Contents

we are AGRITECH

and

we are part of

nurturing

GROWTH...

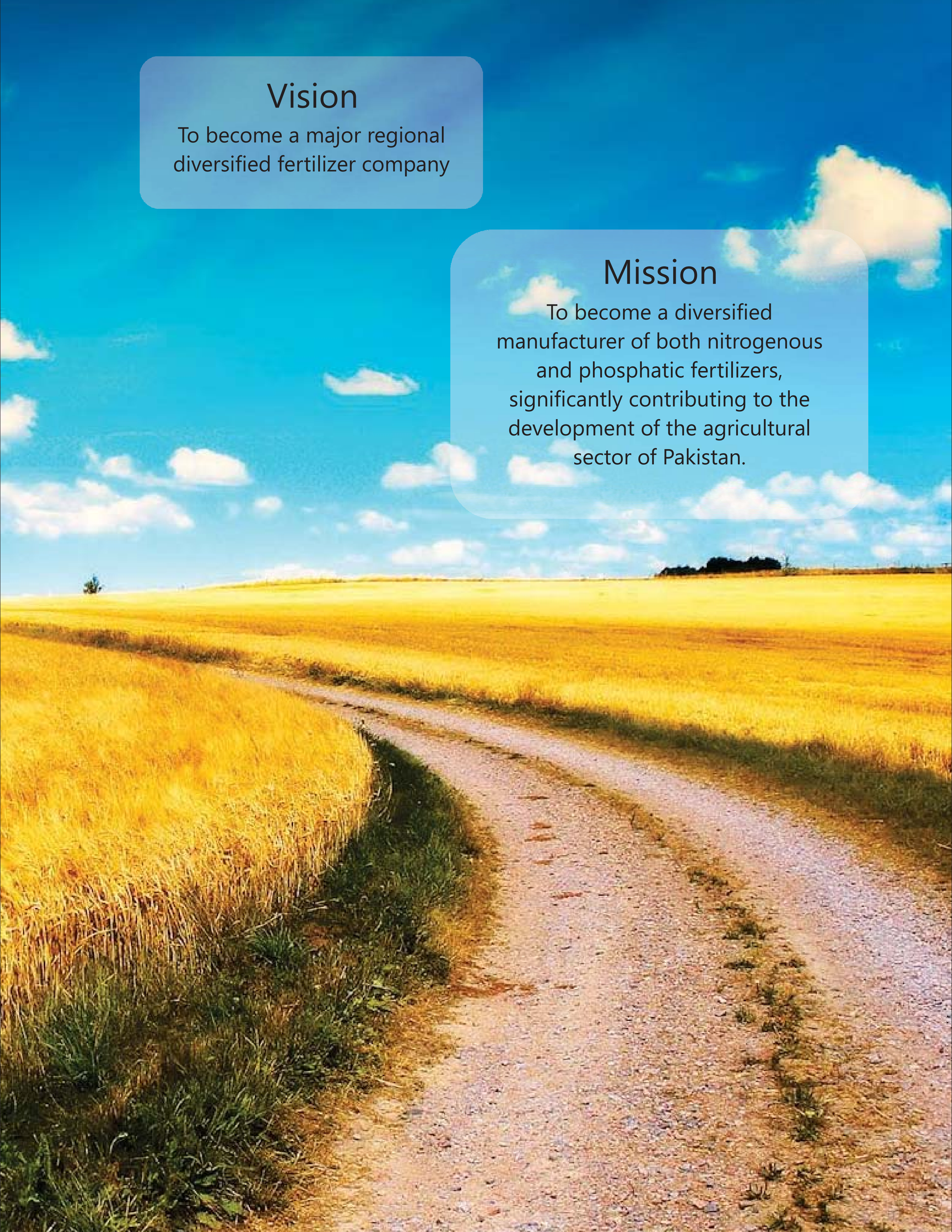
we play our role in agriculture and it makes us proud that we are part of a sector that assures food security of over 180 million people

“Agriculture not only gives riches to a nation,
but the only riches she can call her own”

Samuel Johnson


PAK AMERICAN
FERTILIZERS

Agritech Urea Fertilizer Plant
Daudkhel



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.

Company Information

BOARD OF DIRECTORS

Mr. Tariq Jamali
Chairman

Mr. Ahmed Jaudet Bilal

Chief Executive Officer

Mian Asif Said

Chaudhary Khaqan Saadullah Khan

Mr. Nauman Ansari

Mr. Ahsan Raza Durrani

Mr. Rehmat Ali Hasnie

Mr. Muhammad Faisal Muzammil

COMPANY SECRETARY

Mr. Affan Sajjad

CHIEF FINANCIAL OFFICER

Mr. Taneem Haider

AUDIT COMMITTEE

Mian Asif Said

Chairman

Mr. Nauman Ansari

Mr. Ahsan Raza Durrani

HR & REMUNERATION COMMITTEE

Chaudhary Khaqan Saadullah Khan

Chairman

Mr. Ahmed Jaudet Bilal

Mr. Nauman Ansari

LEGAL ADVISOR

Mr. Babar Shahzad Imran

SHARES REGISTRAR

Hameed Majeed Associates (Private) Limited

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
KASB Bank Limited
Allied Bank Limited
Bank Alfalah Limited
The Bank of Punjab
Bank Islami Pakistan Limited
Askari Bank Limited
Pak Libya Holding Company (Pvt.) Limited
Soneri Bank Limited
Citi Bank N.A.
HSBC Bank Middle East Limited
United Bank Limited
Habib Bank Limited

REGISTERED OFFICE

1st Floor, 307-Upper Mall, Lahore, 45000
Ph: +92 (0) 42 35958771-74
Fax: +92 (0) 42 35958775

PROJECT LOCATIONS

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

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

Directors' Report

The directors of Agritech Limited (Formerly Pak-American Fertilizers Limited), henceforth called the Company, along with the management team are pleased to present the Company's Annual Report accompanied by the Audited Financial Statements for the 18 Months ended December 31, 2013.

These financial statements have been endorsed by the Chief Executive Officer and one of the directors in accordance with the Code of Corporate Governance, having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

Business Review

Change of financial year

The Company during the period has changed its financial year from 30 June to 31 December to align its year-end with the major shareholders of the Company which are banks who close their financial period on 31 December. In this respect the Company applied and obtained:

- Approval from Commissioner Inland Revenue through letter No. LTU/CIR Zone-IIT/F # 55/10516 dated 11 June 2013 under section 74(3) of the Income Tax Ordinance, 2001.
- Approval from SECP through letter No. ARL/1012 dated 12 July 2013 obtaining permission under section 233(2) of the Companies Ordinance, 1984 for preparation of accounts for a period exceeding twelve months i.e. 01 July 2012 to 31 December 2013.
- Approval from SECP through letter No. EMD/233/752/210-92 dated 26 July 2013 under section 158 & 233 of the Companies Ordinance, 1984, for extension of holding of annual general meeting of the Company within four months following the close of new financial year of the Company i.e. up to April 2014 for the period ended 31 December 2013.

In view of the above, these financial statements are prepared for eighteen months period from 01 July 2012 to 31 December 2013. The corresponding figures shown in these financial statements pertain to the financial statements for the year ended 30 June 2012 and therefore, are not entirely comparable in respect of profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity.

Principal Activities

The main business of the Company is the manufacturing and marketing of fertilizers. The Company owns and operates the country's newest and most efficient urea manufacturing plant at Mianwali as well as a facility for the manufacture of SSP (Single Super Phosphate) at Haripur Hazara, which is the single largest SSP manufacturing plant in the country.

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

Year in Review

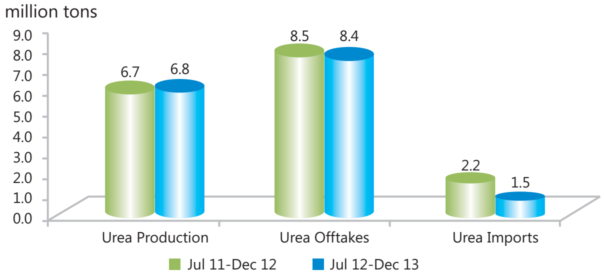
Financial Results of Agritech Limited

	18 Months ending December 31, 2013	12 Months ending June 30, 2012
Sales - net	8,627,668,956	5,697,064,161
Operating Profit	729,813,913	734,340,041
Finance Cost	4,659,352,159	2,794,226,564
Loss before Tax	(3,866,608,823)	(1,835,660,397)
Loss after Tax	(3,382,156,541)	(1,628,459,168)
Loss per share	(9.17)	(4.35)

Urea

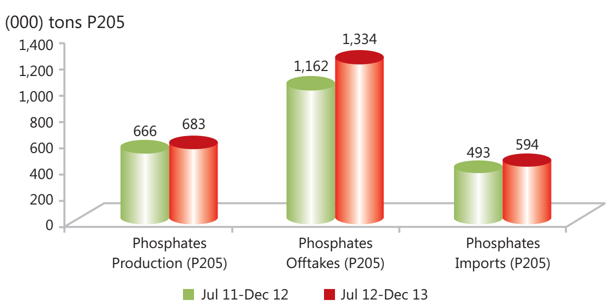
Urea production in the country, during the period under review, improved by 2.1% at 6.8 million tons as compared to 6.7 million tons in the same period on the back of improved gas supply. Urea offtake saw a reduction of 1.1% during the period under review and reduced to 8.4 million tons as compared to 8.5 million tons in last period (18 Months). The reduction in offtake is mainly attributed to the higher urea prices resulting in lower consumption by the farmers. Urea price increased to Rs. 1,722/bag in 2013 whereas it was at Rs. 1,215/bag in Jul 2011. With the improved urea production, imports of urea were reduced by 31% as compared to the corresponding period last year.

