



Sustainable **Food Security**
with Agritech **Fertilizers**



Interim Financial Report
for the half year ended
June 30, 2023
(Un-audited)

VISION

VISION

To become a major
regional diversified
fertilizer company



MISSION

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



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Company Information

Board of Directors

Mr. Shahid Iqbal Choudhri
(Chairman)

Mr. Hassan Raza

Mr. Osman Malik

Mr. Asim Murtaza Khan
(Independent Director)

Mr. Asim Jilani

Mr. Ghazzanfar Ahsan

Ms. Sarwat Salahuddin Khan
(Independent Director)

Mr. Muhammad Faisal Muzammil
(Chief Executive Officer)

Audit Committee

Mr. Asim Murtaza Khan
Chairman

Mr. Osman Malik

Mr. Hassan Raza

Mr. Asim Jilani

Mr. Ghazzanfar Ahsan

HR & Remuneration Committee

Ms. Sarwat Salahuddin Khan
Chairperson

Mr. Asim Jilani

Mr. Osman Malik

Mr. Ghazzanfar Ahsan

Chief Financial Officer

Mr. Moez ur Rehman

Company Secretary & Head of Legal

Ms. Asma Irfan

Legal Advisor

Mr. Wasif Majeed

Shares Registrar

Corplink (Private) Ltd

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants, Lahore.

Bankers

National Bank of Pakistan
Faysal Bank Limited
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
Soneri Bank Limited
Citi Bank N.A.
United Bank Limited
JS Bank Limited
Habib Bank Limited
MCB Bank Limited

Registered Office

2nd Floor, Asia Centre, 8-Babar Block,
New Garden Town, Lahore.
Ph: +92 (0) 42 35860341-44
Fax: +92 (0) 42 35860339-40
Email: corporate@paf1.com.pk

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 353544 -353641

Directors' Review Report

The Directors are pleased to present their report along with the unaudited condensed interim financial statements of Agritech Limited for the six months ended June 30, 2023.

Overview of fertilizer industry

During the 1st half of 2023, the Production of Urea declined by 9% to 3,058 K tonne vs 3,353 K tonne in 1st half of 2022, primarily due to gas curtailment to the plants on SNGPL Network. Gas supply to the fertilizer plants on SNGPL network was restored from the last week of March 2023 and the plants have continued to operate since then without any major gas curtailment. Urea offtakes for the period under review was recorded at 3,101 K tonne decreasing by 4% vs 3,247 K tonne in same period last year. This decline is due to slight shift in seasonal demand in line with Kharif Crops sowing. Urea Supply Demand gap continued to prevail during the period though on a lower intensity vs last year.

Faced with a nearly 3 months' gas curtailment in the first quarter of 2023, the Company managed to produce 94 K tonne Urea (174 K tonne: 2022) against installed capacity of 215 K tonne for the period. The Company sold 74 K tonne Urea (155 K tonne: 2022).

Offtakes of Phosphate (second major nutrient required for plants), during the 1st half of 2023, saw a decrease of 2% to 340 K tonne of P₂O₅ Nutrients vs 349 K tonne last year. While International Phosphate prices have been on a declining mode during the 1st half of 2023, the constant devaluation of PKR had an effect on the farmers' affordability of using recommended phosphate dose on the crops. On the back of high unsold opening inventories, the production of all Phosphate products led by DAP and NP registered a massive decline of 42% (185 K tonne Nutrients in 2023 vs 316 K tonne Nutrients in 2022). Phosphates prices in the international market saw a sharp decline whereby DAP price at the start of the year at around US\$ 715 per tonne CFR KHI decreased to US\$ 460 per tonne CFR KHI during the period under review (36% decline). The decrease in DAP price is partially reflected in the prices of all the phosphatic fertilizers in the country, with devaluation of PKR preventing further price erosion in PKR terms. The Company, being a major SSP player, produced 37 K tonne SSP in 1H 2023 (31 K tonne: 2022) and sold 26 K tonne during the period (21 K tonne: 2022).

Financial highlights

	Half year ended June 30, 2023 PKR IN Million	Half year ended June 30, 2022 PKR IN Million
Sales - Net	5,584	6,515
Gross profit	367	412
Operating (Loss)	(182)	(6)
Finance cost	(2,916)	(1,952)
Loss before Tax	(3,098)	(1,959)
Loss after Tax	(2,865)	(1,809)
Loss per share (PKR)	(7.30)	(4.61)

The notable achievement of the Company for the 2nd quarter ending on June 30, 2023 is to achieve a commendable 19% gross profit which is a significant leap from the 10% gross profit recorded during the same quarter last year, ending on June 30, 2022.

Modification in the Auditor's report

Qualification

In auditor's review report for the period, auditors raised following concern which states as: "The 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 in these interim financial statements. However, we are unable to obtain sufficient appropriate audit evidence with respect to key assumption used in the business

plan i.e. operational days based on the 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 as well as its supply is not certain. Management is, however, confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustment in respect of impairment was necessary for goodwill amounting to Rs. 2,567 million and deferred tax asset amounting to Rs. 6,583 million recognized on tax losses in these interim financial statements.”

Material uncertainty relating to Going Concern

Auditors have also raised concern about the Company's ability to operate as going concern which states as: “Notwithstanding the matter discussed in Basis for the Qualified Conclusion section, the Company during the half year ended 30 June 2023 has incurred loss before tax amounting to Rs. 3,098 million and, as of that date, its current liabilities exceeded its current assets by Rs. 50,243 million, and its accumulated loss stood at Rs. 28,192 million. These conditions, along with other matters as set forth in note 2.4 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. Our conclusion is not qualified in respect of this matter.”

Emphasis of matter Paragraphs

Auditors has also given Emphasis of matter paragraphs which state as: “We draw attention towards:

- Note 22.1.1 to the accompanying interim financial statements, wherein it is stated that the Company could not pay its liabilities on due dates and is now defending legal suits filed by certain financial institutions for recovery of their dues. Our conclusion is not qualified in this respect; and
- Note 22.2 & 22.3 to the accompanying interim financial statements, wherein it is mentioned that currently, the Company is in process of implementation of the Restructuring scheme sanctioned by the Honorable Lahore High Court in July 2022 while related adjustments w.r.t such scheme are not accounted for due to reasons mentioned in said Note. Our conclusion is not qualified in this respect.

Explanation of modifications of Auditor's report:

Gas supply at subsidized price to the Company's Urea plant is the most critical aspect of Urea business and its curtailment is the major cause for past few years' operational and liquidity issues of the Company. Although after facing unprecedented gas curtailment during past many years, the gas supply situation has improved considerably due to RLNG supplies at subsidized rates by the Government of Pakistan ('GOP') to meet growing Urea demand in Pakistan, however, price of such RLNG charged to the Urea plants on Sui Northern Gas Pipelines Limited ("SNGPL") network including Agritech remained higher when benchmarked with other fertilizer plants operating on other gas networks. This situation had forced the Company to finance its assets and operations through high level of borrowings since past many years.

At the same time, overall gas shortage in Pakistan had also forced the GOP to divert natural gas from fertilizer sector to other sectors particularly power sector during summer season and domestic sector during winters. Lower urea production during the past many years and increase in Urea demand has caused Urea shortages during the past one year. The gas curtailment has also caused low urea production from the Company's plant versus its available capacity which resultantly causes the operational and liquidity issues including breaches of loan covenants (as referred to in Note 22 to the financial statements).

Gas/RLNG supply to the Company has witnessed improvements with regular imports of Liquefied Natural Gas ("LNG") by the GOP and consistent LNG imports improved RLNG flow to SNGPL benefitting consumers including the urea plants. The Company's urea plant along with other plant on SNGPL network operated through subsidized RLNG during 2019 to 2022 and later in 2023, the supply switched back to System Gas supply from Mari Petroleum's additional gas production through SNGPL existing pipeline infrastructure. The change from RLNG to System Gas for Urea plants on SNGPL greatly benefited the National Exchequer as it resulted in No Subsidy Cost to the Government unlike supply of RLNG. However, the system gas price charged to the Company was higher than the OGRA Notified Gas prices to the other fertilizer plants which has resulted in Gas and Urea price distortions in the market among various fertilizer plants. The Company looks forward to the resolution of the distortion by GOP through the uniform gas pricing mechanism for the fertilizer sector in future.

Gas curtailment to the Company's Urea plant during the past years was the major cause of non-servicing of the debt of the Company and the accumulation of mark-ups has further increased its debt burden. In addition to this, few banks and financial intuitions have filed cases for recovery of loans along with accrued mark-ups and other related charges against the Company. The Company is confident that likelihood of any additional liabilities is remote as mark-up has already been recognized in these financial statements in accordance with terms of loan agreements and such lenders have also given consent to Restructuring scheme sanctioned by the Court.

To streamline this debt burden, the comprehensive rehabilitation (in the form of Scheme of Arrangement ("the Scheme")) to restructure its existing over-due long-term debts, towards creditors and related mark-ups as of 31 December 2013 (proposed effective date) through issuance of preference shares & privately placed term finance certificates (PPTFCs) to its lenders. The said scheme was sanctioned by the Honorable Lahore High Court (LHC) in July 2022 in its original form. The Company is in process of implementation of sanctioned scheme and the key milestones achieved are:

- Reconciliation of balances with lenders,
- Amendment in Memorandum and Articles of Association of the Company to increase authorized capital upto PKR 35,000 million,
- Disbursement of CFADs of PKR 1,241 million to the lenders.

