs. 365 million (2016: Rs. 365 million) and interest / mark-up amounting to Rs. 213.26 million (2016: Rs. 182.63 million) were overdue. Refer to note 42.2.2 for details.

- 10.8** This represents diminishing musharika facility obtained from AlBaraka Bank (Pakistan) Limited for purchase of vehicles. The term of the agreement is 4 years. The balance is repayable in 48 equal monthly installments ending between December 2020 and October 2021. Mark-up is payable monthly and is charged at the rate of six month KIBOR plus a spread of 2.00% per annum. Under the agreement, the Company holds asset with joint ownership with the bank.
- 10.9** As per the financing agreements, the Company is required to comply with certain financial covenants which mainly includes current ratio, interest coverage ratio, debt service coverage ratio and leverage ratio. The Company is not in compliance with these covenants. Further, the Company is required to comply with certain conditions imposed by the providers of finance to make dividend payments.
- 10.10** As explained in note 2.2, the Company has filed a scheme of arrangement in the Honorable Lahore High Court as per the provisions of the repealed Companies Ordinance, 1984 to restructure its existing over-due long term finances along-with related markup other than in note 10.9 as of 31 December 2013 through conversion into preference shares.
- 10.11** For restrictions on title as security, refer to note 45 to the financial statements.

11 Long term payable - unsecured

his represents amount payable to a contractor whose claim is pending with arbitrator as explained in note 19.1.1.

12 Staff retirement benefits

The latest actuarial valuation of the Company's defined benefit plan was conducted on 31 December 2017 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	Note	2017 Rupees	2016 Rupees
Staff retirement benefits	12.1	31,758,941	28,698,815
12.1 Balance sheet liability			
Present value of defined benefit obligations	12.1.2	105,245,855	105,948,341
Fair value of plan assets	12.1.3	(73,697,203)	(77,954,629)
Benefits due but not paid during the year		210,289	705,103
Net liability		31,758,941	28,698,815
12.1.1 Movement in net liability			
Net liability as at 01 January		28,698,815	22,891,426
Charge to profit and loss account for year		10,445,678	8,317,688
Charge to other comprehensive income for year		(6,362,765)	12,971,430
Contributions made during the year		(1,022,787)	(15,481,729)
Net liability as at 31 December		31,758,941	28,698,815

	2017 Rupees	2016 Rupees
12.1.2 Movement in the present value for defined benefit obligations is as follows:		
Present value of defined benefit obligations as at 01 January	105,948,341	83,521,903
Current service cost for the year	7,811,354	6,837,888
Interest cost for the year	9,669,188	8,210,273
Benefits paid during the year	(8,124,547)	(2,133,233)
Benefits due but not paid during the year	(210,289)	(705,103)
Actuarial (gains) / losses on present value of defined benefit obligation	(9,848,192)	10,216,613
Present value of defined benefit obligation as at 31 December	105,245,855	105,948,341
12.1.3 Movement in fair value of plan assets is as follows:		
Fair value of plan assets as at 01 January	77,954,629	60,630,477
Expected return on plan assets for the year	7,034,864	6,730,473
Contribution made during the year	1,022,787	15,481,729
Benefits paid during the year	(8,124,547)	(2,133,233)
Benefits paid pertaining to last year	(705,103)	-
Actuarial losses on plan assets	(3,485,427)	(2,754,817)
Fair value of plan assets as at 31 December	73,697,203	77,954,629
12.1.4 Actual return on plan assets		
Expected return on plan assets	7,034,864	6,730,473
Actuarial losses on plan assets	(3,485,427)	(2,754,817)
	3,549,437	3,975,656
12.1.5 Fair value of plan assets is as follows:		
NAFA (Multi Asset Fund)	19,245,088	18,673,617
HBL Shares	35,089	57,215
JS Global	5,000,000	5,000,000
NIT Units	459,651	498,942
HBL Iskanderabad	-	30,000,000
Cash at bank	48,957,375	23,724,855
	73,697,203	77,954,629
12.1.6 Plan assets comprise of		
Equity	33.60%	30.40%
Cash and / or deposits	66.40%	69.60%
	100.00%	100.00%
12.1.7 Charge for the year in profit and loss account		
Current service cost for the year	7,811,354	6,837,888
Interest cost for the year	9,669,188	8,210,273
Expected return on plan assets for the year	(7,034,864)	(6,730,473)
Total, included in salaries, wages and other benefits	10,445,678	8,317,688

	2017 Rupees	2016 Rupees
12.1.8 Actuarial (gains) and losses recognized directly in other comprehensive income		
<i>Actuarial (gains) / losses on present value</i>		
- Changes in financial assumptions	-	(120,725)
- Experience adjustments	(9,848,192)	10,337,338
	(9,848,192)	10,216,613
Return on plan assets, excluding interest income	3,485,427	2,754,817
(Gains) / losses recognized during the year	(6,362,765)	12,971,430

12.1.9 The Company expects to recognize Rs. 10.31 million to profit and loss account on account of defined benefit plan in 2018.

12.1.10 Historical information

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

	31 December 2017 Rupees	31 December 2016 Rupees	31 December 2015 Rupees	31 December 2014 Rupees	31 December 2013 Rupees
Present value of defined benefit obligations	105,245,855	105,948,341	83,521,903	81,728,159	55,856,028
Fair value of plan assets	(73,697,203)	(77,954,629)	(60,630,477)	(66,558,299)	(45,147,370)
Benefits due but not paid during the year	210,289	705,103	-	-	-
Deficit in the plan	31,758,941	28,698,815	22,891,426	15,169,860	10,708,658
Experience adjustment arising on plan liabilities	(9,848,192)	10,216,613	(8,105,800)	13,686,552	(6,894,415)
Experience adjustment arising on plan assets	3,485,427	2,754,817	(10,408,942)	3,020,996	(1,289,178)

12.1.11 Assumptions used for valuation of defined benefit plan

	2017	2016
Discount rate used for interest cost	9.50%	10.00%
Expected return on plan assets	9.50%	10.00%
Discount rate used for year ended obligation	9.50%	9.50%
Expected rates of salary increase in future	8.50%	8.50%
Expected mortality rate	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Retirement assumption	60 years	60 years

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

Salary risks

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

Mortality / withdrawal risks

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

Investment risks

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

12.1.13 In this funded plan, it is ensured that the long-term investments are in line with the obligation under the retirement benefit plan. Duration and the expected yield of the investments are matched with the expected cash outflows arising from the retirement benefit plan obligations. The process used to manage its risks has not been changed from previous periods. Investments are well diversified and large portion plans' assets in 2017 consist of cash and / or deposits.

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

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

12.1.16 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at 31 December 2017 would have been as follows:

	Gratuity	
	Impact on present value of defined benefit obligation	
	Increase	Decrease
Discount rate + 100 bps	95,481,055	116,532,786
Future salary increase + 100 bps	116,669,012	95,190,883

12.1.17 The average duration of the defined benefit obligation is 10 years.

13 Deferred taxation net

The liability for deferred taxation comprises temporary differences relating to:

Note	2017 Rupees	2016 Rupees
<i>Deferred tax liability arising on</i>		
Accelerated tax depreciation	6,447,743,585	6,483,918,863
Revaluation of fixed assets	3,634,850,103	3,734,110,760
<i>Deferred tax asset arising on</i>		
Provision for trade debtors	(14,266,558)	(14,266,558)
Provision for gratuity	(9,527,682)	(8,609,645)
Unabsorbed tax losses	(6,113,585,563)	(6,634,724,121)
	3,945,213,885	3,560,429,299

13.1 Tax losses on account of unabsorbed depreciation amounting to Rs. 20,378.62 million (2016: Rs. 20,494.34 million) is available to the Company's credit. Deferred tax asset in respect thereof has been recognized as availability of sufficient taxable profits in future tax years to absorb these losses is expected on the basis of five year business plan as discussed in note 21.2.1.

Business losses available for carry forward amounting to Rs. 12,112.81 million (2016: Rs. 6,450.31 million) and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 amounting to Rs. 177.88 million (2016: Rs. 131.21 million) are also available to the Company. However, no deferred tax asset on these losses has been recognised as sufficient tax profits may not be available to set these off in foreseeable future. Minimum tax paid u/s 113 aggregating to Rs. 177.88 million would not be available for carry forward against future tax liabilities subsequent to years 2018 through 2023.

Subsequent to year end, the corporate tax rate was reduced to 29% for tax year 2019 and thereafter will reduce by 1% annually until 2023 through the Finance Act, 2018. However, deferred tax assets and liabilities are measured on the tax rates expected to apply when the underlying asset / liability is recovered / settled based on rates that are enacted at the reporting date. Had the change in tax rates in future years on closing deferred tax assets / liabilities been applied, the closing liability and related charge would have been reduced by Rs. 657.54 million.

13.2 Movement in deferred tax balances is as follows:

2017				
Charge to / (reversal from)				
Deferred taxation	Opening Rupees	Profit and loss Rupees	Equity Rupees	Closing Rupees
<u>Taxable / (deductible) temporary difference</u>				
Accelerated tax depreciation allowances	6,483,918,863	(36,175,278)	-	6,447,743,585
Surplus on revaluation of fixed assets	3,734,110,760	(99,260,657)	-	3,634,850,103
Trade debtors	(14,266,558)	-	-	(14,266,558)
Provision for gratuity	(8,609,645)	(2,826,867)	1,908,830	(9,527,682)
Unused tax losses	(6,634,724,121)	521,138,558	-	(6,113,585,563)
	3,560,429,299	382,875,756	1,908,830	3,945,213,885
2016				
Charge to / (reversal from)				
	Opening Rupees	Profit and loss Rupees	Equity Rupees	Closing Rupees
<u>Taxable / (deductible) temporary difference</u>				
Accelerated tax depreciation allowances	6,506,265,010	(22,346,147)	-	6,483,918,863
Surplus on revaluation of fixed assets	3,832,685,395	(98,574,635)	-	3,734,110,760
Trade debtors	(14,613,263)	346,705	-	(14,266,558)
Provision for gratuity	(6,867,428)	2,149,212	(3,891,429)	(8,609,645)
Unused tax losses	(7,253,755,755)	619,031,634	-	(6,634,724,121)
	3,063,713,959	500,606,769	(3,891,429)	3,560,429,299

	Note	2017 Rupees	2016 Rupees
14 Current maturity of long term liabilities			
Redeemable capital	9	10,115,259,050	8,107,473,137
Long term finances	10	6,629,272,872	6,030,805,170
		16,744,531,922	14,138,278,307

15 Short term borrowings - secured

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

	Note	2017 Rupees	2016 Rupees
Secured:			
Running finance	15.2 & 15.5	2,445,086,512	2,494,812,602
Cash finance	15.2 & 15.5	152,818,265	-
Finance against trust receipt	15.2 & 15.5	88,528,540	75,050,104
Istisna / Salam	15.2 & 15.5	561,735,176	561,950,416
Demand finance	15.2 & 15.5	91,683,224	91,683,224
Bills payable	15.3 & 15.5	187,030,000	187,030,000
		3,526,881,717	3,410,526,346

15.1 Particulars of borrowings

Interest / mark-up based financing	2,826,099,230	2,709,743,859
Islamic mode of financing	700,782,487	700,782,487
	3,526,881,717	3,410,526,346

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

These financing facilities carry mark-up at rates ranging from one to nine months KIBOR plus a spread of 0.80% to 2.75% per annum (2016: one to nine months KIBOR plus a spread of 1.00% to 2.75% per annum), payable quarterly and semi-annually.

The aggregate available short term funded facilities amount to Rs. 4,615.12 million (2016: Rs. 3,339.92 million) out of which Rs. 1,140.67 million (2016: Rs. 4.44 million) remained unavailed as at the reporting date. These funded facilities are majorly sub-limits of non-funded facilities and can interchangeably be used. Out of these funded facilities, Rs. 826.84 million were expired as at reporting date and were not renewed. Facilities amounting to Rs. 480.66 million have expired subsequent to the reporting date.