Our company faced extensive and unplanned natural gas load shedding till March 2013 but from March 2013 urea plant operated uninterrupted for 230 days (2011-2012: 173 days) during the year and 254 days in 18 months. The Urea plant produced 241,826 tons (2011-2012: 156,645 tons) during 18 months, which is 33% higher than the same period last year.



Phosphates

Consumption/offtake of phosphates in terms of P2O5 nutrients (including all phosphatic fertilizers) registered a healthy increase of 15% during the period under review, and off takes reached to 1.33 million tons P2O5 nutrient as compared to 1.16 million tons P2O5 nutrients in last period. The increase is mainly attributed to the significant reduction of global phosphate prices, particularly that of DAP, in 2013 making DAP affordable for farmers as compared to 2012. Resultantly DAP off takes increased to 1.6 million tons in 2013 as compared to 1.2 million tons in 2012. Average DAP import price in Pakistan in 2013 was US$ 432 per ton as compared to US$ 595 per ton in 2012, however, DAP prices started to climb towards the end of 2013. Phosphate imports during the 18 month period increased by 21% due to higher imports of DAP. Lower DAP prices affected the offtake of other phosphatic fertilizers like SSP.



Capital Restructuring

As a result of the Share Transfer and Debt Swap Agreement, the new shareholders (comprising majority of Banks and Financial Institutions), through their representatives, formed the new board of directors of Agritech. After a detailed briefing by the management of the Company, the BOD agreed that to put company back into financial stability requires a financial rehabilitation. The gas curtailment in the last 3 years has been the only cause of its debt servicing delays and because of this the mark up accumulated has created an increased debt burden. Whereas operating cash flows are healthy if gas remains available, a capital restructuring has to be done with the cooperation of lenders to enable company to devise a capital structure, which will be sustainable for both company and lenders, given the likely gas availability to the plant as allocated by the Government of Pakistan.

The Company's financial position improved during the year 2013 due to improved gas supply from the northern network. However, in order to improve the financial position further the company appointed National Bank of Pakistan ("NBP") as Financial Advisor ("FA") to review its capital structure and propose a financial rehabilitation plan. As the Company was unable to meet its financial obligations due to accumulated debt burden as a result of gas curtailment in the last three years, in the form of Principal and overdue mark up, the FA was mandated to propose the most suitable capital structure based on a realistic view of gas availability. After analysing the situation, complete debt plus markup conversion into Preference Shares was proposed. In addition to this, it was also proposed to utilise excess cash generated from operations in 2013, to reduce the debt of the Company. A detailed plan to alleviate the financial burden of the Company and bring it to a level of operational sustainability on an ongoing basis, the Company's board approved the rehabilitation plan on November 5, 2013 and was also subsequently approved by Shareholders in an EOGM held on December 10, 2013. The Company is hopeful to receive the requisite consents of its lenders and and implement the scheme in 2014. By implementing this scheme, the Company will achieve a suitable and sustainable capital structure and further improve its financial performance.

Future Outlook

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

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

Urea off takes outlook for 2014 looks promising on the back of significant demand recovery seen during 2013 and off takes likely to remain at 6.7 million tons. Phosphate market has been volatile during 2013 due to exceptional decline in DAP prices internationally. DAP off take improved in Pakistan in 2013 on the back of lower international prices. Lower DAP prices negatively affected the SSP sales. It is expected that normalizing of DAP prices in 2014 will support sales growth of SSP.

Financial Highlights

Six years at a glance

	2013 (18 Months)	2012	2011	2010	2009	2008
Operating performance (Rs. 000)						
Sales-Net	8,627,668	5,697,064	5,149,162	12,854,551	12,997,800	5,701,113
Operating profit	729,813	734,340	915,967	2,515,552	4,075,643	2,140,551
(Loss)/profit before tax	(3,866,608)	(1,835,660)	(996,892)	2,429,031	1,908,122	979,199
(Loss)/profit after tax	(3,382,156)	(1,628,459)	50,597	267,959	1,790,953	755,348
Financial position (Rs. 000)						
Total equity	5,422,146	8,919,056	8,880,383	8,671,866	7,757,432	6,643,582
Long term debt	19,265,892	19,491,270	18,377,667	14,153,500	12,826,365	8,484,410
Property, plant and equipment	35,953,627	37,197,945	36,283,420	33,878,586	18,649,196	12,517,981
Financial analysis						
Current ratio (ratio)	0.31	0.44	0.37	0.46	1.46	1.27
Debt to equity (ratio)	3.55	2.19	2.07	1.63	1.65	1.26
Profitability analysis						
Operating profit to sales (%)	8.46	12.89	17.79	19.57	31.36	37.55
(Loss)/Earning per share (Rs.)	(9.17)	(4.35)	0.13	2.26	4.56	3.12

Corporate Social Responsibility

Health check at AGRITECH Hospital

Students of an AGRITECH School

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 eduction 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.

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

Certifications

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.

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.

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.

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.

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.

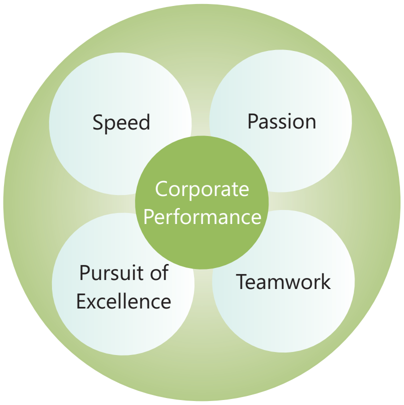
Customer Satisfaction

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.

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.

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 polices, the Company does not employ any child labor and is an equal opportunity employer.


QUALITY
STARTS
WITH
YOU!
WARNING
A-127-C

Corporate Review

Pattern of Shareholding

The shareholding in the Company as at 31 December 2013 is as follows:

	Number of shareholders	Number of shares held	Percentage of holding
Individuals	570	4,759,182	1%
Banks Development			
Financial Institutions, Non - Banking Finance Companies	34	377,669,306	96.26%
Modarbas and Mutual Funds	2	10,000,000	2.55%
Directors and their spouses (s) and minor children	8	1,512	0.00039%
Total	614	392,430,000	100.00

The information of shareholding as at 31 December 2013 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	110,715,224	
	Faysal Bank Limited	46,626,176	
	Summit Bank Limited	36,643,731	
	KASB Bank Limited	18,155,305	
	Silkbank Limited	8,704,640	
		220,845,076	**56.29%**
2.	NIT and ICP	10,000,000	2.55%
3.	Directors, and their spouses (s) and minor children	1,512	0.00039%
4.	Executives		
5.	Public Sector Companies and Corporation		
6.	Banks Development		
	Financial Institutions, Non-Banking Finance Companies	377,669,306	96.26%
7.	Shareholders holding five percent or more voting rights in the listed Company		
	National Bank of Pakistan	110,715,224	28%
	Faysal Bank Limited	46,626,176	12%
	Pak Brunei Investment Company Limited	40,483,974	10%
	Summit Bank Limited	36,643,731	9%
	Dubai Islamic Bank (Pakistan) Limited	20,000,000	5%
	KASB Bank Limited	18,155,305	5%
		272,624,410	**69%**

The pattern of holding of shares held by the shareholders as at 31 December 2013 is as follows:

Number of shareholders	Shareholding From	To	Total shares held
102	1	100	1,990
236	101	500	113,663
86	501	1,000	83,560
99	1,001	5,000	310,510
19	5,001	10,000	146,401
8	10,001	15,000	105,171
5	15,001	20,000	97,100
8	20,001	25,000	193,500
2	25,001	30,000	59,000
2	30,001	35,000	63,560
1	35,001	40,000	40,000
1	40,001	45,000	42,400
3	45,001	50,000	147,000
1	55,001	60,000	60,000
2	60,001	65,000	128,739
1	65,001	70,000	66,000
1	80,001	85,000	84,000
1	85,001	90,000	90,000
1	95,001	100,00	96,500
1	115,001	120,000	116,500
1	120,001	125,000	124,500
1	145,001	150,000	150,000
1	210,001	215,000	212,306
1	300,001	305,000	303,183
1	330,001	335,000	332,000
1	520,001	525,000	524,000
1	815,001	820,000	815,800
1	820,001	825,000	821,555
1	955,001	960,000	957,545
1	1,330,001	1,335,000	1,333,333
1	1,620,001	1,625,000	1,621,396
1	1,805,001	1,810,000	1,807,000
1	2,800,000	2,805,000	2,804,000
2	3,330,001	3,335,000	6,666,666
1	3,755,001	3,760,000	3,755,428
1	6,666,001	6,671,000	6,666,667
1	7,450,001	7,455,000	7,455,000
1	7,540,001	7,545,000	7,541,121
1	8,330,001	8,335,000	8,332,058
1	8,455,001	8,460,000	8,455,353
1	8,700,001	8,705,000	8,704,640
1	9,995,000	10,000,000	10,000,000
1	10,455,001	10,460,000	10,456,283
1	11,030,001	11,035,000	11,030,809
1	11,460,001	11,465,000	11,461,023
1	13,880,001	13,885,000	13,883,183
1	13,950,001	13,955,000	13,954,188
1	18,155,001	18,160,000	18,155,305
1	19,995,000	20,000,000	20,000,000
1	24,215,001	24,220,000	24,216,635
1	36,640,001	36,645,000	36,643,731
1	40,480,001	40,485,000	40,483,974
1	110,715,001	110,720,000	110,715,224
614			392,430,000