The Company looks forward to the complete disbursement of CFADs of PKR 1.65 billion as per the sanctioned scheme based on the gas supply situation by GOP. Subsequent to the completion of CFADs to the lenders, the Company shall issue the required instruments to the lenders as per their respective options which will then lead the Company to incorporate the necessary adjustments in its books of accounts.

Other highlights

The Company received recognition from the Agriculture Department Mianwali for Company's contributions towards the successful realization of the "grow more cotton" campaign, aimed at bolstering cotton cultivation. Demonstrating Company's commitment to this endeavor, the Company conducted 22 interactive sessions with local farmers, offering them valuable technical guidance to maximize their cotton yields.

Future outlook

The future prospect of the Company relies on the expectations of continuous availability of gas/RLNG supplies to its Urea plant. Renewed focus of GOP requires to increase the yields of the key staple crops for the long-term Food Security of more than 240 million population of the country. Fertilizer, especially Urea plays a critical role in the production and yield of the crops. Growing Urea demand in the country clearly indicates the requirement of local urea production to increase key crops output than expensive imports by GOP, hence, there is strong likelihood that the urea plant of the Company is likely to be operated on regular basis. The possible provision of system gas supplies under uniform gas price will further improve the margins at par with the industry.

Acknowledgement

On behalf of the Board of Directors, we would like to express our sincere gratitude to our valued customers and financial institutions for their continued faith and support. Your partnership has been essential to our growth and success over the years.

We would also like to thank our employees for their hard work and dedication. Your commitment to excellence has helped us to maintain our sustainability in a difficult business environment.

On behalf of the Board

Lahore
Date : 28 August 2023



Muhammad Faisal Muzammil
Chief Executive Officer



Asim Murtaza Khan
Director

ڈائریکٹرز کی جائزہ رپورٹ

ایگریٹیک لمیٹڈ کمپنی کے ڈائریکٹرز، 30 جون 2023ء کو ختم ہونے والی ششماہی کے لئے غیر نظر ثانی شدہ عبوری مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

کھاد کی صنعت کا جائزہ:

2023 کی پہلی ششماہی کے دوران،، بنیادی طور پر SNGPL نیٹ ورک پر پائپس کوگیس کی قلت کی وجہ سے یوریا کی پیداوار 9% کم ہو کر 3,058 ہزار ٹن جبکہ 2022 کی پہلی ششماہی میں 3,353 ہزار ٹن رہ گئی۔ SNGPL نیٹ ورک پر فریڈلائز ر پائپس کوگیس کی سپلائی مارچ 2023 کے آخری ہفتے سے بحال کر دی گئی تھی اور پائپس اس وقت سے بغیر کسی گیس کی بڑی قلت کے کام جاری رکھے ہوئے ہیں۔ زیر جائزہ مدت کے لیے یوریا کی خریداری 3,101 ہزار ٹن ریکارڈ کی گئی جو پچھلے سال کی اسی مدت میں 3,247 ہزار ٹن کے مقابلے میں 4% کم تھی۔ یہ کمی خریف کی فصلوں کی بوائی کے مطابق موسمی طلب میں معمولی تبدیلی کی وجہ سے ہوئی ہے۔ یوریا کی طلب ورسد کا فرق اس مدت کے دوران برقرار رہا حالانکہ پچھلے سال کے مقابلے میں شدت کم تھی۔

2023 کی پہلی سہ ماہی میں تقریباً 3 ماہ کی گیس کی قلت کا سامنا کرتے ہوئے، کمپنی اس مدت کے لیے 215 ہزار ٹن کی نصب صلاحیت کے مقابلے میں 94 ہزار ٹن یوریا (174 ہزار ٹن (2022) پیدا کرنے میں کامیاب رہی۔ کمپنی نے 74 ہزار ٹن (155 ہزار ٹن (2022) یوریا فروخت کیا۔

2023 کی پہلی ششماہی کے دوران فاسفیٹ (پودوں کے لیے دیکر دوسرا اہم غذائی جزو) کی خریداری میں گزشتہ سال 349 ہزار ٹن کے مقابلے میں 340 ہزار ٹن (2022) میں 2% کمی دیکھی گئی۔ جبکہ 2023 کی پہلی ششماہی کے دوران بین الاقوامی فاسفیٹ کی قیمتیں کم ہو رہی تھیں، پاکستانی روپیہ کی مسلسل قدر میں کمی کا اثر فاسفیٹ کی تجویز کردہ خوراک استعمال کرنے کی کسانوں کی استطاعت پر پڑا۔ زیادہ فروخت نہ ہونے والی اوپننگ انوینٹریز کی پشت پر، NP اور DAP جیسی تمام فاسفیٹ مصنوعات کی پیداوار میں 42% (2023 میں 185 ہزار ٹن غذائی اجزاء، بمقابلہ 2022 میں 316 ہزار ٹن غذائی اجزاء) کی زبردست کمی درج کی گئی۔ بین الاقوامی منڈی میں فاسفیٹس کی قیمتوں میں زبردست کمی دیکھی گئی جس کے تحت سال کے آغاز میں ڈی اے پی کی قیمت تقریباً 1715 امریکی ڈالر فی ٹن CFR KHI 460 امریکی ڈالر فی ٹن CFR KHI (36 فیصد کمی) ہو گئی۔ ڈی اے پی کی قیمت میں کمی جزوی طور پر ملک میں تمام فاسفیٹ کھادوں کی قیمتوں سے ظاہر ہوتی ہے، جس میں پاکستانی روپیہ کی قدر میں کمی پاکستانی روپیہ کے لحاظ سے قیمتوں میں مزید کمی کو روکتی ہے۔ کمپنی نے، ایک اہم SSP پلیئر ہونے کے ناطے، پہلی ششماہی 2023 (31 ہزار ٹن (2022) میں 37 ہزار ٹن SSP تیار کیا اور اس مدت کے دوران 26 ہزار ٹن (21 ہزار ٹن (2022) فروخت کیا۔

مالی جھلکیاں

(روپے ملین میں)

تفصیل	30 جون 2023 مختصر ششماہی	30 جون 2022 مختصر ششماہی
نیٹ سیلز	5,584	6,515
مجموعی منافع	367	412
آپریٹنگ (نقصان)	(182)	(6)
مالیاتی لاگت	(2,916)	(1,952)
قبل از ٹیکس (نقصان)	(3,098)	(1,959)
بعد از ٹیکس (نقصان)	(2,865)	(1,809)
نیٹ ٹیکس (نقصان) روپے	(7.30)	(4.61)

30 جون 2023 کو ختم ہونے والی دوسری سہ ماہی کے لئے کمپنی کی قابل ذکر کامیابی 19% کا قابل ستائش آپریٹنگ منافع کا حاصل کرنا ہے جو کہ 30 جون 2022 کو ختم ہونے والی اسی سہ ماہی کے دوران درج کی گئے 10% آپریٹنگ منافع سے نمایاں طور پر زیادہ ہے۔

آڈیٹر کی جائزہ رپورٹ میں ترمیم کوالیفیکیشن

اس مدت کے لیے آڈیٹر کی رپورٹ میں، آڈیٹر نے درج ذیل توثیق کا اظہار کیا ہے جس میں کہا گیا ہے کہ "مجموعی ٹیکس کے نقصانات پر موثر ٹیکس اثاثوں کی بازیابی کا جائزہ لیا ہے اور بورڈ آف ڈائریکٹرز کے منظور کردہ پانچ سالہ کاروباری منصوبے کی بنیاد پر تجزیہ کر کے دعویٰ کیا ہے کہ ان عبوری مالی معلومات میں کوئی خرابی نہیں ہے۔ تاہم، ہم کاروباری منصوبے میں استعمال ہونے والے کلیدی مفروضے کے حوالے سے مناسب آڈٹ ثبوت حاصل کرنے سے قاصر ہیں یعنی قدرتی گیس کی دستیابی پر مبنی آپریشنل ایام اور گیس کے نرخوں پر مبنی خام مال کی قیمت جو کہ حکومت پاکستان کی جانب سے کمپنی کو گیس کی فراہمی کے لیے رعایتی نرخوں کے ساتھ ساتھ اس کی فراہمی بھی یقینی نہیں ہے۔ تاہم، انتظامیہ کو یقین ہے کہ گیس کی فراہمی طویل مدتی بنیادوں پر دستیاب ہوگی۔ اس کے نتیجے میں، ہم اس بات کا تعین کرنے سے قاصر تھے کہ آیا ان مالیاتی معلومات میں ٹیکس نقصانات پر تسلیم شدہ 6,583 ملین روپے موثر ٹیکس اثاثے اور 2,567 ملین روپے کی سادھ کی رقم کے لئے امپھیئر منٹ کے سلسلہ میں کوئی ایڈجسٹمنٹ ضروری تھی۔

