

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

Annual Report  
2018





## Contents

Mission & Vision	05
Company Information	07
Director's Report	08
Chairman's Review Report on Board Performance	18
Pattern of Shareholding	19
Financial Highlights	24
Corporate Social Responsibility	25
Certifications & Achievements	26
Our Human Capital	28
Statement of Compliance under Listed Companies (Code of Corporate Governance) Regulations, 2017	30
Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017	32

## Financial Statements

Report on the Audit of the Financial Statements	35
Statement of Financial Position	40
Statement of Profit or Loss	42
Statement of Comprehensive Income	43
Statement of Cash Flows	44
Statement of Changes in Equity	45
Notes to the Financial Statements	46
Annual General Meeting	105
Form of Proxy	109



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*



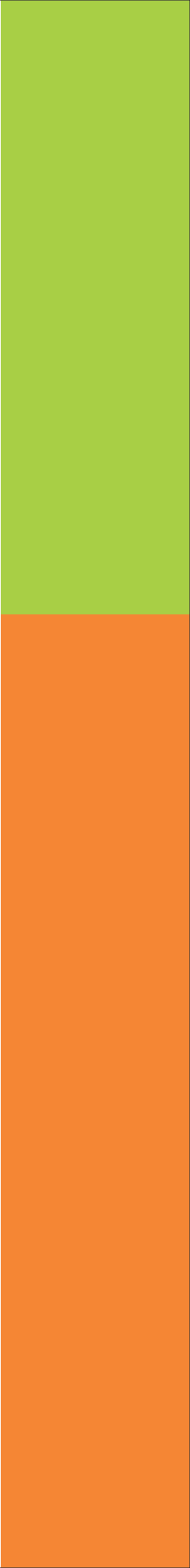


## OUR VISION

To become a major regional diversified fertilizer company

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



# Company Information

## Board of Directors

Mr. Sardar Azmat Babar  
*Chairman*

Mr. Muhammad Faisal Muzammil

*Chief Executive Officer*  
Mr. Talha Saeed

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

Ms. Amena Zafar Cheema (Chairperson)

Mr. Sardar Azamat Babar

Mr. Muhammad Faisal Muzammil

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

# 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, 2018.

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 2018ء 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 پختونخواہ (کے پی کے) میں جی ایس ایس پی (دانے دار سنگل سپر فوسفیٹ) کی پیداوار کی سہولت بھی چلا رہی ہے۔ کمپنی کھاد کی صنعت میں قابل اعتماد برانڈ "تارا" کے تحت ان پلائٹس 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

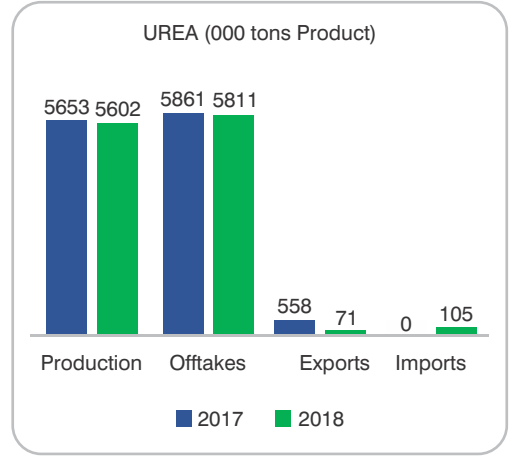
		December 31, 2018	December 31, 2017
Sales - Net	فروخت - نیٹ	4,533,316,414	3,551,518,706
Operating (Loss)	آپریٹنگ (نقصان)	(1,057,086,658)	(1,751,126,580)
Finance cost	فنانس لاگت	(2,582,522,419)	(2,300,480,621)
(Loss) before Tax	(نقصان) قبل از ٹیکس	(3,639,609,077)	(4,051,607,201)
(Loss) after Tax	(نقصان) بعد از ٹیکس	(3,343,673,076)	(4,483,682,616)
Earning / (Loss) per share	(نقصان) فی حصص	(8.52)	(11.43)

## Overview of Fertilizer Industry

Urea Offtakes registered a slight decline of 1% (5811KT: 2018 vs 5861KT: 2017) due to stagnant farmers' returns on major crops. Subsidy on Urea by GOP was discontinued in the budget of 2018/19 resulting in higher input cost to the farmers. Urea Production also recorded a decline of 1% vs last year (5602KT: 2018 vs 5653KT: 2017) due as gas curtailment meted out to the plants on SNGPL network. Plants on SNGPL remained closed after winter curtailment of 2017/18 for almost nine months during 2018 which resulted in surplus urea situation to urea shortages in later part of the year. This prompted GOP to work out Gas/RLNG

supply arrangements with the closed Urea plants on SNGPL Network in order to address the shortages. During first half the Industry also exported 71KT Urea vs 558KT in 2017. However, due to shortages in second half of the year, some 105KT Urea was imported to bridge supply demand gap.

The Company was effected by the recurring gas curtailment on SNGPL Network during nine months of 2018, however, from end Sep 2018 the company managed to secure Gas/RLNG supplies at capped price to support GOP in addressing the Urea shortages in the country. The company managed to produce 96 KT Urea (114KT: 2017) vs installed capacity of 430KT. The Company sold 101KT urea (110KT: 2017).

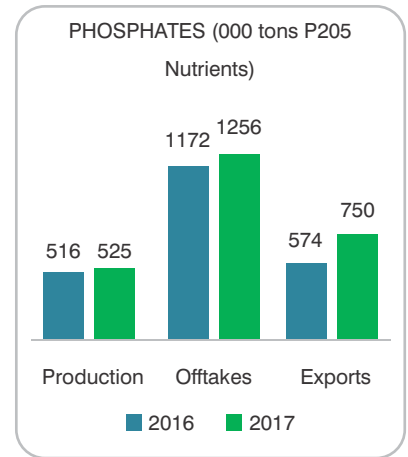


## کھاد کی صنعت کا مجموعی جائزہ

کھاد کی صنعت نے بڑی فصلوں کے کسانوں کے منافع کے جمود کی وجہ سے 1% (2017: 5861 ہزار ٹن کے مقابلے 2018: 5811 ہزار ٹن) کی معمولی کمی کا اندراج کیا ہے۔ حکومت پاکستان نے اپنے بجٹ برائے مالی سال 2018/19 میں کھاد پر سبسڈی ختم کر دی تھی جس کی وجہ سے کسانوں کے اخراجات میں بہت اضافہ ہوا۔ گیس کی تخفیف کے باعث دوبارہ پلانٹس کو SNGPL نیٹ ورک سے ہٹانے کی وجہ سے یوریا کی پیداوار میں پچھلے سال کے مقابلے میں 1% (2017: 5653 ہزار ٹن کے مقابلے 2018: 5602 ہزار ٹن) کی کمی ہوئی۔ 2017/18 میں سردیوں میں گیس کی تخفیف کی وجہ سے SNGPL کا پلانٹ سال 2018 کے دوران تقریباً نو مہینے بند رہا جس کی وجہ سے پچھلے سال یوریا میں اضافے کے مقابلے میں اس سال یوریا کی پیداوار میں کمی واقع ہوئی ہے۔ اس سے حکومت پاکستان کو موقع ملا کہ SNGPL کے نیٹ ورک پر یوریا کے بند پلانٹ کے ساتھ گیس / آرائل این جی کی سپلائی کے انتظامات پر کام کریں تاکہ گیس کی بندش پر قابو پایا جاسکے۔ صنعت کے پہلے ششماہی سال کے دوران صنعت نے 2017 میں 558 ہزار ٹن کے مقابلے میں 71 ہزار ٹن کی کھاد برآمد کی۔ تاہم سال کے دوسرے ششماہی سال میں صنعت کی بندش کی وجہ سے کھاد کی طلب کو پورا کرنے کے لیے 105 ہزار ٹن کھاد درآمد کرنی پڑی۔ سال 2018 کے نو مہینوں دوران کمپنی SNGPL نیٹ ورک پر گیس کی تخفیف کا سامنا کرنے سے بھی متاثر ہوئی تھی تاہم ملک میں یوریا کی کمی کو پورا کرنے کی حکومت پاکستان کی کوششوں کو سہارا دینے کے لیے کمپنی نے ستمبر 2018 کے آخر میں محدود قیمت پر گیس / آرائل این جی کی خریداری کی۔ کمپنی 430 ہزار ٹن کی نصب شدہ صلاحیت کے برعکس 96 ہزار ٹن یوریا (2017: 114 ہزار ٹن) بنانے کے قابل رہی۔ کمپنی نے 101 ہزار ٹن یوریا (2017: 110 ہزار ٹن) فروخت کیا۔

## Phosphates

Consumption of phosphates in Nutrient terms declined by 8% (1150KT: 2018 vs 1256KT: 2017), primarily due to the stagnant farmers' economics vs preceding year. Production of Phosphates also declined by 15% in 2018 due to gas supply issues to the plants on SNGPL Network. Phosphates Imports saw an increase of 12% in 2018 vs last year. DAP remained the preferred phosphates fertilizers with 2.2 million tons of offtakes, however, the offtakes of DAP registered as decline of 6%. DAP imports increased by 12% (1818 KT:2018 vs 1628 KT:2017). The Company, being a major SSP player, produced 59 K tons SSP (62 K tons: 2017) and sold 67 K tons (61 K tons: 2017).



## فوسفٹس

غذائیت شرائط کے مطابق فوسفٹس کا استعمال 8% (2017: 1256 ہزار ٹن کے مقابلے میں 2018: 1150 ہزار ٹن) کم ہوا۔ جس کی ابتدائی وجہ پچھلے سال کے مقابلے میں اس سال کسانوں کے محدود معاشی حالات تھے۔ فوسفٹس کی پیداوار سال 2018 میں SNGPL نیٹ ورک پر گیس کے مسائل کی وجہ سے 15% کم ہوئی۔ فوسفٹس کی درآمدات دکھاتی ہیں کہ پچھلے سال کے مقابلے میں سال 2018 میں درآمدات میں 12% اضافہ ہوا۔ ڈی اے پی کی مصنوعات کو فوسفٹس کھاد پر 2.2 ملین ٹن کی فروختگی پر فوقیت حاصل رہی تاہم ڈی اے پی کی مصنوعات نے 6% کمی کی فروختگی درج کی۔ ڈی اے پی کی مصنوعات کی درآمدات میں 12% (2017: 1628 ہزار ٹن کے مقابلے میں 2018: 1818 ہزار ٹن) کا اضافہ ہوا۔ کمپنی نے، ایس ایس پی کے اہم مینوفیکچر ہونے کے ناطے 59 ہزار ٹن ایس ایس پی (62 ہزار ٹن: 2017) پیدا کی اور 67 ہزار ٹن (61 ہزار ٹن: 2017) فروخت کی۔



## Future Outlook

Supply Demand gap of Urea likely to continue during 2019 which is either to be bridged with imports or continuation of plant on SNGPL Network. Recent devaluation of the PKR has resulted in very high cost of imported Urea and impact on the Foreign Exchange of the country. GOP plant to reduce the current account deficit will rely more on the local production of Urea than imports to save on foreign reserves. The arrangement of RLNG supply at the capped price to the SNGPL based Urea plants likely to continue during the year as these provide a lesser cost option for GOP when compared with imports in terms of subsidy required on imports. The urea plants on SNGPL presently continue to operate since their restorations in Sep 2018. 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.

Higher phosphates prices are likely to prevail due to currency devaluation as most of the demand of phosphates is met through imports with DAP being the major phosphates source. Higher prices likely to affect farmers' economics which may lead to decline in phosphate consumption. The Company maintains its leadership position in the SSP category and will strengthen its position with improved sales and margins.

## مستقبل کا نقطہ نظر

سال 2019 میں یوریا میں طلب و رسد کا خلا رہا جس کو یا تو درآمدات کے ذریعے یا پھر SNGPL نیٹ ورک پلانٹ کو جاری رکھ کر پورا کیا گیا۔ حالیہ روپے کی قدر میں کمی کے باعث درآمد شدہ یوریا کی لاگت میں بہت زیادہ اضافہ ہوا جس کا اثر ملک کی غیر ملکی زرمبادلہ پر بھی پڑا۔ حکومت پاکستان کی کوشش ہے کہ وہ کرنٹ اکاؤنٹ کا خسارہ کم کرے اور درآمد شدہ مصنوعات کے مقابلے میں مقامی مصنوعات پر انحصار کرے تاکہ غیر ملکی زرمبادلہ کے ذخائر کو محفوظ کیا جاسکے۔ اس سال کے دوران SNGPL کی بنیاد پر یوریا پلانٹ پر محدود قیمت پر آراہل این جی کی سپلائی کے انتظامات کا کام شروع کیا گیا کیونکہ یہ حکومت پاکستان کے خیال میں درآمدات کے مقابلے میں درآمدات میں سبسڈی کے معنوں میں نسبتاً کم لاگت کا منصوبہ ہے۔ SNGPL کے پلانٹ میں یوریا کی تیاری حالیہ سالوں میں شروع ہوئی ہے تاہم اس کی بحالی سال 2018 میں ہو چکی تھی۔ یہ منظر نامہ گیس سپلائی کے مسائل کو حکومت پاکستان کے ساتھ مل کر مستقل بنیادوں پر حل کرنے اور ملک میں یوریا کی فروختگی کی کمی کو پورا کرنے کے لیے ایگریٹیک کے لیے یقیناً مفید ہوگا۔

روپے میں قدر کی کمی کی وجہ سے فاسفیٹس کی قیمتوں میں بہت زیادہ اضافہ کا رجحان رہا کیونکہ فاسفیٹس کی زیادہ تر طلب کو ڈی اے پی مصنوعات، جو کہ فاسفیٹس کا زیادہ اہم ذریعہ ہے، کی درآمدات کے ذریعے پورا کیا گیا۔ زیادہ قیمتیں کسانوں کی معاشی حالات پر بھی اثر انداز ہوئیں جس کی وجہ سے فاسفیٹس کے استعمال میں کمی واقع ہوئی۔ کمپنی نے ایس ایس پی کیٹیگری میں اپنی قائدانہ صلاحیتیں برقرار رکھیں ہیں اور یہ فروختگی اور مارجن میں بہتری کی وجہ سے اپنی پوزیشن میں مزید مضبوطی لائے گی۔

## Changes in accounting policies

With effect from 01 January 2018, Companies Act, 2017 has become applicable and necessary accounting policies were mandatory for the management to change:

- 1) Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly, the management has changed the accounting policy to bring accounting of revaluation surplus on freehold land, building on freehold land, residential colony assets and plant and machinery in accordance with IAS 16 "Property, plant and equipment". The effect of this change in accounting policy, which is applied with retrospective effect, has resulted in transfer of surplus on revaluation of freehold land, building on freehold land, residential colony assets and plant and machinery - net of tax to equity by restating the corresponding figures which resulted in increase in equity by Rs. 8,848.47 million and Rs. 9,080.31 million as at 31 December 2017 and 31 December 2016 respectively.
- 2) Further, previously preference shares were treated as equity instruments on the basis of section 85 of the repealed Companies Ordinance, 1984 which required the Company to set-up a reserve for the redemption of preference shares in respect of shares redeemed which effectively made these preference shares as part of the equity. This provision has not been carried forward in the new Companies Act, 2017 applicable to the Company with effect from 01 January 2018. As per International Accounting Standard (IAS), the preference shares with the above terms represent a financial liability. Accordingly the management has changed the accounting treatment of these preference shares to bring it inline with the requirements of IAS-32. This change has been applied retrospectively and has resulted in the transfer of Rs. 1,593.34 million of preference shares from equity to non-current liabilities as long term finance. Further the preference dividend on these shares has also been reclassified from equity to finance cost. As a result, loss before tax for the current and prior year is higher by Rs. 175.27 million and Rs. 175.27 million. There is no change on the reported loss per share as for the purpose of computation of loss per share preference dividend was already considered.

## اکاؤنٹنگ پالیسیوں میں تبدیلیاں

یکم جنوری 2018 سے کمپنیز ایکٹ مجریہ 2017 نافذ العمل ہوا اور انتظامیہ کے لیے لازم ہوا کہ وہ اکاؤنٹنگ پالیسیاں تبدیل کرے:

- (1) منسوخ شدہ کمپنیز آرڈیننس مجریہ 1984 کی دفعہ 235 جو کہ مقرر اثاثوں کی دوبارہ تشخیص کی وجہ سے حاصل ہونے والی آمدنی سے متعلق ہے وکمپنیز ایکٹ مجریہ 2017 میں شامل نہیں کیا گیا ہے۔ اسی کے مطابق انتظامیہ نے اپنی اکاؤنٹنگ کی پالیسیوں کو تبدیل کیا ہے کہ اکاؤنٹنگ کی دوبارہ تشخیص برائے فری ہولڈز مین، فری ہولڈز مین پر بلڈنگ، رہائشی کالونیوں کے اثاثے اور پلانٹ و مشینری کی تشخیص IAS 16 "پراپرٹی، پلانٹ و مشینری" کے مطابق ہوگی۔ اس کا اطلاق گزشتہ سال سے متعلق ہے اور اس کا اکاؤنٹنگ پالیسیوں میں اثر کا نتیجہ یہ ہے کہ فری ہولڈز مین، فری ہولڈز مین پر بلڈنگ، رہائشی کالونیوں کے اثاثے اور پلانٹ و مشینری کی دوبارہ تشخیص سے حاصل ہونے والی آمدنی خالص ٹیکس میں منتقل ہوئی جس سے متعلقہ قیمتیں دوبارہ تحریر کی گئیں نتیجتاً ایکویٹی میں بالترتیب 31 دسمبر 2017 میں 8,848.47 ملین روپے اور 31 دسمبر 2016 میں 9,080.31 روپے کا اضافہ ہوا۔

- (2) مزید یہ کہ منسوخ شدہ کمپنیز آرڈیننس کی دفعہ 85 کی بنیاد پر ترجیحی حصص کو بطور ایکویٹی سمجھا اور تصور کیا جاتا تھا جس کے لیے ضروری تھا کمپنی ان ترجیحی حصص کی بازیافتی کے لیے ریزرو قائم کرے تاکہ ان ترجیحی حصص کو ایکویٹی کا حصہ بنایا جاسکے۔ یہ شرط نئے کمپنیز ایکٹ مجریہ 2017، جو کہ کمپنی پر یکم جنوری 2018 نافذ العمل تھی، میں لاگو نہیں کی گئی تھی۔ بین الاقوامی اکاؤنٹنگ معیارات کے مطابق مذکورہ ترجیحی حصص مالیاتی واجبات ہیں۔ اسی کے مطابق انتظامیہ نے اکاؤنٹنگ کا طریقہ کار تبدیل کیا ہے تاکہ ترجیحی حصص کو IAS-32 کی ترجیحات کے مطابق لایا جاسکے۔ اس تبدیلی کا اطلاق گزشتہ سال سے متعلق ہے نتیجتاً 1,593.34 ملین روپے مالیت کے ترجیحی حصص ایکویٹی نان کرنٹ واجبات سے طویل المعیاد واجبات پر منتقل ہوئے۔ مزید، حصص پر ترجیحی منافع کی بھی ایکویٹی سے مالیاتی لاگت پر منتقلی کر کے از سر نو درجہ بندی کی گئی۔ نتیجتاً موجودہ سال اور پچھلے سال قبل از ٹیکس نقصان 175.27 ملین روپے اور 175.27 ملین روپے زیادہ ریکارڈ کیا گیا۔ فی حصص نقصان میں کوئی تبدیلی درج نہ کی گئی کیونکہ نقصان کے تخمینے کے پیش نظر فی ترجیحی حصص پر منافع پہلے ہی تصور کیا گیا تھا۔

## 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.

### سرمایہ 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 کردار ارضی 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۔

سرمایہ کی تنظیم نو کے اس پلان کی کنٹینرز آرڈیننس 1984 کی دفعہ 284-288 کے تحت جن 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 پرامید 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

“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 since approval from Government of Pakistan for supply of gas to the Company at subsidized rates 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. 6,060.03 million recognized on tax losses of Rs. 20,896.64 million in these financial statements.

### کوالیفیکیشن

آڈیٹرز نے رپورٹ میں تشویش کا اظہار کیا ہے کہ

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 20,896.64 ملین روپے کے تسلیم شدہ ٹیکس نقصانات 6,060.03 ملین روپے کے ٹیکس اثاثوں اور 2,567.31 ملین روپے کی بہتر کارکردگی کی ایڈجسٹمنٹ ضروری تھی۔

## Material Uncertainty relating to Going Concern

Auditors also raised concern about company ability to operate as going concern. The fact of the matter is that 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.