Modification in the Auditors report

Qualification

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

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

Emphasis

Auditors also raised concern about company ability to operate as going concern. The fact of the matter is that the company was forced to breach the covenants imposed by the lenders due to operational issues faced by the continued gas curtailments unduly inflicted by GOP and repeated gas load shedding. The assumption that the company will operate as going concern is based on steps taken by the management during the year to mitigate the gas curtailment issue. The wholly owned subsidiary, Hazara Phosphate Fertilizers (Private) Limited ("HPFL") was merged into the Company. HPFL manufactures Phosphate fertilizers and has registered profits in the past on a consistent basis. The Company intends to expand the Phosphate fertilizer business with change in product mix and consequently margins and cash flows. Further, the Company in the past has successfully traded DAP fertilizer to generate handsome revenues and profit margins. Trading of DAP fertilizer was discontinued due to financial constraints, however, as the financial position of the Company improves in the future,, the Company expects to restart the DAP trading business which will yield substantial revenue. With these initiatives, the Company expects to earn profits in the future and meet its operational and financial obligations on timely basis.

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

Loss per share

The loss per share of the Company for the period ended on 31 December 2013 is Rs. 9.17 per share

Dividend

Due to circumstances already discussed the Board of Directors does not recommend any dividend for the period ended on 31 December 2013.

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, except for reported in statement of compliance.
- There are no statutory payment on account of taxes, duties levies and charges which are outstanding as on 31 December 2013 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 audited financial statements for the period ended on 31 December 2013 are as follows:

		Value in Rs.
1	Provident Fund	114,661,617
2	Gratuity Fund	45,147,370

Board of Directors

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

Name of Director	Eligibility	Attended
Mr. Farooq Ahmad Khan	3	3
Syed Hasan Irtiza Kazmi	5	5
Mr. Khadim Hussain	7	7
Mr. Nauman Ansari	7	6
Mian Asif Said	7	7
Mr. Rehmat Ali Hasnie	0	0
Chaudhary Khaqan Saadullah Khan	4	4
Mr. Ahsan Raza Durrani	7	7
Mr. Ahmad Jaudet Bilal	10	10
Muhammad Faisal Muzammil	10	5
Mr. Khaleeque-ur-Rehman	4	4
Mr. Imran Maqbool	4	3
Mr. Ahmed H. Shaikh	4	3
Mr. Irfan Nazir	4	3
Mr. Tariq Jamali	0	0
Mr. Khalid A.H. Al-Sagar	4	0

Director's Training Program

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.

Audit Committee

During the period under review, Audit Committee meetings held for the four times and the attendances of members were as follows:

Name of Director	Eligibility	Attended
Mr. Nauman Ansari	4	4
Mian Asif Said	4	4
Mr. Ahsan Raza Durrani	4	4

HR & Remuneration Committee Meeting

Name of Director	Eligibility	Attended
Chaudhary Khaqan Saadullah Khan	2	2
Mr. Nauman Ansari	2	2
Mr. Ahmad Jaudet Bilal	2	2

Appointment of Auditors

Messers. KPMG Taseer Hadi & Co. Chartered Accountants, completed its tenure of appointment with the Company and being eligible has offered its services for another term.

Acknowledgement

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

The Board also wishes to place on record its appreciation for the employees of the Company. All this has been possible with their hard work and commitment.

14 March 2014

Chief Executive Officer

Corporate Governance

Review Report to the Members on Statement of Compliance
with the Code of Corporate Governance

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Paksitan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Agritech Limited** ("the Company") for the period ended 31 December 2013 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2013.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance.

Reference	Description
i. Paragraph 1	At present there is no independent Director on the Company's Board of Directors as required by the Code.
ii. Paragraph 9	None of the Directors of the Company has obtained certificate under Directors' training program. Further the Company has not arranged orientation courses for its Directors.
iii. Paragraph 15	Under clause xxiv of the CCG the chairman of the Audit Committee should be an independent Director. Since there is no independent Director on the Board, therefore, this requirement is not complied with.
iv. Paragraph 18	The Company is required to appoint a person as Head of Internal Audit under clause xxxi of CCG which it has not appointed to date.

KPMG Taseer Hadi & Co.

Lahore

Date : 14 March 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. During the period election of Directors were held on 16 July 2012 and currently the Board comprises of following members:

Category	Names
Independent Directors	None
Executive Directors	Mr. Muhammad Faisal Muzammil
	Mr. Ahmed Jaudet Bilal (CEO)
Non-Exective Directors	Mr. Tariq Jamali
	Mian Asif Said
	Chaudhary Khaqan Saadullah Khan
	Mr. Nauman Ansari
	Mr. Ahsan Raza Durrani
	Mr. Rehmat Ali Hasnie

At present there is no independent Director on the Company's Board as required under clause i(b) of the CCG. However, the Company shall seek compliance with the requirements of the CCG in the coming year.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Following causal vacancies occurred on the board of directors during the period due to resignation of the following directors:

Sr. #	Name of Director	Date of Resignation
1	Mr. Ahmed H. Shaikh	11-03-2013
2	Mr. Khalid A.H. Al-Sagar	11-03-2013
3	Mr. Irfan Nazir Ahmad	11-03-2013
4	Mr. Imran Maqbool	11-03-2013
5	Mr. Ahmed Jaudet Bilal	11-03-2013
6	Mr. Khaleeque Ur Rehman	11-03-2013
7	Mr. Farooq Ahmed Khan	12-06-2013
8	Syed Hassan Irtiza Kazmi	13-11-2013
9	Mr. Khadim Hussain	13-12-2013

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

Sr. #	Name of Director	Date of Appointment	Casual Vacancy filled within (90) days
1	Mr. Nauman Ansari	11-03-2013	✔
2	Mr. Farooq Ahmed Khan	11-03-2013	✔
3	Syed Hassan Irtiza Kazmi	11-03-2013	✔
4	Mr. Ahsan Raza Durrani	11-03-2013	✔
5	Mian Asif Said	11-03-2013	✔
6	Mr. Khadim Hussain	11-03-2013	✔
7	Chaudhary Khaqan Saadullah Khan	12-06-2013	✔
8	Mr. Tariq Jamali	13-11-2013	✔
9	Mr. Rehmat Ali Hasnie	13-12-2013	✔

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the

board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All the directors are professionals and senior executives who possess wide experience and awareness of the duties of directors. Nevertheless training & orientation courses of directors is an on-going process and the Company intends to comply with the directors' training & orientation courses as required by the CCG and completion of certification in the succeeding year.

10. The Board has approved appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employment.

11. The Directors' report for this period has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises of following members:

Name	Type of Directroship	Position
Mian Asif Said	Non-Executive	Chairman
Mr. Nauman Ansari	Non-Executive	Member
Mr. Ahsan Raza Durrani	Non-Executive	Member

Under clause xxiv of the CCG the chairman of the Audit Committee should be an independent Director. Since there is no independent Director on the Board, therefore, this requirement is not complied with. However, the Company shall seek compliance with the requirements of the CCG in the coming year.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of following members:

Name	Type of Directroship	Position
Chaudhary Khaqan Saadullah Khan	Non-Executive	Chairman
Mr. Ahmed Jaudet Bilal	Executive	Member
Mr. Nauman Ansari	Non-Executive	Member

18. The board has outsourced the internal audit function to **M/S M. Yousuf Adil Saleem & Co.,** Chartered Accountants, (Deloitte Pakistan), which are considered suitably qualified and experience for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a full time basis. Further, the Company is also required to appoint a person as Head of Internal Audit under clause xxxi of CCG which it has not appointed to date. However, the Company is in the process for the appointment of a suitable person as Head of Internal Audit.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the reported above, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

A. T. Bilal

14 March 2014 — Chief Executive Officer

Financial Statements

Auditor’s Report to the Members

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Paksitan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

We have audited the annexed balance sheet of **Agritech Limited** (”the Comapny”) as at 31 December 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the eighteen months period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company’s management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan an perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) As stated in note 2.3 and 44.2.2 to the financial statements, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard on Presentation of financial statements (IAS-1) requires that if an entity breaches a provision of a long term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current. In these financial statements the long term debts have continued to be classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS -1, current liabilities of the Company would have increased by Rs. 14,785.91 million as at the reporting date.

b) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

c) in our opinion:

    i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

    ii) the expenditure incurred during the period was for the purpose of the Company’s business; and

    iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;

d) in our opinion and to the best of our information and according to the explanations given to us, except for the effects on the financial statements of the matter referred in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company’s affairs as at 31 December 2013 and of the loss, its comprehensive, its cash flows and changes in equity for the eighteen months period then ended; and

KPMG Taseer Hadi & Co.

e) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following matters :

i. Note 5.4 to the accompanying financial statements, whereby Redeemable Preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984. The matter of its classification will be dealt in accordance with the clarification from the Securities and Exchange Commission of Pakistan, as fully explained in note 5.4 to the financial statements and;

ii. The Company has incurred a loss before tax of Rs. 3,866.61 million during the eighteen months period ended 31 December 2013 and, as of that date; its current liabilities exceeded its current assets by Rs. 12,626.00 million, including Rs. 8,266.05 million relating to overdue principal and mark up thereon, and its accumulated loss stood at Rs. 104.50 million. The difference between current liabilities and current assets would be Rs. 27,411.91 million, had the Company classified its long term debts as current for reasons more fully explained in the note 2.3 to the financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the financial statements.