مادی غیر یقینی صورت حال

آڈیٹر نے کمپنی کی کام کرنے کی صلاحیت کے بارے میں بھی توثیق کا اظہار کیا جس میں کہا گیا ہے کہ "بنیاد برائے اہل تیسجہ کمپنیشن میں زیر بحث معاملے" کے باوجود 30 جون 2023 کو ختم ہونے والی ششماہی کے دوران کمپنی کو 3,098 ملین روپے قبل از ٹیکس نقصان ہوا ہے اور اس تاریخ تک، اس کی موجودہ ذمہ داریاں اس کے موجودہ اثاثوں سے 50,243 ملین روپے سے تجاوز کر چکی ہیں اور اس کے مجموعی نقصانات 28,192 ملین روپے رہے۔ یہ حالات، دیگر معاملات کے ساتھ ساتھ جو کہ مالیاتی حسابات کے نوٹ 2.4 میں بیان کیے گئے ہیں، مادی غیر یقینی کی نشاندہی کرتے ہیں جو کہ کمپنی کی کاروبار جاری رکھنے کی صلاحیت کے بارے میں اہم شکوک پیدا کر سکتا ہے۔ ہماری رائے اس معاملے میں کوالیفائیڈ نہیں ہے۔

تاکید

آڈیٹر نے اس معاملے پر بھی زور دیا ہے جس میں کہا گیا ہے کہ

"ہم عبوری مالی معلومات کے نوٹ 22.1.1 کی طرف توجہ مبذول کرتے ہیں، جس میں یہ بتایا گیا ہے کہ کمپنی مقررہ تاریخوں پر اپنے واجبات اور انہیں کر سکتی تھی اور اب کچھ مالیاتی اداروں کی جانب سے اپنے واجبات کی وصولی کے لیے ذاتی قانونی اقدامات کا دفاع کر رہی ہے۔ ہمارا نتیجہ اس حوالے سے کوالیفائیڈ نہیں ہے۔

نوٹ 22.2 اور 22.3 کے حوالے سے، جس میں کہا گیا ہے کہ فی الحال، کمپنی جولائی 2022 میں معزز لاہور ہائی کورٹ کی طرف سے منظور شدہ تنظیم نو کی اسکیم کے نفاذ کے عمل میں ہے جبکہ اسکیم کے ساتھ مذکورہ نوٹ میں مذکور وجوہات کی بنا پر متعلقہ ایڈجسٹمنٹ نہیں کی گئی ہے۔ ہمارا نتیجہ اس حوالے سے کوالیفائیڈ نہیں ہے۔"

آڈیٹر کی رپورٹ میں ترمیم کی وضاحت

کمپنی کے یورپ پلانٹ کو اعمانی قیمتوں پر گیس کی فراہمی یورپ کے کاروبار کے لحاظ سے بہت ہی اہم ہے اور گزشتہ چند سالوں سے اس کی قلت کمپنی کے آپریشنل اور لیکویڈیٹی کے مسائل کی اہم وجہ ہے۔ اگرچہ گزشتہ کئی سالوں کے دوران گیس کی غیر معمولی کمی کا سامنا کرنے کے بعد، پاکستان میں یورپ کی بڑھتی ہوئی طلب کو پورا کرنے کے لیے حکومت پاکستان 'جی او پی' کی جانب سے رعایتی نرخوں پر ایل این جی کی فراہمی کے باعث گیس کی فراہمی کی صورت حال میں کافی بہتری آئی ہے، تاہم، جب دیگر گیس نیٹ ورکس پر کام کرنے والے دیگر فریڈائزر پلانٹس کے ساتھ بیچ مارک کیا گیا RLNG کی قیمتیں SNGPL نیٹ ورک پر یورپ پلانٹس بشمول ایگریٹیک زیادہ رہیں۔ اس صورتحال نے کمپنی کو اپنے اثاثوں اور آپریشنل گزشتہ کئی سالوں سے اعلیٰ سطح کے قرضوں کے ذریعے فنانس کرنے پر مجبور کر دیا تھا۔

اسی اثناء میں، پاکستان میں گیس کی مجموعی کمی نے حکومت پاکستان کو کھادیکٹر سے قدرتی گیس کو دوسرے شعبوں خصوصاً گرمی کے دوران پاور سیکٹر اور سردیوں کے دوران گھریلو سیکٹر کی طرف موڑنے پر بھی مجبور کر دیا۔ گزشتہ کئی سالوں کے دوران یورپ کی کم پیداوار اور یورپ کی طلب میں اضافہ گزشتہ ایک سال کے دوران یورپ کی قلت کی وجہ رہا ہے۔ گیس کی اس کمی نے دستیاب صلاحیت کے مقابلے میں کمپنی کے پلانٹس سے یورپ کی کم پیداوار کے مسائل پیدا کیے جس کے نتیجے میں قرض کے معاہدوں کی خلاف ورزی سمیت آپریشنل اور لیکویڈیٹی کے مسائل پیدا ہوئے (جن کا حوالہ مالی معلومات کے نوٹ 22 میں دیا گیا ہے)۔

حکومت پاکستان ("GOP") کی طرف سے تعلق قدرتی گیس ("LNG") کی باقاعدہ درآمد کے ساتھ کمپنی کو گیس RLNG کی فراہمی میں بہتری دیکھی گئی ہے۔ ایل این جی کی مسلسل درآمدات نے یورپ پلانٹس سمیت ایل این جی پی ایل کو آراہل ایل این جی کے بہاد کو بہتر بنایا۔ کمپنی کے یورپ پلانٹ کے ساتھ ساتھ SNGPL نیٹ ورک پر دوسرے پلانٹس نے 2019 سے 2022 کے دوران اور اس کے بعد 2023 میں سبسڈی والے RLNG کے ذریعے کام کیا SNGPL کے موجودہ پائپ لائن انفراسٹرکچر کے ذریعے سپلائی ماری پٹرولیم کی اضافی گیس کی پیداوار سے سسٹم گیس سپلائی میں واپس آگئی۔ ایل این جی پی ایل پر یورپ پلانٹس کے لیے آراہل ایل این جی سے سسٹم گیس میں تبدیلی سے قومی خزانے کو بہت فائدہ ہوا کیونکہ اس کے نتیجے میں آراہل ایل این جی کی فراہمی کے برعکس حکومت کی کوئی سبسڈی لاگت نہیں آئی۔ تاہم، کمپنی سے وصول کی جانے والی سسٹم گیس کی قیمت

دیگر فریلا نزر پلائس کے لیے اوگرا نو ٹیٹا پنڈ گیس کی قیمتوں سے زیادہ تھی جس کے نتیجے میں مختلف فریلا نزر پلائس کے درمیان مارکیٹ میں گیس اور یوریا کی قیمتوں میں بگاڑ پیدا ہوا ہے۔ کمپنی مستقبل میں فریلا نزر ریسکٹر کے لیے گیس کی قیمتوں کے یکساں طریقہ کار کے ذریعے GOP کی طرف سے حل کی منتظر ہے۔

گزشتہ برسوں کے دوران کمپنی کے یوریا پلائمنٹ میں گیس کی قلت کمپنی کے قرض کی عدم ادائیگی کی بڑی وجہ تھی اور مارک اپ جمع ہونے سے اس کے قرضوں کے بوجھ میں مزید اضافہ ہوا ہے۔ اس کے علاوہ، چند بینکوں اور مالیاتی اداروں نے کمپنی کے خلاف جمع شدہ مارک اپ اور دیگر متعلقہ چارجز کے ساتھ قرضوں کی وصولی کے لیے کیس دائر کیے ہیں۔ کمپنی کو یقین ہے کہ کسی بھی اضافی واجبات کا امکان بہت دور ہے کیونکہ قرض کے معاہدوں کی شرائط کے مطابق ان مالیاتی حسابات میں مارک اپ کو پہلے ہی تسلیم کیا جا چکا ہے اور ایسے قرض دہندگان نے عدالت کی طرف سے منظور شدہ ری اسٹرکچرنگ اسکیم کی بھی رضامندی دی ہے۔

قرضوں کے اس بوجھ کو ہموار کرنے کے لیے، 31 دسمبر 2013 (مجوزہ موثر تاریخ) تک اپنے موجودہ زائد واجب الادا قرضوں، قرض دہندگان کی طرف اور متعلقہ مارک اپس کے لیے اپنے قرض دہندگان کو ترجیحی حصص اور نجی طور پر رکھے گئے ذمہ داری سرٹیفکیٹس (PPTFC) کے اجراء کے ذریعے جامع بحالی (اسکیم آف آرٹیفنٹ ("اسکیم") کی شکل میں ترتیب دی ہے۔ مذکورہ اسکیم کے معزز لا بور ہائی کورٹ (LHC) نے جولائی 2022 میں اس کی اصل شکل میں منظوری دی تھی۔ کمپنی اس کے نفاذ کے عمل میں ہے۔ منظور شدہ اسکیم اور حاصل کردہ اہم سنگ میل یہ ہیں:

• قرض دہندگان کے ساتھ بیلنس کی مفاہمت،

• 35,000 ملین روپے تک مجاز سرمائے کو برحانے کے لیے کمپنی کے میورنڈم اور آرٹیکل آف ایسوشن میں ترمیم۔