### چلتی ہوئی کمپنی سے متعلق غیر یقینی صورت حال

آڈیٹرز نے چلتی ہوئی کمپنی (Going Concern) ہونے کی صلاحیت پر تشویش کا اظہار کیا ہے۔ اس معاملے کی حقیقت یہ ہے کہ گیس کی تخفیف گیس کی قیمتوں کے مسائل سے متعلق ہے جو کہ گزشتہ سالوں سے کمپنی کے آپریشنل اور مالی حالات کمپنی کے یوریا پلانٹ کا اہم حصہ ہے۔ فریٹلائزر کا شعبہ بالعموم اور کمپنی بالخصوص گزشتہ پانچ سالوں سے گیس کی بار بار بندش کا بہت زیادہ سامنا کر رہی ہے۔ کمپنی اپنے اثاثے جات و معاملات کو بلند سطح پر قرضہ لے کر پورا کر رہی ہے۔ اس نظام میں مجموعی طور پر گیس کی بندش کی وجہ سے حکومت پاکستان نے گیس کا رخ فریٹلائزر کے شعبہ سے دوسرے شعبوں بالخصوص گرمیوں میں توانائی کے شعبہ کی طرف اور سردیوں میں گھر بلو شعبہ کی طرف کر دیا ہے۔ گیس کی بار بار بندش کی وجہ سے دستیاب ذرائع کے مقابلے میں یوریا کی پیداوار بہت کم ہوئی ہے نتیجتاً کمپنی کو مسلسل آپریشنل معاملات و واجبات کے مسائل کا سامنا کرنا پڑا جس کا مزید نتیجہ ضرورت سے زیادہ واجب الادا قرضہ و مارک اپ کی صورت میں نکلا جس کا تذکرہ مالیاتی حسابات کے نوٹ نمبر 42.2.2 میں کیا گیا ہے۔

## Emphasis of Matter

Auditors has also given Emphasis of matter which states as "we draw attention to notes 19.1.7 and 19.1.8 to the accompanying financial statements, wherein it is stated that during and subsequent to year end, suit has been filed by some financial institutions for recovery of their dues. Our opinion is not qualified in this respect."

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 non-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. Gas supply to the Company's urea plant was restored in the September 2018 on a blend of natural gas and RLNG after the extended winter curtailment. The Company operated its urea plant for 97 days in 2018 (2017: 113 days) which resulted in Urea production of 95,934 tons (2017: 114,201 tons). The Company during the current year was also able to sell 100,985 tons Urea (2017: 109,995 tons). The Company has incurred a loss before tax of Rs. 3,639.61 million (2017: Rs. 3,876.34 million) during the year and as at the reporting date, its current liabilities have exceeded its current assets by Rs. 40,993.10 million, including Rs. 34,808.18.62 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 3,296.36 million.

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 1,200 mmscf/d per day on both terminals in the country. SNGPL is receiving complete flow of LNG imports under swap arrangement from both terminals. This has further improved the flow of gas into SNGPL system and making available required gas volumes for the fertilizer plants on SNGPL network..

During Kharif 2018, shortage of Urea was witnessed in the country due to imbalance of Urea Supply Demand. In order to bridge the urea shortages in the country and GOP decided to operate closed Urea plants on SNGPL Network, including Agritech Urea Plant. Economic Coordination Committee ("ECC") and Cabinet accorded approval for restoration of gas supply to the Company and another fertilizer plant in September 2018, initially for two months on RLNG System Gas blend and then on 100% RLNG supply during Rabi season. Later on the gas supply was further extended till October 2019. In both cases the price of gas is capped at Rs. 782 per mmbtu and additional cost in both cases is to be paid by GOP as Subsidy to SNGPL. 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 at the subsidized rate to bridge the urea shortages in the country. Moreover, after discontinuity of subsidy on Urea in year 2018, the urea price capping has also 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 is in progress and the order of the Lahore High Court is awaited.

## تاکیدی معاملات

آڈیٹرز نے اس معاملے میں بھی زور دیا ہے جو بیان کرتا ہے: ہم نے مالیاتی حسابات کے نوٹس نمبر 19.1.7 اور 19.1.8 پر توجہ مرکوز رکھی، جس میں بیان کیا گیا ہے کہ سال کے دوران اور سال کے آخر میں چند مالیاتی اداروں نے اپنے قرضہ جات کی وصولیائی کے لیے کمپنی کے خلاف مقدمات دائر کیے۔ اس حوالے سے ہماری رائے کو الیٹا نہیں ہے۔ تاہم حکومت پاکستان کے طرف سے مائع قدرتی گیس کی باقاعدہ درآمد کے باعث کمپنی کو گیس کی فراہمی دستیابی میں کچھ بہتری آئی ہے۔ باقاعدگی کے ساتھ مائع قدرتی گیس کی درآمد کی وجہ سے سوئی ناردرن گیس پائپ لائنز لمیٹڈ (ایس این جی پی ایل) کو آرائیل این جی کی فراہمی میں بہتری آئی ہے جو کہ صارفین بشمول فریٹلائزر کے شعبہ کے لیے سود مند ہے۔ گزشتہ سالوں کے برعکس، گیس کی تخفیف کی بنیادی وجہ ایس این جی پی ایل کو گیس کی عدم دستیابی تھی بجائے اس کے کہ گیس کی قیمتوں کا مسئلہ تھا۔ کمپنی نے، دوسرے گیس کے صارفین کے برخلاف، زیادہ قیمت پر آرائیل این جی کو اختیار نہیں کیا بلکہ سسٹم میں پہلے سے موجود گیس کے نیٹ ورک پر ہی انحصار کیا۔ پیٹنگ کمپنی کو کم دنوں کے لیے ہی گیس کو استعمال کرنا پڑا۔ ستمبر 2018 میں سردیوں میں گیس کی تخفیف کے بعد کمپنی کے یوریا پلانٹ کو قدرتی گیس اور آرائیل این جی کے مرکب سے گیس کی فراہمی بحال کی گئی۔ کمپنی نے اپنا یوریا پلانٹ سال 2018 میں 97 دنوں (2017: 113 دن) تک چلایا نتیجتاً یوریا کی پیداوار 95,934 ٹن (2017: 114,201 ٹن) ہوئی۔ موجودہ سال کمپنی اس قابل تھی کہ وہ 100,985 ٹن (2017: 109,995 ٹن) یوریا فروخت کر سکے۔ موجودہ سال کمپنی نے قبل از ٹیکس نقصان 3,639.61 ملین روپے (2017: 3,876.34 ملین روپے) برداشت کیا اور اس رپورٹنگ کی تاریخ میں کمپنی کی موجودہ واجبات موجودہ اثاثے جات سے 40,993.10 ملین روپے سے بڑھ گئے جو کہ واجب الادا قرض کی رقم اور اس پر سود سے متعلق ہے اور کمپنی کے مجموعی نقصانات حصص داران کی ایکویٹی سے 3,296.36 ملین روپے سے بڑھ گئے۔

یہ حالات کمپنی کو (Going Concern) ہونے کی صلاحیت پر شکوک ظاہر کرتی ہے اور، اس لیے، ہو سکتا ہے کہ کمپنی اس قابل نہ ہو کہ وہ عام کاروباری حالات کے مطابق اپنے اثاثہ جات کو فروخت کر سکے اور اپنے واجبات کو ادا کر سکے۔ تاہم انتظامیہ پر امید ہے کہ کمپنی (Going Concern) ہونے کی صلاحیت کو جاری رکھے گی جس کی بنیادی وجہ گیس کی مسلسل دستیابی کی توقع اور حصص داران کی منظور شدہ بحالی کے منصوبے کے تحت اور عزت مآب لاہور ہائی کورٹ لاہور میں منسوخ شدہ کمپنیز آرڈیننس مجریہ 1984 میں متعلقہ دفعات کے تحت حالیہ دائر کردہ پیشین کے تحت اپنے موجودہ طویل المیعاد قرضہ جات اور اس سے متعلق سود کی تشکیل نو ہے۔

گیس کی مسلسل فراہمی کی اُمید اس حقیقت پر مبنی ہے کہ حکومت پاکستان نے 600 mmscf صلاحیت کا ایک دوسرا ایل این جی منصوبہ شروع کیا ہے اور اس دوسرے منصوبے کے لیے زائد آرائیل این جی کی درآمد پہلے ہی شروع کر دی ہے۔ حکومت پاکستان کا قطر کی حکومت کے ساتھ معاہدہ کی روشنی میں یہ نیا منصوبہ بشمول پہلے منصوبے کے سال 2015 میں ہی نصب ہو گیا تھا جس کے تحت حکومت ہر سال تقریباً 3.75 ملین ٹن ایل این جی درآمد کرے گی۔ ایل این جی کی درآمد دونوں ٹریٹل کے ذریعے ملک میں 1,200 ٹن یوم پچانے کا ارادہ رکھتی ہے۔ ایس این جی پی ایل دونوں ٹریٹل سے ایل این جی کا بہاؤ وصول کر رہی ہے۔ یہ ایس این جی پی ایل میں گیس کے سسٹم کے بہاؤ کو مزید بہتر کرے گیا اور ایس این جی پی ایل کے سسٹم میں موجود فریٹلائزر پلانٹ کے لیے گیس کی موجودگی کو یقینی بنائے گی۔

سال 2018 میں خریف کے دوران یوریا کی طلب ورسد میں عدم توازن کی وجہ سے ملک میں یوریا کی کمی دیکھی گئی۔ ملک میں یوریا کی کمی کو پورا کرنے کے لیے حکومت پاکستان نے حکومت پاکستان نے فیصلہ کیا کہ یوریا کے بند پلانٹ بشمول ایگری ٹیک یوریا پلانٹ ایس این جی پی ایل کے نیٹ ورک پر چلائیں۔ ستمبر 2018 میں معاشی ہم آہنگی کی کمیٹی اور کابینہ نے منظوری دی کہ کمپنی اور دوسرے دوسرے فریڈیلٹرز پلانٹ کو آرائل این جی سسٹم میں مرکب گیس اور بعد میں 100% آرائل این جی کی فراہمی رینج کے مہینے میں ابتدائی طور پر دو مہینوں کے لیے کی جائیگی۔ بعد میں یہ فراہمی اکتوبر 2019 تک بڑھادی گئی۔ دونوں صورتوں میں گیس کی قیمت 782 روپے فی mmbtu ہوئی اور دونوں صورتوں میں زائد لاگت کو حکومت پاکستان نے ایس این جی پی ایل کو منظور سبسڈی کے برداشت کیا۔ حکومت پاکستان کے ساتھ بات چیت کی بنیاد پر کمپنی پر امید ہے کہ وہ اکتوبر 2019 کے بعد بھی زائد عرصہ کے لیے گیس کی موجودگی کو کم قیمت پر گیس کی موجودگی کو برقرار رکھے گی تاکہ ملک میں یوریا کی کمی پر قابو پایا جاسکے۔ مزید برآں سال 2018 میں کھاد پر سبسڈی کے خاتمہ کے بعد کھاد کی قیمتوں میں اضافہ ہوا اور کمپنی کو طویل مدت تک اپنے کاروباری معاملات کو چلانے کے لیے زائد لاگت برداشت کرنی پڑی۔ ان اقدامات سے ملک میں آرائل این جی کو استعمال کر کے یوریا کی پیداوار کے معاشی عمل درآمد کو یقینی بنایا جائے گا اور ملک میں یوریا کی کمی کو پورا کرنے کے لیے مصنوعات کے مسلسل فراہمی کو بھی یقینی بنایا جائے گا۔ مزید یہ کہ اپنے قرض خواہوں کی مدد سے، انتظامیہ نے، ملک کی بحالی کے لیے ایک انتظامی اسکیم (سکیم) تیار کی ہے تاکہ اپنے 31 دسمبر 2013 کے موجودہ طویل المیعاد قرضوں اور اس سے متعلقہ سود کی بذریعہ ترجیحی حصص کے ذریعے تشکیل نو کی جائے۔ اس اسکیم کے ذریعے یہ بھی غور کیا گیا ہے ان واجب الادا سود کی بھی واپسی اور تشکیل نو ہو جائے جو کہ ترجیحی حصص میں تبدیل نہ ہوئے ہوں۔ بورڈ آف ڈائریکٹرز اور مجوزہ حصص داران کی منظوری جو کہ اپنے اجلاس منعقدہ بتاریخ 05 نومبر 2013 اور 10 دسمبر 2013 میں منظور ہوئی یہ اسکیم منسوخ شدہ آڈینٹس مجریہ 1984 کی متعلقہ دفعات کے تحت عزت مآب لاہور ہائی کورٹ لاہور میں 10 جون 2016 کو دائر کی گئی۔ اس روپورنگ تاریخ تک اس پر ابھی کارروائی جاری ہے اور لاہور ہائی کورٹ لاہور کے حکم کا انتظار ہے۔

## Loss per share

The loss per share of the Company for the period ended on 31 December 2018 is Rs. 8.52 per share.

## فی شیئر نقصان

31 دسمبر 2018 کو ختم ہونے والی مدت کے لئے کمپنی کا فی شیئر نقصان 8.52 روپے فی حصص ہے۔

## Dividend

Due to circumstances already discussed the Board of Directors does not recommend any dividend for the period ended on 31 December 2018.

## ڈیویڈنڈ

مذکورہ بالا حالات کے باعث 31 دسمبر 2018 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 2018 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 2018 are as follows:

	Value (Rupees)
Provident fund	101,607,236
Gratuity fund	13,463,271

## 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. Usman Shahid	7	1
Mr. Amena Zafar Cheema	2	2
Mr. Rehmat Ali Hasnie	1	1
Mr. Ahsan Raza Durrani	5	4
Mr. Sardar Azmat Babar	8	5
Mr. Asim Murtaza Khan	8	8
Mr. Talha Saeed	8	6
Mr. Zahid Anjum	7	4
Mr. Abdul Karim Sultanali	7	3
Ms. Saira Ahmed	6	5

## Audit Committee

During the year under review, meetings of the Audit Committee were not held.

## HR & Remuneration Committee

During the year under review, 2 meetings of the HR & Remuneration Committee were not held.

Name of Director	Eligibility	Attended
Mr. Sardar Azmat Babar	2	2
Ms. Amena Zafar Cheema	1	1
Mr. Zahid Anjum	1	1
Mr. Muhammad Faisal Muzamil	2	2

## Director's Training Program

During the period, In Board of Directors of Agritech Limited Mr. Talha Saeed, Mr. Asim Murtaza Khan, and Mr. Abdul Karim Sultanali were certified Directors under Directors 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

05 August 2019

## Chairman's Review Report on Board Performance

I am pleased by the performance of Agritech Limited for the year ended on December 31, 2018. The profitability of the Company declined due to a long discontinued supply of natural gas which is the raw material for the production of main product of company i.e. Urea. However, rupee devaluation and inflation also have major effects in the reduction of sales during the year.

The Board is responsible for overall management of the Company and carry out its fiduciary duties with a sense of objective judgement in the best interest of the Company and its stakeholders.

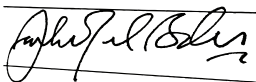
The diversity of the Board includes executive, non-executive, and independent Directors. The Directors have rich and varied experience in the fields of business, finance, banking and regulations.

During the year, a number of board meetings were held in which the Board fulfilled all of their responsibilities including:-

- Reviewing the operating results and approving the quarterly and annual financial statements of the Company;
- Approving related party transactions;
- Approving budgets including capital expenditure;
- Reviewing and approving revised terms of reference of Audit and Human Resource & Remuneration Committees which have been brought in line with Code of Corporate Governance, 2017;
- Reviewing and approving bank borrowings; and
- Recommending appointment of external auditors

The Board ensured that all the legal and regulatory requirements have been complied with by the management of the Company. The Board also evaluated its own performance and that of its committees.

I pray to Allah that the Company continues to maintain its momentum of growth in the future.



Mr. Sardar Azmat Babar  
Chairman- Board of Directors

05 August 2019

## Pattern of Shareholding

The shareholding of the company as at 31 December 2018 is as follows:

Shareholders' category	Number of shareholders	Number of shares held	Percentage of holding
Individuals	4101	102,310,733	26.1%
Banks, Development Financial Institutions, Non-Banking Finance Companies	34	282,990,077	72.11%
Modarabas & Mutual Funds	15	1,718,500	0.44%
Directors & their spouse(s) and minor children	3	2,000	0.00%
Others	10	5,408,690	1.38%
<b>Total</b>	<b>4,163</b>	<b>392,430,000</b>	<b>100%</b>

The information of shareholding as at 31 December 2018 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	105,772,577	27.0%
	Faysal Bank Limited	18,277,123	4.7%
	Summit Bank Limited	34,306,400	8.74%
	Standard Chartered Bank (Pakistan) Limited	22,373,615	5.70%
	Silk Bank Limited	1,000	0.00%
		<b>180,730,715</b>	<b>46.1%</b>
2.	Mutual Funds	<b>1,718,500</b>	<b>0.4%</b>
3.	Directors and their spouses(s) and minor children		
	Sardar Azmat Babar	-	0.00%
	Asim Murtaza Khan	1,000	0.00025%
	Ameena Zafar Cheema	500	0.00%
	Abdul Karim Sultanli	-	0.00%
	Usman Shahid	-	0.00%
	Talha Saeed	-	0.00%
		<b>1,500</b>	<b>0.00%</b>
4.	Executives	-	-
	Muhammad Faisal Muzammil	500	0.00013%
5.	Public Sector Companies & Corporations	-	-
6.	Banks, DFIs and NBFIs, Insurance Companies, Modarabas and Pension Funds	<b>102,960,804</b>	<b>26.24%</b>
7.	Shareholders holding five percent or more voting rights in the listed company		
	National Bank of Pakistan	105,772,577	27%
	Summit Bank Limited	34,306,400	8.74%
	Standard Chartered Bank (Pakistan) Limited	22,373,615	5.70%
		<b>162,452,592</b>	<b>41.40%</b>

## Pattern of Shareholding

The pattern of holding of shares held by the shareholders as at 31 December 2018 is as follows:

Number of shareholders	Shareholding		Total shares held
	From	To	
275	1	100	3,391
547	101	500	265,833
564	501	1,000	559,766
1,294	1,001	5,000	4,056,121
516	5,001	10,000	4,356,916
358	10,001	20,000	5,635,805
186	20,001	30,000	4,812,206
71	30,001	40,000	2,541,630
90	40,001	50,000	4,339,625
35	50,001	60,000	1,961,000
28	60,001	70,000	1,851,583
15	70,001	80,000	1,152,054
7	80,001	90,000	598,500
36	90,001	100,000	3,556,500
91	100,001	500,000	19,255,315
15	500,001	1,000,000	10,953,808
7	1,000,001	1,500,000	8,840,767
5	1,500,001	2,000,000	9,354,912
9	2,000,001	5,000,000	27,325,431
5	5,000,001	10,000,000	46,429,247
8	10,000,001	50,000,000	128,807,013
1	50,000,001	200,000,000	105,772,577
<b>4,163</b>			<b>392,430,000</b>

## نمونہء حصص داری

31 دسمبر 2018 کو شیئر ہولڈرز کے ملکیتی حصص کا نمونہ حسب ذیل ہے:

کل ملکیتی شیئرز	تک	از	شیئر ہولڈرز کی تعداد
3,391	100	1	275
265,833	500	101	547
559,766	1,000	501	564
4,056,121	5,000	1,001	1,294
4,356,916	10,000	5,001	516
5,635,805	20,000	10,001	358
4,812,206	30,000	20,001	186
2,541,630	40,000	30,001	71
4,339,625	50,000	40,001	90
1,961,000	60,000	50,001	35
1,851,583	70,000	60,001	28
1,152,054	80,000	70,001	15
598,500	90,000	80,001	7
3,556,500	100,000	90,001	36
19,255,315	500,000	100,001	91
10,953,808	1,000,000	500,001	15
8,840,767	1,500,000	1,000,001	7
9,354,912	2,000,000	1,500,001	5
27,325,431	5,000,000	2,000,001	9
46,429,247	10,000,000	5,000,001	5
128,807,013	50,000,000	10,000,001	8
105,772,577	200,000,000	50,000,001	1
<b>392,430,000</b>			<b>4,163</b>