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

KPMG Taseer Hadi & Co.

Lahore

Date : 14 March 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Balance Sheet
As at 31 December 2013

	Note	31 December 2013 Rupees	30 June 2012 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	5	**5,517,642,690**	5,517,642,690
Reserves	6	**9,000,000**	9,000,000
Accumulated (loss) / profits		**(104,496,573)**	3,392,413,553
		5,422,146,117	8,919,056,243
Surplus on revaluation of fixed assets	7	**3,817,886,542**	3,944,247,724
Non-current liabilities			
Subordinated loan	8	**-**	340,000,000
Redeemable capital - *secured*	9	**9,516,754,658**	11,226,126,643
Long term finances - *secured*	10	**4,969,800,304**	7,193,887,786
Liabilities against assets subject to finance lease - *secured*	11	**-**	76,194,996
Long term payables - *unsecured*	12	**31,135,199**	31,135,199
Staff retirement benefits	13	**13,757,997**	10,987,413
Deferred taxation - *net*	14	**2,217,038,194**	2,701,490,476
		16,748,486,352	21,579,822,513
Current liabilities			
Current maturity of non-current liabilities	15	**4,748,202,377**	655,060,293
Short term borrowings	16	**3,640,781,136**	3,338,017,160
Trade and other payables	17	**2,838,529,371**	2,395,498,348
Interest / mark-up accrued on borrowings	18	**6,694,402,656**	3,126,619,464
Preference dividend payable		**328,748,615**	87,633,848
		18,250,664,155	9,602,829,113
Contingencies and commitments	19		
		44,239,183,166	44,045,955,593

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

Lahore
14 March 2014

Chief Executive

	Note	31 December 2013 Rupees	30 June 2012 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*20*	**35,953,627,796**	37,197,945,111
Intangible assets	*21*	**2,592,026,353**	2,598,253,663
Long term advances	*22*	**21,736,130**	25,297,091
Long term deposits - *unsecured, considered good*	*23*	**47,128,749**	41,619,209
		38,614,519,028	39,863,115,074
Current assets			
Stores, spares and loose tools	*24*	**2,037,838,649**	2,106,731,093
Stock in trade	*25*	**539,320,247**	667,938,748
Trade receivables	*26*	**14,415,382**	12,739,838
Advances, deposits, prepayments and other receivables	*27*	**1,432,356,296**	836,411,259
Due from related party - *unsecured, considered good*	*28*	**-**	286,395,126
Current taxation	*29*	**165,907,478**	55,189,910
Cash and bank balances	*30*	**1,434,826,086**	217,434,545
		5,624,664,138	4,182,840,519
		44,239,183,166	44,045,955,593

Director

Profit and Loss Account
For the period 01 July 2012 to 31 December 2013

	Note	**01 July 2012 to 31 December 2013 Rupees**	01 July 2011 to 30 June 2012 Rupees
Sales - *net*	*31*	**8,627,668,956**	5,697,064,161
Cost of sales	*32*	**(6,799,472,513)**	(4,219,244,562)
Gross profit		**1,828,196,443**	1,477,819,599
Selling and distribution expenses	*33*	**(330,617,053)**	(213,598,164)
Administrative and general expenses	*34*	**(767,765,477)**	(529,881,394)
Operating profit		**729,813,913**	734,340,041
Finance cost	*35*	**(4,659,352,159)**	(2,794,226,564)
Net other income	*36*	**62,929,423**	224,226,126
Loss before taxation		**(3,866,608,823)**	(1,835,660,397)
Taxation	*37*	**484,452,282**	207,201,229
Loss after taxation		**(3,382,156,541)**	(1,628,459,168)
Loss per share - *basic and diluted*	*38*	**(9.17)**	(4.35)

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

Lahore
14 March 2014

Chief Executive

Director

Statement of Comprehensive Income

For the period 01 July 2012 to 31 December 2013

	01 July 2012 to 31 December 2013	01 July 2011 to 30 June 2012
	Rupees	Rupees
Loss after taxation	**(3,382,156,541)**	(1,628,459,168)
Other comprehensive income	**-**	-
Total comprehensive loss for the period / year	**(3,382,156,541)**	(1,628,459,168)

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

Lahore
14 March 2014

Chief Executive

Director

Cash Flow Statement

For the period 01 July 2012 to 31 December 2013

	Note	**01 July 2012 to 31 December 2013 Rupees**	01 July 2011 to 30 June 2012 Rupees
Cash flow from operating activities			
Cash generated from operations	*39*	**2,114,695,441**	1,224,339,253
Finance cost paid		**(752,465,572)**	(1,895,715,672)
Interest income received		**87,819,948**	118,839,418
Taxation		**(115,650,339)**	28,521,565
Staff retirement benefits paid		**(18,566,826)**	(33,830,485)
Worker's Profit Participation Fund		**-**	(9,853,226)
Net cash generated from / (used in) operating activities		**1,315,832,652**	(567,699,147)
Cash flows from investing activities			
Capital expenditure		**(102,409,952)**	(1,086,707,540)
Long term advances		**3,560,961**	3,366,833
Long term deposits		**(5,509,540)**	(25,151,421)
Proceeds from sale of fixed assets		**12,374,092**	4,385,084
Due from related party		**286,395,126**	30,763,444
Net cash generated from / (used in) investing activities		**194,410,687**	(1,073,343,600)
Cash flows from financing activities			
Long term finances (repaid) / obtained		**(516,555,886)**	123,699,279
Redemption of redeemable capital		**(4,884,350)**	(667,251)
Proceeds from issuance of preference shares		**-**	1,593,342,690
Repayment of liabilities against assets subject to finance lease		**(74,175,538)**	(51,319,159)
Transaction costs incurred		**-**	(96,022,226)
Net increase in short term borrowings		**73,859,293**	98,207,187
Net cash (used in) / generated from financing activities		**(521,756,481)**	1,667,240,520
Net increase in cash and cash equivalents		**988,486,858**	26,197,773
Cash and cash equivalents at beginning of the period		**(1,733,238,799)**	(1,759,436,572)
Cash and cash equivalents at end of the year	*40*	**(744,751,941)**	(1,733,238,799)

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

Lahore
14 March 2014

Chief Executive

Director

Statement of Changes in Equity

For the period 01 July 2012 to 31 December 2013

	Share capital		Reserves		
	Ordinary shares	Preference shares	Revenue reserve	Unappropriated profits	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2011	3,924,300,000	-	9,000,000	4,947,083,119	8,880,383,119
Preference shares issued during the year	-	1,593,342,690	-	-	1,593,342,690
Total comprehensive loss for the year ended 30 June 2012	-	-	-	(1,628,459,168)	(1,628,459,168)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	161,423,450	161,423,450
Preference dividend for the year ended 30 June 2012	-	-	-	(87,633,848)	(87,633,848)
As at 30 June 2012	**3,924,300,000**	**1,593,342,690**	**9,000,000**	**3,392,413,553**	**8,919,056,243**
As at 01 July 2012	3,924,300,000	1,593,342,690	9,000,000	3,392,413,553	8,919,056,243
Total comprehensive loss for the eighteen months period ended 31 December 2013	-	-	-	(3,382,156,541)	(3,382,156,541)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	126,361,182	126,361,182
Preference dividend for the eighteen months period ended 31 December 2013	-	-	-	(241,114,767)	(241,114,767)
As at 31 December 2013	**3,924,300,000**	**1,593,342,690**	**9,000,000**	**(104,496,573)**	**5,422,146,117**

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

Lahore
14 March 2014

Chief Executive

Director

Notes to the Financial Statements
For the period 01 July 2012 to 31 December 2013

1 Reporting entity

1.1 Agritech Limited was incorporated in Pakistan on 15 December 1959 as an unlisted Public Limited Company under the Companies Act, 1913 (Now Companies Ordinance, 1984) and was a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited ("NFC"), a Government owned Corporation, until 15 July 2006. Subsequently, 100% shares of the Company were acquired by Azgard Nine Limited ("ANL") as a part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. On 12 April 2010 the Company was listed on Karachi Stock Exchange ("KSE") vide KSE Notification No. KSE/N-1940. ANL, during the period has sold its major shareholding in the Company to a consortium of banks and financial institutions. The registered office of the Company is situated at 307-Upper Mall, First Floor, Lahore. The principal business of the Company is the production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer. The Company has two production units with Unit I located at Iskanderabad, District Mianwali and Unit II at Hattar Road, Haripur.

Pursuant to the scheme of amalgamation approved by Honourable Lahore High Court, Hazara Phosphate Fertilizers (Private) Limited ("HPFL"), a wholly owned subsidiary of the Company was merged into the Company, vide an order dated 23 May 2012.

1.2 Change in accounting year

The Company during the period has changed its financial year from 30 June to 31 December to align its year-end with the major shareholders of the Company which are banks that close their accounts on 31 December. In this respect the Company applied and obtained:

- Approval from Commissioner Inland Revenue through letter No. LTU/CIR Zone-IIT/F # 55/10516 dated 11 June 2013 under section 74(3) of the Income Tax Ordinance, 2001.