At the reporting date principal and interest amounting to Rs. 1,120.47 million (2016: Rs. 983.77 million) and Rs. 807.63 million (2016: Rs. 692.23 million) respectively were overdue. Refer note 42.2.2 for details.

- 15.3** Aggregate limits available for non-funded facilities amount to Rs. 2,056.20 million (2016: Rs 1,698.02 million) out of which limits that remain unutilized as at reporting date amount to Rs. 1,744.76 million (2016: Rs. 1,200.41 million). These non-funded facilities mainly include limits for opening letter of credits, guarantees and bills discounting and are secured by lien over underlying documents and overall charge over current assets of the Company.

At the reporting date bills and markup / interest amounting to Rs. 187.03 million (2016: Rs. 187.03 million) and Rs. 150.58 million (2016: Rs. 134.01 million) respectively were overdue. Refer to note 42.2.2 for details.

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

- 15.5** For restrictions on title of assets pledged as security, refer to note 45 to the financial statements.

	Note	2017 Rupees	2016 Rupees
16 Trade and other payables			
Trade and other creditors	16.1	4,406,399,595	3,126,218,739
Accrued liabilities		86,438,173	110,380,662
Security deposits and retention money		23,458,995	24,376,008
Advances from customers		121,470,053	116,316,650
Tax deducted at source		38,378,006	37,781,646
Provincial Excise Duty		85,517	91,173
Workers' Welfare Fund		8,038,520	7,177,250
Other payables	16.2	23,951,808	44,909,588
		4,708,220,667	3,467,251,716

- 16.1** It includes Rs. 2,783.17 million (2016: Rs. 2,046.29 million) on account of Gas Infrastructure Development Cess (GIDC). During the year, the Company has obtained an interim relief from the Peshawar High Court against payment of GIDC through petition filed challenging its legality.

- 16.2** This includes an amount of Rs. Nil (2016: Rs. 4.54 million) relating to housing colony payable.

	2017 Rupees	2016 Rupees
17 Interest / mark-up accrued on borrowings		
Redeemable capital - secured	8,051,770,082	7,104,553,484
Long term finances - secured	5,467,997,684	4,856,842,539
Short term borrowings - secured	1,004,714,111	864,584,131
	14,524,481,877	12,825,980,154

The overdue amounts of mark-up / interest are disclosed under their respective financing notes and in note 42.2.2.

18 Preference dividend payable

This represents preference dividend payable as per the terms described in note 6. Out of total preference dividend payable, Rs. 328.75 million pertains to the amount payable until 31 December 2013.

19 Contingencies and commitments

19.1 Contingencies

- 19.1.1** A contractor's claim amounting to Rs. 839.51 million (2016: Rs. 839.51 million) against the Company has not been acknowledged as debt since the Company also has a counter claim amounting to Rs. 2,556.02 million (2016: Rs. 2,556.02 million) against the contractor. The claim is under settlement with arbitrator. The management based on the opinion of the legal advisor expects a favourable decision.
- 19.1.2** Certain cases against the Company are pending before labour courts, where the claim cannot be quantified and ascertained at this stage. The Company's legal advisors are confident that the ultimate outcomes of above mentioned cases will be in favour of the Company.
- 19.1.3** The Company has filed a Civil Suit number 2341 before the Islamabad High Court impugning the decision of Government of Pakistan (Ministry of Industries, Production & Special Initiatives) dated 02 March 2007 wherein it was communicated that since the Company commenced its operations with effect from 13 September 1998 therefore the ten years period for the subsidised rate of feedstock gas under the '1989 Fertilizer Policy' shall end on 12 September 2008. The Company has contended that the Government granted subsidy to other fertilizer companies from the date of their "commercial operations" and is therefore bound under constitutional law to equal treatment and non-discrimination against the Company. The commercial operations of the Company commenced on 29 November 1999 therefore the subsidized period of ten years shall end on 28 November 2009. Through an order dated 09 September 2008 (passed in C. M. No. 697 of 2008) the Islamabad High Court restrained the Oil & Gas Regulatory Authority from notifying an increase in the (subsidized) feedstock gas price subject to Company depositing cash of Rs. 36 million and bank guarantee of Rs. 86.50 million with Islamabad High Court which was deposited by the Company. As per Islamabad High Court stay order, the Company has been charged subsidised rate on feedstock gas from September 2008 to November 2009 which has a financial impact amounting to Rs. 740.8 million (2016: Rs. 740.8 million). The case for the Company's eligibility to avail subsidised rate on feedstock gas is pending with the Islamabad High Court. The Company has a very strong arguable case with likelihood of success as confirmed by the legal advisor, therefore no provision has been made against this demand.
- 19.1.4** C. R. No. 66/2008 titled WAPDA versus Agritech Limited is pending before the Honourable High Court, wherein, WAPDA has assailed the order dated 12 January 2005 passed by the Additional District and Sessions Judge, Mianwali, in favour of the Company. Through the order dated 12 January 2005, it was held that the Company was not liable to pay an amount Rs. 2.24 million as demanded by WAPDA. The claim is under settlement with arbitrator. The management based on the opinion of the legal advisor expects a favourable decision.
- 19.1.5** The Deputy Commissioner Inland Revenue ("DCIR") passed an order u/s 11(2) of the Sales Tax Act, 1990 dated 26 January 2015 whereby creating demand of Rs. 165.70 million. The Company being aggrieved preferred an appeal before Commissioner Inland Revenue-Appeals (CIR (A)) dated 31 July 2015 against the said order. The Learned CIR (A) passed an order dated 06 October 2015, annulling the said demand. Resultantly, the department preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR (A) which is pending fixation. The Company based on the opinion of its tax advisor is expecting a favourable outcome in this matter. The Company is confident that it has a good case and there are reasonable chances of favorable decision.
- 19.1.6** Subsequent to the year end, the National Accountability Bureau has authorized an inquiry against the Directors / Owners of the Company through its letter no. 1913/CO-J/T-34/IW-III/NAB-L/03 dated 02 March 2018.
- 19.1.7** Subsequent to the year end, a suit has been filed by Allied Bank Limited ("ABL") against the Company under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 201.66 million along with cost of funds, from the date of default by the Company in fulfilling their financial obligations in return of the facility availed.
- 19.1.8** Guarantees given by banks on behalf of the Company as at the reporting date amount to Rs. 86.50 million (2016: Rs. 86.50 million).

	2017 Rupees	2016 Rupees
19.2 Commitments		
19.2.1 Commitments under irrevocable letters of credit for		
- purchase of plant and machinery	3,509,285	44,158,553
- purchase of raw material	17,746,300	19,389,743
	21,255,585	63,548,296

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

	2017 Rupees	2016 Rupees
Not later than one year	6,559,222	53,190,752
Later than one year but not later than five year	3,219,358	10,582,955
	9,778,580	63,773,707

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

	Note	2017 Rupees	2016 Rupees
20 Property, plant and equipment			
Operating fixed assets	20.1	39,705,777,952	40,721,679,326
Capital work in progress	20.2	67,851,336	47,887,441
		39,773,629,288	40,769,566,767

20.1

Operating fixed assets

	2017									
	Cost / revalued amount					Depreciation				
	As at		As at		Useful lives in years	As at		As at		Net book value as at
	Rupees	01 January 2017	Additions Rupees	Disposals Rupees		31 December 2017 Rupees	For the year Rupees	Disposals Rupees	31 December 2017 Rupees	
Owned assets										
Freehold land	2,628,378,750	-	-	(1,632,818)		2,626,745,932	-	-	-	2,626,745,932
Buildings on freehold land	2,657,616,212	17,937,934	17,937,934	(13,097,866)	50 - 106	2,662,456,280	38,895,116	(10,017,035)	815,556,198	1,846,900,082
Plant and machinery	47,147,987,317	429,959	429,959	(15,783,048)	4 - 72	47,132,634,228	951,582,824	(8,699,420)	12,890,040,941	34,242,593,287
Residential colony assets	547,853,039	-	-	-	50 - 106	547,853,039	9,184,498	-	117,117,807	430,735,232
Road, bridges and culverts	88,857,450	-	-	-	50	88,857,450	1,752,281	-	20,607,864	68,249,586
Furniture, fixtures and office equipment	144,423,001	4,647,116	4,647,116	-	3 - 10	149,070,117	7,763,677	-	124,406,460	24,663,657
Vehicles and rail transport	116,931,466	7,721,169	7,721,169	(35,183)	5	124,617,452	1,833,804	(35,163)	114,972,281	9,645,171
Tools and other equipment	156,014,681	1,403,920	1,403,920	-	3 - 10	157,418,601	817,481	-	154,043,513	3,375,088
Electrical and other installations	1,378,843,050	-	-	-	10 - 50	1,378,843,050	30,707,581	-	943,621,388	435,221,662
Plantation	296,476	-	-	-		296,476	-	-	296,476	-
Books and literature	926,479	-	-	-	10	926,479	31,817	-	920,293	6,186
Catalyst	239,130,246	21,587,522	21,587,522	-	3 - 6	260,717,768	15,262,618	-	243,075,699	17,642,069
2017	55,107,258,167	53,727,620	53,727,620	(30,548,915)		55,130,436,872	1,057,831,697	(18,751,618)	15,424,658,920	39,705,777,952

	2016										Net book value as at 31 December 2016 Rupees
	Cost / revalued amount					Depreciation					
	As at 01 January 2016 Rupees	Additions Rupees	Disposals Rupees	As at 31 December 2016 Rupees	Useful lives in years	As at 01 January 2016 Rupees	For the period Rupees	Disposals Rupees	As at 31 December 2016 Rupees		
<u>Owned assets</u>											
Freehold land	2,696,160,000	-	(67,781,250)	2,628,378,750		-	-	-	-	2,628,378,750	
Buildings on freehold land	2,657,616,212	-	-	2,657,616,212	50 - 106	747,660,150	39,017,967	-	786,678,117	1,870,938,095	
Plant and machinery	47,160,862,462	347,161	(13,222,306)	47,147,987,317	4 - 72	11,006,365,794	947,912,753	(7,121,010)	11,947,157,537	35,200,829,780	
Residential colony assets	547,853,039	-	-	547,853,039	50 - 106	98,745,917	9,187,392	-	107,933,309	439,919,730	
Road, bridges and culverts	88,857,450	-	-	88,857,450	50	17,103,302	1,752,281	-	18,855,583	70,001,867	
Furniture, fixtures and office equipment	139,695,618	4,827,723	(100,340)	144,423,001	3 - 10	109,665,368	7,077,745	(100,330)	116,642,783	27,780,218	
Vehicles and rail transport	117,754,126	3,462,400	(4,285,060)	116,931,466	5	116,644,060	491,287	(3,961,707)	113,173,640	3,757,826	
Tools and other equipment	156,014,681	-	-	156,014,681	3 - 10	152,539,496	686,536	-	153,226,032	2,788,649	
Electrical and other installations	1,378,843,050	-	-	1,378,843,050	10 - 50	882,206,457	30,707,350	-	912,913,807	485,929,243	
Plantation	296,476	-	-	296,476		296,476	-	-	296,476	-	
Books and literature	926,479	-	-	926,479	10	856,659	31,817	-	888,476	38,003	
Catalyst	239,130,246	-	-	239,130,246	3 - 6	192,293,081	35,520,000	-	227,813,081	11,317,165	
2016	55,184,009,839	8,637,284	(85,388,956)	55,107,258,167		13,324,376,760	1,072,385,128	(11,183,047)	14,385,578,841	40,721,679,326	