کینگری نمبر	شیئر ہولڈرز کی کینگریاں	ملکیتی حصص کی تعداد	فیصد
4	ایگزیکٹوز	-	-
	محمد فیصل مزمل	500	0.00013%
5	پبلک سیکٹر کمپنیاں اور کارپوریشنز	-	-
6	بینک، DFIs اور NBFIs، انشورنس کمپنیاں،		
	مضاربے اور پنشن فنڈز	102,960,804	26.24%
7	مندرجہ ذیل میں پانچ فیصد یا زیادہ ووٹنگ حقوق		
	کے مالک حصص داران		
	نیشنل بینک آف پاکستان	105,772,577	27%
	سمٹ بینک لمیٹڈ	34,306,400	8.74%
	سٹینڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ	22,373,615	5.70%
		162,452,592	41.40%

## نمونہ حصص داری

31 دسمبر 2018 کو کمپنی کا نمونہ حصص داری حسب ذیل ہے:

فیصد شیئر ہولڈنگ	ملکیتی حصص کی تعداد	شیئر ہولڈرز کی تعداد	شیئر ہولڈرز کی کیٹیگری
26.1%	102,310,733	4101	انفرادی
72.11%	282,990,077	34	بینکس، ڈیپازمنٹ مالیاتی ادارے، غیر بینکنگ مالی کمپنیاں
0.44%	1,718,500	15	مضاربہ اور میوچل فنڈز
0.00%	2,000	3	ڈائریکٹرز اور ان کے زوج اور نابالغ بچے
1.38%	5,408,690	10	دیگرز
<b>100%</b>	<b>392,430,000</b>	<b>4,163</b>	<b>کل</b>

کوڈ آف کارپوریٹ گورننس کے تحت مطلوبہ 31 دسمبر 2018 کو شیئر ہولڈنگ کی معلومات

فیصد	ملکیتی حصص کی تعداد	شیئر ہولڈرز کی کیٹیگریاں	کیٹیگری نمبر
		شریک کمپنیاں، انڈر ٹیلنگز اور متعلقہ پارٹیاں	1
27.0%	105,772,577	نیشنل بینک آف پاکستان	
4.7%	18,277,123	فیصل بینک لمیٹڈ	
8.74%	34,306,400	سمٹ بینک لمیٹڈ	
5.70%	22,373,615	سٹیٹنڈرڈ چارٹرڈ بینک (پاکستان) لمیٹڈ	
0.00%	1,000	سلک بینک لمیٹڈ	
<b>46.1%</b>	<b>180,730,715</b>		
<b>0.4%</b>	<b>1,718,500</b>	میوچل فنڈ	2
		ڈائریکٹرز اور ان کے زوج اور نابالغ بچے	3
0.00%	-	سردار عظمت بابر	
0.00025%	1,000	عاصم مرتضیٰ خان	
0.00%	500	امینہ ظفر چیمہ	
0.00%	-	عبدالکریم سلطان علی	
0.00%	-	عثمان شاہد	
0.00%	-	طلحہ سعید	
<b>0.00%</b>	<b>1,500</b>		

## Financial Highlights

Six years at a glance

	2018	2017 Restated	2016	2015	2014	2013 (18 Months)
<b>Operating performance (Rs. 000)</b>						آپریٹنگ کارکردگی
Sales-Net فروخت - نیٹ	4,533,316	3,551,519	7,515,414	3,542,570	2,794,627	8,627,668
Operating (loss) آپریٹنگ (نقصان)	(1,057,087)	(1,751,127)	452,041	(1,452,207)	(1,938,818)	729,814
(Loss) before tax (نقصان) قبل از ٹیکس	(3,639,609)	(4,051,607)	(1,726,440)	(3,681,939)	(5,153,159)	(3,866,608)
(Loss) after tax (نقصان) بعد از ٹیکس	(3,343,673)	(4,483,683)	(2,308,925)	(3,490,217)	(4,303,974)	(3,382,156)
<b>Financial position (Rs. 000)</b>						مالی حالات
Total equity کل ایکویٹی	(4,888,542)	(1,665,904)	(2,813,324)	(2,414,335)	1,022,194	5,422,146
Long term debt طویل مدت کے قرضے	19,306,932	19,363,731	19,319,355	19,303,467	19,327,016	19,265,892
Property, plant and equipment زمین مشینری اور آلات	38,592,232	39,773,629	40,769,567	41,896,368	42,967,113	35,953,627
<b>Financial analysis</b>						مالی تجزیہ
Current ratio (ratio) موجودہ تناسب	0.11	0.12	0.13	0.15	0.17	0.31
<b>Profitability analysis</b>						منافع تجزیہ
Operating profit to sales (%) آپریٹنگ (نقصان) / منافع کا تناسب نسبت فروخت	(23)	(49.31)	6.05	(40.99)	(69.38)	9.19
(Loss) per share (Rs.) (نقصان) فی حصص (روپے)	(8.52)	(11.43)	(6.33)	(9.34)	(11.41)	(9.23)

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

#### **Supplier Relationships**

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

#### **Factual Approach to Decision Making**

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

#### **Documentation**

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

#### **Consistency**

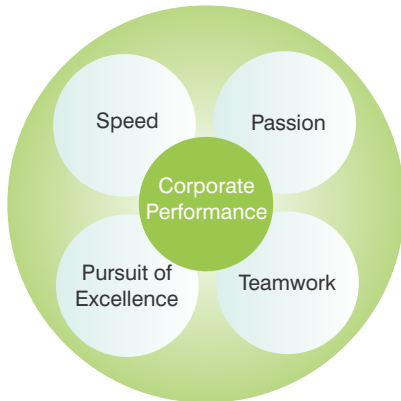
All processes for development, to production, to shipping, are defined, outlined and documented, minimizing room for error. Even the process of making changes to a process is documented, ensuring that changes are well planned and implemented in the best possible way to maximize efficiency.

#### **Customer Satisfaction**

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

## Our Human Capital

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



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

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

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

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

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

We have a strong commitment to meritocracy, and complying with our human resource 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

### under Listed Companies (Code of Corporate Governance) Regulations, 2017

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

- The total number of directors are six as opposed to seven directors required by Companies Act, 2017. Mr. Zahid Anjum resigned on 26 July 2018 and the casual vacancy was filled after lapse of 195 days instead of 90 days as required by the Act. Breakup of directors by gender is as follows:

Gender	Names
Male	5
Female	1

- The Composition of Board is as follows:

Category	Names
Independent Directors	Mr. Asim Murtaza Khan
	Ms. Amena Zafar Cheema
Non-Executive Directors	Mr. Talha Saeed
	Mr. Sardar Azmat Babar
	Mr. Abdul Karim Sultanali
	Mr. Usman Shahid
Chief Executive Officer	Mr. Muhammad Faisal Muzammil

- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
- 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.
- 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.
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

- Formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations has been formed, however not been approved by the Board.
- Following directors have conducted directors' training program:
  - Talha Saeed
  - Abdul Karim Sultanali
  - Asim Murtaza Khan
- The Board has approved appointment of 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, Company Secretary has resigned during the year w.e.f 15 August 2018 and vacancy was not filled and there was no Head of Internal Audit during the year.
- CFO and CEO duly endorsed the financial statements before approval of the board.
- The board has formed committees comprising of members given below:

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

However, Mr. Zahid Anjum resigned on 26 July 2018. Further, there is no secretary to the audit committee as required under sub-clause 1(d) of clause 28 of the Regulations.

Human Resource & Compensation Committee	
Name	Position
Mr. Amena Zafar Cheema	Chairman
Mr. Muhammad Faisal Muzammil	Member
Mr. Sardar Azmat Babar	Member
Ms. Zahid Anjum	Member

However, Mr. Zahid Anjum resigned on 26 July 2018.

- The terms of reference of the aforesaid committees have been formed and documented, however, these have not been advised to the new committee formed for compliance.
- The frequency of meetings of the committee were as per following:

Meetings	Frequency
Audit Committee	No quarterly meetings were held during the financial year ended December 31, 2018.
Human Resource & Compensation Committee	Two half yearly meetings were held during the year.

15. 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, however, no internal audit activity was carried out during the year due to scoping re-negotiations.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

- sub-clause 3(v) of clause 10 of the Regulations which requires that a formal and effective mechanism is put in place for an evaluation of Board's own performance, members of Board and of its committees. Criteria for evaluation has been formed. Performance evaluation for the year ended 31 December 2018 was carried out in meeting of Board held on 05 August 2019.
- sub-clause 5 of clause 10 of the Regulations which requires that the Chairman of the Board shall, at the beginning of term of each directors, issue letter to directors setting out their role, obligations, powers and responsibilities in accordance with the Act and company's Articles of Association, their remuneration and entitlement. However, no such letters has been issued by the Chairman.



Mr. Muhammad Faisal Muzammil  
Chief Executive Officer

05 August 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

## Independent Auditor's Review Report

To the members of Agritech Limited

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Agritech Limited ("the Company") for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

Further, we highlight below instances of non-compliances with the requirements of the Regulations as reflected in the paragraphs where these are stated in the Statement of Compliance:

Reference	Description
i. Paragraph 1:	As required by section 154 and 155 of Companies Act, 2017, minimum number of directors for a listed Company shall not be less than seven and casual vacancy on the Board of a listed Company shall be filled up by the directors at the earliest but not later than ninety days from the date the vacancy occurred. However, during the year, casual vacancy occurred on 26 July 2018 which was filled after lapse of 195 days and as a result, total number of directors are six as at 31 December 2018.



## KPMG Taseer Hadi &amp; Co.

Reference	Description
ii. Paragraph 8:	As required under chapter VI of the Regulations, the Board of Directors shall have in place a formal policy and transparent procedures for fixing the remuneration of individual directors, however, formal policy and procedures have been formed, however, not approved by the Board.
iii. Paragraph 10:	As required under chapter VIII of the Regulations, the Board of Directors shall determine appointment, remuneration, terms and conditions of employment of Chief Financial Officer, Company Secretary and Head of Internal Audit, however, Company Secretary resigned w.e.f 15 August 2018 and vacancy has not been filled to date. Further there was no head of internal audit during the year.
iv. Paragraph 12:	As required under clause 28 (1)(d) of the Regulations, the Audit Committee of the Company shall appoint a secretary of the committee who shall either be the Company Secretary or Head of Internal Audit. However, secretary to the audit committee has not been appointed.
v. Paragraph 13:	As required under clause 28 (3) and 29 (4) of the Regulations, the board of directors of every company shall determine the terms of reference of the audit committee and human resource and remuneration committee. Terms of references have previously been formed, however, these have not been advised to the new committees formed.
vi. Paragraph 14:	As required under clause 28 (2)(a) of the Regulations, the audit committee of the Company shall meet at least once every quarter of the financial year. However, no audit committee meetings were held during the year.
vii. Paragraph 15:	As required under clause 32 of the Regulations, there shall be an internal audit function in every company. The Head of Internal Audit shall functionally report to the audit committee and administratively to the Chief Executive Officer and his performance appraisal shall be done jointly by the Chairman of the audit committee and the Chief Executive Officer, however, internal function was not operational during the year and there was no Head of Internal Audit.
viii. Paragraph 18:	As required under clause 10(5) of the Regulations, Chairman of the Board shall, at the beginning of term of each directors, issue letter to directors setting out their role, obligations, powers and responsibilities in accordance with the Act and company's Articles of Association, their remuneration and entitlement. However, no such letters has been issued by the Chairman.

Lahore

Date : 08 August 2019



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

This page has been left blank intentionally



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

## Independent Auditor's Report

To the members of Agritech Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **Agritech Limited** ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that, except for as stated in Basis of Qualified Opinion section, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effect on the financial statements of the matter discussed in Basis of Qualified Opinion section of our report, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the loss, the comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Qualified Opinion

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 since approval from Government of Pakistan for supply of gas to the Company at subsidized rates 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. 6,060.03 million recognized on tax losses of Rs. 20,896.64 million in these financial statements.

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

### Material Uncertainty relating to Going Concern

Notwithstanding the matter discussed in Basis of Qualified Opinion section, the Company during the year ended 31 December 2018 has incurred loss before tax of Rs. 3,639.61 million and, as of that date, its current liabilities exceeded its current assets by Rs. 40,999.30 million, and its accumulated losses stood at Rs. 17,516.57 million. These conditions, along with other matters as set forth in note 2.2 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. 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.



KPMG Taseer Hadi & Co.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in Basis for Qualified Opinion and the Material Uncertainty Related to Going Concern sections, we have determined the matters described below as the key audit matter to be communicated in our report:

Sr. No.	Key audit matters	How the matter was addressed in our audit
<p>1.</p>	<p><b><u>Sales</u></b></p> <p>Refer to note 3.17 and 29 to the financial statements.</p> <p>The Company principally generates revenue from manufacturing and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer.</p> <p>We identified revenue recognition as a key audit matter because it is one of the key performance indicator of the Company and gives rise to an inherent risk of misstatement to meet expectations or targets.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls over recording of sales;</li> <li>• assessing the appropriateness of the Company's accounting policy for recording of sales and compliance of the policy with applicable accounting and reporting standards;</li> <li>• Comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents;</li> <li>• comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period;</li> <li>• inspecting on a sample basis, credit notes, if any, issued near to and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and</li> <li>• scanning for any manual journal entries relating to sales recorded during and near the year end which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.</li> </ul>
<p>2.</p>	<p><b>Impairment assessment of plant and machinery</b></p> <p>Refer to notes 3.2 and 20 to the financial statements.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the process and testing the design and implementation of relevant key internal controls over</li> </ul>



## KPMG Taseer Hadi &amp; Co.

Sr. No.	Key audit matters	How the matter was addressed in our audit
	<p>As at 31 December 2018, carrying amount of plant and machinery for Urea business, amounted to Rs. 31,704.73 million.</p> <p>Impairment testing is required whenever events and circumstances indicate that carrying amount of assets may exceed its recoverable amount. The Company has assessed the recoverable amount based on value in use and fair value less cost to sell. Fair value less cost to sell has been assessed by the management based on the valuation report prepared by an external valuation expert.</p> <p>We identified the impairment testing of plant and machinery as a key audit matter because significant degree of management judgment and estimation is involved in making the above assessment.</p>	<p>impairment testing of plant and machinery:</p> <ul style="list-style-type: none"> <li>• assessing the appropriateness of the methodology applied by the management for impairment testing of plant and machinery in accordance with applicable accounting and reporting standards;</li> <li>• involving our internal valuation specialist to assist us in assessing the significant assumptions and judgments applied by management in its 5 years business plan, including discount rate, projected growth rates, future selling prices and production volumes, with reference to available market information;</li> <li>• evaluated the professional valuer's competence, capability and objectivity and assessed the appropriateness of methodology adopted by the professional valuer engaged by the management to estimate the fair value less cost to sell of plant and machinery; and</li> <li>• obtaining and inspecting the valuation report prepared by the valuer engaged by the management and comparing the recoverable amount with the carrying value of plant and machinery to identify impairment, if any.</li> </ul>
3.	<p><b>Long Term Borrowings and finance costs</b></p> <p>Refer notes 2.3, 3.12, 8, 9 and 42.2.2 to the financial statements.</p> <p>The Company has obtained range of long term financing facilities from different financial institutions with varying terms and tenures.</p> <p>This was considered to be a key audit matter as these affects Company's gearing, liquidity and solvency.</p> <p>Further, compliance with debt covenants is a key requirement of these financing arrangements.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and operating effectiveness of the Company's internal controls over recording the terms and conditions of borrowings from financial institutions, including their classification as either current or non-current and associated costs.</li> <li>• Obtaining confirmations of borrowings as at 31 December 2018 directly from the financial institutions;</li> <li>• Testing the calculation of markup recognized as expense during the year to assess whether these were accounted for in accordance with approved accounting standards as applicable in Pakistan;</li> <li>• Assessing whether loans maturing within twelve months were classified as current liabilities; and</li> </ul>



KPMG Taseer Hadi & Co.

Sr. No.	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>Assessing the Company's compliance with the terms of the loans and assessing the presentation and adequacy of disclosure in the financial statements where there is non-compliance with the repayment terms and or non-compliance of loan covenants.</li> </ul>

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

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial statements and our auditor's report thereon.

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

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

**Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## KPMG Taseer Hadi &amp; Co.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- except for the possible effect on the financial statements of the matter discussed in Basis of Qualified Opinion section of our report proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- except for the possible effect on the financial statements of the matter discussed in Basis of Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Bilal Ali.

Lahore

Date : 08 August 2019



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

# Statement of Financial Position

as at 31 December 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
<b>EQUITY AND LIABILITIES</b>				
<b>Authorized share capital</b>	<b>4</b>	<b>15,000,000,000</b>	15,000,000,000	15,000,000,000
<b><u>Share capital and reserves</u></b>				
Issued, subscribed and paid-up ordinary share capital	5	3,924,300,000	3,924,300,000	3,924,300,000
Reserves	6	9,000,000	9,000,000	9,000,000
Accumulated losses		(17,516,570,092)	(14,447,678,404)	(10,200,286,153)
Surplus on revaluation of property, plant and equipment - net of tax	7	8,694,728,272	8,848,473,940	9,080,310,370
		<b>(4,888,541,820)</b>	<b>(1,665,904,464)</b>	<b>2,813,324,217</b>
<b><u>Non-current liabilities</u></b>				
Redeemable capital - <i>secured</i>	8	-	2,021,653,329	3,997,844,489
Long term finances - <i>secured</i>	9	-	597,546,023	1,183,232,758
Convertible, redeemable preference shares	10	1,593,342,690	1,593,342,690	1,593,342,690
Long term payable - <i>unsecured</i>	11	31,135,199	31,135,199	31,135,199
<i>Deferred liabilities:</i>				
- staff retirement benefits	12	13,533,831	31,758,941	28,698,815
- deferred taxation - <i>net</i>	13	3,471,011,626	3,945,213,885	3,560,429,299
		<b>5,109,023,346</b>	<b>8,220,650,067</b>	<b>10,394,683,250</b>
<b><u>Current liabilities</u></b>				
Current maturity of long term liabilities	14	19,306,931,808	16,744,531,922	14,138,278,307
Short term borrowings - <i>secured</i>	15	3,625,350,286	3,526,881,717	3,410,526,346
Trade and other payables	16	5,449,310,577	4,708,220,667	3,467,251,716
Interest / mark-up accrued on borrowings	17	16,402,280,215	14,524,481,877	12,825,980,154
Preference dividend payable	18	1,205,087,103	1,029,819,407	854,551,711
		<b>45,988,959,989</b>	<b>40,533,935,590</b>	<b>34,696,588,234</b>
<b>Contingencies and commitments</b>	<b>19</b>			
		<b>46,209,441,515</b>	<b>47,088,681,193</b>	<b>47,904,595,701</b>

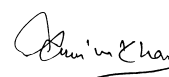
Lahore



Chief Executive



Chief Financial Officer



Director

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	20	38,592,232,373	39,773,629,288	40,769,566,767
Intangible assets	21	2,567,310,828	2,567,502,109	2,570,071,958
Long term loans and advances - <i>considered good</i>	22	13,699,204	12,347,413	13,971,976
Long term deposits - <i>unsecured, considered good</i>	23	46,538,433	56,894,115	61,451,273
		41,219,780,838	42,410,372,925	43,415,061,974
<b><u>Current assets</u></b>				
Stores, spare parts and loose tools	24	2,054,694,598	2,089,007,431	2,049,475,897
Stock-in-trade	25	293,320,595	386,158,732	337,248,202
Trade debts	26	34,865,063	16,531,013	51,016,085
Advances, deposits, prepayments and other receivables	27	2,014,711,117	1,744,236,386	1,657,045,069
Tax refunds due from Government - <i>net</i>		265,513,591	244,699,529	247,454,816
Cash and bank balances	28	326,555,713	197,675,177	147,293,658
		4,989,660,677	4,678,308,268	4,489,533,727
		46,209,441,515	47,088,681,193	47,904,595,701

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

Lahore  
  
 Chief Executive

  
 Chief Financial Officer

  
 Director

## Statement of Profit or Loss

For the year ended 31 December 2018

	Note	2018 Rupees	2017 Rupees (Restated)
Sales - net	29	4,533,316,414	3,551,518,706
Cost of sales	30	(4,841,635,211)	(4,781,882,062)
<b>Gross loss</b>		<b>(308,318,797)</b>	<b>(1,230,363,356)</b>
Selling and distribution expenses	31	(170,130,344)	(228,633,799)
Administrative and general expenses	32	(255,106,453)	(303,490,090)
Other expenses	33	(358,805,399)	-
		<b>(784,042,196)</b>	<b>(532,123,889)</b>
Other income	34	35,274,335	11,360,665
<b>Operating loss</b>		<b>(1,057,086,658)</b>	<b>(1,751,126,580)</b>
Finance cost	35	(2,582,522,419)	(2,300,480,621)
<b>Loss before taxation</b>		<b>(3,639,609,077)</b>	<b>(4,051,607,201)</b>
Taxation	36	295,936,001	(432,075,415)
<b>Loss after taxation</b>		<b>(3,343,673,076)</b>	<b>(4,483,682,616)</b>
<b>Loss per share - basic and diluted</b>	37	<b>(8.52)</b>	<b>(11.43)</b>