- Approval from SECP through letter No. ARL/1012 dated 12 July 2013 obtaining permission under section 233(2) of the Companies Ordinance, 1984 for preparation of accounts for a period exceeding twelve months i.e. 01 July 2012 to 31 December 2013.

- Approval from SECP through letter No. EMD/233/752/210-92 dated 26 July 2013 under section 158 & 233 of the Companies Ordinance, 1984, for extension of holding of annual general meeting of the Company within four months following the close of new financial year of the Company i.e. up to April 2014 for the period ended 31 December 2013.

In view of the above, these financial statements are prepared for eighteen months period from 01 July 2012 to 31 December 2013. The corresponding figures shown in these financial statements pertain to the financial statements for the year ended 30 June 2012 and therefore, are not entirely comparable in respect of profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Going concern assumption

The Company, continues to face operational issues due to extended gas load shedding in winter and gas curtailment by Government of Pakistan for shifting the gas towards power sector to reduce electricity load shedding which has perpetuated temporary liquidity issues resulting in over dues as referred in note 44.2.2 to the financial statements. Due to these factors, the Company has incurred a loss before tax of Rs. 3,866.61 million during the eighteen months period ended 31 December 2013 and, as of that date, its current liabilities exceeded current assets by Rs. 12,626.00 million, including Rs. 8,226.05 million relating to overdue principal and interest / mark-up thereon, and its accumulated loss stood at Rs. 104.50 million. The difference between current liabilities and current assets would be Rs. 27,411.91 million, had the Company classified its long term debts as current for reasons more fully explained in the note 2.3 to the financial statements. These conditions cast significant doubt about the Company's ability to continue as a going concern. These financial statements are however been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the fact that the Economic Coordination Committee ("ECC") of the Cabinet in its meeting held on 18 December 2012 has approved a Dedicated Long Term Gas Supply Solution for Fertilizer Industry by virtue of which a consortium of Four Fertilizer Manufacturers ("FFM") including AGL, which are currently on SNGPL system, has been allowed to purchase gas directly from alternate dedicated gas supply sources. All important pertinent contracts have been signed with the gas producers and the Gas transporters. The execution of these contracts is currently been negotiated with the new GOP. As a consequence of additional gas supply from Northern network the gas supply for the company has improved considerably. The plant had been running consistently at 72% of capacity from 18 March 2013 till 04 November 2013 and the trend is likely to continue for coming periods to follow until the FFM arrangements commence.

Further, the Company has planned to convert its existing debt including mark-up into preference shares as stated in detail in note 44.2.2. The necessary steps for the said conversion have already been initiated by the Company. With the aforesaid conversion and other measures mentioned in the above paragraph, the management of the Company envisages that sufficient financial resources will be available for the continuing operations and it is expected to operate profitably.

2.3 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 44.2.2. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 14,785.91 million as detailed below have continued to be classified as long term as per the repayment schedules in these financial statements as the management considers that event of default was not declared by the lenders at the reporting date:

	Principal net of current maturity
	Rupees
Redeemable capital	
Term Finance Certificates - I	1,209,585,900
Term Finance Certificates - II	5,564,674,347
Term Finance Certificates - III	399,929,350
Privately Placed Term Finance Certificates - IV	184,589,873
Privately Placed Term Finance Certificates - V	617,942,578
Privately Placed Term Finance Certificates	467,385,413
Sukkuks	1,291,267,142
	9,735,374,603
Long term finances	
Syndicate Term Finance - I	2,421,428,571
Syndicate Term Finance - III	2,004,983,077
KASB Bank Limited - Term Finance	222,857,144
National Bank of Pakistan - Term Finance	132,083,735
Dubai Islamic Bank Limited - Term Finance	269,187,500
	5,050,540,027
	14,785,914,630

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 Judgments, estimates and assumptions

The preparation of financial statements 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.

2.5.2 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.

2.5.3 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities.

2.5.4 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.

2.5.5 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. 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.

2.5.6 Obligations under defined benefit plans

Obligations under defined benefit plans are determined by independent actuaries based on various assumptions including expected rate of increase in salaries, expected remaining working lives of employees, expected return on plan assets and discount rates.

2.5.7 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.

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.

3.1 Property, plant and equipment

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, building on freehold land, residential colony assets and, plant and machinery which are measured at revalued amount less accumulated depreciation and capital work in progress which is measured at cost less accumulated impairment losses. 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. Expenditure incurred on capital work in progress are transferred to operating fixed assets when related items become available for use.

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

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as 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.

3.2 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

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

Surplus arising on revaluation of items of property, plant and equipment is recognized on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously recognized on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year.

Further the surplus on revaluation of property, plant and equipment shall be utilized in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

3.4 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.

3.5 Stores, spares and loose tools

These are measured at lower of cost and net realizable value. The cost is determined using the weighted average method.

3.6 Stock in trade

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

Finished goods	Average manufacturing cost
Trading stock	Invoice price plus related expense
Stock in transit	Invoice price plus related expense incurred up to the reporting date

Average manufacturing cost in relation to 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 make the sale.

3.7 Employee benefits

3.7.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

3.7.2 Post-employment benefits

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

The Company operates an approved defined contributory provident fund for its employees excluding expatriates. Equal contributions are made by the Company and employees at 8.33% and 10% of basic salary of executives and workers respectively. Interest is charged @ 15.70% on the outstanding fund balance and is recognized in profit or loss.

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

The Company operates a funded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service excluding employees who were members of the discontinued pension scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to 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 current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations 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 contributions to the plan.

The amount recognized in the balance sheet represents the present value of defined benefit obligation less fair value of plan assets as adjusted for unrecognized actuarial gains and losses.

Actuarial gains and losses are recognized using the "10% corridor approach" as set out by International Accounting Standard 19 - Employee Benefits.

Details of scheme are referred in note 13 to the financial statements.

3.8 Financial instruments

3.8.1 *Financial assets*

The Company classifies its financial assets in the following categories: at fair value through profit or 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 classification of its financial assets at the time of initial recognition.

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

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

3.8.1(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3.8.1(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or 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. Available-for-sale financial assets are classified as short term investments in the balance sheet.

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

3.8.1(d) Held to maturity

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

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

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

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

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

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

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

3.8.2 Financial liabilities

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or 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.

3.8.3 Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company looses 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 expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

3.9 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit 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 amortization, if no impairment loss had been recognized.

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 unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognized.

3.10 Off-setting

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

3.11 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares and share options are recognized as deduction from equity.

3.12 Redeemable capital

Redeemable capital, including embedded equity component existing due to conversion options, if any, is recognized as 'loans and borrowings', in accordance with the interpretation of the provisions of the Companies Ordinance, 1984, including those pertaining to implied classification of redeemable capital.

3.13 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.

3.14 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'property, plant and equipment'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for property, plant and equipment. 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 charge 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.

3.15 Operating leases

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

3.16 Trade and other payables

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.

3.17 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.

3.18 Revenue

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.

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.

Interest income is recognized using effective interest method.

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

3.20 Government grants

Government grants are recognized when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants related to future expenditure are initially recognized as deferred income. Subsequent to initial recognition grants related to assets are recognized in profit or loss on a systematic basis over the useful life of the assets whereas grants relating to income are recognized in profit or loss on a systematic basis in the same period in which related expenses are recognized. Grants that compensate the Company for expenses or losses already incurred are recognized in profit or loss in the period in which these become receivable.

3.21 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

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. 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 recognized 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 is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.22 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.

3.23 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand, running finance and cash at banks. These are classified as 'loans and receivables' and are carried at amortized cost.

3.24 New standards, amendments to approved accounting standards and interpretations which became effective during the period.

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Company.

3.25 New standards, amendments to approved accounting standards and interpretations that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011, 2010-2012 and 2011-2013 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

		Note	31 December 2013 Rupees	30 June 2012 Rupees
4	**Authorized share capital**			
	Ordinary shares of Rs 10 each			
	600,000,000 (30 June 2012: 600,000,000) class A shares	*4.1*	**6,000,000,000**	6,000,000,000
	200,000,000 (30 June 2012: 200,000,000) class B shares	*4.2*	**2,000,000,000**	2,000,000,000
	200,000,000 (30 June 2012: 200,000,000) class C shares	*4.3*	**2,000,000,000**	2,000,000,000
			10,000,000,000	10,000,000,000
	Preference shares of Rs. 10 each			
	500,000,000 (30 June 2012: 200,000,000) shares		**5,000,000,000**	5,000,000,000
			15,000,000,000	15,000,000,000

4.1 Class A ordinary shares include all ordinary shares of the Company other than non-voting ordinary shares and restrictive rights voting ordinary shares, having all rights and privileges, including voting rights as provided in the Companies Ordinance, 1984.

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	31 December 2013 Rupees	30 June 2012 Rupees
5	**Issued, subscribed and paid-up-capital**			
	Class A ordinary shares of Rs. 10 each			
	383,430,000 (30 June 2012: 383,430,000)			
	Shares issued fully paid in cash	*5.1 & 5.2*	**3,834,300,000**	3,834,300,000
	9,000,000 (30 June 2012: 9,000,000)			
	Shares issued for consideration as machinery		**90,000,000**	90,000,000
	Preference shares of Rs. 10 each			
	159,334,269 (30 June 2012: 159,334,269)			
	Shares issued fully paid in cash	*5.3 & 5.4*	**1,593,342,690**	1,593,342,690
			5,517,642,690	5,517,642,690

5.1 313,423,184 number of shares of the Company were held by ANL as at 30 June 2012. However, during the period, ANL sold 293,423,184 number of shares to a consortium of banks and financial institutions.