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

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

	2017 Rupees	2016 Rupees
Revalued Assets		
Freehold land	2,259,588,898	2,260,993,487
Buildings on freehold land	1,475,675,135	1,490,713,734
Residential colony assets	53,256,659	54,274,704
Plant and machinery	22,875,129,797	23,519,663,299
	26,663,650,489	27,325,645,224

20.1.3 Disposal of property, plant and equipment

2017						
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds received / receivable Rupees	Gain / (loss) on disposal Rupees	Mode of disposal
Owned assets						
Freehold land						
Land	1,632,818	-	1,632,818	11,584,900	9,952,082	Land Acquisition Act, 1894
Plant and machinery						
Refrigerant Condenser	15,783,048	8,699,420	7,083,628	2,265,231	(4,818,397)	Auction
Buildings on freehold land						
Raw Water Storage Tank	13,097,866	10,017,035	3,080,831	-	(3,080,831)	Collapsed
Vehicles						
2 Railway Wagon	35,183	35,163	20	890,882	890,862	Auction
2017	30,548,915	18,751,618	11,797,297	14,741,013	2,943,716	
2016	85,388,956	11,183,047	74,205,909	69,735,897	(4,470,012)	

	Note	2017 Rupees	2016 Rupees
20.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	30	1,052,182,782	1,066,911,168
Administrative and general expenses	32	5,374,123	5,209,943
Experimental farms	34.1	274,792	264,017
		1,057,831,697	1,072,385,128

20.2 Capital work in progress

2017				
	As at 01 January 2017 Rupees	Additions Rupees	Transfers / written off Rupees	As at 31 December 2017 Rupees
Note				
Civil work	16,861,721	35,635,486	(17,937,934)	34,559,273
Plant and machinery	31,025,720	2,266,343	-	33,292,063
Advances	-	-	-	-
20.2.1	47,887,441	37,901,829	(17,937,934)	67,851,336

	2016			
	As at 01 January 2016	Additions	Transfers / written off	As at 31 December 2016
	Rupees	Rupees	Rupees	Rupees
Civil work	-	16,861,721	-	16,861,721
Plant and machinery	31,025,720	-	-	31,025,720
Advances	5,708,677	2,579,802	(8,288,479)	-
	36,734,397	19,441,523	(8,288,479)	47,887,441

20.2.1 These represents expenditure on civil works and plant and machinery in the course of construction, development and installation and majorly comprises of urea reactor for production, construction of urea shed and electric generators for power generation.

	Note	2017 Rupees	2016 Rupees
21 Intangible assets			
Oracle computer software and implementation	21.1	191,281	2,761,130
Goodwill acquired in business combination	21.2	2,567,310,828	2,567,310,828
		2,567,502,109	2,570,071,958
21.1 Oracle computer software and implementation			
<u>Cost</u>			
As at 01 January		42,567,574	42,567,574
<u>Accumulated amortisation</u>			
Opening		(39,806,444)	(34,096,620)
Amortisation for the year	32	(2,569,849)	(5,709,824)
		(42,376,293)	(39,806,444)
As at 31 December		191,281	2,761,130
Rate of amortisation		25%	25%

21.1.1 The software represents financial accounting software which has been capitalized by the Company. The amortisation of the software represents the total accumulated amortisation charged till the reporting date. Fully amortized financial accounting software as at the reporting date amounts to Rs. 37.91 million (2016: 32.29 million).

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

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

21.2.1 The recoverable amount of goodwill was tested for impairment as at 31 December 2017, by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS 36 "Impairment of Assets". The recoverable amount was calculated on the basis of five years business plan approved by the Board which includes a comprehensive analysis of existing operational deployments of the Company along with strategic business plans and business growth. The aforesaid plans are stated in detail in note 2.2. The value in use calculations are based on cash flow projections derived from aforesaid business plan which assumes availability of natural gas / RLNG on long term basis and at a subsidized rate. These cash flow projections have been extrapolated beyond five years, by using a steady 3.00% growth rate which is consistent with the long term average growth rate for the country. The cash flows are discounted using a discount rate of 13.54% for its use in calculation of value in use which is sensitive to discount rate and local inflation rates. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

	Note	2017 Rupees	2016 Rupees
22 Long term loans and advances - considered good			
Advances to employees - secured	22.1 & 22.2	18,208,860	19,623,021
Less: Current maturity presented under current assets	27	(5,861,447)	(5,651,045)
		12,347,413	13,971,976

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

22.2 This includes advances to executives amounting to Rs. 2.64 million (2016: Rs. 1.11 million). The movement is as follows:

	2017 Rupees	2016 Rupees
Balance as at 01 January	1,106,318	1,538,728
Additions during the year	2,149,764	-
Recoveries during the year	(611,679)	(432,410)
Balance as at 31 December	2,644,403	1,106,318

The maximum aggregate amount outstanding during the year is Rs. 2.64 million (2016: Rs. 1.54 million).

	Note	2017 Rupees	2016 Rupees
23 Long term deposits - unsecured, considered good			
Deposits against leased assets	23.1	19,546,582	24,762,510
Security deposits with utility companies		44,368,143	44,109,663
		63,914,725	68,872,173
Current maturity presented under current assets		(7,020,610)	(7,420,900)
		56,894,115	61,451,273

23.1 These have been deposited with various banking companies and financial institutions against assets subject to Ijarah and Diminishing Musharika arrangements amounting to Rs. 18.24 million (2016: Rs. 24.17 million) and Rs. 1.31 million (2016: Rs. 0.59 million) respectively.

	Note	2017 Rupees	2016 Rupees
24 Stores, spare parts and loose tools			
Stores		155,477,589	141,450,656
Spare parts		1,932,394,476	1,906,810,254
Loose tools		1,135,366	1,214,987
		2,089,007,431	2,049,475,897
25 Stock-in-trade			
Raw material		18,143,950	59,421,466
Packing material		31,242,411	14,465,470
Work in process		91,804,431	111,855,660
Finished goods	25.1	244,967,940	151,505,606
		386,158,732	337,248,202

25.1 Aggregate stocks with a cost of Rs. 198.83 million (2016: Nil) are being valued at net realizable value of Rs. 153.41 million (2016: Nil).

	Note	2017 Rupees	2016 Rupees
26 Trade debts			
Considered good - <i>unsecured</i>		16,531,013	51,016,085
Considered doubtful - <i>unsecured</i>		47,555,194	47,555,194
		64,086,207	98,571,279
Less: provision for doubtful trade debts	26.1	(47,555,194)	(47,555,194)
		16,531,013	51,016,085
26.1 Movement in provision for doubtful trade debts			
As at 01 January		47,555,194	48,710,878
Provision for the year - net of recoveries		-	(1,155,684)
As at 31 December		47,555,194	47,555,194
27 Advances, deposits, prepayments and other receivables			
Advances to suppliers - <i>unsecured, considered good</i>		72,225,784	96,038,435
Advances to employees - <i>secured, considered good</i>			
- against salaries and post employment benefits	22	5,861,447	5,651,045
- against purchases and expenses		7,087,387	7,332,525
Deposit with High Court	19.1.3	36,000,000	36,000,000
Prepayments		5,835,933	5,789,632
Deposits against Ijarah	23.1	7,020,610	7,420,900
Receivable from Government of Pakistan	27.1	1,346,250	66,829,000
Sales tax receivable		458,055,723	325,861,688
Subsidy receivable	27.2	1,069,968,500	1,031,031,076
Other receivables	27.3	80,834,752	75,090,768
		1,744,236,386	1,657,045,069

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

	Note	2017 Rupees	2016 Rupees
27.2 Subsidy receivable			
- from Ministry of Food, Agriculture and Livestock	27.2.1	550,823,960	550,823,960
- from Ministry of National Food Security and Research	27.2.2	519,144,540	480,207,116
		1,069,968,500	1,031,031,076

27.2.1 This represents receivable from Government of Pakistan against subsidy granted by Ministry of Food, Agriculture, and Livestock ("MINFAL") amounting to Rs. 550.82 million (2016: Rs. 550.82 million) through letter No. F-4-13/2000-Fert dated 05 September 2008, on Phosphatic and Potassic Fertilizer ("PPF") at the rate of Rs. 19,120 per metric ton. The Company being a producer of PPF, was entitled to the same subsidy for the period commencing on 05 September 2008 and ending on 14 April 2009. However, on 14 April 2009 subsidy regime was withdrawn by MINFAL with retrospective effect from 31 December 2008 which was contended by the Company by filling a legal suit in the Court of 1st Class Civil judge ("the Court") for recovery of subsidy relating to the period from 01 January 2009 to 14 April 2009, on the grounds that the Company had priced and sold its product in said period based on bonafide belief and legitimate expectation that subsidy regime was available and therefore the Company is entitled to the payment of aforesaid amount being the sum of the subsidy claim for said period along with markup. During the year, an ex-parte decision for the recovery of subsidy

claim along with markup has been given in favour of the Company by the Court. As at the reporting date, the management is in the process of re-lodging its above claim with the concerned authorities.

27.2.2 This includes the following:

- Subsidy amounting to Rs. 16.40 million (2016: Rs. 79.36 million) at the rate of Rs. 196 /- per 50 kg bag of SSP Fertilizer sold (based on phosphorous content) as notified by Ministry of National Food Security and Research ("MNFSR"), Government of Pakistan through Notification No. F.1-11/2012/DFSC-II/Fertilizer dated 03 November 2015 and subsidy amounting to Rs. 135.99 million (2016: Rs. 96.17 million) at the rate of Rs. 117/- per 50 kg bag of SSP Fertilizer sold (based on phosphorous content) as notified by Ministry of National Food Security and Research ("MNFSR"), Government of Pakistan through Notification No. F. 1-11/2012/DFSC-II/Fertilizer dated 12 August 2016.
- Receivable from Government of Pakistan against subsidy granted by Ministry of Food Security and Research ("MNFSR") amounting to Rs. 240.91 million (2016: Rs. 304.67 million) through letter No. F-1-11/2012/DFSC-II/Fertilizer dated 25 June 2016, on sale of Urea fertilizer at the rate of Rs. 156/- per 50 kg bag sold and subsidy amounting to Rs. 125.85 million (2016: Rs. Nil) through revised letter No. 15 (4) CFC/2015-615 dated 07 August 2017, on sale of Urea fertilizer at the rate of Rs. 100/- per 50 kg bag. Under the subject notifications, all manufacturers of urea fertilizer registered with the Federal Board of Revenue under Sales Tax regime will be eligible for receiving cash subsidy. The Company being a producer of urea fertilizer, was entitled to the same subsidy for the periods notified in the respective notices.

27.3 This mainly includes acknowledged insurance claim amounting to Rs. 50.25 million lodged by the Company in respect of break down of Turbomach gas turbine ("the Turbine Claim") and the consequential losses sustained by the Company from the interruption of its business and an amount of Rs. 5.38 million (2016: Rs. Nil) relating to housing colony receivable.