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

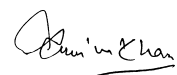
Lahore



Chief Executive



Chief Financial Officer



Director

# Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 Rupees	2017 Rupees (Restated)
<b>Loss after taxation</b>		<b>(3,343,673,076)</b>	(4,483,682,616)
<b><u>Other comprehensive income</u></b>			
<i>Items that will not be reclassified to statement of profit or loss:</i>			
- Remeasurement of defined benefit liability	12.1.8	<b>(179,929)</b>	6,362,765
- Related tax	13.3	<b>53,979</b>	(1,908,830)
		<b>(125,950)</b>	4,453,935
<b>Total comprehensive loss for the year</b>		<b>(3,343,799,026)</b>	(4,479,228,681)

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

Lahore

  
Chief Executive

  
Chief Financial Officer

  
Director

## Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 Rupees	2017 Rupees (Restated)
<b><u>Cash flow from operating activities</u></b>			
Cash generated from operations	38	339,914,369	116,721,540
Income tax paid		(78,098,214)	(45,848,012)
Staff retirement benefits paid		(27,423,074)	(1,022,787)
Long term loans and advances - net		(1,351,791)	1,624,563
Long term deposits - net		10,355,682	4,557,158
<b>Net cash generated from operating activities</b>		<b>243,396,972</b>	<b>76,032,462</b>
<b><u>Cash flow from investing activities</u></b>			
Capital expenditure incurred		(27,591,771)	(73,691,515)
Interest income received		7,883,922	2,934,233
Proceeds from disposal of property, plant and equipment	20.1.2	13,324,177	80,223,763
<b>Net cash generated from investing activities</b>		<b>(6,383,672)</b>	<b>9,466,481</b>
<b><u>Cash flow from financing activities</u></b>			
(Decrease) / increase in long term finances		(91,532,196)	5,075,357
Short term borrowings - net		(152,814,614)	166,081,461
Finance cost paid		(115,069,137)	(156,548,152)
<b>Net cash (used in) / generated from financing activities</b>		<b>(359,415,947)</b>	<b>14,608,666</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(122,402,647)</b>	<b>100,107,609</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(2,247,411,335)</b>	<b>(2,347,518,944)</b>
<b>Cash and cash equivalents at end of the year</b>	39	<b>(2,369,813,982)</b>	<b>(2,247,411,335)</b>

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

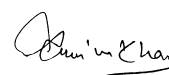
Lahore



Chief Executive



Chief Financial Officer



Director

# Statement of Changes in Equity

For the year ended 31 December 2018

	Capital Reserve				
	Ordinary Share Capital	Surplus on revaluation of property, plant and equipment - net of tax	Revenue reserve	Accumulated losses	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 January 2017 previously reported	3,924,300,000	-	9,000,000	(10,200,286,153)	(6,266,986,153)
Impact of change in policy as explained in note 3.1	-	9,080,310,370	-	-	9,080,310,370
<b>As at 01 January 2017 - restated</b>	<b>3,924,300,000</b>	<b>9,080,310,370</b>	<b>9,000,000</b>	<b>(10,200,286,153)</b>	<b>2,813,324,217</b>
Total comprehensive loss for the year ended 31 December 2017 - restated	-	-	-	(4,479,228,681)	(4,479,228,681)
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	-
	-	(231,836,430)	-	231,836,430	-
<b>As at 31 December 2017 - restated</b>	<b>3,924,300,000</b>	<b>8,848,473,940</b>	<b>9,000,000</b>	<b>(14,447,678,404)</b>	<b>(1,665,904,464)</b>
Total comprehensive loss for the year ended 31 December 2018	-	-	-	(3,343,799,026)	(3,343,799,026)
Surplus transferred to accumulated losses on account of:					
- disposal of freehold land	-	-	-	-	-
- disposal of buildings and plant and machinery - net of deferred tax	-	(43,083,303)	-	43,083,303	-
- incremental depreciation on property, plant and equipment - net of deferred tax	-	(231,824,035)	-	231,824,035	-
- Effect of change in tax rate on account of surplus on revaluation of property, plant and equipment	-	121,161,670	-	-	121,161,670
	-	(153,745,668)	-	274,907,338	121,161,670
<b>As at 31 December 2018</b>	<b>3,924,300,000</b>	<b>8,694,728,272</b>	<b>9,000,000</b>	<b>(17,516,570,092)</b>	<b>(4,888,541,820)</b>

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

Lahore

  
Chief Executive

  
Chief Financial Officer

  
Director

# Notes to the Financial Statements

For the year ended 31 December 2018

## 1 Reporting entity

- 1.1** Agritech Limited ("the Company") was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and was a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited ("NFC"), a Government owned Corporation, until 15 July 2006. Subsequently, 100% shares of the Company were acquired by Azgard Nine Limited ("ANL") as part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. On 31 October 2012, ANL sold its major shareholding in the Company to a consortium of banks and financial institutions. The shares of the Company are quoted on Pakistan Stock Exchange. The principal business of the Company is the production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer.

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

-Unit I located at Iskanderabad, District Mianwali

-Unit II at Hattar Road, Haripur

## 1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting year:

- As explained in note 2.2, the company has incurred loss after tax amounting to Rs. 3,343.67 million and as at the reporting date current liabilities have exceeded current assets by Rs. 40,999.30 million and shareholders equity stands at negative Rs. 4,888.54 million.
- Due to unavailability of natural gas, the company operated urea plant for 97 days as compared to 113 days in 2017. During the year, the Company was supplied a blend of natural gas and RLNG thereby increasing the cost of raw material.
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, the Company has presented additional disclosures in these financial statements and represented certain comparative figures.
- As a result of change in accounting policies as detailed in note 3.1 to these financial statements, revaluation surplus is now presented as part of equity and preference shares are now treated as a financial liability.
- For a detailed discussion about the Company's performance please refer to the Director's report.

## 2 Basis of preparation

### 2.1 Statement of Compliance

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

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

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

### 2.2 Going concern assumption

The gas curtailment coupled with gas pricing issue to the Company's urea plant has been the most crucial factor for the past few years' operational and liquidity issues of the Company. The fertilizer sector as a whole and the Company in particular faced unprecedented gas curtailment during the last five years. The Company has been financing its assets and operations through high level of borrowings. Due to overall gas shortage in the system, Government of Pakistan ("GOP") diverted gas from fertilizer sector to other sectors particularly power sector during summer and domestic sector during winter. This gas curtailment caused low urea production versus available capacity resulting in continuous operational and liquidity issues which further resulted in overdue borrowings and related mark-up as referred to in note 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 non-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. Gas supply to the Company's urea plant was restored in the September 2018 on a blend of natural gas and RLNG after the extended curtailment. The Company operated its urea plant for 97 days in 2018 (2017: 113 days) which resulted in Urea production of 95,934 tons (2017: 114,201 tons). The Company during the current year was also able to sell 100,985 tons Urea (2017: 109,995 tons). The Company has incurred a loss before tax of Rs. 3,639.61 million (2017: Rs. 4,051.61 million) during the year and as at the reporting date, its current liabilities have exceeded its current assets by Rs. 40,999.30 million, including Rs. 34,808.18 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 4,888.54 million.

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 at subsidized rates 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 mmscfd 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 1,200 mmscfd per day on both terminals in the country. SNGPL is receiving complete flow of LNG imports under swap arrangement from both terminals. This has further improved the flow of gas into SNGPL system and making available required gas volumes for the fertilizer plants on SNGPL network. During Kharif 2018, shortage of urea was witnessed in the country due to imbalance of urea supply demand. In order to bridge the urea shortages in the country, GOP decided to operate closed urea plants on SNGPL network, including the Company's urea plant. Economic Coordination Committee ("ECC") and cabinet accorded approval for restoration of gas supply to the Company and another fertilizer plant in September 2018, initially for two months on RLNG and system gas blend and then on 100% RLNG supply during Rabi season. Later on the gas supply was further extended till October 2019. In both cases the price of gas is capped at Rs. 782 per MMBTU and additional cost in both cases is to be paid by GOP as subsidy to SNGPL. The Company based on its negotiations with the GOP is hopeful that they will be able to secure availability of gas on a long term basis subsequent to October 2019 at the subsidized rate to bridge the urea shortages in the country. Moreover, after discontinuity of subsidy on Urea in year 2018, the urea price capping has also 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.

Consequently principal installments aggregating to Rs. 49.02 million which under the terms of long debts are due for repayment in period subsequent to 31 December 2019 have also been classified as a current liability in addition to Rs. 16,650.08 million which are overdue and Rs. 2,607.83 million which are due till 31 December 2019.

#### **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 Changes in accounting policies**

**3.1.1** Upto 31 December 2017, surplus on revaluation of freehold land, building on freehold land, residential colony assets and plant and machinery was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation was credited to the surplus on revaluation of property, plant and equipment. With effect from 01 January 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly, the management has changed the accounting policy to bring accounting of revaluation surplus on freehold land, building on freehold land, residential colony assets and plant and machinery in accordance with IAS 16 "Property, plant and equipment". The effect of this change in accounting policy, which is applied with retrospective effect, has resulted in transfer of surplus on revaluation of freehold land, building on freehold land, residential colony assets and plant and machinery - net of tax to equity by restating the corresponding figures which resulted in increase in equity by Rs. 8,848.47 million and Rs. 9,080.31 million as at 31 December 2017 and 31 December 2016 respectively.

**3.1.2** Upto 31 December 2017, redeemable preference shares were treated as part of equity under the repealed Companies Ordinance, 1984. With effect from 01 January 2018, Companies Act has become applicable to the Company and section 85 of the repealed Companies Ordinance 1984 relating to setting up of a capital redemption reserve fund for preference shares has not been carried forward. Accordingly, the management has changed the accounting treatment of redeemable preference shares as detailed in note 10 to these financial statements.

**3.2 Property, plant and equipment****Owned**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is measured at revalued amount and any identified impairment loss, building on freehold land, residential colony assets 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 or 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 or loss.

**Capital work-in-progress**

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

**Leased**

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 identified 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.

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

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

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

**3.4 Intangible assets**

**3.4.1 Software**

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

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

**3.4.2 Goodwill acquired in business combination**

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

Goodwill is tested annually for impairment.

**3.5 Stores, spare parts and loose tools**

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

**3.6 Stock-in-trade**

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

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

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

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

### **3.7 Trade debts**

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

### **3.8 Employee benefits**

#### **3.8.1 Short-term employee benefits**

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

#### **3.8.2 Post-employment benefits**

##### **(a) Defined contribution plan**

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

##### **(b) Defined benefit plan**

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

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

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

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

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

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

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

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

### **3.9 Financial instruments**

#### **3.9.1 Financial assets**

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.

### **3.9.1.1 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.

### **3.9.1.2 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.

### **3.9.1.3 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 recognized directly in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available for sale securities calculated using effective interest method is recognized in the profit or loss. Dividends on available for sale equity instruments are recognized in the statement of profit or loss when the Company's right to receive payments is established.

### **3.9.1.4 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.

### **3.9.1.5 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 statement of profit or loss.

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 reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

### **3.9.2 Financial liabilities**

Non-derivative financial liabilities that are not financial liabilities at fair value through profit and loss are classified as financial liabilities at amortized 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.

### **3.9.3 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.

**3.10 Impairment****3.10.1 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 the statement of profit or 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.

**3.10.2 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 or 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.

**3.11 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.

**3.12 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 or loss over the period of the borrowings on an effective interest basis.

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

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

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

**3.13 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.

**3.14 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 or loss on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Company's benefit.

### 3.15 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.

### 3.16 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.

### 3.17 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.

### 3.18 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.

### 3.19 Taxation

#### **Current tax**

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

#### **Deferred tax**

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

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

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

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

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

### **3.20 Earnings per share (EPS)**

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

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

### **3.21 Cash and cash equivalents**

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

### **3.22 Foreign currency transactions**

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

### **3.23 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.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- 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 30 June 2019). 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.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities 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.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

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	2018 Rupees	2017 Rupees
<b>4 Authorized share capital</b>			
<i>Ordinary shares of Rs 10 each</i>			
600,000,000 (2017: 600,000,000) class A shares	4.1	6,000,000,000	6,000,000,000
200,000,000 (2017: 200,000,000) class B shares	4.2	2,000,000,000	2,000,000,000
200,000,000 (2017: 200,000,000) class C shares	4.3	2,000,000,000	2,000,000,000
		<b>10,000,000,000</b>	10,000,000,000
<i>Preference shares of Rs. 10 each</i>			
500,000,000 (2017: 500,000,000) shares		5,000,000,000	5,000,000,000
		<b>15,000,000,000</b>	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	2018 Rupees	2017 Rupees
<b>5 Issued, subscribed and paid-up ordinary share capital</b>			
<i>Class A ordinary shares of Rs. 10 each</i>			
383,430,000 (2017: 383,430,000) shares issued fully paid in cash		3,834,300,000	3,834,300,000
9,000,000 (2017: 9,000,000) shares issued for consideration other than cash		90,000,000	90,000,000
	5.1	<b>3,924,300,000</b>	3,924,300,000

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

	2018 (Percentage held)	2017	2018 (Number of shares)	2017
National Bank of Pakistan Limited	26.95%	26.64%	105,772,577	104,562,302
Faysal Bank Limited	4.66%	12.31%	18,277,123	48,296,861
Summit Bank Limited	8.74%	8.40%	34,306,400	32,975,097
Silk Bank Limited	0.00%	2.61%	1,000	10,233,043
Standard Chartered Bank (Pakistan) Limited	5.70%	5.70%	22,373,615	22,373,615

	Note	2018 Rupees	2017 Rupees (Restated)
<b>6 Reserves</b>			
Revenue reserve		9,000,000	9,000,000
<b>7 Surplus on revaluation of fixed assets - net</b>			
Revaluation surplus as at 01 January		12,483,324,044	12,814,421,132
<i>Surplus transferred to accumulated losses on account of:</i>			
- disposal of freehold land		-	(228,229)
- disposal of building on freehold land and plant and machinery - net of deferred tax		(43,083,303)	(2,083,734)
- incremental depreciation charged during the year - net of deferred tax		(231,824,035)	(229,524,467)
<i>Related deferred tax liability</i>			
- disposal of building on freehold land and plant and machinery		(17,597,404)	(893,029)
- incremental depreciation charged during the year		(94,688,691)	(98,367,629)
		(387,193,433)	(331,097,088)
Revaluation surplus as at 31 December		12,096,130,611	12,483,324,044
Less: deferred tax liability on revaluation surplus as at 01 January		3,634,850,104	3,734,110,762
<i>Reduction in deferred tax liability due to:</i>			
- disposal of building on freehold land and plant and machinery		(17,597,404)	(893,029)
- incremental depreciation charged during the year		(94,688,691)	(98,367,629)
- tax rate adjustment		(121,161,670)	-
		(233,447,765)	(99,260,658)
Deferred tax liability on revaluation surplus as at 31 December		3,401,402,339	3,634,850,104
Revaluation surplus as at 31 December - net		8,694,728,272	8,848,473,940

7.1 The Company's freehold land, buildings on freehold land, residential colony assets and plant and machinery (owned and 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, resulting in surplus of Rs. 7,775.53 million at 31 December 2014. Land was revalued on the basis of prevailing market value and buildings have been revalued on the basis of replacement value. The forced sale value of freehold land, buildings on freehold land, residential colony assets, plant and machinery (owned and leased) was Rs. 2,291.74 million, Rs. 1,953.45 million, Rs. 2,648.9 million and Rs. 28,900.85 million respectively. The basis of revaluation for items of these fixed assets were as follows:

**Freehold land**

Property brokers, dealers and estate agents were contacted to ascertain the asking and selling prices for properties of the same nature in the immediate 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 and 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.

	Note	2018 Rupees	2017 Rupees
<b>8 Redeemable capital -secured</b>			
Privately Placed Term Finance Certificates - I	8.2	1,498,602,000	1,498,602,000
Privately Placed Term Finance Certificates - II	8.3	6,894,286,800	6,894,286,800
Privately Placed Term Finance Certificates - III	8.4	495,460,750	495,460,750
Privately Placed Term Finance Certificates - IV	8.5	548,825,000	548,825,000
Privately Placed Term Finance Certificates - V	8.6	618,685,000	618,685,000
Privately Placed Term Finance Certificates	8.7	509,874,996	509,874,996
Privately Placed Sukuk Certificates	8.8	1,599,800,000	1,599,800,000
		<b>12,165,534,546</b>	12,165,534,546
Transaction costs	35	-	(28,622,167)
		<b>12,165,534,546</b>	12,136,912,379
Current maturity presented under current liabilities	14 & 2.3	<b>(12,165,534,546)</b>	(10,115,259,050)
		-	2,021,653,329
<b>8.1 Types of redeemable capital</b>			
Interest / mark-up based financing		<b>10,565,734,546</b>	10,565,734,546
Islamic mode of financing		<b>1,599,800,000</b>	1,599,800,000
		<b>12,165,534,546</b>	12,165,534,546

- 8.2** 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 instalments are starting from 29 November 2013 and ending on 29 November 2019.

***Call option***

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

***Return on PPTFC - I***

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

***Trustee***

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

***Security***

The issue is secured by:

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

At the reporting date principal amounting to Rs. 1,223.86 million (2017: Rs. 949.11 million) and interest / mark-up amounting to Rs. 1,183.31 million (2017: Rs. 1,058.81 million) were overdue. Refer to note 42.2.2 for details.

- 8.3** 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. 5,630.33 million (2017: Rs. 4,366.38 million) and interest / mark-up amounting to Rs. 5,052.18 million (2017: Rs. 4,505.82 million) were overdue. Refer to note 42.2.2 for details.

- 8.4** 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. 404.65 million (2017: Rs. 313.83 million) and interest / mark-up amounting to Rs. 426.08 million (2017: Rs. 376.18 million) were overdue. Refer to note 42.2.2 for details.

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

**Principal redemption**

The principal redemption of PPTFC - IV is structured to be in seven unequal semi annual installments. First installment was just token payment and due on 01 January 2012, 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 (2017: Rs. 548.83 million) was overdue. Refer to note 42.2.2 for details.

- 8.6 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 (2017: Rs. 618.69 million) and interest / mark-up amounting to Rs. 510.42 million (2017: Rs. 442.36 million) were overdue. Refer to note 42.2.2 for details.

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

#### **Principal redemption**

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

#### **Return on PPTFCs**

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

#### **Security**

The issue is secured by:

- ranking hypothecation charge 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. 382.41 million (2017: Rs. 297.43 million) and interest / mark-up amounting to Rs. 333.64 million (2017: Rs. 269.05 million) were overdue. Refer to note 42.2.2 for details.

- 8.8 Privately Placed Sukuk Certificates ("PPSCs") have been issued by way of private placements with a consortium of investors to finance the balancing, modernization and replacement of Company's property, plant and equipment. The total issue comprises of 320,000 certificates of Rs. 5,000 each. This issue was rescheduled by way of Second Master Addendum to Transaction Documents entered on 26 August 2011 effective from 31 July 2011 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. 1,306.50 million (2017: Rs. 1,013.21 million) and interest / mark-up amounting to Rs. 1,190.90 million (2017: Rs. 1,058.29 million) were overdue. Refer to note 42.2.2 for details.

- 8.9** 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.
- 8.10** As explained in note 2.2, the Company has filed a scheme of arrangement in the Honorable Lahore High Court as per the provisions of the repealed Companies Ordinance, 1984 to restructure its existing over-due redeemable capital along-with related markup as of 31 December 2013 through conversion into preference shares.
- 8.11** For restrictions on title as security, refer to note 45 to the financial statements.