5.2 As at 31 December 2013, National Bank of Pakistan, an associated undertaking holds 110,715,224 (30 June 2012: Nil) ordinary shares of the Company.

5.3 In the year 2012, the Company issued 11% local currency non-voting cumulative preference shares at the rate of Rs. 10 per share.

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

Each Investor will also have the right to convert the 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 Karachi 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 rights issue, cash dividend to ordinary shareholders, bonus shares, stock split, etc., during the last 360 working days prior to the conversion date. This option will be available from the fifth anniversary onwards. During this period the investors can 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 Issuer 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 Issue Date.

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

5.4 The preference shares (the shares) have been treated as part of equity on the following basis:

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

- The financial capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 29 August 2011.

- Return of allotment of shares was filed under section 73(1) of the Ordinance.

- The Company is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.

- The requirements of the Ordinance takes precedence over the requirements of International Accounting Standards.

- The preference shareholders have the right to convert these shares into Ordinary shares.

Further, the matter regarding the classification of Redeemable Preference share capital as either debt or equity instrument has been examined by the Institute of Chartered Accountants of Pakistan (ICAP) as a result of which the ICAP has advised the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the Companies Ordinance, 1984 and the International Accounting Standards. Pending the decision of the SECP in this matter, the Preference share capital has been classified as equity in these financial statements.

	31 December 2013	30 June 2012
	Rupees	Rupees
6 Reserves		
Revenue reserve	**9,000,000**	9,000,000
7 Surplus on revaluation of fixed assets		
As at beginning of the period / year	**3,944,247,724**	4,105,671,174
Transfer to unappropriated profit in respect of incremental depreciation charged for the period / year - *net of tax*	**(126,361,182)**	(161,423,450)
As at end of the period / year	**3,817,886,542**	3,944,247,724

	31 December 2013	30 June 2012
	Rupees	Rupees
8 Subordinated loan - *unsecured*		
Subordinated loan	**-**	340,000,000

8.1 It represented loan obtained by the Company from JS Infocom Limited ("JS") to finance the acquisition of HPFL. The loan was subordinated to all long term and short term finances obtained by the Company. The Company, during the period, has restructured the principal along with the outstanding mark-up as stated in note 9.6.

	Note	31 December 2013	30 June 2012
		Rupees	Rupees
9 Redeemable capital - *secured*			
Term Finance Certificates - I	*9.1*	**1,498,602,000**	1,498,602,000
Term Finance Certificates - II	*9.2*	**6,894,286,800**	6,894,286,800
Term Finance Certificates - III	*9.3*	**495,460,750**	495,345,100
Privately Placed Term Finance Certificates - IV	*9.4*	**548,825,000**	553,825,000
Privately Placed Term Finance Certificates - V	*9.5*	**618,685,000**	618,685,000
Privately Placed Term Finance Certificates	*9.6*	**509,874,996**	-
Sukkuks	*9.7*	**1,599,800,000**	1,599,800,000
		12,165,534,546	11,660,543,900
Deferred notional income	*9.8*	**(28,941,609)**	(104,991,352)
Transaction costs	*9.9*	**(189,678,336)**	(236,787,449)
		11,946,914,601	11,318,765,099
Current maturity presented under current liabilities	*15*	**(2,430,159,943)**	(92,638,456)
		9,516,754,658	11,226,126,643

9.1 These 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. This issue was rescheduled in previous year by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011. The total issue comprises of 300,000 certificates of Rs. 5,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of TFCs 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 29 November 2013 and ending on 29 November 2019.

Call option

The Company may redeem the TFCs by way of exercise of call option by giving notice in writing to TFC 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 TFCs

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

Trustee

In order to protect the interests of TFC 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 TFC 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 charge over property, plant and equipment of the Company.

At the reporting date principal amounting to Rs. 96.34 million and interest / mark-up amounting to Rs. 499.01 million was overdue. Refer to note. 44.2.2 for details.

9.2 These 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 in the previous year 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 TFCs 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 TFCs by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days.

Return on TFCs

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

Trustee

In order to protect the interests of TFC 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 TFC 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 charge over property, plant and equipment of the Company.

At the reporting date principal amounting to Rs. 443.20 million and interest / mark-up amounting to Rs. 1,796.91 million was overdue. Refer to note. 44.2.2 for details.

9.3 These have been issued by way of private placements with a consortium of investors to finance the acquisition of Hazara Phosphate Fertilizer Limited ("HPFL"). The total issue comprises of 100,000 certificates of Rs. 5,000 each. This issue was rescheduled in the previous year 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 TFCs 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 paid, remaining installments are starting from 01 September 2013 and ending on 01 December 2019.

Call option

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

Return on TFCs

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

Trustee

In order to protect the interests of TFC 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 TFC 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 charge over property, plant and equipment of the Company.

At the reporting date principal amounting to Rs. 31.96 million and interest / mark-up amounting to Rs. 161.02 million was overdue. Refer to note. 44.2.2 for details.

9.4 These 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 in the previous year by way of private placements with a consortium of institutional investors. The total issue comprised of 110,765 TFCs having face value of Rs. 5,000. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in seven unequal semi annual installments starting from 01 January 2012 and ending on 01 January 2015.

Call option

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

Return on PPTFCs

The issue carries nil return. Also refer to note 9.8.

Trustee

In order to protect the interests of TFC 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 TFC 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 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. 179.59 million was overdue. Refer to note. 44.2.2 for details.

9.5 This represents restructuring of outstanding mark-up amounting to Rs. 618.69 million related to long term debts into the said issue. The restructuring agreement was entered on 28 October 2011 effective from 01 July 2011. These were issued in the previous year by way of private placements with a consortium of institutional investors. The total issue comprised of 123,737 TFCs having face value of Rs. 5,000. The terms and conditions of the issue are as follows:

Principal redemption

A bullet repayment of principal will be made at the maturity of PPTFCs which is due on 1 January 2017.

Call option

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

Return on PPTFCs

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

Trustee

In order to protect the interests of TFC 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 TFC 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 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. 0.49 million and interest / mark-up amounting to Rs. 136.58 million was overdue. Refer to note. 44.2.2 for details.

9.6 This represents restructuring of subordinated loan as referred in note 8 to these financial statements along with the outstanding mark-up amounting to Rs. 509.87 million in to a fresh issue of Privately Place Term Finance Certificates ("PPTFCs") by way of Settlement Agreement ("Agreement") between the Company and JS Infocom entered on 22 October 2012 effective from 1 July 2012.

Principal redemption

The principal redemption of PPTFCs 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 months KIBOR plus 1.95% per annum payable semi-annually.

Security

The issue is secured by:

- ranking hypothecation charge amounting to Rs. 679.83 million over the hypothecated assets of the Company;

- ranking mortgage charge amounting to Rs. 679.83 million over the mortgaged property of the Company; and

- demand promissory note amounting to Rs. 679.83 million in favour of JS Infocom.

At the reporting date interest / mark-up amounting to Rs. 64.27 million was overdue. Refer to note. 44.2.2 for details.

9.7 These 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 in the previous year by way of Second Master Addendum to Transaction Documents entered on 26 August 2011 effective from 31 July 2011. The terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of these certificates 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 will have a call option to redeem in full all the outstanding amount of sukkuk units. The call option will be exercisable at any time after the expiry of one year from the execution of the trust deed upon giving to the Sukkuk holders not less than thirty days notice in writing, to redeem on the following redemption date after the expiry of said notice period all of the then outstanding Sukkuk units.

Return on Sukkuks

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

Trustee

In order to protect the interests of Sukkuk 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 Sukkuk 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 charge over property, plant and equipment of the Company.

At the reporting date principal amounting to Rs. 102.84 million and interest / mark-up amounting to Rs. 422.21 million was overdue. Refer to note. 44.2.2 for details.

9.8 This represents the difference between amortized cost and face value of zero-coupon Privately Placed Term Finance Certificates - IV with three year maturity (note 9.4). Amortized cost has been determined using effective interest rate of 13.76% per annum being the weighted average rate of return on Redeemable Capital. Movement is as follows:

		31 December 2013	30 June 2012
		Rupees	Rupees
	Deferred notional income		
	As at beginning of the period / year	**104,991,352**	-
	Occurred during the period / year	**-**	133,876,208
	Amortized during the period / year	**(76,049,743)**	(28,884,856)
	As at end of the period / year	**28,941,609**	104,991,352
9.9	**Transaction costs**		
	As at beginning of the period / year	**236,787,449**	236,126,979
	Incurred during the period / year	**-**	60,132,643
	Amortized during the period / year	**(47,109,113)**	(59,472,173)
	As at end of the period / year	**189,678,336**	236,787,449

9.10 For restrictions on title, and assets pledged as security, refer to note 46 to the financial statements.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
10 Long term finances - *secured*			
Syndicate Term Finance - I	10.1	**3,000,000,000**	3,000,000,000
Syndicate Term Finance - II	10.2	**475,000,000**	475,000,000
Syndicate Term Finance - III	10.3	**3,009,833,663**	3,026,389,549
KASB Bank Limited - Term Finance	10.4	**300,000,000**	300,000,000
National Bank of Pakistan - Term Finance	10.5	**132,083,735**	632,083,735
Dubai Islamic Bank Limited - Term Finance	10.6	**365,000,000**	365,000,000
		7,281,917,398	7,798,473,284
Transaction costs	10.7	**(80,739,723)**	(110,299,784)
		7,201,177,675	7,688,173,500
Current maturity presented under current liabilities	15	**(1,756,377,371)**	(19,285,714)
Reclassification of Syndicate Term Finance - II to short term		**(475,000,000)**	(475,000,000)
		(2,231,377,371)	(494,285,714)
		4,969,800,304	7,193,887,786

10.1 The finance has been obtained from a consortium of banking companies to finance the revamping of operational efficiencies of the Company's plant and is secured by charge over property, plant and equipment of the Company. This facility was rescheduled in the previous year by way of Second Supplemental Syndicated Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. As per rescheduling terms principal is payable in thirteen unequal semi annual installments starting from 30 December 2013 and ending on 30 December 2019. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually.