• قرض دہندگان کو 1,241 ملین روپے کے CFADs کی تقسیم۔

کمپنی GOP کی جانب سے گیس کی فراہمی کی صورتحال پر مبنی منظور شدہ اسکیم کے مطابق 1.65 بلین روپے کی CFADs کی مکمل تقسیم کی منتظر ہے۔ قرض دہندگان کو CFADs کی تکمیل کے بعد، کمپنی قرض دہندگان کو ان کے متعلقہ اختیارات کے مطابق مطلوبہ حصص وغیرہ جاری کرے گی جو اس کے بعد کمپنی کو اپنے کارکنوں کی کتابوں میں ضروری ایڈجسٹمنٹ کو شامل کرنے کا باعث بنے گی۔

دیگر جھلکائیں

محکمہ زراعت میانوالی کی طرف سے "گرو مور کپاس" مہم کو کامیاب بنانے کے لیے کمپنی کے تعاون کو تسلیم کیا گیا، جس کا مقصد کپاس کی کاشت کو فروغ دینا ہے۔ اس کوشش کے لیے کمپنی کی وابستگی کا مظاہرہ کرتے ہوئے، کمپنی نے مقامی کسانوں کے ساتھ 22 انٹرا ایکٹو سیشنز کا انعقاد کیا، جس میں انہیں کپاس کی زیادہ سے زیادہ پیداوار کے لیے قابل قدر تکنیکی رہنمائی کی پیشکش کی گئی۔

مستقبل کا نقطہ نظر

کمپنی کا مستقبل اس کے یوریا پلائمنٹ کو گیس/RLNG سپلائی کی مسلسل دستیابی کی توقعات پر منحصر ہے۔ GOP کی پھر پور توجہ کے لیے ملک کی 240 ملین سے زائد آبادی کی طویل مدتی خوراک کی حفاظت کے لیے کلیدی اہم فصلوں کی پیداوار کو برحانے کی ضرورت ہے۔ کھاد خصوصاً یوریا فصلوں کی پیداوار اور مٹیوں میں اہم کردار ادا کرتی ہے۔ ملک میں یوریا کی بڑھتی ہوئی طلب GOP کی جانب سے مہنگی درآمدات کے مقابلے کلیدی فصلوں کی پیداوار کو برحانے کے لیے مقامی یوریا کی پیداوار کی ضرورت کو واضح طور پر ظاہر کرتی ہے، اس لیے اس بات کا قوی امکان ہے کہ کمپنی کا یوریا پلائمنٹ مستقل بنیادوں پر چلایا جائیگا۔ گیس کی یکساں قیمت کے تحت سسٹم گیس سپلائیز کی فراہمی تمام انڈسٹری کے مارجن کو مزید بہتر کرے گی۔

اعتراف

بورڈ آف ڈائریکٹرز کی جانب سے، ہم اپنے قابل قدر صاف خانہ اور مالیاتی اداروں کے مسلسل اعتماد اور تعاون کے لیے ان کا تہہ دل سے شکریہ ادا کرتے ہیں۔ گزشتہ سالوں میں ہماری ترقی اور کامیابی کے لیے آپ کی شراکت داری ضروری رہی ہے۔

ہم اپنے ملازمین کی محنت اور لگن کے لیے بھی شکر گزار ہیں۔ آپ کی گہری وابستگی نے مشکل کاروباری ماحول میں اپنی پائیداری کو برقرار رکھنے میں ہماری مدد کی ہے۔

منجانب بورڈ

Shamir Khan

عاصم مرتضیٰ خاں

ڈائریکٹر

Haris

محمد فیصل مہمل

سی ای او

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Agritech Limited

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Agritech Limited as at June 30, 2023 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial Statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The 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 in these interim financial statements. However, we are unable to obtain sufficient appropriate audit evidence with respect to key assumption used in the business plan i.e. operational days based on the 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 as well as its supply is not certain. Management is, however, confident that supply of gas will be available on long term basis. Consequently, we were unable to determine whether any adjustment in respect of impairment was necessary for goodwill amounting to Rs. 2,567 million and deferred tax asset amounting to Rs. 6,583 million recognized on tax losses in these interim financial statements.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Material Uncertainty Relating to Going Concern

Notwithstanding the matter discussed in Basis for the Qualified Conclusion section, the Company during the half year ended 30 June 2023 has incurred loss before tax amounting to Rs. 3,098 million and, as of that date, its current liabilities exceeded its current assets by Rs. 50,243 million, and its accumulated loss stood at Rs. 28,192 million. These conditions, along with other matters as set forth in Note 2.4 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. Our conclusion is not qualified in respect of this matter.

Emphasis of Matter Paragraphs

We draw attention towards:

- Note 22.1.1 to the accompanying interim financial statements, wherein it is stated that the Company could not pay its liabilities on due dates and is now defending legal suits filed by certain financial institutions for recovery of their dues. Our conclusion is not qualified in this respect, and
- Note 22.2 & 22.3 to accompanying interim financial statements wherein it is mentioned that currently, the Company is in process of implementation of the Restructuring scheme sanctioned by the Honorable Lahore High Court in July, 2022 while related adjustments w.r.t. such scheme are not accounted for due to reasons mentioned in said Note. Our conclusion is not qualified in this respect.

Other Matter

The figures of the condensed interim statement of profit & loss & other comprehensive income for the three-months period ended June 30, 2023 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Imran Afzal.



August 28, 2023

Lahore

Grant Thornton Anjum Rahman
Chartered Accountants
UDIN # RR202310212HXRU3x4o

Condensed Interim Statement of Financial Position

As at 30 June 2023

		(Un-audited) 30 June 2023	(Audited) 31 December 2022
	Note	Rupees	Rupees
EQUITY AND LIABILITIES			
Authorized share Capital		35,000,000,000	35,000,000,000
Share capital and reserves			
Issued, subscribed and paid-up ordinary share capital	4	3,924,300,000	3,924,300,000
Reserves		9,000,000	9,000,000
Accumulated loss		(28,192,515,136)	(25,850,797,277)
Surplus on revaluation of property, plant and equipment - net of tax		33,378,307,893	33,901,677,144
		9,119,092,757	11,984,179,867
Non-current liabilities			
Redeemable capital - secured	5	-	-
Long term finances - secured	6	-	-
Convertible, redeemable preference shares	7	1,593,342,690	1,593,342,690
Long term payables - unsecured	8	225,844,368	551,438,375
Deferred liabilities		10,562,059,524	10,875,636,015
		12,381,246,582	13,020,417,080
Current liabilities			
Current maturity of long term liabilities		19,254,126,210	19,269,126,210
Preference dividend payable		1,993,544,655	1,906,638,085
Short term borrowings -secured	9	3,982,066,757	3,581,994,123
Trade and other payables	10	6,153,127,266	4,620,048,580
Interest/mark-up accrued on borrowings		29,477,113,358	27,088,095,036
		60,859,978,246	56,465,902,034
		82,360,317,585	81,470,498,981
Contingencies and commitments	11		
ASSETS			
Non-current assets			
Property, plant and equipment	12	69,099,080,620	69,925,058,640
Intangible asset		2,567,886,509	2,568,030,431
Long term loans and advances - considered good		21,242,407	17,123,956
Long term deposits		54,721,537	54,721,537
		71,742,931,073	72,564,934,564
Current assets			
Stores, spares and loose tools		2,146,561,441	2,246,110,220
Advance against restructuring scheme	22	1,240,914,928	891,198,023
Stock-in-trade	13	2,241,103,759	1,063,281,066
Trade debts		5,318,218	513,312
Advances, deposits, prepayments and other receivables	14	4,591,648,141	4,080,352,277
Tax refunds due from Government -net		110,157,184	95,056,593
Cash and bank balances		281,682,841	529,052,926
		10,617,386,512	8,905,564,417
		82,360,317,585	81,470,498,981

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Condensed Interim Statement of Profit or Loss (Un-audited)

For the six months Period ended 30 June 2023

	Note	For six months ended		For the quarter ended	
		30 June	30 June	April to June	April to June
		2023	2022	2023	2022
		Rupees	Rupees	Rupees	Rupees
Sales - net	15	5,584,284,429	6,514,768,494	4,743,446,007	3,227,892,638
Cost of sales	16	(5,216,790,958)	(6,103,123,439)	(3,824,678,169)	(2,903,197,428)
Gross Profit		367,493,471	411,645,055	918,767,838	324,695,210
Selling and distribution expenses		(180,203,915)	(243,058,993)	(151,919,697)	(113,019,124)
Administrative and general expenses		(250,013,082)	(205,486,239)	(124,792,973)	(113,024,152)
		(430,216,997)	(448,545,232)	(276,712,670)	(226,043,276)
Other expenses		(168,148,800)	-	(168,148,800)	-
Other income		48,403,588	30,634,193	44,046,753	20,491,566
Operating profit/(loss)		(182,468,738)	(6,265,985)	517,953,121	119,143,500
Finance cost	22	(2,915,708,679)	(1,952,400,342)	(1,576,137,644)	(1,079,712,941)
Loss before taxation		(3,098,177,417)	(1,958,666,327)	(1,058,184,523)	(960,569,441)
Taxation for the period	17	233,090,307	149,853,020	105,961,642	76,839,392
Loss after taxation		(2,865,087,110)	(1,808,813,307)	(952,222,881)	(883,730,049)
Loss per share - basic and diluted		(7.30)	(4.61)	(2.43)	(2.25)