	Note	2017 Rupees	2016 Rupees
28 Cash and bank balances			
Cash in hand		513,594	997,634
Cash at banks			
Local currency			
- Current accounts		116,867,774	130,216,762
Interest based deposits with conventional banks			
- Saving accounts	28.1	80,293,809	16,079,262
		197,161,583	146,296,024
		197,675,177	147,293,658

28.1 Rate of return on saving accounts ranges from 4.00% to 6.00% per annum (2016: 4.00% to 5.50% per annum).

	2017 Rupees	2016 Rupees
29 Sales - net		
Sale of fertilizer		
- Local	3,775,165,008	8,722,322,016
- Export	105,331,000	-
Other products	336,786,649	339,589,078
Gross sales	4,217,282,657	9,061,911,094
Sales tax	(260,243,771)	(874,082,156)
Trade discounts	(405,520,180)	(672,414,716)
Net sales	3,551,518,706	7,515,414,222

	Note	2017 Rupees	2016 Rupees
30 Cost of sales			
Raw and packing material consumed	30.1	2,090,254,684	2,804,815,255
Salaries, wages and other benefits	30.2	464,193,998	438,831,704
Fuel and power		842,594,736	1,181,230,530
Stores, spare part and loose tools consumed		151,852,587	188,054,525
Travelling, conveyance and entertainment		34,623,939	25,186,855
Rent, rates and taxes		551,138	285,430
Insurance expenses		50,361,268	52,178,257
Repair and maintenance		34,277,761	35,444,874
Research and development		107,475	64,730
Depreciation on property, plant and equipment	20.1.4	1,052,182,782	1,066,911,168
Printing and stationery		1,434,704	1,418,269
Communication		4,616,564	4,105,779
Loading and handling charges		15,919,891	36,854,269
Ijarah lease rentals	30.3	40,416,893	47,389,065
Contract services		28,667,212	23,252,140
Others	30.4	43,237,535	36,873,533
		4,855,293,167	5,942,896,383
Opening work-in-process		111,855,660	133,440,659
Closing work-in-process		(91,804,431)	(111,855,660)
		20,051,229	21,584,999
Cost of goods manufactured		4,875,344,396	5,964,481,382
Opening finished goods		151,505,606	451,192,990
Closing finished goods		(244,967,940)	(151,505,606)
		(93,462,334)	299,687,384
Cost of goods sold		4,781,882,062	6,264,168,766

30.1 This is net of Government subsidy of Rs. 302.86 million (2016: Rs. 723.17 million) as stated in note 27.2.2.

30.2 These include charges in respect of employees' retirement benefits amounting to Rs. 8.90 million (2016: Rs. 6.91 million) and Rs 13.69 million (2016: Rs. 13.96 million) on account of gratuity and provident fund respectively.

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

30.4 Other expenses include housing colony expenses aggregating to Rs. 34.19 million (2016: Rs. 25.87 million).

	Note	2017 Rupees	2016 Rupees
31 Selling and distribution expenses			
Salaries, wages and other benefits	31.1	33,384,097	30,144,631
Freight and other expenses		151,443,016	315,218,714
Communication		464,314	605,708
Travelling and conveyance		2,400,553	2,120,579
Advertisement and marketing		18,391,759	12,802,250
Rent, rates and taxes		7,264,174	8,461,443
Insurance expenses		5,166,252	6,287,236
Vehicle running and maintenance		603,700	553,854
Printing and stationery		61,230	186,585
Security services		5,133,271	7,150,108
Ijarah lease rentals	30.3	3,410,832	2,714,232
Miscellaneous		910,601	939,225
		228,633,799	387,184,565

31.1 These include charges in respect of employees retirement benefits amounting to Rs. 0.31 million (2016: Rs. 0.04 million) and Rs. 1.38 million (2016: Rs. 1.80 million) on account of gratuity and provident fund respectively.

	Note	2017 Rupees	2016 Rupees
32 Administrative and general expenses			
Salaries and other benefits	32.1	141,317,515	136,306,520
Travelling, conveyance and entertainment		10,944,844	10,305,484
Rent, rates and taxes		6,044,269	6,011,059
Printing and stationery		2,661,051	2,872,960
Communication		2,282,363	2,221,867
IT consultancy		5,571,033	3,875,365
Legal and professional charges	32.2 & 32.3	58,608,902	190,356,355
Depreciation on property, plant and equipment	20.1.4	5,374,123	5,209,943
Amortisation of computer software	21.1	2,569,849	5,709,824
Guest house expenses		990,376	421,412
Utilities		6,880,530	6,253,830
Repair and maintenance		2,806,896	2,826,015
Insurance expenses		1,544,550	6,806,495
Security services		39,605,959	34,940,436
Subscription fee		12,500	1,085,712
Ijarah lease rentals	30.3	10,283,212	6,082,773
Advances written off		-	816,084
Others		5,992,118	7,218,239
		303,490,090	429,320,373

32.1 These include charges in respect of employees' retirement benefits amounting to Rs. 1.24 million (2016: Rs. 1.36 million) and Rs. 3.71 million (2016: Rs. 2.81 million) on account of gratuity and provident fund respectively.

	2017 Rupees	2016 Rupees
32.2 These include following in respect of auditors' remuneration:		
Statutory audit fee for the year	4,921,770	4,921,770
Review report under Code of Corporate Governance	71,500	71,500
Interim review	1,115,730	1,115,730
Taxation and other services	4,362,500	4,362,500
Agreed upon procedures engagement	-	2,090,000
Out of pocket expenses	700,000	700,000
	11,171,500	13,261,500

32.3 These also include an amount of Rs. Nil (2016: Rs. 141.60 million), accrued by the Company in relation to services provided by the National Bank Limited ("associated company") under Master Advisory Services Agreement.

	2017 Rupees	2016 Rupees
33 Other expenses		
Long term deposits written off	-	331,000
Loss from experimental farm	-	225,687
Loss on disposal of property, plant and equipment	-	4,470,012
	-	5,026,699

	Note	2017 Rupees	2016 Rupees
34 Other income			
<u>Income from financial assets</u>			
- Interest from deposits with conventional banks			
Return on bank deposits	28	2,375,262	3,010,079
Mark-up on advances to employees		558,971	376,402
		2,934,233	3,386,481
<u>Income from non-financial assets</u>			
Gain on disposal of property, plant and equipment		2,943,716	-
Bad debt recovered		-	1,155,684
Sale of scrap		1,999,670	7,920,294
Gain from experimental farm	34.1	1,807,628	-
Liabilities no longer payable written back - net		-	5,179,052
Miscellaneous		1,675,418	4,685,401
		8,426,432	18,940,431
		11,360,665	22,326,912

34.1 Depreciation amounting to Rs. 0.27 million has been netted off in this balance.

	Note	2017 Rupees	2016 Rupees
35 Finance cost			
Interest / mark-up on:			
- Redeemable capital		947,216,598	964,356,280
- Long term finances		611,516,228	625,592,088
- Short term borrowings		279,814,975	294,827,810
- Gas Infrastructure Development Cess		230,862,687	209,148,377
- Workers' Welfare Fund ("WWF")		861,270	768,990
		2,070,271,758	2,094,693,545
Amortisation of transaction costs	9 & 10	39,300,363	54,142,052
Bank charges and commission		15,640,804	29,644,773
		2,125,212,925	2,178,480,370
36 Taxation			
For the year			
- Current tax	36.2	49,199,659	81,878,288
- Deferred tax	13.2	382,875,756	500,606,769
		432,075,415	582,485,057

	Note	2017 Rupees	2016 Rupees
36.1 Tax charge reconciliation			
Numerical reconciliation between tax expense and accounting loss			
Loss before taxation		(3,876,339,505)	(1,726,439,639)
Tax at 30% (2016: 31%)		(1,162,901,852)	(535,196,288)
<i>Tax effect of:</i>			
- Tax calculated at the rate of 1.25% / 1.00% of turnover		48,146,349	81,878,288
- income under FTR		46,167,125	-
- Prior year tax		-	-
- Tax rate adjustment		-	-
- Not adjustable for tax purposes		1,500,663,793	1,035,803,057
		432,075,415	582,485,057
36.2	In view of the available income tax losses, the provision for current tax represents tax under 'Final Tax Regime' and 'Minimum tax on the income of certain persons' under section 113 of the Income Tax Ordinance, 2001. For the purpose of current taxation, the tax losses available for carry forward as at 31 December 2017 are estimated approximately at Rs. 32,491.42 million (2016: Rs. 22,115.75 million).		
36.3	Income tax return for the tax year ended 30 June 2008 was filed under the self-assessment scheme. Subsequently, the Company filed a revised return declaring loss of Rs. 4,206.80 million and claimed refund of Rs. 26.75 million. However, the Additional Commissioner Inland Revenue ("ACIR") amended the assessment under section 122(5A) of the Ordinance vide his order dated 30 December 2013 and assessed tax loss at Rs. 1,106.38 million by making various additions to tune of Rs. 406.27 million. The Company being aggrieved preferred an appeal before Commissioner Inland Revenue (CIR (A)) on 17 June 2014 against the aforementioned order. The appeal was heard on 23 July 2014 by the CIR (A) and was partially decided in favor of the Company. Resultantly, AGL preferred an appeal before Appellate Tribunal Inland Revenue ("ATIR") which is pending fixation.		
36.4	Income tax return for the tax year ended 30 June 2009 was filed under the self-assessment scheme. Subsequently, the Company filed a revised return declaring loss of Rs. 5,657.31 million and claiming refund of Rs. 140.27 million. However, the Additional Commissioner Inland Revenue ("ACIR") amended the assessment under section 122(5A) of the Ordinance vide his order dated 30 January 2015 whereby creating a demand of Rs. 42.88 million. The Company being aggrieved preferred an appeal before Commissioner Inland Revenue - Appeals (CIR (A)) on 16 June 2015 against the aforementioned order which is pending fixation.		
36.5	Income tax return for tax year 30 June 2011 was filed under the self-assessment scheme declaring a tax loss of Rs. 9,327.07 million and a refund of Rs. 1.16 million was claimed. Later on, the said return was revised on issue of credit of tax deducted/paid at Rs. 111.91 million. The Company was selected for audit under section 214C of the Income tax Ordinance (ITO), 2001 and on completion of audit proceedings, the assessment was amended u/s 122(1) and 122(5) of the ITO, 2001 and additions amounting to Rs. 77.98 million were made to the assessment. Notice was issued dated 05 June 2014, to initiate the penalty proceedings under section 182(1) of the ITO, 2001 against the Company and thereafter penalty amounting to Rs. 4.82 million was imposed on the Company. The Company submitted its reply to the notice dated 05 June 2014 and thereafter there have been no proceeding in this case.		
36.6	Income tax return for tax year 30 June 2012 was filed under the self-assessment scheme declaring tax loss of Rs. 18,120.36 million and a refund of Rs. 514.29 million was claimed. Later on the said return was revised on issue of credit of tax deducted/paid at Rs. 542.78 million. The Additional Commissioner Inland Revenue ("ACIR") issued an order dated 09 February 2017 to amended the assessment under section 122(5A) of the Income Tax Ordinance, 2001 and creating a demand of Rs. 30.73 million. The Company being aggrieved filed an appeal in the office of Commissioner Inland Revenue (Appeals-I) which is pending adjudication.		
36.7	During the year, proceedings under section 161/236G and 236H of the Income Tax ordinance, 2001 in respect of tax year 2014 was initiated by the department against the Company and a demand of Rs. 34.61 was created. The Company filed an appeal in the office of Commissioner Inland Revenue Appeals-I which is pending fixation.		

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

The Company based on the opinion of the tax advisor is confident that it has a good case and there are reasonable chances of favorable decision. Accordingly no provision has been made in these financial statements.