At the reporting date principal amounting to Rs. 192.86 million and interest / mark-up amounting to Rs. 1,015.16 million was overdue. Refer to note. 44.2.2 for details.

10.2 The finance has been obtained from a consortium of various banking companies to finance the acquisition of Hazara Phosphate Fertilizers (Private) Limited and is secured by charge over property, plant and equipment of the Company. The finance carries mark-up at three months KIBOR plus a spread of 3.25% per annum, payable quarterly. The finance is repayable in equal quarterly installments with the first installment due after fifteen months from the date of disbursement on 28 February 2010 and last instalment due on 28 November 2013.

At the reporting date the installments of principal and interest / mark-up amounting to Rs. 475 million and Rs. 170.66 million respectively were overdue and accordingly the entire outstanding amount has been classified as current liability. Refer to note. 44.2.2 for details.

10.3 The finance represents restructuring of various short term facilities and overdue letters of credit amounting to Rs. 3,026 million into long term facility. This facility was rescheduled in the previous year by way of First Supplemental Syndicated Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. The finance is secured by charge over property, plant and equipment. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually. As per rescheduling terms, the loan is repayable in eight unequal semi annual installments starting from 25 September 2013 and ending on 25 March 2017.

At the reporting date principal amounting to Rs. 323.91 million and interest / mark-up amounting to Rs. 961.27 million was overdue. Refer to note. 44.2.2 for details.

10.4 This term finance facility has been obtained from KASB Bank Limited to meet working capital requirements and is secured against ranking charge over fixed assets of the Company including plant, machinery & equipment (excluding land and building). This facility was rescheduled in the previous year by way of First Supplemental Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. As per rescheduling terms the principal is repayable in fourteen unequal semi annual installments starting from 30 June 2013 and ending on 30 December 2019. The finance carries mark-up at six months KIBOR plus a spread of 2.50% per annum, payable semi annually.

At the reporting date principal amounting to Rs. 38.57 million and interest / mark-up amounting to Rs. 90.24 million was overdue. Refer to note. 44.2.2 for details.

10.5 This facility has been obtained from National Bank of Pakistan to finance cost overrun for successful completion and commissioning of revamp project and is secured against ranking charge over fixed assets of the Company including plant, machinery & equipment (excluding land, building). This facility was rescheduled in the previous year effective from 20 August 2011. As per the rescheduling terms the principal is repayable in eight equal semi annual installments starting from 08 November 2013 and ending on 08 May 2017. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually.

At the reporting date interest / mark-up amounting to Rs. 163.96 million was overdue. Refer to note. 44.2.2 for details.

10.6 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 finance is secured by charge over property, plant and equipment. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually. The loan is repayable in six unequal semi annual installments starting from 01 December 2013 and ending on 01 June 2016.

At the reporting date principal amounting to Rs. 31.94 million and interest / mark-up amounting to Rs. 65.38 million was overdue. Refer to note. 44.2.2 for details.

	31 December 2013	30 June 2012
	Rupees	Rupees
10.7 Transaction costs		
As at beginning of the period / year	**110,299,784**	85,330,517
Incurred during the period / year	**-**	35,889,583
Amortized during the period / year	**(29,560,061)**	(10,920,316)
As at end of the period / year	**80,739,723**	110,299,784

10.8 For restrictions on title, and assets pledged as security, refer to note 46 to the financial statements.

	Note	**31 December 2013**	30 June 2012
	Note	**Rupees**	Rupees
11 Liabilities against assets subject to finance lease - *secured*			
Present value of minimum lease payments	*11.1 & 11.2*	**86,665,063**	144,331,119
Current maturity presented under current liabilities	*11.2 & 15*	**(86,665,063)**	(68,136,123)
		-	76,194,996

11.1 These represent vehicles and machinery acquired under finance lease arrangements and are secured by lien over documents of title, specific charge over leased assets and registration of leased vehicles jointly in the name of the Company and that of the lessor. Rentals are payable monthly / quarterly. The leases are priced at interest rates ranging from three to six months KIBOR plus a spread of 2% to 3.5% per annum (2012: three to six months KIBOR plus a spread of 2% to 3.5% per annum). Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option.

11.2 The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

	31 December 2013 Rupees	30 June 2012 Rupees
Not later than one year	**87,739,526**	83,133,933
Later than one year but not later than five years	**-**	81,070,553
Total future minimum lease payments	**87,739,526**	164,204,486
Finance charge allocated to future periods	**(1,074,463)**	(19,873,367)
Present value of future minimum lease payments	**86,665,063**	144,331,119
Not later than one year	**(86,665,063)**	(68,136,123)
Later than one year but not later than five years	**-**	76,194,996

12 Long term payables - *unsecured*

This represents amount payable to a contractor whose claim is pending with arbitrator. Refer to note 19.1.1 for details.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
13 Staff retirement benefits	*13.1*	**13,757,997**	10,987,413
13.1 Balance sheet liability			
Present value of defined benefit obligations	*13.1.1*	**55,856,028**	50,100,471
Fair value of plan assets	*13.1.2*	**(45,147,370)**	(36,557,160)
Deficit		**10,708,658**	13,543,311
Unrecognized actuarial gains / (losses)	*13.1.5*	**3,049,339**	(2,555,898)
		13,757,997	10,987,413
13.1.1 Movement in liability for defined benefit obligations			
Present value of defined benefit obligations as at 01 July		**50,100,471**	38,062,318
Current service cost for the period / year		**8,115,140**	5,591,597
Interest cost for the period / year		**10,071,608**	5,276,652
Benefit paid during the period / year		**(5,536,776)**	(764,732)
Actuarial (gains) / losses on present value of defined benefit obligation		**(6,894,415)**	2,653,540
Present value of defined benefit obligation as at		**55,856,028**	50,100,471
13.1.2 Movement in fair value of plan assets			
Fair value of plan assets as at 01 July		**36,557,160**	15,428,257
Expected return on plan assets for the period / year		**6,713,532**	2,159,956
Contribution during the period / year		**8,702,632**	20,000,000
Benefit paid during the period / year		**(5,536,776)**	(764,732)
Actuarial loss on plan assets		**(1,289,178)**	(266,321)
Fair value of plan assets as at		**45,147,370**	36,557,160

	31 December 2013 Rupees	30 June 2012 Rupees
13.1.3 Actual return on plan assets		
Expected return on plan assets	**6,713,532**	2,159,956
Actuarial loss on plan assets	**(1,289,178)**	(266,321)
	5,424,354	1,893,635
13.1.4 Plan assets consist of the following:		
Equity instruments	**11,118,449**	3,551,736
Bank deposits	**34,028,921**	33,005,424
	45,147,370	36,557,160
13.1.5 Movement in unrecognized actuarial gains / (losses)		
Unrecognized actuarial (losses) / gains as at 01 July	**(2,555,898)**	363,963
Actuarial gains / (losses) arising during the period / year	**5,605,237**	(2,919,861)
Unrecognized actuarial gains / (losses) as at	**3,049,339**	(2,555,898)
13.1.6 Charge for the period / year		
Current service cost for the period / year	**8,115,140**	5,591,597
Interest cost for the period / year	**10,071,608**	5,276,652
Expected return on plan assets	**(6,713,532)**	(2,159,956)
Amount chargeable to profit and loss	**11,473,216**	8,708,293
13.1.7 Movement in liability		
Balance Sheet Liability as at 01 July	**10,987,413**	22,998,024
Amount chargeable to profit and loss	**11,473,216**	8,708,293
Less: Contributions made during the period / year	**(8,702,632)**	(20,000,000)
Balance sheet liability as at	**13,757,997**	11,706,317

	31 December 2013 Rupees	30 June 2012 Rupees	30 June 2011 Rupees	30 June 2010 Rupees
13.1.8 Historical information				
Present value of defined benefit obligations	**55,856,028**	50,100,000	38,062,000	31,478,000
Fair value of plan assets	**45,147,370**	36,557,000	15,428,000	14,960,000
Deficit in the plan	**10,708,658**	13,543,000	22,634,000	16,518,000
Experience adjustment arising on plan liabilities	**(6,894,415)**	2,653,540	(4,073,000)	3,037,000
Experience adjustment arising on plan assets	**(1,289,178)**	(266,000)	(1,265,000)	(1,307,000)

13.1.9 Assumptions used for valuation of defined benefit schemes:

		31 December 2013	30 June 2012
Discount rate	Per annum	**13.00%**	14.00%
Expected return on plan assets	Per annum	**10.50%**	13.00%
Expected rates of salary increase in future	Per annum	**12.00%**	12.00%
Average expected remaining life of employees	Number of years	**13 years**	13 years