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months Period ended 30 June 2023

	For six months ended		For the quarter ended	
	30 June 2023	30 June 2022	April to June 2023	April to June 2022
	Rupees	Rupees	Rupees	Rupees
Loss after taxation	(2,865,087,110)	(1,808,813,307)	(952,222,881)	(883,730,049)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(2,865,087,110)	(1,808,813,307)	(952,222,881)	(883,730,049)

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

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

For the six months Period ended 30 June 2023

	Capital Reserves		Reserves		Total equity
	Ordinary share capital	Surplus on revaluation property, plant and equipment - net of tax	Revenue reserve	Accumulated loss	
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 January 2022	3,924,300,000	23,435,770,399	9,000,000	(23,613,277,966)	3,755,792,433
Loss for the period ended June 30, 2022	-	-	-	(1,808,813,307)	(1,808,813,307)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period ended 30 June 2022	-	-	-	(1,808,813,307)	(1,808,813,307)
<u>Surplus transferred to accumulated losses on account of:</u>					
- incremental depreciation on property, plant and equipment - net of deferred tax	-	(350,581,468)	-	350,581,468	-
As at 30 June 2022	3,924,300,000	23,085,188,931	9,000,000	(25,071,509,806)	1,946,979,126
As at 01 January 2023	3,924,300,000	33,901,677,144	9,000,000	(25,850,797,277)	11,984,179,867
Loss for the period ended June 30, 2023	-	-	-	(2,865,087,110)	(2,865,087,110)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period ended 30 June 2023	-	-	-	(2,865,087,110)	(2,865,087,110)
<u>Surplus transferred to accumulated losses on account of:</u>					
- incremental depreciation on property, plant and equipment - net of deferred tax	-	(441,435,406)	-	441,435,406	-
- disposal of revalued assets during the period - net	-	(81,933,845)	-	81,933,845	-
As at 30 June 2023	3,924,300,000	33,378,307,893	9,000,000	(28,192,515,136)	9,119,092,757

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Cash Flows (Un-audited)

For the six months Period ended 30 June 2023

		30 June 2023	30 June 2022
	Note	Rupees	Rupees
<u>Cash flows from operating activities</u>			
Cash used in operations	19	(411,657,308)	(618,111,033)
Income tax paid		(84,904,152)	(89,010,938)
Staff retirement benefits paid		(98,630)	(4,842,217)
Decrease in long term loans and advances		(4,118,451)	3,274,506
Decrease in long term deposits - net		-	5,965,714
Net cash used in operating activities		(500,778,541)	(702,723,968)
<u>Cash flows from investing activities</u>			
Capital expenditure incurred		(148,799,912)	(59,795,297)
Interest income received		19,391,501	17,182,274
Proceeds from disposal of property, plant and equipment		1,492,537	546,000
Due from related party		-	104,200,000
Net cash (used in)/ from investing activities		(127,915,874)	62,132,977
<u>Cash flows from financing activities</u>			
Long term loan repaid		(15,000,000)	-
Increase/(decrease) in short term borrowings - net		400,000,000	(99)
Finance cost paid		(3,748,306)	(26,806,770)
Net cash from/(used in) financing activities		381,251,694	(26,806,869)
Net decrease in cash and cash equivalents		(247,442,721)	(667,397,860)
Cash and cash equivalents at the beginning of period		(2,153,961,367)	(1,505,637,212)
Cash and cash equivalents at the end of period	21	(2,401,404,088)	(2,173,035,072)

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

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

For the six months Period ended 30 June 2023

1 Reporting Entity

Agritech Limited ("the Company") was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the repealed Companies Act, 1913 (now the Companies Act, 2017). 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 at Iskanderabad, District Mianwali; and
- Unit II at Hattar Road, Haripur.

2 Basis of preparation

2.1 Statement of compliance

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

International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as notified under the Companies Act, 2017; and

Provisions and directives issued under the Companies Act, 2017.

Where provisions and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of accounting

These condensed interim financial information comprises the condensed interim statement of financial position of the Company as at 30 June 2023 and the related condensed interim profit or loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof.

These condensed interim financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended on 31 December 2022.

Comparative condensed interim statement of financial position's numbers are extracted from the annual audited financial statements of the Company for the year ended 31 December 2022, whereas comparative interim statement of profit or loss, interim statement of comprehensive income, interim statement of cash flows and interim statement of changes in equity and related notes are stated from unaudited condensed interim financial statements of the Company for the six months period ended 30 June 2022.

These condensed interim financial statements are unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.

2.3 Judgments and estimates

The preparation of these condensed interim financial statements require management to make judgments, estimates and assumptions for the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the audited financial statements as at and for the year ended 31 December 2022.

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

For the six months Period ended 30 June 2023

2.4 Going concern assumption

Gas supply at subsidized price to the Company's Urea plant is the most critical aspect of Urea business and its curtailment is the major cause for the past few years' operational and liquidity issues of the Company. Although after facing unprecedented gas curtailment during the past many years, the gas supply situation has improved considerably due to RLNG supplies at subsidized rates by the Government of Pakistan 'GOP' to meet growing Urea demand in Pakistan; however, the price of such RLNG charged to the Urea plants on SNGPL Network including AgriTech remained higher when benchmarked with other fertilizer plants operating on other gas networks. This situation had forced the Company to finance its assets and operations through high level of borrowings since past many years.

At the same time, overall gas shortage in Pakistan had also forced the GOP to divert natural gas from fertilizer sector to other sectors particularly power sector during summer season and domestic sector during winters. Lower urea production during the past many years and increase in Urea demand has caused Urea shortages during the past one year. The gas curtailment has also caused low urea production from the Company's plant versus its available capacity which consequently causes operational and liquidity issues, including breaches of loan covenants (as referred to in Note 43 to the audited financial statements for the year ended on 31st December 2022).

These conditions indicate existence of material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore, it may not be able to realize its assets and discharge its liabilities in normal course of business.

However, the management of the Company is confident that the Company will be able to continue as going concern based on following factors:

- Gas/RLNG supply to the Company has witnessed improvements with regular imports of Liquefied Natural Gas ("LNG") by the Government of Pakistan ("GOP") and consistent LNG imports improved RLNG flow to Sui Northern Gas Pipelines Limited ("SNGPL") benefiting consumers including the urea plants. The Company's urea plant along with other plant on SNGPL operated through subsidized RLNG during 2019 to 2022, and later in 2023 the supply switched back to System Gas supply from Mari Petroleum additional gas production through SNGPL existing pipeline infrastructure. The Change from RLNG to System Gas for Urea plants on SNGPL greatly benefited the National Exchequer as it resulted in 'No Subsidy Cost' to the Government unlike supply of RLNG. However, the system gas price charged to the Company was higher than the OGRA Notified Gas prices to the other fertilizer plants which has resulted in Gas and Urea price distortions in the market among various fertilizer plants. The Company looks forward to the resolution of the distortion by GOP through the uniform gas pricing mechanism for the fertilizer sector in future.

- Renewed focus of GOP requires to increase the yields of the key staple crops for the long-term Food Security of more than 240 million population of the country. Fertilizer, especially Urea plays a critical role in the production and yield of the crops. Growing Urea demand in the country clearly indicates the requirement of local urea production to increase key crops output than expensive imports by GOP, hence, there is strong likelihood that the urea plant of the Company likely to be operated on regular basis. The possible Provision of system gas supplies under uniform gas price will further improve the margins at par with the industry. Local production always helps in saving the country from unprecedented volatility of international supply and prices and directly benefits the GOP exchequer in the form of significant savings on precious Foreign Exchange as well as lower subsidy on expensive urea imports.

- To streamline this debt burden, the comprehensive rehabilitation (in the form of Scheme of Arrangement ("the Scheme") was developed to restructure its existing over-due long-term debts, towards creditors in the form of outstanding Principal (Rs. 19,447 billion) and related markup (i.e. Rs. 6,075 billion) as of 31 December 2013 (proposed effective date) through issuance of preference shares prepared by the Company in support of its lenders. The said scheme was sanctioned by the Honorable Lahore High Court (LHC) in July 2022 in its original form. The Company is in process of implementation and of sanctioned scheme and after the required reconciliation of balances with lenders and amendment in Memorandum and Articles of Association of the Company to increase authorized capital up to Rs. 35,000 million has so far disbursed CFADs of Rs. 1,241 million to the lenders.

- Subsequent to the sanction of the scheme by LHC, the Company is confident that the suits filed by the banks/lenders can be better defended in the relevant courts, and the Company is confident about the positive outcome.

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

For the six months Period ended 30 June 2023

The Company also sees good potential in selling its surplus land after obtaining the necessary legal and commercial approvals. During 2016, the National Highway Authority (NHA) acquired 216 kanals of the Company's land for the construction of the China Pakistan Economic Corridor (CPEC), which passes through the Company's land. With the ongoing development of CPEC in the coming years, the Company anticipates further appreciation of this land. The proceeds from the sale of the land will also contribute to settling the Company's long-term liabilities.

The management believes that the measures as explained above will generate sufficient financial resources for 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.