	Note	2018 Rupees	2017 Rupees
<b>9 Long term finances - secured</b>			
Syndicate Term Finance - I	9.2	<b>3,000,000,000</b>	3,000,000,000
Syndicate Term Finance - II	9.3	<b>472,037,000</b>	472,037,000
Syndicate Term Finance - III	9.4	<b>2,862,845,329</b>	2,955,286,366
BankIslami Pakistan Limited - Term Finance	9.5	<b>300,000,000</b>	300,000,000
National Bank of Pakistan - Term Finance	9.6	<b>132,083,735</b>	132,083,735
Dubai Islamic Bank Limited - Term Finance	9.7	<b>365,000,000</b>	365,000,000
AlBaraka Bank (Pakistan) Limited - Diminishing Musharika	9.8	<b>9,431,198</b>	8,522,357
		<b>7,141,397,262</b>	7,232,929,458
Transaction costs	35	-	(6,110,563)
		<b>7,141,397,262</b>	7,226,818,895
Current maturity presented under current liabilities	14 & 2.3	<b>(7,141,397,262)</b>	(6,629,272,872)
		-	597,546,023
<b>9.1 Types of long term finances - secured</b>			
Interest / mark-up based financing		<b>6,766,966,064</b>	6,867,929,458
Islamic mode of financing		<b>374,431,198</b>	365,000,000
		<b>7,141,397,262</b>	7,232,929,458

- 9.2** 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. 2,450.00 million (2017: Rs. 1,900.00 million) and interest / mark-up amounting to Rs. 2,478.26 million (2017: Rs. 2,211.97 million) were overdue. Refer to note 42.2.2 for details.

- 9.3 Syndicate Term Finance - II ("STF - II") has been obtained from a consortium of various banking companies to finance the acquisition of Hazara Phosphate Fertilizers (Private) Limited. This facility was rescheduled by way of First Supplemental Syndicated Term Finance Agreement entered on 23 February 2009 effective from 28 February 2009 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 (2017: Rs. 472.04 million) and Rs. 429.49 million (2017: Rs. 380.53 million) respectively were overdue. Refer to note 42.2.2 for details.

- 9.4 Syndicate Term Finance - III ("STF - III") represents restructuring of various short term facilities and overdue letters of credit amounting to Rs. 3,026.39 million into long term facility. This facility was rescheduled by way of First Supplemental Syndicated Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011 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. 2,862.85 million (2017: Rs. 2,955.29 million) and interest / mark-up amounting to Rs. 2,500.71 million (2017: Rs. 2,230.02 million) were overdue. Refer to note 42.2.2 for details.

As referred to in note 19.1.7, one of the lenders of STF - III, M/s Pak Libya Holding Company (Private) Limited has filed a suit for recovery of balance amounting to Rs. 919.40 million including markup.

- 9.5 This term finance facility has been obtained from Bank Islami 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. 252.88 million (2017: Rs. 205.71 million) and interest / mark-up amounting to Rs. 240.35 million (2017: Rs. 212.97 million) were overdue. Refer to note 42.2.2 for details.

- 9.6 This facility has been obtained from National Bank of Pakistan to finance 'cost over-run' for successful completion and commissioning of revamp project. This facility was rescheduled effective from 20 August 2011 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 (2017: Rs. 132.08 million) and interest / mark-up amounting to Rs. 230.51 million (2017: Rs. 218.47 million) was overdue. Refer to note 42.2.2 for details.

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

**Principal repayment:**

The 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 (2017: Rs. 365 million) and interest / mark-up amounting to Rs. 246.48 million (2017: Rs. 213.26 million) were overdue. Refer to note 42.2.2 for details.

- 9.8 This represents diminishing musharika facility obtained from AlBaraka Bank (Pakistan) Limited for purchase of vehicles. The term of the agreement is 4 years. The balance is repayable in 48 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.
- 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 long term finances along with related markup other than in note 10.9 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	2018 Rupees	2017 Rupees (Restated)
<b>10 Convertible, redeemable preference shares</b>			
<i>Preference shares of Rs. 10 each</i>			
159,334,269 (2017: 159,334,269)			
shares issued fully paid in cash	10.1 & 10.3	<b>1,593,342,690</b>	1,593,342,690

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

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

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

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

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

	2018 --- (Number of shares) ---	2017
Faysal Bank Limited	<b>31,035,594</b>	31,035,594
National Bank of Pakistan Limited	<b>3,458,756</b>	3,458,756
	<b>34,494,350</b>	34,494,350

- 10.3 Previously these preference shares were treated as equity instruments on the basis of section 85 of the repealed Companies Ordinance, 1984 which required the Company to set-up a reserve for the redemption of preference shares which effectively made these preference shares as part of the equity. This provision has not been carried forward in the new Companies Act, 2017 applicable to the Company with effect from 01 January 2018. As per International Accounting Standard (IAS), the preference shares with the above terms represents a financial liability. Accordingly the management has changed the accounting treatment of these preference shares to bring it in line with the requirements of IAS 32 - Financial Instruments: Presentation. This change has been applied retrospectively and has resulted in the transfer of Rs. 1,593.34 million of preference shares from equity to non-current liabilities as financial liability. Further the preference dividend on these shares have also been reclassified from equity to finance cost. As a result, loss before tax for both the current and prior year is higher by Rs. 175.27 million.

## 11 Long term payable - unsecured

This 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 2018 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

	Note	2018 Rupees	2017 Rupees
<b>Staff retirement benefits</b>	12.1	<b>13,533,831</b>	31,758,941
<b>12.1 Statement of financial position liability</b>			
Present value of defined benefit obligations	12.1.2	<b>106,464,576</b>	105,245,855
Fair value of plan assets	12.1.3	<b>(93,335,233)</b>	(73,697,203)
Benefits due but not paid during the year		<b>404,488</b>	210,289
<b>Net liability</b>		<b>13,533,831</b>	31,758,941
<b>12.1.1 Movement in net liability</b>			
Net liability as at 01 January		<b>31,758,941</b>	28,698,815
Charge to statement of profit or loss for the year		<b>9,018,035</b>	10,445,678
Charge to statement of comprehensive income for the year		<b>179,929</b>	(6,362,765)
Contributions made during the year		<b>(27,423,074)</b>	(1,022,787)
<b>Net liability as at 31 December</b>		<b>13,533,831</b>	31,758,941
<b>12.1.2 Movement in the present value for defined benefit obligations is as follows:</b>			
Present value of defined benefit obligations as at 01 January		<b>105,245,855</b>	105,948,341
Current service cost for the year		<b>7,332,733</b>	7,811,354
Interest cost for the year		<b>9,672,691</b>	9,669,188
Benefits paid during the year		<b>(6,451,630)</b>	(8,124,547)
Benefits due but not paid during the year		<b>(404,488)</b>	(210,289)
Actuarial gains on present value of defined benefit obligation		<b>(8,930,585)</b>	(9,848,192)
<b>Present value of defined benefit obligation as at 31 December</b>		<b>106,464,576</b>	105,245,855
<b>12.1.3 Movement in fair value of plan assets is as follows:</b>			
Fair value of plan assets as at 01 January		<b>73,697,203</b>	77,954,629
Expected return on plan assets for the year		<b>7,987,389</b>	7,034,864
Contribution made during the year		<b>27,423,074</b>	1,022,787
Benefits paid during the year		<b>(6,451,630)</b>	(8,124,547)
Benefits paid pertaining to prior year		<b>(210,289)</b>	(705,103)
Actuarial losses on plan assets		<b>(9,110,514)</b>	(3,485,427)
<b>Fair value of plan assets as at 31 December</b>		<b>93,335,233</b>	73,697,203
<b>12.1.4 Actual return on plan assets</b>			
Expected return on plan assets		<b>7,987,389</b>	7,034,864
Actuarial losses on plan assets		<b>(9,110,514)</b>	(3,485,427)
		<b>(1,123,125)</b>	3,549,437

	2018 Rupees	2017 Rupees
<b>12.1.5 Fair value of plan assets is as follows:</b>		
NAFA (Multi Asset Fund)	-	19,245,088
HBL Shares	25,295	35,089
JS Global	-	5,000,000
NIT Units	437,976	459,651
TDR UBL	13,000,000	-
Cash at bank	79,871,962	48,957,375
	<b>93,335,233</b>	<b>73,697,203</b>
<b>12.1.6 Plan assets comprise of</b>		
Equity	14.42%	33.60%
Cash and / or deposits	85.58%	66.40%
	<b>100.00%</b>	<b>100.00%</b>
<b>12.1.7 Charge for the year in statement of profit or loss</b>		
Current service cost for the year	7,332,733	7,811,354
Interest cost for the year	9,672,691	9,669,188
Expected return on plan assets for the year	(7,987,389)	(7,034,864)
<b>Total, included in salaries, wages and other benefits</b>	<b>9,018,035</b>	<b>10,445,678</b>
<b>12.1.8 Actuarial (gains) and losses recognized directly in statement of comprehensive income</b>		
<i>Actuarial (gains) / losses on present value</i>		
- Changes in financial assumptions	795,680	-
- Experience adjustments	(9,726,265)	(9,848,192)
	<b>(8,930,585)</b>	<b>(9,848,192)</b>
Return on plan assets, excluding interest income	9,110,514	3,485,427
<b>Losses / (gains) recognized during the year</b>	<b>179,929</b>	<b>(6,362,765)</b>
<b>12.1.9</b> The Company expects to recognize Rs. 8.29 million to profit or loss on account of defined benefit plan in 2019.		

**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:

	<b>31 December 2018</b>	31 December 2017	31 December 2016	31 December 2015	31 December 2014
	<b>Rupees</b>	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	<b>106,464,576</b>	105,245,855	105,948,341	83,521,903	81,728,159
Fair value of plan assets	<b>(93,335,233)</b>	(73,697,203)	(77,954,629)	(60,630,477)	(66,558,299)
Benefits due but not paid during the year	<b>404,488</b>	210,289	705,103	-	-
<b>Deficit in the plan</b>	<b>13,533,831</b>	31,758,941	28,698,815	22,891,426	15,169,860
Experience adjustment arising on plan liabilities	<b>(8,930,585)</b>	(9,848,192)	10,216,613	(8,105,800)	13,686,552
Experience adjustment arising on plan assets	<b>9,110,514</b>	3,485,427	2,754,817	(10,408,942)	3,020,996

**12.1.11 Assumptions used for valuation of defined benefit plan**

	<b>2018</b>	2017
Discount rate used for interest cost	<b>9.50%</b>	9.50%
Expected return on plan assets	<b>9.50%</b>	9.50%
Discount rate used for year ended obligation	<b>13.25%</b>	9.50%
Expected rates of salary increase in future	<b>12.25%</b>	8.50%
Expected mortality rate	<b>SLIC 2001-2005 Setback 1 Year</b>	SLIC 2001-2005 Setback 1 Year
Retirement assumption	<b>60 years</b>	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 2018 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 statement of financial position 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 define benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at 31 December 2018 would have been as follows:

	Gratuity	
	Impact on present value of defined benefit obligation Increase	Decrease
Discount rate + 100 bps	95,992,841	117,059,502
Future salary increase + 100 bps	117,195,172	95,703,335

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	2018 Rupees	2017 Rupees
<i>Deferred tax liability arising on</i>			
Accelerated tax depreciation		6,147,566,222	6,447,743,585
Revaluation of fixed assets		3,401,402,338	3,634,850,103
<i>Deferred tax asset arising on</i>			
Provision for trade debtors		(14,006,775)	(14,266,558)
Provision for gratuity		(3,924,811)	(9,527,682)
Unabsorbed tax losses	13.1	(6,060,025,348)	(6,113,585,563)
		<b>3,471,011,626</b>	<b>3,945,213,885</b>

13.1 Tax losses on account of unabsorbed depreciation amounting to Rs. 20,896.64 million (2017: Rs. 20,378.62 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. 11,871.01 million (2017: Rs. 12,112.81 million) and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 amounting to Rs. 200.43 million (2017: Rs. 177.88 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. 200.43 million would not be available for carry forward against future tax liabilities subsequent to years 2019 through 2024.

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

**13.3 Movement in deferred tax balances is as follows:**

	2018			
	Charge to / (reversal from)			
Deferred taxation	Opening Rupees	Profit and loss Rupees	Equity Rupees	Closing Rupees
<b><u>Taxable / (deductible) temporary difference</u></b>				
Accelerated tax depreciation allowances	6,447,743,585	(300,177,363)	-	6,147,566,222
Surplus on revaluation of fixed assets	3,634,850,103	(112,286,095)	(121,161,670)	3,401,402,338
Trade debtors	(14,266,558)	259,783	-	(14,006,775)
Provision for gratuity	(9,527,682)	5,656,850	(53,979)	(3,924,811)
Unused tax losses	(6,113,585,563)	53,560,215	-	(6,060,025,348)
	<b>3,945,213,885</b>	<b>(352,986,610)</b>	<b>(121,215,649)</b>	<b>3,471,011,626</b>
<b>2017</b>				
<b>Charge to / (reversal from)</b>				
	Opening	Profit and loss	Equity	Closing
----- (Rupees in thousand) -----				
<b><u>Taxable / (deductible) temporary difference</u></b>				
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)
	<b>3,560,429,299</b>	<b>382,875,756</b>	<b>1,908,830</b>	<b>3,945,213,885</b>

	Note	2018 Rupees	2017 Rupees
<b>14 Current maturity of long term liabilities</b>			
Redeemable capital	8	12,165,534,546	10,115,259,050
Long term finances	9	7,141,397,262	6,629,272,872
		<b>19,306,931,808</b>	<b>16,744,531,922</b>

**15 Short term borrowings - secured**

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

	Note	2018 Rupees	2017 Rupees
<b>Secured:</b>			
Running finance	15.2 & 15.5	2,696,369,695	2,445,086,512
Cash finance	15.2 & 15.5	3,651	152,818,265
Finance against trust receipt	15.2 & 15.5	88,528,540	88,528,540
Istisna / Salam	15.2 & 15.5	561,735,176	561,735,176
Demand finance	15.2 & 15.5	91,683,224	91,683,224
Bills payable	15.3 & 15.5	187,030,000	187,030,000
		<b>3,625,350,286</b>	<b>3,526,881,717</b>
<b>15.1 Particulars of borrowings</b>			
Interest / mark-up based financing		2,924,783,039	2,826,099,230
Islamic mode of financing		700,567,247	700,782,487
		<b>3,625,350,286</b>	<b>3,526,881,717</b>

**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 1.00% to 2.75% per annum (2017: one to nine months KIBOR plus a spread of 0.80% to 2.75% per annum), payable quarterly and semi-annually.

The aggregate available short term funded facilities amount to Rs. 4,974.52 million (2017: Rs. 4,428.09 million) out of which Rs. 1,536.10 million (2017: Rs. 1,140.67 million) remained unavailed as at the reporting date. These funded facilities are majorly sub-limits of non-funded facilities and can interchangeably be used. Out of these funded facilities, Rs. 1,462.29 million were expired as at reporting date and not renewed. Facilities amounting to Rs. 717.94 million have expired subsequent to the reporting date.

At the reporting date principal and interest amounting to Rs. 1,993.20 million (2017: Rs. 1,120.47 million) and Rs. 987.00 million (2017: Rs. 807.63 million) respectively were overdue. Refer note 42.2.2 for details.

As referred to in notes 19.1.8 and 19.1.9, one of the lenders of these facilities M/s Meezan Bank Limited has imposed a lien on Company's account for recovery of balance amounting to Rs. 38.83 million. Further M/s Allied Bank Limited has filed a suit for recovery of balance amounting to Rs. 195.90 million along with mark up.

**15.3** Aggregate limits available for non-funded facilities amount to Rs. 2,126.91 million (2017: Rs. 2,243.23 million) out of which limits that remain unutilized as at reporting date amount to Rs. 1,576.29 million (2017: Rs. 1,744.76 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 (2017: Rs. 187.03 million) and Rs. 168.53 million (2017: Rs. 150.58 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	2018 Rupees	2017 Rupees
<b>16 Trade and other payables</b>			
Trade and other creditors	16.1	4,858,710,452	4,406,399,595
Accrued liabilities		236,463,042	86,438,173
Security deposits and retention money		17,458,254	23,458,995
Advances from customers		224,352,523	121,470,053
Tax deducted at source		38,144,463	38,378,006
Provincial Excise Duty		323,244	85,517
Workers' Welfare Fund		9,003,142	8,038,520
Other payables	16.2	64,855,457	23,951,808
		<b>5,449,310,577</b>	<b>4,708,220,667</b>

**16.1** It includes Rs. 3,040.81 million (2017: Rs. 2,783.17 million) on account of Gas Infrastructure Development Cess (GIDC). 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. 20.33 million (2017: Rs. Nil) relating to housing colony payable.

	2018 Rupees	2017 Rupees
<b>17 Interest / mark-up accrued on borrowings</b>		
Redeemable capital - secured	9,070,753,478	8,051,770,082
Long term finances - secured	6,126,995,935	5,467,997,684
Short term borrowings - secured	1,204,530,802	1,004,714,111
	<b>16,402,280,215</b>	<b>14,524,481,877</b>

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 10. 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 (2017: 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 (2017: Rs. 2,556.02 million) against the contractor. The claim is under settlement with arbitrator.
- 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 and Gas Regulatory Authority from notifying an increase in the (subsidized) feedstock gas price subject to Company depositing cash of Rs. 36 million and bank guarantee of Rs. 86.50 million with Islamabad High Court which was deposited by the Company. As per Islamabad High Court's stay order, the Company has been charged subsidised rate on feedstock gas from September 2008 to November 2009 which has a financial impact amounting to Rs. 740.8 million (2017: 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.
- 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.
- 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.
- 19.1.6** The National Accountability Bureau has authorized an inquiry against the Directors / Owners of the Company through its letter no. 1913/CO-JT-34/IW-III/NAB-L/03 dated 02 March 2018. The inquiry is in progress and the management through its legal counsel is pursuing the matter.

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

- 19.1.7** During the year, a suit has been filed by Allied Bank Limited ("ABL") against the Company under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery of Rs. 201.66 million along with cost of funds, from the date of default by the Company in fulfilling their financial obligations in return of the facility availed.
- 19.1.8** Subsequent to the year end, a civil suit no. 1768/2019 has been filed by Pak Libya Holding Company (Private) Limited ("PLHCL") against the Company for Rs. 1,500.92 million under section 9 of the Financial Institution (Recovery Of Finances) Ordinance, 2000 before the Honourable Lahore High Court. The Company filed a petition for Leave to Appear (PLA) number 11058/19 under section 10 of the Financial Institution (Recovery Of Finances) Ordinance, 2000 which entails that the instant suit cannot proceed or tried as the matter is in relation to petition under section 284 to 287 of the repealed Companies Ordinance, 1984 for scheme of arrangement / restructuring bearing number 21/2016 which is pending adjudication before the Honourable Lahore High Court.\
- 19.1.9** Subsequent to the year end, through a titled suit, the Company seeks, inter alia, the removal of a lien imposed by Meezan Bank Limited ("MBL") on the account of the Company to the extent of Rs. 40.21 million. MBL has imposed lien claiming recovery of alleged outstanding amount due to HSBC Bank (which was acquired by the MBL in 2015). The Company alleges that MBL has imposed this lien without determination of actual liability and without any regard to due process of law. The suit is pending adjudication before the Learned Banking Court Lahore. MBL is yet to file a reply in the suit.

19.1.10 Guarantees given by banks on behalf of the Company as at the reporting date amount to Rs. 248.50 million (2017: Rs. 86.50 million).

	2018 Rupees	2017 Rupees
<b>19.2 Commitments</b>		
<b>19.2.1</b> Commitments under irrevocable letters of credit for		
- purchase of plant and machinery	869,262	3,509,285
- purchase of raw material	22,983,345	17,746,300
	<b>23,852,607</b>	<b>21,255,585</b>

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

	2018 Rupees	2017 Rupees
Not later than one year	3,892,432	6,559,222
Later than one year but not later than five year	-	3,219,358
	<b>3,892,432</b>	<b>9,778,580</b>

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.