	2017 Rupees	2016 Rupees
37 Loss per share - basic and diluted		
Loss attributable to ordinary shareholders	(4,308,414,920)	(2,308,924,696)
Adjustment for cumulative preference share dividend	(175,267,696)	(175,267,696)
Loss after taxation for calculation of basic earnings per share	(4,483,682,616)	(2,484,192,392)
	2017 No. of shares	2016 No. of shares
Weighted average number of ordinary shares outstanding during the year	392,430,000	392,430,000
Loss per share - <i>basic and diluted</i> (Rupees)	(11.43)	(6.33)

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

	Note	2017 Rupees	2016 Rupees
38 Cash generated from operations			
Loss before taxation		(3,876,339,505)	(1,726,439,639)
<u>Adjustments for non-cash items:</u>			
Interest / mark-up expense	35	1,855,049,875	1,915,189,941
Amortisation of transaction costs	35	39,300,363	54,142,052
Depreciation on property, plant and equipment	20.1.4	1,057,831,697	1,072,385,128
Amortisation of computer software	21.1	2,569,849	5,709,824
Staff retirement benefits		10,445,678	8,317,688
Net realisable value adjustment	25.1	45,422,634	-
Liabilities no longer payable written back - net		-	(5,179,052)
Advances written off		-	9,104,563
Long term deposits written off	33	-	331,000
Recovery on account of doubtful trade debts provision	26.1	-	(1,155,684)
Mark-up / interest income	34	(2,934,233)	(3,386,481)
(Gain) / loss on disposal of property plant and equipment	34	(2,943,716)	4,470,012
		3,004,742,147	3,059,928,991
Operating (loss) / profit before changes in working capital		(871,597,358)	1,333,489,352
<u>Changes in working capital:</u>			
<i>(Increase) / decrease in current assets:</i>			
Stores, spare parts and loose tools		(39,531,534)	814,745
Stock-in-trade		(94,333,164)	293,699,610
Trade debts		34,485,072	11,288,898
Advances, deposits, prepayments and other receivables		(152,674,067)	(672,506,847)
		(252,053,693)	(366,703,594)
<i>Increase / (decrease) in current liabilities:</i>			
Trade and other payables		1,240,372,591	(631,373,568)
Cash generated from operations		116,721,540	335,412,190
39 Cash and cash equivalents			
Running finance -secured	15	(2,445,086,512)	(2,494,812,602)
Cash and bank balances	28	197,675,177	147,293,658
		(2,247,411,335)	(2,347,518,944)
40 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:

	Note	2017 Rupees	2016 Rupees
40.1 Transactions with related parties			
40.1.1 <u>Associate</u>			
National Bank of Pakistan			
Mark-up expense	35	260,041,104	248,137,316
Preference dividend		3,804,632	3,804,632
Advisory fee	32.3	-	129,920,000
Advisory fee paid		-	70,000,000
Bank balances - <i>net</i>		(10,084,123)	12,753,677
40.1.2 <u>Other related parties</u>			
Faysal Bank Limited			
Mark-up expense	35	150,672,644	153,571,772
Mark-up paid		-	8,313,337
Preference dividend		34,139,153	34,139,153
Trustee fee		7,534,143	10,534,172
Trustee fee paid		2,825,000	10,534,172
Bank balances - <i>net</i>		(109)	(1,180,912)
Standard Chartered Bank (Pakistan) Limited			
Mark-up expense	35	123,259,286	136,066,461
Long term loan repaid	10.4	-	38,792,141
Bills payable - <i>net</i>	15	-	(5,220,000)
Bank balances - <i>net</i>		15,583,157	63,625,487
Silkbank Limited			
Mark-up expense	35	51,705,633	47,708,731
Mark-up paid		54,254,810	44,464,193
Short term borrowings - <i>net</i>		(20,653,618)	(3,054,541)
Bank balances - <i>net</i>		-	(153,000,000)
Summit Bank Limited			
Mark-up expense	35	88,308,197	93,562,559
Mark-up paid		46,785,863	55,274,686
Short term borrowings - <i>net</i>		128,355,485	(217,372,616)
Bank balances - <i>net</i>		77,694,449	(125,000,000)
40.1.3 <u>Post employment benefit plans</u>			
- Provident fund trust		43,470,045	43,167,761
- Gratuity trust	12.1.3	1,022,787	15,481,729
40.1.4 Key management personnel			

The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 41 to the financial statements.

	Note	2017 Rupees	2016 Rupees
40.2 Balances with related parties			
40.2.1 Associate			
National Bank of Pakistan			
Long term finances	10.2, 10.4 & 10.6	2,467,083,735	2,467,083,735
Redeemable capital	9.3	462,057,100	462,057,100
Bills payable	15	187,030,000	187,030,000
Preference shares	5	34,587,560	34,587,560
Mark-up payable	17	2,404,385,462	2,144,344,358
Preference dividend payable		174,762,447	170,957,816
Bank account balances	28	4,260,968	14,345,091
Advisory fee	16	738,600,000	738,600,000
Advance for transaction cost	27	23,200,000	23,200,000
40.2.2 Other related parties			
Faysal Bank Limited			
Redeemable capital	9.3 & 9.8	1,499,109,500	1,499,109,500
Long term finances	10.3 & 10.4	350,000,000	350,000,000
Preference shares	5	310,355,940	310,355,940
Mark-up payable	17	1,313,336,775	1,162,664,131
Preference dividend payable		200,625,984	166,486,830
Bank account balances	28	158,240	158,349
Trustee fee		4,709,143	-
Standard Chartered Bank (Pakistan) Limited			
Redeemable capital	9.5	146,995,500	146,995,500
Long term finances	10.2 & 10.4	1,445,302,019	1,445,302,019
Mark-up payable	17	1,110,855,301	987,596,016
Bank account balances	28	92,447,453	76,864,296
Silkbank Limited			
Long term finances	10.4	130,607,546	130,607,546
Short term borrowings	15	529,107,994	549,761,612
Mark-up payable	17	181,337,480	183,886,657
Summit Bank Limited			
Redeemable capital	9.3 & 9.5	603,406,000	603,406,000
Short term borrowings	15	581,751,062	453,395,577
Mark-up payable	17	320,876,714	279,354,380
Bank account balances	28	77,792,013	97,564
40.2.3 Post employment benefit plans			
Payable to Provident fund trust		-	-
Payable to Gratuity trust	12	31,758,941	28,698,815

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

41 Remuneration of Chief Executive, Directors and Executives

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

2017				
	Directors			Executives Rupees
	Chief Executive Rupees	Executive Rupees	Non-executive Rupees	
Managerial remuneration	11,600,000	-	-	76,895,281
House rent allowance	3,480,000	-	-	21,702,464
Utility allowance	1,160,000	-	-	2,444,944
Hard area allowance	-	-	-	20,978,249
Other	1,123,431	-	-	9,480,774
Post employment benefits	966,280	-	-	5,460,880
Meeting fee	-	-	144,000	-
Bonus	1,100,000	-	-	10,875,320
	19,429,711	-	144,000	147,837,912
Number of persons	1	-	6	69

2016				
	Directors			Executives Rupees
	Chief Executive Rupees	Executive Rupees	Non-executive Rupees	
Managerial remuneration	9,484,000	-	-	72,749,097
House rent allowance	1,980,000	-	-	18,187,242
Utility allowance	948,400	-	-	2,124,374
Hard area allowance	-	-	-	17,617,389
Other	7,477,772	-	-	6,057,202
Post employment benefits	549,780	-	-	5,488,957
Meeting fee	-	-	132,000	-
	20,439,952	-	132,000	122,224,261
Number of persons	1	-	6	60

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

42 Financial risk management

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

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

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

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

Risk Management Framework

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

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

42.1 Credit risk and concentration of credit risk

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

42.1.1 Exposure to credit risk

Credit risk of the Company arises principally from trade debts, advances, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Out of total financial assets of Rs. 390.43 million (2016: Rs. 381.2 million), the financial assets that are subject to credit risk amount to Rs. 364.62 million (2016: Rs. 353.24 million).

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

	Note	2017 Rupees	2016 Rupees
<u>Loans and receivables</u>			
Long term deposits - <i>unsecured, considered good</i>	23	56,894,115	61,451,273
Trade debts - <i>considered good</i>	26	16,531,013	51,016,085
Advances and other receivables	27	94,030,887	94,480,330
Bank balances	28	197,161,583	146,296,024
		364,617,598	353,243,712

42.1.2 Concentration of credit risk

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

	2017 Rupees	2016 Rupees
Customers	16,531,013	51,016,085
Banking companies and financial institutions	208,008,165	162,358,534
Others	140,078,420	139,869,093
	364,617,598	353,243,712

42.1.3 Credit quality and impairment

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

42.1.3(a) Counterparties with external credit ratings

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

Banks and financial institutions

Bank	Rating		Rating Agency	2017 Rupees	2016 Rupees
	Long term	Short term			
<u>Bank balances</u>					
Albaraka Bank (Pakistan) Limited	A	A1	PACRA	904,125	997,679
Allied Bank Limited	AA+	A1+	PACRA	1,604,911	2,265,758
Askari Bank Limited	AA+	A1+	PACRA	9,448,509	4,478,172
Bank Alfalah Limited	AA+	A1+	PACRA	72,190	72,190
BankIslami Pakistan Limited	A+	A1	PACRA	337,354	6,556
Dubai Islamic Bank Pakistan Limited	AA-	A-1	JCR-VIS	1,548,199	1,548,199
Faysal Bank Limited	AA	A1+	PACRA	158,240	158,349
Habib Bank Limited	AAA	A-1+	JCR-VIS	2,434,267	8,578,081
JS Bank Limited	AA-	A1+	PACRA	-	-
MCB Bank Limited	AAA	A1+	PACRA	429,030	1,094,628
Meezan Bank Limited	AA	A-1+	JCR-VIS	4,807,531	19,817,589
National Bank Limited	AAA	A1+	PACRA	4,260,969	14,705,723
NIB Bank Limited	AA-	A1+	PACRA	10,124	9,816
Silk Bank Limited	A-	A-2	JCR-VIS	-	-
Soneri Bank Limited	AA-	A1+	PACRA	438,048	531,085
Standard Chartered Bank (Pakistan) Limited	AAA	A1+	PACRA	92,447,453	76,864,296
Summit Bank Limited	A-	A-1	JCR-VIS	77,792,013	97,564
The Bank Of Punjab	AA	A1+	PACRA	2,765	3,065
United Bank Limited	AAA	A-1+	JCR-VIS	465,855	15,067,274
				197,161,583	146,296,024
<u>Security Deposits</u>					
Albaraka Bank (Pakistan) Limited	A	A1	PACRA	6,983,782	9,418,910
BankIslami Pakistan Limited	A+	A1	PACRA	1,179,100	3,752,100
JS Bank Limited	AA-	A1+	PACRA	2,683,700	2,891,500
				10,846,582	16,062,510
				208,008,165	162,358,534

42.1.3(b) Counterparties without external credit ratings

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

	2017		2016	
	Gross carrying amount Rupees	Accumulated impairment Rupees	Gross carrying amount Rupees	Accumulated impairment Rupees
Neither past due nor impaired	14,526,353	-	49,259,318	-
Past due by 3 to 6 months	-	-	-	-
Past due by 6 to 12 months	357,496	-	1,121,081	-
Past due by more than one year	49,202,358	47,555,194	48,190,880	47,555,194
	64,086,207	47,555,194	98,571,279	47,555,194

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

42.1.4 Credit risk management:

As mentioned in note 42.1.3(b) to the financial statements, the Company's financial assets do not carry significant credit risk with the exception of trade debts, which is also very limited. In this respect, Company manages its risk by selling on advance payments or bank guarantees. Moreover, the Company avoids any significant exposure to a single customer.