3 Statement of consistency in accounting policies.

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 31 December 2022.

	30 June 2023 Un-audited Rupees	31 December 2022 Audited Rupees
4 Issued, subscribed and paid up ordinary share capital		
383,430,000 (December 31, 2022: 383,430,000) class A ordinary shares of Rs.10 each fully paid in cash	3,834,300,000	3,834,300,000
9,000,000 (December 31, 2022: 9,000,000) ordinary shares of Rs. 10 each issued for consideration other than cash	90,000,000	90,000,000
	3,924,300,000	3,924,300,000

Ordinary shares of the Company held by associated undertakings at period/year end are as follows:

	30 June 2023 (Percentage held)	31 December 2022	30 June 2023 (Number of shares)	31 December 2022
National Bank of Pakistan	27.01%	27.01%	106,014,632	106,014,632
Faysal Bank Limited	4.56%	4.56%	17,914,040	17,914,040
Summit Bank Limited	8.74%	8.74%	34,306,400	34,306,400
Silk Bank Limited	0.00%	0.00%	1,000	1,000

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

For the six months Period ended 30 June 2023

	30 June 2023 Un-audited Rupees	31 December 2022 Audited Rupees
5 Redeemable Capital - Secured		
Term Finance Certificates - I	1,498,602,000	1,498,602,000
Term Finance Certificates - II	6,890,536,800	6,894,286,800
Term Finance Certificates - III	495,460,750	495,460,750
Privately Placed Term Finance Certificates - IV	548,825,000	548,825,000
Privately Placed Term Finance Certificates - V	618,685,000	618,685,000
Privately Placed Term Finance Certificates - VI	509,874,996	509,874,996
Sukuks	1,596,050,000	1,599,800,000
	<u>12,158,034,546</u>	<u>12,165,534,546</u>
Current maturity presented under current liabilities	<u>(12,158,034,546)</u>	<u>(12,165,534,546)</u>
	-	-
5.1 Types of redeemable capital		
Interest / mark-up based financing	10,561,984,546	10,565,734,546
Islamic mode of financing	1,596,050,000	1,599,800,000
	<u>12,158,034,546</u>	<u>12,165,534,546</u>
5.2	For overdue principal and markup, refer to Note 22 of these condensed interim financial statements.	
5.3	Terms and conditions are same as those disclosed in annual audited financial statements for the year ended 31 December 2022.	
	30 June 2023 Un-audited Rupees	31 December 2022 Audited Rupees
6 Long term finances		
Syndicate Term Finance - I	3,000,000,000	3,000,000,000
Syndicate Term Finance - II	462,612,600	466,362,600
Syndicate Term Finance - III	2,836,395,329	2,840,145,329
Bank Islami Pakistan - Term Finance	300,000,000	300,000,000
National Bank of Pakistan - Term Finance	132,083,735	132,083,735
Dubai Islamic Bank Limited - Term Finance	365,000,000	365,000,000
	7,096,091,664	7,103,591,664
Current maturity presented under current liabilities	<u>(7,096,091,664)</u>	<u>(7,103,591,664)</u>
	-	-
6.1 Types of long term finances - secured		
Interest/mark-up based financing	6,731,091,664	6,738,591,664
Islamic mode of financing	365,000,000	365,000,000
	<u>7,096,091,664</u>	<u>7,103,591,664</u>
6.2	All terms and conditions of these facilities are same as those disclosed in annual audited financial statements for the year ended 31 December 2022.	
6.3	For overdue principal and markup, refer to Note 22 of these condensed interim financial statements.	



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

For the six months Period ended 30 June 2023

		30 June 2023 Un-audited Rupees	31 December 2022 Audited Rupees
7	Convertible, redeemable preference shares		
	159,334,269 (31 December 2022: 159,334,269)		
	Preference shares of Rs. 10 each fully paid in cash	1,593,342,690	1,593,342,690

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

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

		30 June 2023 --- (Number of shares) ---	31 December 2022
	Faysal Bank Limited	31,035,594	31,035,594
	National Bank of Pakistan	61,748,756	3,458,756
		92,784,350	34,494,350

		30 June 2023 Un-audited Rupees	31 December 2022 Audited Rupees
8	Long term payables - Unsecured		
	Payable to SNGPL - GIDC	225,844,368	551,438,375

9	Short term borrowings - secured		
	Interest/mark-up based loans - secured	3,050,256,059	3,050,256,059
	Islamic mode of financing - secured	931,810,698	531,738,064
		3,982,066,757	3,581,994,123

9.1 All terms and conditions applicable on these facilities are same as those disclosed in the annual audited financial statements for the year ended 31 December 2022.

9.2 Overdue principal and markup are disclosed in Note 22 to these condensed interim financial statements.

		30 June 2023 Un-audited Rupees	31 December 2022 Audited Rupees
10	Trade and other payables		
	Trade and other creditors	5,098,239,348	3,911,562,350
	Accrued liabilities	196,595,757	172,541,063
	Advances from customers	777,085,639	455,298,892
	Others	81,206,522	80,646,276
		6,153,127,266	4,620,048,580

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

For the six months Period ended 30 June 2023

10.1 This includes the current portion of GIDC payable, amounting to Rs. 2,749 million (2022: Rs. 2,369 million). During the previous years, the Company had filed a petition against the recovery of GIDC, which was decided in favor of the Company. The decision held that GIDC is not payable until the factual determination of GIDC liability is finalized by the higher-powered committee formed in compliance with the Supreme Court's order.

11 Contingencies and commitments

11.1.1 Tax contingencies

There is no change in tax contingencies except followings;

- The income tax return for the tax year 2017 was filed, declaring a taxable income of Rs. 916.52 million (before the adjustment of losses and tax depreciation) and a taxable loss of Rs. 19.583 billion (after the adjustment of losses and tax depreciation). The Additional Commissioner of Inland Revenue (Adl. CIR) initiated proceedings under section 122 of the Ordinance for the amendment of the assessment. An order was passed under section 122(5A) of the Ordinance on 28 June 2023, through which no demand was created; however, a loss amounting to Rs. 9.170 billion was curtailed. The Company, being aggrieved, filed an appeal before the Commissioner of Inland Revenue (Appeals), which is currently pending adjudication.
- The income tax return for the tax year 2022 was filed; however, the Additional Commissioner of Inland Revenue (Adl. CIR) initiated proceedings under section 122 of the Ordinance to amend the assessment. An order was passed under section 122(5A) of the Ordinance on 27 June 2023, through which no demand was created. Nevertheless, additions were made to arrive at an income of Rs. 656.51 million from a loss of Rs. 1,755.64 million, and the refund was reduced from Rs. 95.07 million to Rs. 17.55 million. The Company, being aggrieved, filed appeal before CIR-A which is pending for adjudication.
- The Company has received notices from tax authorities for the conduct of sales tax audits and income tax audits for the tax years 2017 to 2020 and 2015 to 2020, respectively. In respect of these audits, the Company obtained a stay from the Honorable High Court, Lahore, through Order No. W.P No. 29025/2021. Later on, due to non-prosecution by the Company's counsel, the writ petition for the stay was dismissed by the Court. Subsequently, the Deputy Commissioner of Inland Revenue passed the following orders:

For the tax years 2018 and 2019, regarding sales tax affairs, creating a demand of Rs. 5,746.55 and 7,179.19 million, respectively.

For the tax years 2015 and 2016, regarding income tax affairs, creating a demand of Rs. 3,702.65 and 3,930.16 million, respectively.

Following this, the Company filed W.P. No. 29025/2021 before the Court and challenged the selection on the grounds that these audits were specifically chosen for certain sectors based on the instructions of the Federal Board of Revenue (FBR). Hence, they should be dismissed in light of judgment W.P No. 15880/2021 dated 27-04-2022. In this judgment, the Court declared that sector-wise selection of income tax and sales tax audit proceedings based on FBR directives has no legal effect. The Court decided the petition in favor of the Company.

On the other hand, appeals to the Commissioner of Inland Revenue – Appeals (CIR-A) have also been filed against the orders issued by DCIR.

For the Tax Years 2018 and 2019, in sales tax affairs, the CIR-A passed the orders and confirmed the demand raised by the department. Being aggrieved by the orders, the Company filed appeals in ATIR. The ATIR disposed of the appeals by deleting the demand and remanding the case back to the department with the direction to decide the matter as per the Court's direction.

For the Tax Years 2015 and 2016, in income tax affairs, the CIR-A disposed of the appeal with the direction for the department to reconsider the matter and decide the same with the directions of the Honorable Lahore High Court. On the other hand, the department also filed an appeal to ATIR for the tax year 2015, which is pending adjudication.

Based on the opinions of tax advisors handling income tax and sales tax 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 interim financial statements.



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

For the six months Period ended 30 June 2023

11.1.2 Other contingencies

There is no material change in the status of contingencies from the preceding published financial statements of the Company for the year ended 31 December 2022, except for the filing of new civil suit by the following bank.

Bank	Facility	30-June 2023 Rupees (Un-Audited)
Al Baraka Bank Limited	Running Finance	289,694,985

Both the management and the legal advisor of the Company hold the view that all such suits, including the one mentioned above and others disclosed in the annual audited financial statements, lack merit. Furthermore, these ongoing suits cannot proceed or be tried, as all these banks have already consented to the restructuring scheme. This scheme has also been sanctioned by the Honorable Lahore High Court in July 2022.