	<i>Note</i>	2018 Rupees	2017 Rupees
<b>20 Property, plant and equipment</b>			
Operating fixed assets	20.1	38,555,912,863	39,705,777,952
Capital work in progress	20.2	36,319,510	67,851,336
		<b>38,592,232,373</b>	<b>39,773,629,288</b>

## 20.1 Operating fixed assets

	2018										Net book value as at 31 December 2018
	Cost / revalued amount					Useful lives in years	Depreciation			As at 31 December 2018	
	As at 01 January 2018	Additions	Disposals / Write offs	As at 31 December 2018	For the year 01 January 2018		Disposals / Write offs	As at 31 December 2018			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees			
<b>Owned assets</b>											
Freehold land	2,626,745,932	-	-	2,626,745,932	-	-	-	-	-	-	2,626,745,932
Buildings on freehold land	2,662,456,280	37,078,105	(1,054,523)	2,698,479,862	50 - 106	815,556,198	39,201,663	(443,069)	854,314,792	1,844,165,070	
Plant and machinery	47,132,634,228	890,555	(224,443,344)	46,909,081,439	4 - 72	12,890,040,941	951,524,548	(74,051,433)	13,767,514,056	33,141,567,383	
Residential colony assets	547,853,039	-	(4,460,340)	543,392,699	50 - 106	117,117,807	9,154,374	(2,810,209)	123,461,972	419,930,727	
Road, bridges and culverts	88,857,450	-	(114,591)	88,742,859	50	20,607,864	1,752,281	(114,522)	22,245,623	66,497,236	
Furniture, fixtures and office equipment	149,070,117	1,302,662	(20,020,293)	130,352,486	3 - 10	124,406,460	7,296,871	(19,397,394)	112,305,937	18,046,549	
Vehicles and rail transport	124,617,452	18,944,557	(19,821,094)	123,740,915	5	114,972,281	2,901,784	(16,287,961)	101,586,104	22,154,811	
Tools and other equipment	157,418,601	-	(2,158,438)	155,260,163	3 - 10	154,043,513	791,018	(2,157,341)	152,677,190	2,582,973	
Electrical and other installations	1,378,843,050	907,719	(522,417)	1,379,228,352	10 - 50	943,621,388	30,775,659	(397,808)	973,999,239	405,229,113	
Plantation	296,476	-	-	296,476		296,476	-	-	296,476	-	
Books and literature	926,479	-	-	926,479	10	920,293	6,120	-	926,413	66	
Catalyst	260,717,768	-	-	260,717,768	3 - 6	243,075,699	8,649,066	-	251,724,765	8,993,003	
<b>2018</b>	<b>55,130,436,872</b>	<b>59,123,598</b>	<b>(272,595,040)</b>	<b>54,916,965,430</b>		<b>15,424,658,920</b>	<b>1,052,053,384</b>	<b>(115,659,737)</b>	<b>16,361,052,567</b>	<b>38,555,912,863</b>	

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

**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 Disposal of property, plant and equipment

	2018					Mode of disposal	Particulars of Purchaser	Relationship with the company
	Cost	Accumulated depreciation	Net book value	Disposal proceeds received	Gain / (loss) on disposal			
	Rupees	Rupees	Rupees	Rupees	Rupees			
<b>Assets written off - note 20.1.3</b>								
Plant and machinery	224,443,344	74,051,433	150,391,911	-	(150,391,911)			
Buildings on freehold land	1,054,523	443,069	611,454	-	(611,454)			
Residential colony assets	4,460,340	2,810,209	1,650,131	-	(1,650,131)			
Furniture, fixtures and office equipment	19,552,993	18,940,097	622,896	-	(622,896)	Write off	N/A	N/A
Road, bridges and culverts	114,591	114,522	69	-	(69)			
Tools and other equipment	2,680,855	2,555,149	125,706	-	(125,706)			
Vehicles	6,469,132	6,468,977	155	-	(155)			
	<b>258,785,778</b>	<b>105,383,456</b>	<b>153,402,322</b>		<b>(153,402,322)</b>			
<b>Disposals</b>								
<b>Furniture, fixtures and office equipment</b>								
Office, Electrical Equipments & Gas Appliances	438,800	438,798	2	4,910	4,908	Auction	Meharban scrap dealer	Third party sale
Computer Equipments	18,500	18,499	1	420	419	Auction	Salad scrap dealer	Third party sale
<b>Vehicles</b>								
Hino Mini Bus Mia-4729	868,250	868,240	10	1,275,000	1,274,990	Auction	Arif Atzal	Third party sale
Toyota Hi-Lux Double Cabin Lot-3825	1,206,657	1,206,647	10	875,000	874,990	Auction	Kamran sharif	Third party sale
Suzuki Cultus Car Leb-7-6631	595,000	594,990	10	502,000	501,990	Auction	Muhammad iqbal	Third party sale
Toyota Corolla Gii Led-09-5774	1,419,000	1,418,990	10	1,100,000	1,099,990	Auction	Malik mehr muhammad	Third party sale
Suzuki Cultus Ac/Cng Led-09-2282	795,000	794,990	10	561,000	560,990	Auction	Hajj paidat khan	Third party sale
Toyota Hilux Double Cabin Lot-3824	1,233,986	1,233,976	10	980,000	979,990	Auction	Muhammad ramzan	Third party sale
Tractor Fiat 640 Mia-4529	358,142	358,132	10	526,000	525,990	Auction	Muhammad akbar	Third party sale
Iisuzu Truck Mi-5829	205,066	205,055	10	550,000	549,990	Auction	Akbar trading	Third party sale
Suzuki Baleno Car Fdz 4374	795,000	795,000	-	326,000	326,000	Auction	Muhammad ramzan	Third party sale
Toyota Corolla Car Lzd 292	944,000	944,000	-	977,800	977,800	Auction	Muhammad zahoor	Third party sale
Toyota Hiace Van B 1258	1,398,964	1,398,964	-	1,113,000	1,113,000	Auction	Muhammad itaf	Third party sale
Toyota Corolla Xii LEH-15-3644	247,567	-	247,567	247,567	-	Auction	N/A	Third party sale
Suzuki Cultus LE-14-1667	103,400	-	103,400	103,400	-	Company policy	Naeem-Ur-Rehman Mirza	Employee
Suzuki Mehran LEC-14-4309	68,300	-	68,300	68,300	-	Company policy	Muhammad Shoab	Employee
Suzuki Cultus LEC-14-3090	104,900	-	104,900	104,900	-	Company policy	Syed Adnan Bokhari	Employee
Suzuki Bolan LEC-14-4301	69,500	-	69,500	69,500	-	Company policy	Muhammad Khalid	Employee
Suzuki Mehran LEH-13-1279	67,300	-	67,300	67,300	-	Company policy	Syed Asim Farooq	Employee
Suzuki Cultus LEH-13-1274	465,300	-	465,300	465,300	-	Company policy	Waseem Farooq	Employee
Suzuki Mehran LE-16A-4912	151,680	-	151,680	151,680	-	Company policy	Muhammad Saleh	Employee
Toyota Corolla LEH-13-2390	175,050	-	175,050	322,100	147,050	Company policy	Imtiaz Ali Khan	Employee
Suzuki Cultus LEH-13-2288	102,900	-	102,900	202,900	102,900	Company policy	Naheed Tahir	Employee
Toyota Corolla LEH-14-5312	175,050	-	175,050	322,100	147,050	Company policy	Muhammad Arif	Employee
Toyota Corolla LE-14-5294	181,050	-	181,050	350,100	169,050	Company policy	Atta-ur-Rehman	Employee
Toyota Corolla Gii LEB-14-6129	175,050	-	175,050	322,100	147,050	Company policy	Durban Ali	Employee
Toyota Corolla Gii LEB-14-6121	175,050	-	175,050	322,100	147,050	Company policy	Ifikhar Ahmed	Employee
Suzuki Cultus LEC-14-4298	467,550	-	467,550	209,800	(257,750)	Company policy	Muhammad Ahsan Durrani	Employee
Toyota Corolla LE-14-5297	181,050	-	181,050	350,100	169,050	Company policy	Sanaullah	Employee
Suzuki Cultus LEF-13-7612	203,800	-	203,800	217,900	14,100	Company policy	Muhammad Mujahid	Employee
Suzuki Cultus LEF-13-7605	203,800	-	203,800	203,800	-	Company policy	Muhammad Farooq	Employee
Honda Civic LEH-13-2089	214,600	-	214,600	429,200	214,600	Company policy	Mian Ihsan ul Haq	Employee
	<b>13,809,262</b>	<b>10,276,281</b>	<b>3,532,980</b>	<b>13,324,177</b>	<b>9,791,197</b>			
<b>2018</b>	<b>272,595,040</b>	<b>115,659,737</b>	<b>156,935,302</b>	<b>13,324,177</b>	<b>(143,611,125)</b>			
2017	30,548,915	18,751,618	11,797,297	14,741,013	2,943,716			

20.1.3 During the year, the company has identified certain items of operating assets from which no further economic benefits are expected. Therefore, assets having cost of Rs. 258.79 million and net book value of Rs. 153.40 million have been retired from active use and have been written off in these financial statements.

	Note	2018 Rupees	2017 Rupees
<b>20.1.4 Allocation of depreciation charge</b>			
Cost of sales	30	<b>1,046,144,000</b>	1,052,182,782
Administrative and general expenses	32	<b>5,641,277</b>	5,374,123
Other expenses / other income	33.1 / 34.1	<b>268,107</b>	274,792
		<b>1,052,053,384</b>	1,057,831,697

20.1.5 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:

	2018 Rupees	2017 Rupees
<b>Revalued Assets</b>		
Freehold land		
Buildings on freehold land	<b>1,480,131,111</b>	1,475,675,135
Residential colony assets	<b>50,618,608</b>	53,256,659
Plant and machinery	<b>22,145,939,884</b>	22,875,129,797
	<b>23,676,689,603</b>	<b>24,404,061,591</b>

**20.1.6** Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location	Usage of Immovable Property	Total area (acres)	Covered Area (Square Feet)
Iskandrabad, Distt. Mianwali.	Housing colony, Farms and Manufacturing facility	1,600.068	1,133,622
Hattar Road, Haripur.	Housing colony and Manufacturing facility	58.006	461,227

**20.2 Capital work in progress**

2018				
	As at 01 January 2018	Additions	Transfers / written off	As at 31 December 2018
Note	Rupees	Rupees	Rupees	Rupees
Civil work	34,559,273	2,518,832	(37,078,105)	-
Plant and machinery	33,292,063	3,785,554	(758,107)	36,319,510
20.2.1	67,851,336	6,304,386	(37,836,212)	36,319,510
2017				
	As at 01 January 2017	Additions	Transfers	As at 31 December 2017
	Rupees	Rupees	Rupees	Rupees
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
	47,887,441	37,901,829	(17,937,934)	67,851,336

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

	Note	2018 Rupees	2017 Rupees
<b>21 Intangible assets</b>			
Oracle computer software and implementation	21.1	-	191,281
Goodwill acquired in business combination	21.2	2,567,310,828	2,567,310,828
		2,567,310,828	2,567,502,109
<b>21.1 Oracle computer software and implementation</b>			
<b>Cost</b>			
As at 01 January		42,567,574	42,567,574
<b>Accumulated amortisation</b>			
Opening		(42,376,293)	(39,806,444)
Amortisation for the year	32	(191,281)	(2,569,849)
		(42,567,574)	(42,376,293)
As at 31 December		-	191,281
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 and is fully amortised.

- 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.

The recoverable amount of goodwill was tested for impairment as at 31 December 2018, 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 15.30% 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	2018 Rupees	2017 Rupees
<b>22 Long term loans and advances - considered good</b>			
Advances to employees - secured	22.1 & 22.2	20,873,643	18,208,860
Less: Current maturity presented under current assets	27	(7,174,439)	(5,861,447)
		<b>13,699,204</b>	<b>12,347,413</b>

- 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. 9.08 million (2017: Rs. 2.64 million). The movement is as follows:

	2018 Rupees	2017 Rupees
Balance as at 01 January	2,644,403	1,106,318
Additions during the year	7,317,528	2,149,764
Recoveries during the year	(878,515)	(611,679)
Balance as at 31 December	<b>9,083,416</b>	<b>2,644,403</b>

The maximum aggregate amount outstanding during the year is Rs. 9.08 million (2017: Rs. 2.64 million).

	Note	2018 Rupees	2017 Rupees
<b>23 Long term deposits - unsecured, considered good</b>			
Deposits against leased assets	23.1	3,948,025	19,546,582
Security deposits with utility companies		44,268,141	44,368,143
		<b>48,216,166</b>	<b>63,914,725</b>
Current maturity presented under current assets		(1,677,733)	(7,020,610)
		<b>46,538,433</b>	<b>56,894,115</b>

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. 2.64 million (2017: Rs. 18.24 million) and Rs. 1.31 million (2017: Rs. 1.31 million) respectively.

	Note	2018 Rupees	2017 Rupees
<b>24 Stores, spare parts and loose tools</b>			
Stores		142,893,912	155,477,589
Spare parts		1,911,424,958	1,932,394,476
Loose tools		375,728	1,135,366
		<b>2,054,694,598</b>	<b>2,089,007,431</b>
<b>25 Stock-in-trade</b>			
Raw material		64,825,646	18,143,950
Packing material		7,795,395	31,242,411
Work in process		86,242,415	91,804,431
Finished goods	25.1	134,457,139	244,967,940
		<b>293,320,595</b>	<b>386,158,732</b>

25.1 Aggregate stocks with a cost of Rs. 123.56 million (2017: Rs. 198.83 million) are being valued at net realizable value of Rs. 123.56 million (2017: Rs. 153.41 million).

	Note	2018 Rupees	2017 Rupees
<b>26 Trade debts</b>			
Considered good - <i>unsecured</i>		34,865,063	16,531,013
Considered doubtful - <i>unsecured</i>		48,299,224	47,555,194
		83,164,287	64,086,207
Less: provision for doubtful trade debts	26.1	(48,299,224)	(47,555,194)
		<b>34,865,063</b>	<b>16,531,013</b>

**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		744,030	(1,155,684)
As at 31 December		<b>48,299,224</b>	<b>47,555,194</b>

**27 Advances, deposits, prepayments and other receivables**

Advances to suppliers - <i>unsecured, considered good</i>	27.1	607,464,486	72,225,784
Advances to employees - <i>secured, considered good</i>			
- against salaries and post employment benefits	22	7,174,439	5,861,447
- against purchases and expenses		16,003,364	7,087,387
Deposit with High Court	19.1.3	36,000,000	36,000,000
Prepayments		5,661,299	5,835,933
Deposits against Ijarah	23.1	1,677,733	7,020,610
Receivable from Government of Pakistan	27.2	1,346,250	1,346,250
Sales tax receivable		666,279,540	458,055,723
Subsidy receivable	27.3	812,227,932	1,069,968,500
Other receivables	27.4	75,876,074	80,834,752
		<b>2,229,711,117</b>	<b>1,744,236,386</b>
Less: provision against doubtful receivable		(215,000,000)	-
		<b>2,014,711,117</b>	<b>1,744,236,386</b>

- 27.1** This includes Rs. 359.57 million paid to SNGPL in respect of gas supply. GOP has approved subsidy of Rs. 167 / MMBTU (weighted average) which shall be given to SNGPL for gas consumed by the Company. This amount will be adjusted against payable to SNGPL once SNGPL receives the subsidy from GOP in respect of supply of gas to the Company at the subsidized rate of Rs. 782 / MMBTU (inclusive of GIDC).
- 27.2** This represents land acquired by the Government of Pakistan ("GOP") under the Land Acquisition Act, 1894 and rules thereon for infrastructure development including for Inland Water Transport Development Company ("IWTD"). 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	2018 Rupees	2017 Rupees
<b>27.3 Subsidy receivable</b>			
- from Ministry of Food, Agriculture and Livestock	27.3.1	550,823,960	550,823,960
- from Ministry of National Food Security and Research	27.3.2	261,403,972	519,144,540
		<b>812,227,932</b>	<b>1,069,968,500</b>

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

**27.3.2** This includes the following:

- Subsidy amounting to Rs. 16.40 million (2017: Rs. 16.40 million) at the rate of Rs. 196 /- per 50 kg bag of SSP Fertilizer sold (based on phosphorous content) as notified by Ministry of National Food Security and Research ("MNFSR"), Government of Pakistan through Notification No. F.1-11/2012/DFSC-II/Fertilizer dated 03 November 2015 and subsidy amounting to Rs. 30.78 million (2017: Rs. 135.99 million) at the rate of Rs. 117/- per 50 kg bag of SSP Fertilizer sold (based on phosphorous content) as notified by Ministry of National Food Security and Research ("MNFSR"), Government of Pakistan through Notification No. F. 1-11/2012/DFSC-II/Fertilizer dated 12 August 2016.
- Receivable from Government of Pakistan against subsidy granted by Ministry of Food Security and Research ("MNFSR") amounting to Rs. 131.88 million (2017: Rs. 240.91 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. 82.34 million (2017: Rs. 125.85 million) through revised letter No. 15 (4) CFC/2015-615 dated 07 August 2017, on sale of Urea fertilizer at the rate of Rs. 100/- per 50 kg bag. Under the subject notifications, all manufacturers of urea fertilizer registered with the Federal Board of Revenue under Sales Tax regime will be eligible for receiving cash subsidy. The Company being a producer of urea fertilizer, was entitled to the same subsidy for the periods notified in the respective notices.

**27.4** This mainly includes acknowledged insurance claim amounting to Rs. 50.25 million lodged by the Company in respect of break down of Turbomach gas turbine ("the Turbine Claim") and the consequential losses sustained by the Company from the interruption of its business. The company has filed a legal suit in the court of District and Session Judge Insurance Tribunal, Lahore for the recovery of turbine claim and consequential losses of Rs. 396.79 million and is hopeful of a favorable outcome. This claim is pending processing based on outcome of the case. Further, this includes an amount of Rs. Nil (2017: Rs. 5.38 million) relating to housing colony receivable.

	Note	2018 Rupees	2017 Rupees
<b>28 Cash and bank balances</b>			
Cash in hand		598,567	513,594
Cash at bank - local currency			
Current accounts	28.1	277,412,992	116,867,774
Saving accounts	28.2	48,544,154	80,293,809
		<b>325,957,146</b>	<b>197,161,583</b>
		<b>326,555,713</b>	<b>197,675,177</b>

**28.1** These include bank accounts of Rs. 44.25 million (2017: Rs. 7.59 million) maintained under Shariah compliant arrangements.

**28.2** These carry mark-up at the rates ranging from 3.08% to 8.05% per annum (2017: 4.00% to 6.00% per annum).

**28.3** As referred to in note 19.1.9, subsequent to the year end, a lien has been imposed by Meezan Bank Limited ("MBL") on the account of the Company to the extent of Rs. 40.21 million.

	Note	2018 Rupees	2017 Rupees
<b>29 Sales - net</b>			
Sale of fertilizer			
- Local		4,580,593,840	3,775,165,008
- Export		-	105,331,000
Other products		101,467,056	336,786,649
<b>Gross sales</b>		<b>4,682,060,896</b>	<b>4,217,282,657</b>
Sales tax		(118,012,202)	(260,243,771)
Trade discounts		(30,732,280)	(405,520,180)
<b>Net sales</b>		<b>4,533,316,414</b>	<b>3,551,518,706</b>

<b>30 Cost of sales</b>			
Raw and packing material consumed	30.1	2,427,724,715	2,090,254,684
Salaries, wages and other benefits	30.2	403,603,146	464,193,998
Fuel and power		571,637,318	842,594,736
Stores, spare part and loose tools consumed		114,761,554	151,852,587
Travelling, conveyance and entertainment		21,320,232	34,623,939
Rent, rates and taxes		447,808	551,138
Insurance expenses		37,780,426	50,361,268
Repair and maintenance		15,979,617	34,277,761
Research and development		120,700	107,475
Depreciation on property, plant and equipment	20.1.4	1,046,144,000	1,052,182,782
Printing and stationery		656,909	1,434,704
Communication		1,335,493	4,616,564
Loading and handling charges		10,330,441	15,919,891
Ijarah lease rentals	30.3	4,098,887	40,416,893
Contract services		28,024,349	28,667,212
Others	30.4	41,596,799	43,237,535
		<b>4,725,562,394</b>	<b>4,855,293,167</b>
Opening work-in-process		91,804,431	111,855,660
Closing work-in-process		(86,242,415)	(91,804,431)
		<b>5,562,016</b>	<b>20,051,229</b>
<b>Cost of goods manufactured</b>		<b>4,731,124,410</b>	<b>4,875,344,396</b>
Opening finished goods		244,967,940	151,505,606
Closing finished goods		(134,457,139)	(244,967,940)
		<b>110,510,801</b>	<b>(93,462,334)</b>
<b>Cost of goods sold</b>		<b>4,841,635,211</b>	<b>4,781,882,062</b>

- 30.1** This is net of Government subsidy of Rs. 10.03 million (2017: Rs. 302.86 million) as stated in note 27.2.2.
- 30.2** These include charges in respect of employees' retirement benefits amounting to Rs. 7.67 million (2017: Rs. 8.90 million) and Rs 11.60 million (2017: Rs. 13.69 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. 33.31 million (2017: Rs. 34.19 million).