42.2 Liquidity risk

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

42.2.1 Exposure to liquidity risk

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

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

	2017				
	Carrying amount	Contractual cash flow	Less than one year	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
<u>Non-derivative financial liabilities</u>					
Redeemable capital - secured	12,165,534,546	12,571,451,233	10,397,104,859	2,174,346,374	-
Long term finances - secured	7,232,929,458	7,405,734,338	6,717,837,594	686,326,452	1,570,292
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowings - secured	3,526,881,717	3,474,389,549	3,474,389,549	-	-
Trade and other creditors	4,406,399,595	4,406,399,595	4,406,399,595	-	-
Accrued liabilities	86,438,173	86,438,173	86,438,173	-	-
Security deposits and retention money	23,458,995	23,458,995	23,458,995	-	-
Other payables	23,951,808	23,951,808	23,951,808	-	-
Mark-up accrued on borrowings	14,524,481,877	14,524,481,877	14,524,481,877	-	-
Preference dividend payable	1,029,819,407	1,029,819,407	1,029,819,407	-	-
	43,051,030,775	43,577,260,174	40,683,881,857	2,860,672,826	32,705,491
	2016				
	Carrying amount	Contractual cash flow	Less than one year	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
<u>Non-derivative financial liabilities</u>					
Redeemable capital - secured	12,165,534,546	13,047,026,825	8,583,048,729	4,419,772,399	44,205,697
Long term finances - secured	7,227,854,101	7,513,049,357	6,189,974,311	1,321,790,542	1,284,504
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowings - secured	3,410,526,346	3,446,830,386	3,446,830,386	-	-
Trade and other creditors	3,126,218,739	3,126,218,739	3,126,218,739	-	-
Accrued liabilities	110,380,662	110,380,662	110,380,662	-	-
Security deposits and retention money	24,376,008	24,376,008	24,376,008	-	-
Other payables	44,909,588	44,909,588	44,909,588	-	-
Mark-up accrued on borrowings	12,825,980,154	12,825,980,154	12,825,980,154	-	-
Preference dividend payable	854,551,711	854,551,711	854,551,711	-	-
	39,821,467,054	41,024,458,629	35,206,270,288	5,741,562,941	76,625,400

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

42.2.2 Liquidity risk management

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

The Company continues to face a liquidity shortfall, due to the facts disclosed in note 2.2, as a result of which it was unable to meet its obligations in respect of various debt finances and is not in compliance with certain financial covenants as referred to in note 9.9 and 10.9. The details of overdue financial liabilities are as follows:

		2017		
	Note	Principal Rupees	Interest / mark up Rupees	Total Rupees
<u>Nature of liability</u>				
Redeemable capital	9	8,107,473,138	7,710,516,383	15,817,989,521
Long term finances	10	6,030,121,387	5,467,222,596	11,497,343,983
Short term borrowings	15	1,307,498,505	958,204,900	2,265,703,405
		15,445,093,030	14,135,943,879	29,581,036,909
		2016		
		Principal Rupees	Interest / mark up Rupees	Total Rupees
<u>Nature of Liability</u>				
Redeemable capital	9	5,482,239,595	6,754,485,111	12,236,724,706
Long term finances	10	4,936,224,967	4,789,859,892	9,726,084,859
Short term borrowings	15	1,170,797,597	826,245,164	1,997,042,761
		11,589,262,159	12,370,590,167	23,959,852,326

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

42.3 Market risk

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

42.3.1 Currency risk

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

42.3.1(a) Exposure to currency risk

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

	2017 Rupees	2016 Rupees
<u>Off balance sheet items</u>		
Outstanding letters of credit:		
US \$	17,746,300	19,295,671
EUR €	-	22,456,314
JPY	3,509,285	2,259,116
Net exposure	21,255,585	44,011,101

42.3.1(b) Exchange rates applied during the year

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

		2017	2016
<i>Reporting date spot rate:</i>			
- buying	US \$	110.07	104.30
- selling	US \$	110.50	104.80
Average rate for the year	US \$	107.65	105.32
<i>Reporting date spot rate:</i>			
- buying	EUR €	131.46	109.70
- selling	EUR €	131.79	109.97
Average rate for the year	EUR €	120.88	112.26
<i>Reporting date spot rate:</i>			
- buying	JPY	0.98	0.89
- selling	JPY	0.98	0.90
Average rate for the year	JPY	0.94	0.88

42.3.1(c) Sensitivity analysis

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

	2017 Profit	2016 Profit
US \$	177,463	192,957
EUR €	-	224,563
JPY	35,093	22,591
	212,556	440,111

42.3.1(d) Currency risk management

Since the maximum amount exposed to currency risk is only Nil (2016: Nil) of the Company's total assets, any adverse / favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

42.3.2 Interest rate risk

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

42.3.2(a) Fixed rate financial instruments

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

		2017		2016	
		Financial asset	Financial liability	Financial asset	Financial liability
	Note	Rupees	Rupees	Rupees	Rupees
<u>Non-derivative financial instruments</u>					
Redeemable capital	9	-	618,685,000	-	618,685,000
Long term advance to employees	22	7,040,449	-	5,712,570	-
Bank balances at saving accounts	28	80,293,809	-	16,079,262	-
		87,334,258	618,685,000	21,791,832	618,685,000

Fair value sensitivity analysis for fixed rate instruments

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

42.3.2(b) Variable rate financial instruments

		2017		2016	
	Note	Financial asset Rupees	Financial liability Rupees	Financial asset Rupees	Financial liability Rupees
<u>Non-derivative financial instruments</u>					
Redeemable capital - secured	9	-	10,998,024,546	-	10,998,024,546
Long term finances -secured	10	-	7,232,929,458	-	7,227,854,101
Short term borrowings - secured	15	-	3,526,881,717	-	3,410,526,346
		-	21,757,835,721	-	21,636,404,993

42.3.2(c) Cash flow sensitivity analysis for variable rate instruments

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

	2017 Rupees	2016 Rupees
<u>Increase of 100 basis points</u>		
Variable rate instruments	(217,578,357)	(216,364,050)
<u>Decrease of 100 basis points</u>		
Variable rate instruments	217,578,357	216,364,050

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

42.3.2(d) Interest rate risk management

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

42.3.3 Price risk

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

42.4 Fair value measurement of financial instruments

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

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

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

	Carrying amount				Fair value			
	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 31 December 2017								
<u>Financial assets - not measured at fair value</u>								
Long term loans and advances	12,347,413	-	-	12,347,413	-	-	-	-
Long term deposits	56,894,115	-	-	56,894,115	-	-	-	-
Trade debts	16,531,013	-	-	16,531,013	-	-	-	-
Advances and other receivables	106,979,721	-	-	106,979,721	-	-	-	-
Cash and bank balances	-	197,675,177	-	197,675,177	-	-	-	-
	192,752,262	197,675,177	-	390,427,439	-	-	-	-
<u>Financial liabilities - not measured at fair value</u>								
Redeemable capital	-	-	12,165,534,546	12,165,534,546	-	-	-	-
Long term finances	-	-	7,232,929,458	7,232,929,458	-	-	-	-
Long term payable	-	-	31,135,199	31,135,199	-	-	-	-
Short term borrowings	-	2,445,086,512	-	2,445,086,512	-	-	-	-
Trade and other creditors	-	-	4,406,399,595	4,406,399,595	-	-	-	-
Accrued liabilities	-	-	86,438,173	86,438,173	-	-	-	-
Security deposits and retention money	-	-	23,458,995	23,458,995	-	-	-	-
Other payables	-	-	23,951,808	23,951,808	-	-	-	-
Mark-up accrued on borrowings	-	-	14,524,481,877	14,524,481,877	-	-	-	-
Preference dividend payable	-	-	1,029,819,407	1,029,819,407	-	-	-	-
	-	2,445,086,512	39,524,149,058	41,969,235,570	-	-	-	-

	Carrying amount			Total	Fair value			
	Trade and other receivables	Cash and cash equivalents	Other financial liabilities		Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 31 December 2016								
<i>Financial assets - not measured</i>								
Long term loans and advances	13,971,976	-	-	13,971,976	-	-	-	-
Long term deposits	61,451,273	-	-	61,451,273	-	-	-	-
Trade debts	51,016,085	-	-	51,016,085	-	-	-	-
Advances and other receivables	107,463,900	-	-	107,463,900	-	-	-	-
Cash and bank balances	-	147,293,658	-	147,293,658	-	-	-	-
	233,903,234	147,293,658	-	381,196,892	-	-	-	-
<i>Financial liabilities - not measured</i>								
Redeemable capital	-	-	12,165,534,546	12,165,534,546	-	-	-	-
Long term finances	-	-	7,227,854,101	7,227,854,101	-	-	-	-
Long term payable	-	-	31,135,199	31,135,199	-	-	-	-
Short term borrowings	-	2,494,812,602	-	2,494,812,602	-	-	-	-
Trade and other creditors	-	-	3,126,218,739	3,126,218,739	-	-	-	-
Accrued liabilities	-	-	110,380,662	110,380,662	-	-	-	-
Security deposits and retention money	-	-	24,376,008	24,376,008	-	-	-	-
Other payables	-	-	44,909,588	44,909,588	-	-	-	-
Mark-up accrued on borrowings	-	-	12,825,980,154	12,825,980,154	-	-	-	-
Preference dividend payable	-	-	854,551,711	854,551,711	-	-	-	-
	-	2,494,812,602	36,410,940,708	38,905,753,310	-	-	-	-

42.5 Operational risk

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

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

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

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

43 Capital management

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

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders.

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

	2017 Rupees	2016 Rupees
Total debt	19,398,464,004	19,393,388,647
Total equity - excluding surplus on revaluation	(8,921,035,714)	(4,673,643,463)
Total capital employed - excluding surplus on revaluation	10,477,428,290	14,719,745,184
Surplus on revaluation	8,848,473,940	9,080,310,370
Total capital employed - including surplus on revaluation	19,325,902,230	23,800,055,554
Gearing - excluding surplus on revaluation	185%	132%
Gearing - including surplus on revaluation	100%	81%

There were no changes in the Company's approach to capital management during the year. The Company's debt is at the same level as the management is planning to convert its long term as explained in note 2.2 and 42.2.2. The Company has filled a scheme for conversion of its over-due long term debts and related markup into preference shares in accordance with a scheme of arrangement to be approved by the Honorable Lahore High Court under the provisions of repealed Companies Ordinance, 1984. The proceedings of the Court are in progress at the reporting date. Further the Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance which the Company could not comply as at the reporting date. The consequences of non-compliance are narrated in note 2.3 to the financial statements.

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

	2017						Equity			
	Liabilities									
	Long term finances	Redeemable capital	Short term borrowings	Short term running finances - note 39	Accrued finance cost	Preference Dividend Payable	Ordinary Share Capital	Preference Share Capital	Reserves	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 January 2017	7,227,854,101	12,165,534,546	915,713,744	2,494,812,602	12,825,980,154	854,551,711	3,924,300,000	1,593,342,690	9,000,000	42,011,089,548
Cash flows										
Net increase in long term finances	5,075,357	-	-	-	-	-	-	-	-	5,075,357
Short term borrowings received	-	-	166,081,461	-	-	-	-	-	-	166,081,461
Net of payments	-	-	-	-	(156,548,152)	-	-	-	-	(156,548,152)
Finance cost paid	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-
Total changes from financing cash flows	5,075,357	-	166,081,461	-	(156,548,152)	-	-	-	-	14,608,666
Non-cash changes										
Preference dividend expense	-	-	-	-	-	175,267,696	-	-	-	175,267,696
Changes in running finances	-	-	-	(49,726,090)	-	-	-	-	-	(49,726,090)
Interest / markup expense	-	-	-	-	1,855,049,875	-	-	-	-	1,855,049,875
Total liability related other changes	-	-	-	(49,726,090)	1,855,049,875	175,267,696	-	-	-	1,980,591,481
Closing as at 31 December 2017	7,232,929,458	12,165,534,546	1,081,795,205	2,445,086,512	14,524,481,877	1,029,819,407	3,924,300,000	1,593,342,690	9,000,000	44,006,289,695

	2017 Rupees	2016 Rupees
45 Restriction on title, and assets pledged as security		
<u>Mortgages and charges</u>		
Hypothecation of stocks and movables	27,555,763,333	27,555,763,333
Hypothecation of book debts and receivables	26,144,763,333	26,144,763,333
Mortgage over land and building	29,005,040,872	29,005,040,872
Hypothecation of plant and machinery	35,506,373,882	33,238,373,872
Charge over stocks - (pledge)	886,000,000	-