		30 June 2023 Un-audited Rupees	31 December 2022 Audited Rupees
11.2 Commitments	Note		
11.2.1 Commitments under irrevocable letters of credit for:			
- purchase of plant and machinery		79,131,624	17,333,664
- purchase of raw material		-	6,798,000
		<u>79,131,624</u>	<u>24,131,664</u>

12 Property, plant and equipment

Operating fixed assets	12.1	68,858,336,657	69,460,198,544
Capital work in progress		240,743,963	464,860,096
		<u>69,099,080,620</u>	<u>69,925,058,640</u>

12.1 Operating fixed assets

Net book value at start of the period/year	69,460,198,544	56,960,824,702
Add: Additions/revaluation during the period/year	469,693,476	14,143,126,334
Less: Disposals during the period - net book value	169,641,338	42,648,561
Depreciation for the period/year	901,914,025	1,601,103,932
	1,071,555,363	1,643,752,493
Net book value at end of the period/year	<u>68,858,336,657</u>	<u>69,460,198,544</u>

13 Stock-in-trade

Raw Material	336,792,635	338,867,382
Packing Material	112,122,682	38,663,367
Work in Process	231,462,100	268,799,188
Finished goods	1,560,726,342	416,951,129
	<u>2,241,103,759</u>	<u>1,063,281,066</u>

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

For the six months Period ended 30 June 2023

	30 June 2023 Un-audited Rupees	31 December 2022 Audited Rupees
14 Advances, deposits, prepayments and other receivables		
Advances to suppliers - <i>unsecured, considered good</i>	820,907,518	340,335,707
Advances to employees	47,281,043	17,675,092
Deposit with High Court	36,000,000	36,000,000
Prepayments	4,027,497	7,974,431
Receivable from Government of Pakistan	1,346,250	1,346,250
Receivable from Government of Punjab	5,546,656	5,546,656
Sales tax receivable	2,975,633,096	2,977,219,117
Subsidy receivable	812,227,932	812,227,932
Other receivables	115,313,294	108,662,237
	<u>4,818,283,286</u>	<u>4,306,987,421</u>
Less: provision against doubtful receivables	(226,635,145)	(226,635,145)
	<u>4,591,648,141</u>	<u>4,080,352,276</u>
	30 June 2023 Un-audited Rupees	30 June 2022 Un-audited Rupees
15 Sales - net		
Sale of fertilizers	5,496,593,374	6,551,210,327
Other products	103,365,155	112,463,634
Gross Sales	<u>5,599,958,530</u>	<u>6,663,673,961</u>
Less:		
Sales tax	(15,674,100)	(148,853,467)
Trade discount	-	(52,000)
Net Sales	<u>5,584,284,429</u>	<u>6,514,768,494</u>

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

For the six months Period ended 30 June 2023

		30 June 2023 Un-audited Rupees	30 June 2022 Un-audited Rupees
16	Cost of sales		
	Raw and packing material consumed	3,679,956,077	4,534,796,241
	Salaries, wages and other benefits	311,856,278	273,800,261
	Fuel and power	1,006,298,126	1,143,347,978
	Stores, spare part and loose tools consumed	217,650,868	147,049,375
	Depreciation on property, plant and equipment	895,622,247	793,830,646
	Others	211,845,488	146,893,169
	Cost of goods manufactured	6,323,229,083	7,039,717,669
	Opening work-in-process	268,799,188	184,218,606
	Closing work-in-process	(231,462,100)	(253,107,320)
		37,337,088	(68,888,714)
	Opening finished goods	416,951,129	28,964,698
	Closing finished goods	(1,560,726,342)	(896,670,214)
		(1,143,775,213)	(867,705,516)
	Cost of goods sold	5,216,790,958	6,103,123,439
		30 June 2023 Un-audited Rupees	30 June 2022 Un-audited Rupees
17	Taxation		
	Current	69,803,555	81,434,516
	Deferred	(302,893,862)	(231,287,536)
		(233,090,307)	(149,853,020)

17.1 Provision for current tax has been made in accordance with the section 113 'Minimum tax on income of certain persons' of the Income Tax Ordinance, 2001.

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

For the six months Period ended 30 June 2023

18 Transactions and balances with related parties.

From the Company's perspective, related parties comprise associated undertakings, key management personnel (including the Chief Executive and Directors), post-employment benefit plans, and other related parties. In the normal course of business, the Company carries out transactions with various related parties. All transactions with related parties have been carried out based on commercial terms and conditions.

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

	(Un-audited) 30 June 2023 Rupees	(Un-audited) 30 June 2022 Rupees
18.1 Transactions with related parties		
18.1.1 Associated Undertakings		
18.1.1.1 <u>Shareholding and common directorship</u>		
National Bank of Pakistan		
Markup expense	346,549,366	229,238,437
Preference dividend	17,872,513	1,886,680
Bank Balances - net	(2,541,724)	16,902
18.1.1.2 <u>Common directorship</u>		
Faysal Bank Limited		
Markup expense	207,084,062	134,522,570
Preference dividend	16,929,279	16,929,279
Loan paid	15,000,000	-
Short term borrowings - net	200,000,000	-
Bank Balances - net	(56,564,717)	5,733,001
Silk Bank limited		
Mark-up expense	72,075,804	43,227,783
Short term borrowings - net	-	47,965
Summit Bank Limited		
Mark-up expense	124,616,463	78,637,532
Markup paid	-	16,844,977
Short term borrowings - net	-	(1,698,343)
Bank Balances - net	(141,196)	(455,102)
18.1.1.3 Post employment benefit plans		
Contribution to employees provident fund	11,673,460	11,361,927
Contribution to employees gratuity fund	(10,583,992)	2,883,722
18.1.1.4 Key management personnel		
Short term employee benefits	14,085,714	10,800,000
Meeting fee	4,595,313	1,587,502
Post employment benefits	761,600	642,600

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

For the six months Period ended 30 June 2023

	(Un-audited) 30-Jun 2023 Rupees	(Un-audited) 31-Dec 2022 Rupees
18.2 Balances with related parties		
18.2.1 Associated Undertakings		
18.2.1.1 <u>Shareholding and common directorship</u>		
National Bank of Pakistan		
Long term finances	2,467,083,735	2,467,083,735
Redeemable capital	462,057,100	462,057,100
Bills payable	187,030,000	187,030,000
Convertible, redeemable Preference shares	617,487,560	34,587,560
Mark-up payable	4,651,307,694	4,304,758,328
Preference dividend payable	211,668,542	193,796,029
Bank balances	2,479,533	5,021,257
Advisory fee	738,600,000	738,600,000
Advance for transaction Cost	23,200,000	23,200,000
18.2.1.2 <u>Common directorship</u>		
Faysal Bank Limited		
Redeemable capital	1,491,609,500	1,499,109,500
Long term Finance	336,825,600	344,325,600
Short term borrowings	200,000,000	-
Convertible, redeemable preference shares	310,355,940	310,355,940
Mark up payable	2,631,604,250	2,424,520,188
Preference dividend payable	388,344,562	371,415,283
Bank balances	7,096,363	63,661,080
Trustee fee	5,668,582	5,668,582
Silk Bank Limited		
Long term finances	130,607,546	130,607,546
Short term borrowings	550,948,624	550,948,624
Mark up payable	450,825,994	378,750,190
Summit Bank Limited		
Redeemable capital	603,406,000	603,406,000
Short term borrowings	671,888,070	671,888,070
Mark up payable	805,437,294	680,820,831
Bank account balances	196,167	337,363
Others		
Housing colony	38,906,293	34,195,762
Iskanderabad Welfare Trust	5,530,105	6,490,814
18.2.3 Post employment benefit plans		
Receivable from/payable to gratuity trust	(8,069,301)	2,613,321

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

For the six months Period ended 30 June 2023

	(Un-audited) 30 June 2023	(Un-audited) 30 June 2022
	Rupees	Rupees
19 Cash flows from operating activities		
Loss before tax	(3,098,177,417)	(1,958,666,327)
Adjustment for non-cash items:		
Interest/markup expense	2,563,373,845	1,743,437,235
Depreciation on property, plant and equipment	901,914,025	800,268,464
Provision for staff retirement benefit	(10,583,992)	2,883,722
Mark-up/Interest Income	(19,391,501)	(15,132,947)
(Gain)/loss on sale of property, plant and equipment	168,148,800	(73,718)
Operating profit before changes in working capital	505,427,682	572,716,429
Changes in working capital		
Decrease/(Increase) in current assets:		
Stores, spares and loose tools	99,548,778	(52,908,736)
Stock in trade	(1,177,822,693)	(1,037,882,791)
Trade receivables	(4,804,906)	84,624,396
Advances, deposits, prepayments and other receivables	(957,790,201)	(1,453,730,114)
	(2,040,869,022)	(2,459,897,245)
Increase in current liabilities		
Trade and other payables	1,123,784,032	1,269,069,783
Cash used in operations	(411,657,308)	(618,111,033)