	Note	2018 Rupees	2017 Rupees
<b>31 Selling and distribution expenses</b>			
Salaries, wages and other benefits	31.1	30,651,347	33,384,097
Freight and other expenses		114,843,017	151,443,016
Communication		332,322	464,314
Travelling and conveyance		1,165,110	2,400,553
Advertisement and marketing		17,759,479	18,391,759
Rent, rates and taxes		989,927	7,264,174
Insurance expenses		2,130,556	5,166,252
Vehicle running and maintenance		192,648	603,700
Printing and stationery		62,415	61,230
Security services		978,479	5,133,271
Ijarah lease rentals	30.3	833,871	3,410,832
Miscellaneous		191,173	910,601
		<b>170,130,344</b>	<b>228,633,799</b>

- 31.1** These include charges in respect of employees retirement benefits amounting to nil (2017: Rs. 0.31 million) and Rs. 1.17 million (2017: Rs. 1.38 million) on account of gratuity and provident fund respectively.

	Note	2018 Rupees	2017 Rupees
<b>32 Administrative and general expenses</b>			
Salaries and other benefits	32.1	127,727,116	141,317,515
Travelling, conveyance and entertainment		4,808,492	10,944,844
Rent, rates and taxes		5,459,564	6,044,269
Printing and stationery		1,468,845	2,661,051
Communication		1,744,699	2,282,363
IT consultancy		4,042,274	5,571,033
Legal and professional charges	32.2	48,620,838	58,608,902
Depreciation on property, plant and equipment	20.1.4	5,641,277	5,374,123
Amortisation of computer software	21.1	191,281	2,569,849
Guest house expenses		752,946	990,376
Utilities		7,458,337	6,880,530
Repair and maintenance		1,221,914	2,806,896
Insurance expenses		1,219,654	1,544,550
Security services		34,021,407	39,605,959
Subscription fee		777,403	12,500
Ijarah lease rentals	30.3	714,238	10,283,212
Miscellaneous		9,236,168	5,992,118
		<b>255,106,453</b>	<b>303,490,090</b>

32.1 These include charges in respect of employees' retirement benefits amounting to Rs. 1.35 million (2017: Rs. 1.24 million) and Rs. 3.14 million (2017: Rs. 3.71 million) on account of gratuity and provident fund respectively.

	Note	2018 Rupees	2017 Rupees
<b>32.2 These include following in respect of auditors' remuneration:</b>			
Statutory audit fee for the year		5,928,947	4,921,770
Review report under Code of Corporate Governance		78,650	71,500
Interim review		1,227,303	1,115,730
Taxation and other services		4,514,000	4,362,500
Out of pocket expenses		770,000	700,000
		<b>12,518,900</b>	<b>11,171,500</b>

### 33 Other expenses

Loss from experimental farm	33.1	194,274	-
Provision against doubtful receivable	27.3.1	215,000,000	
Loss on write off and disposal of property, plant and equipment		143,611,125	-
		<b>358,805,399</b>	<b>-</b>

33.1 Depreciation amounting to Rs. 0.27 million (2017: Rs. Nil) has been netted off in this balance.

	Note	2018 Rupees	2017 Rupees
<b>34 Other income</b>			
<b><u>Income from financial assets</u></b>			
Profit on a profit and loss sharing bank balance	28	7,431,744	2,375,262
Mark-up on advances to employees		452,178	558,971
		<b>7,883,922</b>	<b>2,934,233</b>
<b><u>Income from non-financial assets</u></b>			
Gain on disposal of property, plant and equipment		-	2,943,716
Sale of scrap		11,502,302	1,999,670
Sale of sweep urea and busted bags		13,037,524	-
Gain from experimental farm	34.1	-	1,807,628
Others		2,850,587	1,675,418
		<b>27,390,413</b>	<b>8,426,432</b>
		<b>35,274,335</b>	<b>11,360,665</b>

34.1 Depreciation amounting to Rs. Nil (2017: Rs. 0.27 million) has been netted off in this balance.

	Note	2018 Rupees	2017 Rupees (Restated)
<b>35 Finance cost</b>			
Interest / mark-up on:			
- Redeemable capital		1,018,983,396	947,216,598
- Long term finances		660,042,137	611,516,228
- Short term borrowings		303,884,617	279,814,975
- Gas Infrastructure Development Cess		379,654,518	230,862,687
- Workers' Welfare Fund ("WWF")		964,622	861,270
		<b>2,363,529,290</b>	2,070,271,758
Dividend on preference shares	10	175,267,696	175,267,696
Amortisation of transaction costs	8 & 9	34,732,730	39,300,363
Bank charges and commission		8,992,703	15,640,804
		<b>2,582,522,419</b>	2,300,480,621
<b>36 Taxation</b>			
For the year			
- Current tax	36.2	57,050,609	49,199,659
- Deferred tax	13.3	(352,986,610)	382,875,756
		<b>(295,936,001)</b>	432,075,415
<b>36.1 Tax charge reconciliation</b>			
Numerical reconciliation between tax expense and accounting loss			
Loss before taxation		<b>(3,639,609,077)</b>	(4,051,607,201)
Tax at 29% (2017: 30%)		<b>(1,055,486,632)</b>	(1,215,482,160)
Tax effect of:			
- Tax calculated at the rate of 1.25% / 1.00% of turnover		57,050,609	48,146,349
- income under FTR		-	46,167,125
- Tax rate adjustment		<b>(10,345,459)</b>	-
- Not adjustable for tax purposes / effect of deferred tax asset not recognized on tax losses		712,845,481	1,553,244,101
		<b>(295,936,001)</b>	432,075,415
<b>36.2</b> 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 2018 are estimated approximately at Rs. 33,285.67 million (2017: Rs. 32,491.42 million).			
<b>36.3</b> As per management's assessment, the provision for tax made in the financial statements is sufficient. A comparison of last three years' of income tax provisions with tax assessment is presented below:			
		<b>Tax provision as per financial statements</b>	Tax as per assessment / return
		<b>Rupees</b>	<b>Rupees</b>
<b>Tax Years</b>			
2016		28,165,653	33,535,491
2017		81,878,288	75,154,142
2018		49,199,659	44,052,944

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

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

The Company being aggrieved preferred an appeal before Commissioner Inland Revenue - Appeals (CIR (A)) on 16 June 2015, the case was heard by CIR (A), order no. 05 dated 05 April 2018 was passed by CIR(A). Demand of Rs. 22.11 million was deleted by CIR (A), against which an appeal effect order was sanctioned. While the remaining demand of Rs. 20.77 million was confirmed. Being aggrieved an appeal has been filed in Appellate Tribunal Inland Revenue ("ATIR") which is pending fixation.

**36.6** 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 under section 122(1) and 122(5) of the Income Tax Ordinance, 2001 and additions amounting to Rs. 77.98 million were made to the assessment.

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.

**36.7** 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.

**36.8** Proceedings under section 161/236G and 236H of the Income Tax ordinance, 2001 in respect of tax year 2014 was initiated by the department against the Company and a demand of Rs. 34.61 million was created. The Company filed an appeal in the office of Commissioner Inland Revenue Appeals-I which is pending fixation.

**36.9** 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.

	<b>2018</b> <b>Rupees</b>	2017 Rupees <i>(Restated)</i>
<b>37 Loss per share - basic and diluted</b>		
Loss attributable to ordinary shareholders	<b>(3,343,673,076)</b>	(4,483,682,616)
	<b>2018</b>	2017
	<b>No. of shares</b>	No. of shares
Weighted average number of ordinary shares outstanding during the year	<b>392,430,000</b>	392,430,000
Loss per share - <i>basic and diluted</i>	<b>(Rupees) (8.52)</b>	(11.43)

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	2018 Rupees	2017 Rupees (Restated)
<b>38 Cash generated from operations</b>			
<b>Loss before taxation</b>		<b>(3,639,609,077)</b>	(4,051,607,201)
<b><u>Adjustments for non-cash items:</u></b>			
Interest / mark-up / dividend expense	35	2,168,135,171	2,030,317,571
Amortisation of transaction costs	35	34,732,730	39,300,363
Depreciation on property, plant and equipment	20.1.4	1,052,053,384	1,057,831,697
Amortisation of computer software	21.1	191,281	2,569,849
Staff retirement benefits		9,018,035	10,445,678
Provision against doubtful receivable		215,000,000	-
Net realisable value adjustment	25.1	-	45,422,634
Mark-up / interest income	34	(7,883,922)	(2,934,233)
Loss / (gain) on disposal of property plant and equipment	33	143,611,125	(2,943,716)
		<b>3,615,601,834</b>	3,180,009,843
<b>Operating loss before changes in working capital</b>		<b>(24,007,243)</b>	(871,597,358)
<b><u>Changes in working capital:</u></b>			
<i>(Increase) / decrease in current assets:</i>			
Stores, spare parts and loose tools		34,312,833	(39,531,534)
Stock-in-trade		92,838,137	(94,333,164)
Trade debts		(19,078,080)	34,485,072
Advances, deposits, prepayments and other receivables		(485,474,731)	(152,674,067)
		<b>(377,401,841)</b>	(252,053,693)
<i>Increase in current liabilities:</i>			
Trade and other payables		741,323,453	1,240,372,591
<b>Cash generated from operations</b>		<b>339,914,369</b>	116,721,540
	Note	2018 Rupees	2017 Rupees
<b>39 Cash and cash equivalents</b>			
Running finance -secured	15	(2,696,369,695)	(2,445,086,512)
Cash and bank balances	28	326,555,713	197,675,177
		<b>(2,369,813,982)</b>	(2,247,411,335)
<b>40 Transactions and balances with related parties</b>			

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	2018 Rupees	2017 Rupees
<b>40.1 Transactions with related parties</b>			
<b>40.1.1 Associated Undertakings -</b>			
<b><u>Shareholding and common directorship</u></b>			
<b>National Bank of Pakistan</b>			
Mark-up expense	35	277,411,160	260,041,104
Preference dividend		3,804,632	3,804,632
Bank balances - <i>net</i>		(1,595,523)	(10,084,123)
<b><u>Common directorship</u></b>			
<b>Faysal Bank Limited</b>			
Mark-up expense	35	163,960,611	150,672,644
Preference dividend		34,139,153	34,139,153
Trustee fee		2,760,000	7,534,143
Trustee fee paid		2,760,000	2,825,000
Bank balances - <i>net</i>		1,910	(109)
<b>Standard Chartered Bank (Pakistan) Limited</b>			
Mark-up expense	35	129,674,562	123,259,286
Bank balances - <i>net</i>		(92,447,453)	15,583,157
<b>Silkbank Limited</b>			
Mark-up expense	35	54,236,883	51,705,633
Mark-up paid		37,112,197	54,254,810
Short term borrowings - <i>net</i>		22,334,072	(20,653,618)
<b>Summit Bank Limited</b>			
Mark-up expense	35	103,467,741	88,308,197
Mark-up paid		52,516,342	46,785,863
Short term borrowings - <i>net</i>		64,919,940	128,355,485
Bank balances - <i>net</i>		(77,055,747)	77,694,449
<b>40.1.2 Post employment benefit plans</b>			
- Provident fund trust		35,401,905	43,470,045
- Gratuity trust	12.1.3	27,423,074	1,022,787
<b>40.1.4 Key management personnel</b>			

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	2018 Rupees	2017 Rupees
<b>40.2 Balances with related parties</b>			
<b>40.2.1 Associated Undertakings</b>			
<b><u>Shareholding and common directorship</u></b>			
<b>National Bank of Pakistan</b>			
Long term finances	9.2, 9.4 & 9.6	2,467,083,735	2,467,083,735
Redeemable capital	8.3	462,057,100	462,057,100
Bills payable	15	187,030,000	187,030,000
Convertible, redeemable preference shares	10	34,587,560	34,587,560
Mark-up payable	17	2,681,796,622	2,404,385,462
Preference dividend payable		178,567,079	174,762,447
Bank account balances	28	2,665,446	4,260,969
Advisory fee	16	738,600,000	738,600,000
Advance for transaction cost	27	23,200,000	23,200,000
<b><u>Common directorship</u></b>			
<b>Faysal Bank Limited</b>			
Redeemable capital	8.3 & 8.8	1,499,109,500	1,499,109,500
Long term finances	9.3 & 9.4	350,000,000	350,000,000
Convertible, redeemable preference shares	10	310,355,940	310,355,940
Mark-up payable	17	1,477,297,386	1,313,336,775
Preference dividend payable		234,765,137	200,625,984
Bank account balances	28	160,150	158,240
Trustee fee		5,688,582	4,709,143
<b>Standard Chartered Bank (Pakistan) Limited</b>			
Redeemable capital	8.5	146,995,500	146,995,500
Long term finances	9.2 & 9.4	1,352,860,982	1,445,302,019
Mark-up payable	17	1,240,529,863	1,110,855,301
Bank account balances	28	-	92,447,453
<b>Silkbank Limited</b>			
Long term finances	9.4	130,607,546	130,607,546
Short term borrowings	15	551,442,066	529,107,994
Mark-up payable	17	198,462,166	181,337,480
<b>Summit Bank Limited</b>			
Redeemable capital	8.3 & 8.5	603,406,000	603,406,000
Short term borrowings	15	646,671,002	581,751,062
Mark-up payable	17	371,828,113	320,876,714
Bank account balances	16 & 27	736,266	77,792,013
<b>40.2.2 Post employment benefit plans</b>			
Payable to Provident fund trust		-	-
Payable to Gratuity trust	12	13,533,831	31,758,941

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:

	2018			
	Directors			Executives
	Chief Executive	Executive	Non-executive	
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	10,762,500	-	-	28,531,392
House rent allowance	3,228,750	-	-	8,144,457
Utility allowance	1,076,250	-	-	1,185,820
Hard area allowance	-	-	-	6,669,328
Other	1,388,537	-	-	8,038,000
Post employment benefits	896,518	-	-	2,381,456
Meeting fee	-	-	94,000	-
Bonus	-	-	-	475,356
	17,352,555	-	94,000	55,425,809
Number of persons	1	-	6	14
	2017			
	Directors			Executives
	Chief Executive	Executive	Non-executive	
	Rupees	Rupees	Rupees	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

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. The figures for 2017 has been based on guidelines of repealed Companies Ordinance, 1984.

#### 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. 558.39 million (2017: Rs. 390.48 million), the financial assets that are subject to credit risk amount to Rs. 520.91 million (2017: Rs. 364.67 million).

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

	Note	2018 Rupees	2017 Rupees
<b><u>Loans and receivables</u></b>			
Long term deposits - <i>unsecured, considered good</i>	23	46,538,433	56,894,115
Trade debts - <i>considered good</i>	26	34,865,063	16,531,013
Advances and other receivables	27	113,553,807	94,080,040
Bank balances	28	325,957,146	197,161,583
		<b>520,914,449</b>	<b>364,666,751</b>

##### 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:

	2018 Rupees	2017 Rupees
Customers	34,865,063	16,531,013
Banking companies and financial institutions	329,905,171	208,008,165
Others	156,144,215	140,127,573
	<b>520,914,449</b>	<b>364,666,751</b>

##### 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	2018 Rupees	2017 Rupees
	Long term	Short term			
<b><u>Bank balances</u></b>					
Albaraka Bank (Pakistan) Limited	A	A1	PACRA	915,047	904,125
Allied Bank Limited	AAA	A1+	PACRA	20,388	1,604,911
Askari Bank Limited	AA+	A1+	PACRA	28,442,933	9,448,509
Bank Alfalah Limited	AA+	A1+	PACRA	72,189	72,190
BankIslami Pakistan Limited	A+	A1	PACRA	1,576,776	337,354
Dubai Islamic Bank Pakistan Limited	AA+	A-1+	JCR-VIS	1,548,199	1,548,199
Faysal Bank Limited	AA	A1+	PACRA	160,150	158,240
Habib Bank Limited	AAA	A-1+	JCR-VIS	35,042,881	2,434,267
MCB Bank Limited	AAA	A1+	PACRA	15,571,142	429,030
Meezan Bank Limited	AA	A-1+	JCR-VIS	40,212,297	4,807,531
National Bank Limited	AAA	A1+	PACRA	2,665,446	4,260,969
NIB Bank Limited	A	A1+	PACRA	10,561	10,124
Soneri Bank Limited	AA-	A1+	PACRA	24,649	438,048
Standard Chartered Bank (Pakistan) Limited	AAA	A1+	PACRA	-	92,447,453
Summit Bank Limited	A-	A-1	JCR-VIS	736,266	77,792,013
The Bank Of Punjab	AA	A1+	PACRA	2,765	2,765
United Bank Limited	AAA	A-1+	JCR-VIS	198,955,457	465,855
				<b>325,957,146</b>	<b>197,161,583</b>
<b><u>Security Deposits</u></b>					
Albaraka Bank (Pakistan) Limited	A	A1	PACRA	1,309,472	6,983,782
BankIslami Pakistan Limited	A+	A1	PACRA	354,100	1,179,100
JS Bank Limited	AA-	A1+	PACRA	2,284,453	2,683,700
				<b>3,948,025</b>	<b>10,846,582</b>
				<b>329,905,171</b>	<b>208,008,165</b>

#### 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:

	2018		2017	
	Gross carrying amount Rupees	Accumulated impairment Rupees	Gross carrying amount Rupees	Accumulated impairment Rupees
Neither past due nor impaired	34,179,075	-	14,526,353	
Past due by 3 to 6 months	-	-	-	
Past due by 6 to 12 months	-	-	357,496	
Past due by more than one year	48,985,212	48,299,224	49,202,358	47,555,194
	<b>83,164,287</b>	<b>48,299,224</b>	<b>64,086,207</b>	<b>47,555,194</b>

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.