46 Segment reporting

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

Reportable Segments

Urea fertilizer segment

Phosphate fertilizer segment

Operation of reportable segments

production of Urea fertilizer and ammonia from natural gas

production of Phosphate fertilizer from rock phosphate

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

46.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
External revenues	2,733,244,608	7,363,331,812	818,274,098	875,251,470	3,551,518,706	8,238,583,282
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	2,733,244,608	7,363,331,812	818,274,098	875,251,470	3,551,518,706	8,238,583,282
Reportable segment (loss) /profit before tax	(3,919,557,275)	(1,744,299,898)	43,217,770	17,860,259	(3,876,339,505)	(1,726,439,639)

46.3 Other segment information

Interest income	2,795,814	3,136,528	138,419	249,953	2,934,233	3,386,481
Interest expense	2,125,168,687	2,178,418,499	44,238	61,871	2,125,212,925	2,178,480,370
Depreciation	1,007,704,389	1,026,194,642	50,127,308	46,190,486	1,057,831,697	1,072,385,128
Amortisation	2,569,849	5,709,824	-	-	2,569,849	5,709,824
Capital expenditure	70,465,608	26,879,660	3,225,907	1,199,147	73,691,515	28,078,807

46.4 Segment assets and liabilities

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
Reportable segment assets	43,097,916,780	43,808,046,008	4,782,390,688	4,740,404,915	47,880,307,468	48,548,450,923
Reportable segment liabilities	46,799,066,714	43,581,495,330	1,153,802,528	560,288,686	47,952,869,242	44,141,784,016

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

	2017 Rupees	2016 Rupees
46.5.1 Profit and loss		
Total loss for reportable segments	(3,876,339,505)	(1,726,439,639)
Unallocated corporate expenses	(432,075,415)	(582,485,057)
Consolidated loss after tax	(4,308,414,920)	(2,308,924,696)
46.5.2 Assets		
Total assets for reportable segments	47,880,307,468	48,548,450,923
Elimination of inter-segment assets	(791,626,275)	(643,855,222)
Consolidated total assets	47,088,681,193	47,904,595,701
46.5.3 Liabilities		
Total liabilities for reportable segments	47,952,869,242	44,141,784,016
Elimination of inter-segment liabilities	(791,626,275)	(643,855,222)
Consolidated total liabilities	47,161,242,967	43,497,928,794
46.5.4 Other material items		

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

	2017 Rupees	2016 Rupees
46.6 Geographical information		
Sales are made by the Company in the following countries:		
Pakistan	3,446,187,706	7,515,414,222
Afghanistan	105,331,000	-
	3,551,518,706	7,515,414,222

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

46.7 97.27% (2016: 100%) of the gross sales of the Company are made to customers located in Pakistan.

46.8 All non-current assets of the Company as at 31 December 2017 are located in Pakistan.

47 Plant capacity and actual production

Urea fertilizer	Unit	2017	2016
Rated capacity	Metric tons	433,125	433,125
Actual production for the year	Metric tons	114,201	248,136
Production efficiency	%age	26%	57%
The low production is due to shortage of natural gas.			
Phosphate fertilizer			
Rated capacity	Metric tons	81,000	81,000
Actual production for the year	Metric tons	61,942	70,000
Production efficiency	%age	76%	86%

The low production is due to working capital constraints.

48 Provident Fund Trust

The following information is based on latest audited financial statements of the Provident fund trust.

	30 June 2017	30 June 2016
Size of fund - total assets	Rupees 180,216,134	153,989,786
Cost of investments made	Rupees 135,283,200	123,231,404
Percentage of investments made	Percentage 75.07%	80.03%
Fair value of investments	Rupees 161,042,671	140,558,273

The breakup of fair value of investments is as follows:

	30 June 2017		30 June 2016	
	Rupees	Percentage	Rupees	Percentage
Shares of listed companies	56,520	0.04%	41,488	0.03%
Debt securities	5,000,000	3.10%	5,000,000	3.56%
Mutual funds	31,848,146	19.78%	23,430,576	16.67%
Saving certificates	22,150,000	13.75%	20,700,000	14.73%
Cash at bank	101,988,005	63.33%	91,386,209	65.02%
	161,042,671	100.00%	140,558,273	100.00%

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

49 Number of employees

The average and total number of employees are as follows:

	2017	2016
Average number of employees during the year	925	875
Total number of employees as at	917	933

50 Corresponding figures

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

51 Date of authorization for issue

These financial statements were authorized for issue on 30 April 2019 by the Board of Directors of the Company.

52 General

- Figures have been rounded off to the nearest rupee.
- These financial statements have been subject to a delay in finalization due to certain issues related to unprecedented gas curtailment which were beyond the management's control. The Company filed an application to Securities and Exchange Commission of Pakistan ('SECP') on 26 March 2018 for extension for holding of Annual General Meeting which was granted for 30 days vide letter dated 30 March 2018. After expiry of 30 days the Company applied second extension for a period of 6 months vide letter dated 24 May 2018 which was refused by SECP via letter dated 29 May 2018 against which the Company filed review application on 11 June 2018 which was also rejected by SECP via order dated 25 June 2018. Following these rejections, the Company has filed an appeal with the Registrar SECP on 28 June 2018 however the same was rejected via appellate order dated 04 July 2018. Meanwhile, the Company also received notice from Pakistan Stock Exchange ('PSX') dated 12 July 2018 to hold the AGM and submit the financial statements. The Company filed a writ petition before the Honorable Lahore High Court ('LHC') against the aforesaid orders of SECP and notice issued by PSX, for which LHC granted an interim injunction to the Company suspending the aforementioned orders and restraining all from taking any coercive actions against the Company.

Notice of Annual General Meeting

Notice is hereby given to all the members of Agritech Limited (the "Company") that an Annual General Meeting of the Company is scheduled to be held on May 31, 2019 at 11:30 A.M. at Park Plaza Hotel, 107-B3, MM Alam Road, Gulberg III, Lahore to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last Extraordinary General Meeting held on July 16, 2018;
2. To receive, consider and adopt the financial statements for the year ended on December 31, 2017 together with Director's and Auditor's reports thereon;
3. To appoint external auditors for the financial year ending December 31, 2018 and to fix their remuneration.

Special Business:

4. To consider, and if thought fit, pass the following resolution as recommended by the Board of Directors for the transmission of the Annual Audited Accounts through CD/DVD/USB instead of hard copies thereof:

Resolved that "the transmission/circulation of Annual Balance Sheet, Profit & Loss Account, Auditors' Report and Directors' Report etc. ("Annual Audited Accounts") of Agritech Limited (AGL) to its members through CD/DVD/USB instead of hardcopies thereof at their registered addresses, as per the Notification No. SRO 470 (I)/2016 dated May 31, 2016 issued by the Securities and Exchange Commission of Pakistan be and is hereby approved."

Other Business:

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

By Order of the Board



May 10, 2019
Lahore

Muhammad Faisal Muzammil
Chief Executive Officer

NOTES:

1. Share transfer books of the Company will remain closed from May 24, 2019 to May 31, 2019 (both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies completed in all respect, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
3. A member who have not yet submitted photocopies of the Computerized National Identity Card (CNIC) are requested to send the same at the earliest.
4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. FOR ATTENDING THE MEETING:

- i. In case of individuals, the accounts holders and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his original CNIC or Passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. FOR APPOINTING PROXIES:

- i. In case of individuals, the account holders and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owner and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/her original CNIC or original Passport at the time of meeting.
 - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
5. Members may avail video conference facility for this General Meeting, provided the Company receives consent (standard format is given below) at least 10 days prior to the date of the

Notice of Annual General Meeting

Meeting from members holding in aggregate 10% or more shareholding residing at particular location.

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

"I/we _____ of _____ being member(s) of Agritech Limited, holder of _____ Ordinary Share(s) as per Registered Folio No./CDC Account No. _____ hereby opt for video conference facility at _____ in respect of Annual General Meeting of the Company to be held on May 31, 2019.

Signature of Member"

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

- Change in their addresses, if any;
- Valid and legible copy of CNIC/Passport (in case of individual) and NTN Certificate (in case of corporate entity).

7. For any query/problem/information, Members may contact the Company at email muhammad.faisal@pafl.com.pk and/or the Share Registrar of the Company at (+92 42) 3 7 2 3 5 0 8 1 - 8 2 , e m a i l shares@hmaconsultants.com Members may also visit website of the Company www.pafl.com.pk for notices/information.

Statement of material facts under section 134(3) of Companies Act, 2017

Agenda item no. 4.

Transmission of the Annual Audited Accounts through CD/DVD/USB The Securities and Exchange Commission of Pakistan ("SECP") through its Notification No. SRO 470(I)/2016 dated May 31, 2016, has allowed companies to transmit/circulate the Annual Balance Sheet, Profit & Loss Account, Auditors' Report and Directors' Report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses instead of transmitting the said accounts in hard copies. A shareholder may request to the

Company Secretary or Share Registrar of the Company to provide hard copy of Annual Audited Accounts and the same will be provided at shareholder's registered addresses, free of cost within one week of the demand. In this regard, a 'Standard Request Form' containing postal and email address of the Company Secretary / Share Registrar will be placed on website of the Company. A shareholder may also prefer to receive hard copies for all future Annual Audited Accounts. In view of the above, it is proposed that the Special Resolution at Item 4 of the Notice of AGM be passed.

7- کسی استفسار / مسئلہ / معلومات کے لئے، ارکان کمپنی سے ای میل

muhammad.faisal@pafll.com.pk اور / یا کمپنی کے شیئر رجسٹرار سے

37235081-82 (+92 42)، ای میل:

shares@hmaconsultants.com پر رابطہ کر سکتے ہیں۔ ارکان نوٹسز / معلومات

کے لئے کمپنی کی ویب سائٹ www.pafll.com.pk بھی ملاحظہ کر سکتے ہیں۔

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

ایجنڈا آئٹم نمبر 4

سی ڈی / ڈی ڈی / ڈی / یو ایس بی کے ذریعے سالانہ نظر ثانی شدہ حسابات کی ترسیل

سکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے نوٹیفکیشن نمبر SRO 470(I)/2016

مورخہ 31 مئی 2016 کے ذریعے کمپنیوں کو سالانہ بیلنس شیٹ، نفع و نقصان اکاؤنٹ، آڈیٹرز

کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ ایگری ٹیک لمیٹڈ (AGL) کے ("سالانہ نظر ثانی

شدہ حسابات") اپنے ارکان کے رجسٹرڈ پتوں پر ہارڈ کاپیوں کی بجائے سی ڈی / ڈی ڈی / ڈی / یو

ایس بی کے ذریعے ترسیل کرنے کی اجازت دی ہے۔ حصص داران کمپنی سیکرٹری یا کمپنی کے شیئر

رجسٹرار کو سالانہ نظر ثانی شدہ حسابات کی ہارڈ کاپی فراہم کرنے کی درخواست کر سکتے ہیں اور یہ

ایسی درخواست کی وصولی کے ایک ہفتہ کے اندر مفت حصص داران کے رجسٹرڈ پتوں پر مہیا کی

جائے گی۔ اس سلسلہ میں، معیاری درخواست فارم بشمول کمپنی سیکرٹری / شیئر رجسٹرار کا پوسٹل /

ای میل ایڈریس کمپنی کی ویب سائٹ پر رکھ دیا گیا ہے۔ حصص داران آئندہ تمام سالانہ نظر ثانی

شدہ اکاؤنٹس کی ہارڈ کاپیاں وصول کرنے کو ترجیح دے سکتے ہیں۔ مذکورہ بالا کے مد نظر، یہ تجویز

کیا گیا کہ AGM نوٹس کے آئٹم 4 پر خصوصی قرارداد پاس کی جانی چاہئے۔

اطلاع سالانہ اجلاس عام

A۔ اجلاس میں شرکت کیلئے

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

ii۔ کارپوریٹ اینٹیٹی کی صورت میں بورڈ آف ڈائریکٹر کی قرارداد/مختار نامہ مع نمونہ دستخط، کمپنی کو مہیا کرنا ہوئے۔ (اگر پہلے مہیا نہیں کئے گئے)۔