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

For the six months Period ended 30 June 2023

20 Segment reporting

20.1 Reportable segments

The Company's reportable segments are as follows:

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

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

20.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizer segment		Phosphate fertilizer segment		Consolidated (AGL)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited
	Rupees 'mln'	Rupees 'mln'	Rupees 'mln'	Rupees 'mln'	Rupees 'mln'	Rupees 'mln'
	4,115	5,485	1,469	1,029	5,584	6,515
	(3,632)	(2,417)	534	458	(3,098)	(1,959)
	Urea fertilizer segment		Phosphate fertilizer segment		Consolidated (AGL)	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited
	Rupees 'mln'	Rupees 'mln'	Rupees 'mln'	Rupees 'mln'	Rupees 'mln'	Rupees 'mln'
	80,773	80,538	9,882	9,479	90,656	90,016
	75,577	72,092	1,456	1,568	77,033	73,660

As at

Reportable segment assets

Reportable segment liabilities

For the six months period ended 30 June 2023

External revenues

Inter-segment revenue

Reportable segment profit/(loss) before tax

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

For the six months Period ended 30 June 2023

	Un-audited 30 June 2023 Rupees	Un-audited 30 June 2022 Rupees
20.3 Reconciliation of reportable segment profit or loss for the six months ended		
Total loss for reportable segments before taxation for the period	(3,098,177,417)	(1,958,666,327)
Taxation	233,090,307	149,853,020
Loss after taxation for the period	(2,865,087,110)	(1,808,813,307)
21 Cash and cash equivalents		
Short term borrowings - running finance - secured	(2,683,086,929)	(2,720,086,307)
Cash and bank balances	281,682,841	547,051,235
	(2,401,404,088)	(2,173,035,072)

22 Overdue financial liabilities

22.1 The Company continues to face a liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details of overdue financial liabilities as at 30 June 2023 are as follows:

	Note	Principal	Interest / mark up	Total
Nature of Liability			Rupees	
Redeemable capital		12,158,034,546	16,164,064,491	28,322,099,037
Long term finances		7,096,091,664	10,642,160,619	17,738,252,283
Short term borrowings		3,581,994,116	2,633,664,978	6,215,659,094
	22.1.1	22,836,120,326	29,439,890,088	52,276,010,414

22.1.1 Out of these overdue financial liabilities, financial liabilities in litigation are as follows:

	Total Rupees
Name of banks	
Silk Bank Limited	780,494,785
Askari Bank Limited	2,511,488,460
Unit Trust of Pakistan and JS Investment Limited	333,487,415
JS Income Fund and JS Investment Limited	164,172,750
JS Infocom Limited	1,280,996,756
JS Large Capital Fund	16,959,889
Federal Employees Benevolent and Group Insurance Funds	1,490,595,700
National Bank of Pakistan	6,496,599,568
Summit Bank Limited	1,165,357,852
Allied Bank Limited	201,658,308
Bank Alfalah Limited	1,969,887,491
Soneri Bank Limited	738,452,864
JS Bank Limited	2,880,221,844
Al Baraka Bank Limited	289,694,985
The Bank of Punjab	3,301,068,828
	23,621,137,495

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

For the six months Period ended 30 June 2023

22.2 During last year, Honorable Lahore High Court has sanctioned restructuring scheme proposed by lenders of the company in 2013 and following final options have been given to the lenders through Court order in July 2022.

Option 1:

The Company shall apply CFADs (Cash Flow available for debt Servicing) upfront to settle outstanding/overdue mark-up of the lenders on pro-rated basis, as final settlement for overdue / accrued mark up till December 31, 2013.

Option 2:

Outstanding/overdue markup shall be converted into a zero coupon TFC payable at the end of FY 2026 as bullet payment. The Company shall apply unutilized CFADs from Option 1 to partially settle principal outstanding of lenders opting for option 2 on pro-rated basis;

- Any unutilized CFADs from Option 1 & 2 to be applied for reduction in outstanding principal of all creditors on pro rated basis.
- Any remaining principal and accrued mark up outstanding to be converted to Preference shares as per the terms of this term sheet.

Related adjustments due to availing of such options by lenders would be made in subsequent financial statements of the Company.

22.3 Advance against restructuring scheme

The Company, in order to streamline and restructure its existing overdue long-term debts towards creditors (i.e. Rs. 19.447 billion) and related markup (i.e. Rs. 6.075 billion) as of 31 December 2013, developed a Comprehensive Rehabilitation Scheme in the form of a Scheme of Arrangement ('the Scheme') under Sections 284 to 288 of the Companies Ordinance 1984. Subsequently, approvals from the lenders and shareholders, the Scheme was filed with the Honorable Lahore High Court (LHC) in June 2016. The LHC sanctioned the Scheme in July 2022, with effect from December 31, 2013.

The scheme envisaged the payment of CFADs (Cash Flow Available for Debt Servicing) of Rs. 1.65 Billion to the lenders as per the chosen options; issuance of preference shares in lieu of outstanding long-term debts; waiver of mark-ups as at 31 December 2013; and issuance of Zero coupon PPTFCs in lieu of accrued mark-ups outstanding as on 31 December 2013.

The Company is in process of implementation of sanctioned scheme. After sanctioning of the scheme by LHC, key milestones achieved are reconciliation of balances with lenders, amendment in Memorandum and Articles of Association of the Company to increase authorized capital up to Rs. 35,000 million and disbursement of cash payments of Rs 1,241 million (Rs 891 Million: 2022) to the lenders, while last tranche of Rs. 409 million (Rs. 758 Million: 2022) to lenders and issuance of new instruments is yet to be made by the Company. Due to these pending milestones, the Company has not incorporated related adjustments required for full implementation of the approved scheme.

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

For the six months Period ended 30 June 2023

	Un-audited 30 June 2023	Un-audited 30 June 2022
	Rupees	Rupees
22.4 Finance Cost		
Redeemable capital	1,239,243,580	819,526,791
Long term finances	794,824,495	523,516,347
Short term borrowings	357,456,400	228,390,966
Late payment surcharge	352,334,834	208,963,107
Dividend on preference shares	86,906,570	86,913,571
Amortization of present value of GIDC	83,700,647	84,106,930
Bank charges and commission	1,242,153	982,630
Total	2,915,708,679	1,952,400,342

23 Fair Value of Financial Assets and Liabilities

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.

Particulars	Carrying amount				Fair value			
	Amortized Cost	Fair value through profit/loss	Fair Value through OCI	Total	Level 1	Level 2	Level 3	Total
As at 30 June, 2023								
<i>Financial assets</i>								
Long term loans and advances	21,242,407	-	-	21,242,407	-	-	-	-
Long term deposits	54,721,537	-	-	54,721,537	-	-	-	-
Trade debts	5,318,218	-	-	5,318,218	-	-	-	-
Advances and other receivables	1,439,509,265	-	-	1,439,509,265	-	-	-	-
Cash and bank balances	281,682,841	-	-	281,682,841	-	-	-	-
	1,802,474,268	-	-	1,802,474,268	-	-	-	-
As at 31 December 2022								
<i>Financial assets</i>								
Long term loans and advances	17,123,956	-	-	17,123,956	-	-	-	-
Long term deposits	54,721,537	-	-	54,721,537	-	-	-	-
Trade debts	513,312	-	-	513,312	-	-	-	-
Advances and other receivables	1,053,535,352	-	-	1,053,535,352	-	-	-	-
Cash and bank balances	529,052,927	-	-	529,052,927	-	-	-	-
	1,654,947,084	-	-	1,654,947,084	-	-	-	-

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

For the six months Period ended 30 June 2023

The Company does not hold any financial liability at fair value. Remaining financial liabilities are as follows:

	Un-audited 30 June 2023 Rupees	Audited 31 December 2022 Rupees
<u>Financial liabilities at amortized cost</u>		
Redeemable capital	12,158,034,546	12,165,534,546
Long term finances	7,096,091,664	7,103,591,664
Convertible, redeemable preference shares	1,593,342,690	1,593,342,690
Long term payable	225,844,368	551,438,375
Short term borrowings	3,982,066,757	3,581,994,123
Trade and other payables	5,098,239,348	3,911,562,358
Accrued liabilities	196,595,757	172,541,063
Security deposits and retention money	20,477,462	19,778,604
Other payables	46,904,317	41,304,590
Mark-up accrued on borrowings	29,477,113,358	27,088,095,036
Preference dividend payable	1,993,544,655	1,906,638,085
	<u>61,888,254,922</u>	<u>58,135,821,134</u>

24 Financial Risk Management

The Company's financial risk management objective and policies are consistent with those disclosed in annual audited financial statement for the financial year ended 31st December 2022.

25 Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on 28th August 2023.

26 Seasonality

The Company's fertilizer business is subject to seasonal fluctuations due to two distinct farming seasons: Rabi (October to March) and Kharif (April to September). On average, fertilizer sales are higher during the Rabi season. The Company manages the seasonality in the business through appropriate inventory management

27 General

27.1 Figures have been rounded off to the nearest rupee.

27.2 Corresponding figures have been re-arranged/reclassified in these interim financial statements for the purpose of comparison. However, no significant reclassification has been made in these financial statements.



Chief Executive



Chief Financial Officer



Director



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