	2018				
	Carrying amount Rupees	Contractual cash flow Rupees	Less than one year Rupees	One to three years Rupees	More than three years Rupees
<b>Non-derivative financial liabilities</b>					
Redeemable capital - <i>secured</i>	12,165,534,546	12,805,807,100	12,805,807,100	-	-
Long term finances - <i>secured</i>	7,141,397,262	7,431,558,541	-	-	-
Convertible, redeemable preference shares	1,593,342,690	1,593,342,690	-	-	1,593,342,690
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowings - <i>secured</i>	3,625,350,286	3,748,616,024	3,748,616,024	-	-
Trade and other creditors	4,858,710,452	4,858,710,452	4,858,710,452	-	-
Accrued liabilities	236,463,042	236,463,042	236,463,042	-	-
Security deposits and retention money	17,458,254	17,458,254	17,458,254	-	-
Other payables	64,855,457	64,855,457	64,855,457	-	-
Mark-up accrued on borrowings	16,402,280,215	16,402,280,215	16,402,280,215	-	-
Preference dividend payable	1,205,087,103	1,205,087,103	1,205,087,103	-	-
	<b>47,341,614,506</b>	<b>48,395,314,077</b>	<b>46,770,836,188</b>	<b>-</b>	<b>1,624,477,889</b>
<b>2017 - Represented</b>					
	Carrying amount Rupees	Contractual cash flow Rupees	Less than one year Rupees	One to three years Rupees	More than three years Rupees
<b>Non-derivative financial liabilities</b>					
Redeemable capital - <i>secured</i>	12,165,534,546	12,571,451,233	10,397,104,859	2,174,346,374	-
Long term finances - <i>secured</i>	7,232,929,458	7,405,734,338	6,717,837,594	686,326,452	1,570,292
Convertible, redeemable preference shares	1,593,342,690	1,593,342,690	-	-	1,593,342,690
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowings - <i>secured</i>	3,526,881,717	3,579,789,549	3,579,789,549	-	-
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	-	-
	<b>44,644,373,465</b>	<b>45,276,002,864</b>	<b>40,789,281,857</b>	<b>2,860,672,826</b>	<b>1,626,048,181</b>

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 8.9 and 9.9. The details of overdue financial liabilities are as follows:

	Note	2018		
		Principal Rupees	Interest / mark up Rupees	Total Rupees
<b><u>Nature of liability</u></b>				
Redeemable capital	8	10,115,259,050	8,696,526,975	18,811,786,025
Long term finances	9	6,534,823,207	6,125,805,862	12,660,629,069
Short term borrowings	15	2,180,233,566	1,155,529,977	3,335,763,543
		<b>18,830,315,823</b>	<b>15,977,862,814</b>	<b>34,808,178,637</b>
<hr/>				
		2017		
		Principal Rupees	Interest / mark up Rupees	Total Rupees
<b><u>Nature of Liability</u></b>				
Redeemable capital	8	8,107,473,138	7,710,516,383	15,817,989,521
Long term finances	9	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
		<b>15,445,093,030</b>	<b>14,135,943,879</b>	<b>29,581,036,909</b>

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:

	2018 Rupees	2017 Rupees
<b><u>Off balance sheet items</u></b>		
Outstanding letters of credit:		
US \$	22,983,345	17,746,300
JPY	869,262	3,509,285
<b>Net exposure</b>	<b>23,852,607</b>	<b>21,255,585</b>

#### 42.3.1(b) Exchange rates applied during the year

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

		2018	2017
<i>Reporting date spot rate:</i>			
- buying	<b>US \$</b>	<b>139.10</b>	110.07
- selling	<b>US \$</b>	<b>138.60</b>	110.50
Average rate for the year	<b>US \$</b>	<b>124.55</b>	110.50
<i>Reporting date spot rate:</i>			
- buying	<b>JPY</b>	<b>1.26</b>	0.98
- selling	<b>JPY</b>	<b>1.26</b>	0.98
Average rate for the year	<b>JPY</b>	<b>1.12</b>	0.98

#### 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 or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2018 Profit	2017 Profit
US \$	229,833	177,463
JPY	8,693	35,093
	<b>238,526</b>	<b>212,556</b>

#### 42.3.1(d) Currency risk management

Since the maximum amount exposed to currency risk is only Nil (2017: 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:

	Note	2018		2017	
		Financial asset Rupees	Financial liability Rupees	Financial asset Rupees	Financial liability Rupees
<b><u>Non-derivative financial instruments</u></b>					
Redeemable capital	8	-	618,685,000	-	618,685,000
Convertible, redeemable preference shares	10	-	1,593,342,690	-	1,593,342,690
Long term advance to employees	22	13,699,204	-	12,347,413	-
Bank balances at saving accounts	28	48,544,154	-	80,293,809	-
		<b>62,243,358</b>	<b>2,212,027,690</b>	<b>92,641,222</b>	<b>2,212,027,690</b>

#### **Fair value sensitivity analysis for fixed rate instruments**

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

#### 42.3.2(b) Variable rate financial instruments

	Note	2018		2017	
		Financial asset Rupees	Financial liability Rupees	Financial asset Rupees	Financial liability Rupees
<b><u>Non-derivative financial instruments</u></b>					
Redeemable capital - secured	8	-	10,998,024,546	-	10,998,024,546
Long term finances - secured	9	-	7,141,397,262	-	7,232,929,458
Short term borrowings - secured	15	-	3,625,350,286	-	3,526,881,717
		-	<b>21,764,772,094</b>	-	<b>21,757,835,721</b>

#### 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.

	2018 Rupees	2017 Rupees
<b><u>Increase of 100 basis points</u></b>		
Variable rate instruments	(217,647,721)	(217,578,357)
<b><u>Decrease of 100 basis points</u></b>		
Variable rate instruments	217,647,721	217,578,357

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
<b>As at 31 December 2018</b>								
<b><u>Financial assets - not measured at fair value</u></b>								
Long term loans and advances	13,699,204	-	-	13,699,204	-	-	-	-
Long term deposits	46,538,433	-	-	46,538,433	-	-	-	-
Trade debts	34,865,063	-	-	34,865,063	-	-	-	-
Advances and other receivables	136,731,610	-	-	136,731,610	-	-	-	-
Cash and bank balances	-	326,555,713	-	326,555,713	-	-	-	-
	231,834,310	326,555,713	-	558,390,023	-	-	-	-
<b><u>Financial liabilities - not measured at fair value</u></b>								
Redeemable capital	-	-	12,165,534,546	12,165,534,546	-	-	-	-
Long term finances	-	-	7,141,397,262	7,141,397,262	-	-	-	-
Convertible, redeemable preference shares	-	-	1,593,342,690	1,593,342,690	-	-	-	-
Long term payable	-	-	31,135,199	31,135,199	-	-	-	-
Short term borrowings	-	2,696,369,695	928,980,591	3,625,350,286	-	-	-	-
Trade and other creditors	-	-	4,858,710,452	4,858,710,452	-	-	-	-
Accrued liabilities	-	-	236,463,042	236,463,042	-	-	-	-
Security deposits and retention money	-	-	17,458,254	17,458,254	-	-	-	-
Other payables	-	-	64,855,457	64,855,457	-	-	-	-
Mark-up accrued on borrowings	-	-	16,402,280,215	16,402,280,215	-	-	-	-
Preference dividend payable	-	-	1,205,087,103	1,205,087,103	-	-	-	-
	-	2,696,369,695	44,645,244,811	47,341,614,506	-	-	-	-

	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
<i>As at 31 December 2017 - represented</i>								
<i>Financial assets - not measured at fair value</i>								
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	107,028,874	-	-	107,028,874	-	-	-	-
Cash and bank balances	-	197,675,177	-	197,675,177	-	-	-	-
	192,801,415	197,675,177	-	390,476,592	-	-	-	-
<i>Financial liabilities - not measured at fair value</i>								
Redeemable capital	-	-	12,165,534,546	12,165,534,546	-	-	-	-
Long term finances	-	-	7,232,929,458	7,232,929,458	-	-	-	-
Convertible, redeemable preference shares	-	-	1,593,342,690	1,593,342,690	-	-	-	-
Long term payable	-	-	31,135,199	31,135,199	-	-	-	-
Short term borrowings	-	2,445,086,512	1,081,795,205	3,526,881,717	-	-	-	-
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	42,199,286,953	44,644,373,465	-	-	-	-

#### 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:

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

The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises redeemable capital, 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:

	2018 Rupees	2017 Rupees (Restated)
Total debt	20,900,274,498	20,991,806,694
Total equity	(4,888,541,820)	(1,665,904,464)
Total capital employed	16,011,732,678	19,325,902,230
Gearing - including surplus on revaluation	131%	109%

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 filed a scheme for conversion of its over-due long term debts and related markup into preference shares in accordance with a scheme of arrangement to be approved by the Honorable Lahore High Court under the provisions of repealed Companies Ordinance, 1984. The proceedings of the Court are in progress at the reporting date. 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

	Liabilities					Equity				
	Long term finances Rupees	Redeemable capital Rupees	Short term borrowings Rupees	Short term running finances - note 39 Rupees	Accrued finance cost Rupees	Convertible, redeemable preference shares Rupees	Preference Dividend Payable Rupees	Ordinary Share Capital Rupees	Reserves Rupees	Total Rupees
Balance as at 01 January 2018	7,232,929,458	12,165,534,546	1,081,795,205	2,445,086,512	14,524,481,877	1,593,342,690	1,029,819,407	3,924,300,000	9,000,000	44,006,289,695
<b>Cash flows</b>										
Net decrease in long term finances	(91,532,196)	-	-	-	-	-	-	-	-	(91,532,196)
Short term borrowings received	-	-	(152,814,614)	-	-	-	-	-	-	(152,814,614)
net of payments	-	-	-	-	(115,069,137)	-	-	-	-	(115,069,137)
Finance cost paid	-	-	-	-	-	-	-	-	-	-
<b>Total changes from financing cash flows</b>	<b>(91,532,196)</b>	<b>-</b>	<b>(152,814,614)</b>	<b>-</b>	<b>(115,069,137)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(359,415,947)</b>
<b>Non-cash changes</b>										
Preference dividend expense	-	-	-	-	-	-	175,267,696	-	-	175,267,696
Changes in running finances	-	-	-	251,283,183	-	-	-	-	-	251,283,183
Interest / markup expense	-	-	-	-	1,992,867,475	-	-	-	-	1,992,867,475
<b>Total liability related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>251,283,183</b>	<b>1,992,867,475</b>	<b>-</b>	<b>175,267,696</b>	<b>-</b>	<b>-</b>	<b>2,419,418,354</b>
<b>Closing as at 31 December 2018</b>	<b>7,141,397,262</b>	<b>12,165,534,546</b>	<b>928,980,591</b>	<b>2,696,369,695</b>	<b>16,402,280,215</b>	<b>1,593,342,690</b>	<b>1,205,087,103</b>	<b>3,924,300,000</b>	<b>9,000,000</b>	<b>46,066,292,102</b>
Balance as at 01 January 2017 - restated	7,227,854,101	12,165,534,546	915,713,744	2,494,812,602	12,825,980,154	1,593,342,690	854,551,711	3,924,300,000	9,000,000	42,011,089,548
<b>Cash flows</b>										
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	-	-	-	-	-	-	-	-	-	-
Change in running finance	-	-	-	-	-	-	-	-	-	-
Finance cost paid	-	-	-	-	(156,548,152)	-	-	-	-	(156,548,152)
<b>Total changes from financing cash flows</b>	<b>5,075,357</b>	<b>-</b>	<b>166,081,461</b>	<b>-</b>	<b>(156,548,152)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,608,666</b>
<b>Non-cash changes</b>										
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
<b>Total liability related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,726,090)</b>	<b>1,855,049,875</b>	<b>-</b>	<b>175,267,696</b>	<b>-</b>	<b>-</b>	<b>1,980,591,481</b>
<b>Closing as at 31 December 2017</b>	<b>7,232,929,458</b>	<b>12,165,534,546</b>	<b>1,081,795,205</b>	<b>2,445,086,512</b>	<b>14,524,481,877</b>	<b>1,593,342,690</b>	<b>1,029,819,407</b>	<b>3,924,300,000</b>	<b>9,000,000</b>	<b>44,006,289,695</b>

	2018 Rupees	2017 Rupees
<b>45 Restriction on title, and assets pledged as security</b>		
<b><u>Mortgages and charges</u></b>		
Hypothecation of stocks and movables	27,528,763,333	27,555,763,333
Hypothecation of book debts and receivables	26,444,763,333	26,144,763,333
Mortgage over land and building	29,005,040,872	29,005,040,872
Hypothecation of plant and machinery	35,506,373,872	35,506,373,882
Charge over stocks - (pledge)	886,000,000	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	Operation of reportable segments
Urea fertilizer segment	production of Urea fertilizer and ammonia from natural gas
Phosphate fertilizer segment	production of Phosphate fertilizer from rock phosphate

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

### 46.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	2018 Rupees	2017 Rupees (Restated)	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees (Restated)
External revenues	3,385,010,274	2,733,244,608	1,148,306,140	818,274,098	4,533,316,414	3,551,518,706
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	3,385,010,274	2,733,244,608	1,148,306,140	818,274,098	4,533,316,414	3,551,518,706
Reportable segment (loss) /profit before tax	(3,545,847,596)	(4,094,824,971)	(93,761,481)	43,217,770	(3,639,609,077)	(4,051,607,201)

### 46.3 Other segment information

Interest income	7,830,156	2,795,814	53,766	138,419	7,883,922	2,934,233
Interest expense	2,573,529,716	2,284,839,817	-	-	2,573,529,716	2,284,839,817
Depreciation	1,001,565,560	1,007,704,389	50,487,824	50,127,308	1,052,053,384	1,057,831,697
Amortisation	191,281	2,569,849	-	-	191,281	2,569,849
Capital expenditure	22,158,795	70,465,608	5,432,977	3,225,907	27,591,771	73,691,515

### 46.4 Segment assets and liabilities

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	2018 Rupees	2017 Rupees (Restated)	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees (Restated)
Reportable segment assets	42,717,970,871	43,097,916,780	4,717,063,998	4,782,390,688	47,435,034,869	47,880,307,468
Reportable segment liabilities	51,711,839,650	48,392,409,404	611,737,039	1,153,802,528	52,323,576,689	49,546,211,932

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

	2018 Rupees	2017 Rupees
<b>46.5.1 Profit or loss</b>		
Total loss for reportable segments	(3,639,609,077)	(4,051,607,201)
Unallocated corporate expenses	295,936,001	(432,075,415)
Consolidated loss after tax	(3,343,673,076)	(4,483,682,616)
<b>46.5.2 Assets</b>		
Total assets for reportable segments	47,435,034,869	47,880,307,468
Elimination of inter-segment assets	(1,225,593,354)	(791,626,275)
Consolidated total assets	46,209,441,515	47,088,681,193
<b>46.5.3 Liabilities</b>		
Total liabilities for reportable segments	52,323,576,689	49,546,211,932
Elimination of inter-segment liabilities	(1,225,593,354)	(791,626,275)
Consolidated total liabilities	51,097,983,335	48,754,585,657

**46.5.4 Other material items**

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

	2018 Rupees	2017 Rupees
<b>46.6 Geographical information</b>		
Sales are made by the Company in the following countries:		
Pakistan	4,533,316,414	3,446,187,706
Afghanistan	-	105,331,000
	<b>4,533,316,414</b>	<b>3,551,518,706</b>

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

**46.7** 100% (2017: 97.27%) 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 2018 are located in Pakistan.

**47 Plant capacity and actual production**

Urea fertilizer	Unit	2018	2017
Rated capacity	Metric tons	433,125	433,125
Actual production for the year	Metric tons	95,934	114,201
Production efficiency	%age	22%	26%

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	59,059	61,942
Production efficiency	%age	73%	76%

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 2018	30 June 2017
Size of fund - total assets	<b>Rupees</b>	177,017,190	180,216,134
Cost of investments made	<b>Rupees</b>	150,098,083	135,283,200
Percentage of investments made	<b>Percentage</b>	84.79%	75.07%
Fair value of investments	<b>Rupees</b>	153,167,525	161,042,671

The breakup of fair value of investments is as follows:

	30 June 2018		30 June 2017	
	Rupees	Percentage	Rupees	Percentage
Shares of listed companies	34,953	0.02%	56,520	0.04%
Debt securities	-	0.00%	5,000,000	3.10%
Mutual funds	3,179,684	2.08%	31,848,146	19.78%
Saving certificates	23,850,000	15.57%	22,150,000	13.75%
Cash at bank	126,102,888	82.33%	101,988,005	63.33%
	<b>153,167,525</b>	<b>100.00%</b>	<b>161,042,671</b>	<b>100.00%</b>

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

	2018	2017
	(Number of persons)	
<i>Total number of employees as at 31 December</i>		
-Head Office	20	25
-Iskanderabad Factory	682	698
-Haripur Factory	181	194
	<b>883</b>	917
<i>Average number of employees during the year</i>		
-Head Office	23	25
-Iskanderabad Factory	690	704
-Haripur Factory	188	196
	<b>900</b>	925

**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 05 August 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. After approval of the financial statements for the year ended 31 December 2017 in 2019, the Company filed a request in Securities and Exchange Commission of Pakistan (SECP) on 30 April 2019 for extension for holding of Annual General Meeting for the year ended 31 December 2018 which granted extension for 30 days vide letter dated 14 May 2019. After expiry of 30 days the Company applied second extension for a period of 3 months vide letter dated 21 May 2019 which was granted by SECP via letter dated 11 June 2019 and directed the Company to hold AGM by 31 August 2019.

Lahore

  
Chief Executive

  
Chief Financial Officer

  
Director





# Notice of Annual General Meeting

Notice is hereby given to all the members of Agritech Limited (the "Company") that an Annual General Meeting of the Company is scheduled to be held on August 30, 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 Annual General Meeting held on May 31, 2019;
2. To receive, consider and adopt the financial statements for the year ended on December 31, 2018 together with Director's and Auditor's reports thereon;
3. To appoint external auditors for the financial year ending December 31, 2019 and to fix their remuneration.

## **Other Business:**

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

By Order of the Board



Muhammad Faisal Muzammil  
Chief Executive Officer

August 09, 2019  
Lahore

## **NOTES:**

1. Share transfer books of the Company will remain closed from August 23, 2019 to August 30, 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 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 August 30, 2019.

## Notice of Annual General Meeting

Signature of Member”

6. Members are requested to notify/submit the following information/documents; in case of book entry securities in CDS to their respective participants/investor account services and in case of physical shares to the Registrar of the Company by quoting their folio numbers and name of the Company at the above mentioned address, if not earlier notified/submitted:
  - Change in their addresses, if any;
  - Valid and legible copy of CNIC/Passport (in case of individual) and NTN Certificate (in case of corporate entity). Please note that CNIC number is mandatory for issuance of dividend warrants and in the absence of this information payment of dividend shall be withheld.
7. For any query/problem/information, Members may contact the Company at email [corporate@pafl.com.pk](mailto:corporate@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](mailto:shares@hmaconsultants.com). Members may also visit website of the Company [www.pafl.com.pk](http://www.pafl.com.pk) for notices/information.

بصورت کارپوریٹ اسٹیٹس)۔ براہ مہربانی ذہن نشین فرمائیں کہ ڈیویڈنڈ وارنٹس کے اجراء کے لئے CNIC نمبر لازمی ہے اور اس معلومات کی غیر موجودگی میں ڈیویڈنڈ کی ادائیگی روک لی جائے گی۔

9۔ کسی استفسار / مسئلہ / معلومات کے لئے، ارکان کمپنی سے ای میل

corporate@paf1.com.pk اور / یا کمپنی کے شیئر رجسٹرار سے

82-37235081 (+92 42)، ای میل:

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

کے لئے کمپنی کی ویب سائٹ: www.paf1.com.pk بھی ملاحظہ کر سکتے ہیں۔

## اطلاع سالانہ اجلاس عام

- 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 کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھا کر اپنی شناخت ثابت کرنا ہوگی۔
- ii) کارپوریٹ ایٹنٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ معتمدہ کے نمونہ دستخط اجلاس کے وقت مہیا کرنا ہونگے (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 بالاریکوارمنٹ کے مطابق پراکسی فارم جمع کرانا ہوگا۔
- ii) پراکسی فارم، دو افراد جن کے نام، پتے اور CNIC نمبر فارم پر مذکور ہونگے، کے گواہی شدہ ہونے چاہئیں۔
- iii) بینیفیشل اوزر اور پراکسی کے CNIC یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ہمراہ جمع کرانا ہوگی۔

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

- v) کارپوریٹ ایٹنٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ معتمدہ دستخط، کمپنی کو پراکسی فارم کے ہمراہ جمع کرانا ہونگے۔ (اگر پہلے مہیا نہیں کئے گئے)۔
- کمپنی اس اجلاس عام کے لئے ارکان کو ڈیوکافرنس سہولت مہیا کرے گی، اگر کمپنی کو خاص محل و قوع میں سکونتی مجموعی 10% یا زیادہ شیئر ہولڈنگ کے مالک ممبران اجلاس کی تاریخ سے کم از کم 10 یوم قبل و ڈیوکافرنس کے ذریعے اجلاس میں شرکت کیلئے (معیاری فارم درج ذیل میں دیا گیا ہے) رضامندی مہیا کرتے ہیں۔

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

"میں ہم..... ساکن..... بحیثیت رکن ایگری ٹیک لمیٹڈ، مالک..... عام حصص بمطابق رجسٹرڈ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر..... بذریعہ ہذا..... میں 30 اگست 2019ء کو منعقد ہونے والے سالانہ اجلاس عام کی بابت وڈیوکافرنس سہولت اختیار کرنا چاہتا/چاہتی ہیں۔ دستخط رکن....."

ارکان سے درخواست ہے کہ درج ذیل معلومات/دستاویزات، سی ڈی ایس میں بک انٹری سیکورٹیز کی صورت میں اپنے متعلقہ پارٹیسپینٹس/انویسٹرز کا وٹسروسز کو اور مادی حصص کی صورت میں اپنے فولیو نمبر اور کمپنی کا نام تحریر شدہ مذکورہ بالا پتے 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 شٹھکیٹ)

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

### عام امور:

- 1-31 مئی 2019ء کو منعقدہ کمپنی کے گزشتہ سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
- 2-31 دسمبر 2018 کو ختم ہونے والے سال کے لئے مالی حسابات مع ان پر ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی، غور و خوض اور منظوری دینا۔
- 3-31 دسمبر 2019 کو ختم ہونے والے مالی سال کے لئے بیرونی آڈیٹرز کی تقرری اور ان کے مشاہرہ کا تعین کرنا۔

### دیگر امور:

4- صاحب صدر کی اجازت سے کسی دیگر ممبر پر کارروائی کرنا۔

### بحکم بورڈ



محمد فیصل مزمل

چیف ایگزیکٹو آفیسر

109 اگست 2019ء

### نوٹ:

1- کمپنی کی حصص منتقلی کتابیں 23 اگست 2019ء تا 30 اگست 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 رہتا ہے۔ ہر لحاظ سے مکمل پراکسیاں تاکہ مؤثر ہو سکیں، اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر میں لازماً وصول ہو جانی چاہئیں۔

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

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

### IA اجلاس میں شرکت کیلئے

## 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 30 August 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.