B۔ پراکسی تقرری کیلئے:

i۔ بصورت افراد، اکاؤنٹ ہولڈر اور/یا سب اکاؤنٹ ہولڈر اور انکی رجسٹریشن تفصیلات سی ڈی سی قواعد کے مطابق اپ لوڈ ہیں، کو بالائریکوارنٹ منٹ کے مطابق پراکسی فارم جمع کرنا ہوگا۔

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

iii۔ بینیفیشل اونرز اور پراکسی کے CNIC یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ہمراہ جمع کرنا ہوگی۔

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

v۔ کارپوریٹ اینٹیٹی کی صورت میں بورڈ آف ڈائریکٹر کی قرارداد/مختار نامہ مع نمونہ دستخط، کمپنی کو پراکسی فارم کے ہمراہ جمع کرنا ہوئے۔ (اگر پہلے مہیا نہیں کئے گئے)۔

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

وڈیو لنک سہولت کے مقام مع سہولت تک رسائی کے قابل بنانے کے لئے مکمل ضروری معلومات کے بارے متعلقہ ارکان کو کمپنی مطلع کرے گی۔

"میں رہم..... ساکن..... بحیثیت رکن ایگریٹیک لمیٹڈ، مالک..... عام حصص بمطابق رجسٹرڈ فوینومبر/سی ڈی سی اکاؤنٹ نمبر..... بذریعہ ہذا..... میں 31 مئی 2019ء کو منعقد ہونے والے سالانہ اجلاس عام کی بابت وڈیو کانفرنس سہولت اختیار کرنا چاہتا/چاہتی ہوں۔

دستخط رکن.....

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

• اپنے پتوں میں تبدیلی، اگر کوئی ہو۔

• CNIC/پاسپورٹ کی کارآمد اور واضح کاپی (بصورت فرد) اور این ٹی این ٹھیکیت (بصورت کارپوریٹ اینٹیٹی)۔

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ ایگریٹیک لمیٹڈ (کمپنی) کے ارکان کا سالانہ اجلاس عام، پارک پلازہ ہٹل، B3-107، ایم ایم عالم روڈ، گلبرگ III، لاہور پر 31 مئی 2019ء کو صبح 11:30 بجے درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عام امور:

1۔ 16 جولائی 2018ء کو منعقدہ کمپنی کے غیر معمولی اجلاس عام کی کارروائی کی توثیق کرنا۔

2۔ 31 دسمبر 2017ء کو ختم ہونے والے سال کے لئے مالی حسابات مع ان پراڈیکٹرز اور آڈیٹرز کی رپورٹ کی وصولی، غور و خوض اور منظوری دینا۔

3۔ 31 دسمبر 2019ء کو ختم ہونے والے مالی سال کے لئے بیرونی آڈیٹرز کا تقرر اور ان کے مشاہرہ کا تعین کرنا۔

خصوصی امور:

غور و خوض اور اگر بہتر خیال کیا گیا تو، سالانہ نظر ثانی شدہ اکاؤنٹس ہارڈ کاپیوں کی بجائے سی ڈی/ڈی وی ڈی/یو ایس بی کے ذریعے ترسیل کے لئے بورڈ کی منظوری کے مطابق درج ذیل قرارداد کو پاس کرنا:

قرار پایا کہ سالانہ بیلنس شیٹ، نفع و نقصان اکاؤنٹ، آڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ ایگریٹیک لمیٹڈ (AGL) کے ("سالانہ نظر ثانی شدہ حسابات") سکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری شدہ نوٹیفکیشن نمبر SRO 470(I)/2016 مورخہ 31 مئی 2016ء کے مطابق اپنے ارکان کو ان کے رجسٹرڈ پتوں پر ہارڈ کاپیوں کی بجائے سی ڈی/ڈی وی ڈی/یو ایس بی کے ذریعے ترسیل/سرکولیشن کی بذریعہ ہذا منظوری دی جاتی ہے۔"

دیگر امور:

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

بحکم بورڈ



محمد فیصل مزیل

چیف ایگزیکٹو آفیسر

10 مئی 2019

لاہور

نوٹ:

1۔ کمپنی کی حصص منتقلی کتابیں 24 مئی 2019ء تا 31 مئی 2019ء (بشمول ہر دو ایام) بند رہیں گی۔

2۔ اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر اپنی بجائے اجلاس میں شرکت اور ووٹ دینے کیلئے دیگر ممبر کو بطور اپنا اپنی پراکسی مقرر کر سکتا رہکتی ہے۔ پراکسیاں تا یکم مئی ہو سکیں، ہر لحاظ سے مکمل پراکسیاں اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر میں لازماً وصول ہو جانی چاہئیں۔

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

Form of Proxy

Agritech Limited



I/We _____
son/daughter of _____
a member of Agritech Limited and holder of _____ shares as
per Registered Folio No. _____ do hereby appoint Mr./Ms. _____
son/daughter of _____ or failing him/her
Mr. Ms. _____
son/daughter of _____
who is also member of the Company vide Registered Folio No. _____

as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 31 May 2019 at 11:30 AM at Park Plaza Hotel, 107-B3, MM Alam Road Gulberg III, Lahore and at any adjournment thereof.

In witness whereof on this _____ day of _____ 2019.

WITNESSES:

1. Signature: _____
Name _____
Address _____
CNIC: _____

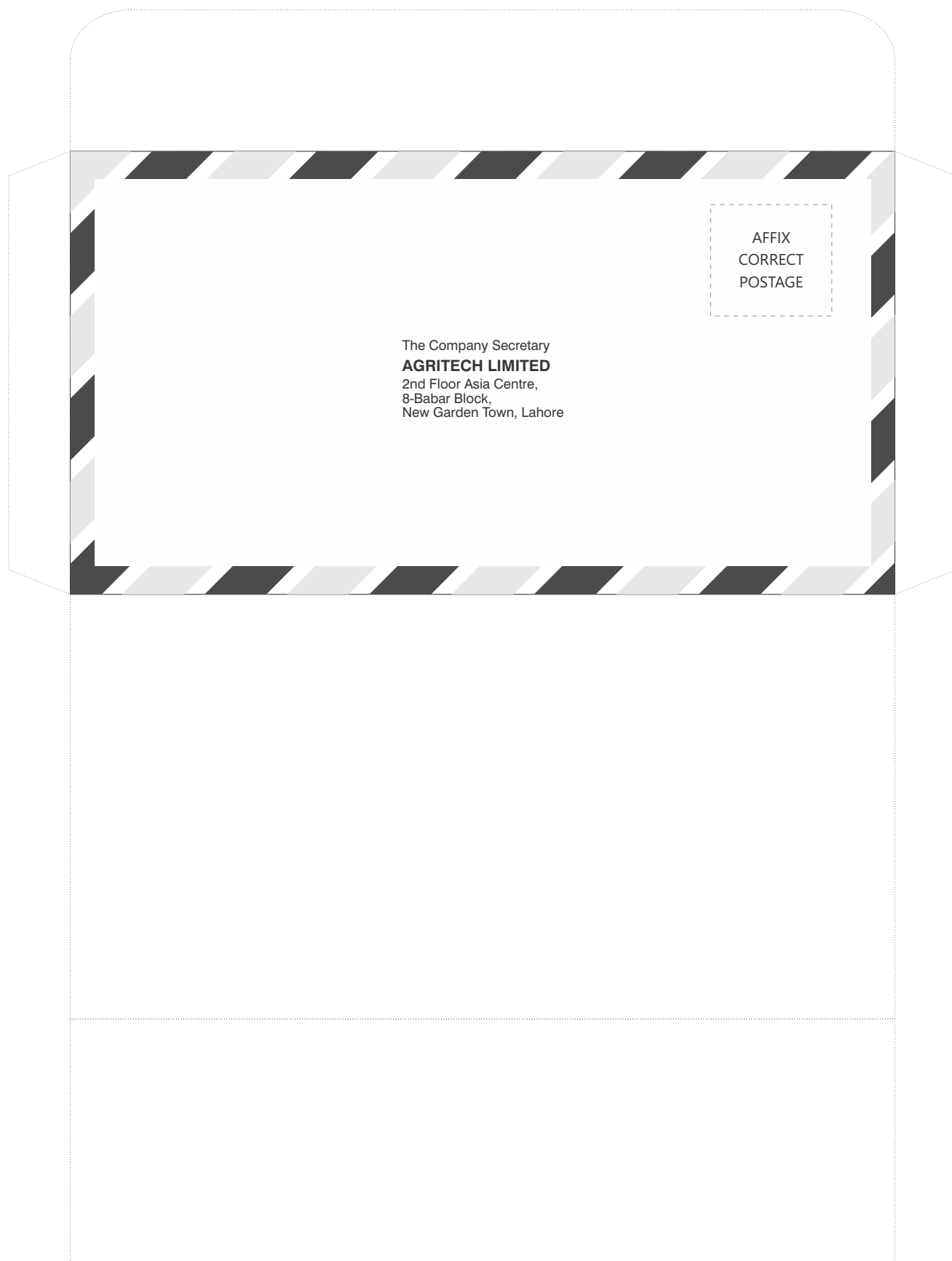
Affix Revenue
Stamp

2. Signature: _____
Name _____
Address _____
CNIC: _____

Member's Signature

NOTE:

1. The Form of Proxy should be deposited at the Registered Office of the Company situated at 2nd Floor Asia Centre, 8-Babar Block, New Garden Town, Lahore not later than 48 hours before the time for holding the meeting.
2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national Identity Cards/Passport in original to provide his/her identity, and in case of Proxy, must enclosed an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents for such purpose.





ایگری ٹیک لمیٹڈ پراکسی فارم

میں/ہم _____ پسر/دختر _____

بجائیت رکن ایگری ٹیک لمیٹڈ اور مالک _____ حصص برطانیق رجسٹرڈ فوئیو نمبر _____

بذریعہ ہذا _____ پسر/دختر _____ یا کسی غیر موجودگی میں _____

محترم/محترمہ _____ پسر/دختر _____

محترم/محترمہ _____ پسر/دختر _____

جو بروئے رجسٹرڈ فوئیو نمبر _____ کی رو سے مذکورہ کمپنی کا حصص دار بھی ہے کو اپنے/ہمارے ایماء پر مورخہ 31 مئی 2019 کو صبح 11:30 بجے

بمقام: پاک پلازہ ہوٹل، 107-B3، ایم ایم عالم روڈ گلبرگ 3، لاہور پر منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا

/ہمارا بطور حقار (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

آج بروز بتاریخ 2019ء کو میرے/ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

گواہان

رسمی گواہان چسپاں کریں

دستخط رکن

1- _____

دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____

2- _____

دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____

اہم نوٹ:

- 1- پراکسی فارم کمپنی کے رجسٹرڈ دفتر واقع دوسری منزل ایشیا سنٹر، 8 بار بلاک، نیوگا روڈ ٹاؤن، لاہور میں اجلاس منعقد ہونے سے کم از کم 48 (اٹھتالیس) گھنٹے قبل لازماً جمع ہو جانا چاہئے۔
- 2- اجلاس ہذا میں شرکت اور ووٹ دینے کا مستحق کسی وی سی حصص دار ان کو اپنی شناخت ثابت کرنے کے لئے اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ اصل ہمراہ لانا چاہئے اور پراکسی کی صورت میں اپنے CNIC پاسپورٹ کی کاپی لف کر لے کر پورٹ اراکان کے نمائندگان کو ایسے مقصد کے لئے معمول کے دستاویزات ہمراہ لانا چاہئیں۔