13.1.10 The Company expects to charge Rs. 6.22 million to profit and loss account on account of defined benefit plan in 2014.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
14 Deferred taxation - *net*			
The liability for deferred taxation comprises temporary differences relating to:			
Deferred tax liability arising on			
Accelerated tax depreciation		**5,579,567,331**	4,804,055,193
Revaluation of fixed assets		**4,249,459,767**	4,403,148,094
Finance lease transactions - *net*		**100,272,421**	92,037,671
Deferred tax asset arising on			
Trade debtors		**(16,038,096)**	(15,306,680)
Provision for gratuity		**(4,815,299)**	(4,417,555)
Minimum taxation		**-**	(112,755,037)
Unabsorbed tax credits	*14.1*	**(7,691,407,930)**	(6,465,271,210)
Net liability recognized in balance sheet		**2,217,038,194**	2,701,490,476

14.1 Tax loss on account of unabsorbed depreciation and business loss amounting to Rs. 17,816.74 million and Rs. 4,152.61 million respectively 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 such loss is expected.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
15 Current maturity of non-current liabilities			
Redeemable capital	*9*	**2,430,159,943**	92,638,456
Long term finances	*10*	**2,231,377,371**	494,285,714
Liabilities against assets subject to finance lease	*11*	**86,665,063**	68,136,123
		4,748,202,377	655,060,293

16 Short term borrowings

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

	Note	31 December 2013 Rupees	30 June 2012 Rupees
Secured			
Running finance	*16.1*	**2,179,578,027**	1,950,673,344
Cash finance	*16.1*	**-**	128,100,000
Finance against trust receipt	*16.1*	**495,019,884**	182,605,216
Istisna / Salam	*16.1*	**874,500,001**	851,638,600
Demand finance	*16.1 & 16.2*	**91,683,224**	225,000,000
		3,640,781,136	3,338,017,160

16.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over current assets of the Company and pledge of stocks.

These finances carry mark-up at rates ranging from one to six months KIBOR plus a spread of 1.25% to 3.0% per annum (2012: one to six months KIBOR plus a spread of 1.5% to 4.0% per annum), payable quarterly.

The aggregate available short term funded facilities amount to Rs. 4,285 million (2012: Rs. 3,694 million) out of which Rs. 634 million (2012: Rs. 356 million) remained unveiled as at the reporting date. Limits available for opening of letters of credit / guarantee amount to Rs. 606 million (2012: Rs. 2,995 million) of which the limits remaining unutilized as at the reporting date amount to Rs. 260 million (2012: Rs. 2,148 million). Letter of credit / guarantee carry commission at rates ranging from 0.15% to 0.25% per quarter (30 June 2012:0.15% to 0.25% per quarter).

16.2 This finance represents restructuring of various past due bills amounting to Rs. 266.41 million. The Company, in the previous year, repaid Rs. 66.60 million out of Rs. 266.41 million. The remaining amount of Rs. 199.81 million along with various past due bills amounting to Rs. 25.19 million were restructured on 25 November 2011. As a result of restructuring, the Company was allowed to repay the loan amount in five equal monthly installments starting from 28 February 2012 and ending on 30 June 2012.

16.3 For restrictions on title, and assets pledged as security, refer to note 46 to the financial statements.

16.4 At the reporting date principal and interest amounting to Rs. 403.38 million and Rs. 102.11 million respectively were overdue. Refer note 44.2.2 for details.

17 Trade and other payables

	Note	31 December 2013 Rupees	30 June 2012 Rupees
Trade creditors		**1,843,936,735**	866,739,296
Bills payable	*17.1*	**348,892,297**	748,378,950
Accrued liabilities		**183,322,666**	201,625,811
Security deposits and retention money		**35,074,814**	40,013,864
Advances from customers		**308,004,375**	317,550,762
Tax deducted at source		**39,851,218**	44,783,989
Provincial Excise Duty		**129,154**	237,737
Sales Tax payable		**-**	77,620,743
Payable to Provident Fund Trust	*17.2*	**23,017,241**	5,253,674
Workers' Profit Participation Fund	*17.3*	**-**	16,667,660
Workers' Welfare Fund	*17.4*	**4,848,866**	4,510,573
Other payables		**51,452,005**	72,115,289
		2,838,529,371	2,395,498,348

17.1 At the reporting date bills amounting to Rs. 187.03 million were overdue. Refer note 44.2.2 for details.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
17.2 Payable to Provident Fund Trust			
As at the beginning of the period / year		**5,253,674**	285,090
Addition during the period / year		**43,700,131**	39,517,609
Interest on funds utilized by the Company	*17.2.1*	**8,812,494**	193,987
Paid to provident fund trust during the period / year		**(34,749,058)**	(34,743,012)
As at end of the period / year		**23,017,241**	5,253,674

17.2.1 Interest on outstanding liability towards fund is charged at 15.70% per annum (30 June 2012: 18% per annum).

	Note	31 December 2013 Rupees	30 June 2012 Rupees
17.3 Workers' Profit Participation Fund ("WPPF")			
As at the beginning of the period / year		**16,667,660**	9,853,226
Charged to profit or loss for the period / year		-	16,667,660
Paid during the period / year		-	(9,853,226)
Reversed during the period / year		**(16,667,660)**	-
As at end of the period / year		-	16,667,660
17.4 Workers Welfare Fund ("WWF")			
As at the beginning of the period / year		**4,510,573**	8,030,374
Charged to profit or loss for the period / year		-	75,244
Interest for period / year		**338,293**	-
Paid during the period / year		-	(3,595,045)
As at end of the period / year		**4,848,866**	4,510,573
18 Interest / mark-up accrued on borrowings			
Redeemable capital - *secured*		**3,582,014,369**	1,522,910,243
Long term loan - *secured*		**2,573,622,195**	1,030,961,582
Short term loan - *secured*		**538,766,092**	403,144,275
Subordinate loan - *unsecured*	*8.1 & 9.6*	-	169,603,364
		6,694,402,656	3,126,619,464

19 Contingencies and commitments

19.1 Contingencies

19.1.1 A contractor's claim amounting to Rs. 839.510 million (30 June 2012: Rs. 839.510 million) against the Company was not acknowledged as debt since the Company also has a counter claim amounting to Rs. 2,556.02 million (30 June 2012: Rs. 2,556.02 million) against the contractor. The claim is under settlement with arbitrator. The management expects a favourable decision.

19.1.2 Some ex-employees of the Company have filed a petition demanding the benefits of golden hand shake scheme which was introduced in 1997. The Company estimates liability amounting to Rs. 8 million in case the decision is made against it. The management claims that no benefits are payable to the petitioners under the said scheme and is of the view that the decision will be made in the Company's favour.

19.1.3 Certain cases against the Company are pending before labour courts, where the claim cannot be quantified and ascertained at this stage.

19.1.4 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 subsidized 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 has restrained the Oil & Gas Regulatory Authority from notifying an increase in the (subsidized) feedstock gas price subject to Company depositing Cash of Rs. 36 million and bank guarantee of Rs. 108 million with Islamabad High Court which has been deposited by the Company. The Company has a very strong arguable case and there is every likelihood of success, therefore no provision of an amount of Rs. 953 million (30 June 2012: Rs. 953 million) has been made.

19.1.5 C. R. number 66/2008 title WAPDA versus Agritech Limited. The said reference is pending before the honourable high court, where in, WAPDA has assailed the order dated 12 May 2005 passed by the Additional District and Sessions Judge, Mianwali, in favour of the Company. Through the order dated 12 May 2005, it was held that the Company was not liable to pay an amount Rs. 2.238 million as demanded by WAPDA. The claim is under settlement with arbitrator. The management expects a favourable decision.

19.1.6 Guarantees given by banks on behalf of the Company as at the reporting date amount to Rs. 196.50 million (2012: Rs. 196.50 million).

19.2 Commitments

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

	31 December 2013 Rupees	30 June 2012 Rupees
Not later than one year	**23,768,100**	-
Later than one year but not later than five year	**67,837,686**	-
	91,605,786	**-**

There are no other commitments as at the balance sheet date (30 June 2012: nil)

	Note	31 December 2013 Rupees	30 June 2012 Rupees
20 Property, plant and equipment			
Operating fixed assets	*20.1*	**35,890,049,631**	37,156,269,276
Capital work in progress	*20.2*	**63,578,165**	41,675,835
		35,953,627,796	37,197,945,111

Notes to the Financial Statements
For the period 01 July 2012 to 31 December 2013

20.1 Operating fixed assets

	31 December 2013									
	Cost / revalued amount					Depreciation				Net book value
	As at 01 July 2012	Additions	Disposals	As at 31 December 2013	Useful lives in years	As at 01 July 2012	For the period	On disposals	As at 31 December 2013	as at 31 December 2013
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Owned assets										
Freehold land										
- cost	82,786,373	-	-	82,786,373		-	-	-	-	82,786,373
- revaluation	2,322,367,677	-	-	2,322,367,677		-	-	-	-	2,322,367,677
	2,405,154,050	-	-	2,405,154,050		-	-	-	-	2,405,154,050
Buildings on freehold land										
- cost	1,351,163,350	-	-	1,351,163,350	40-50	440,702,424	38,106,999	-	478,809,423	872,353,927
- revaluation	1,217,976,192	-	-	1,217,976,192	40-50	104,445,016	39,432,220	-	143,877,236	1,074,098,956
	2,569,139,542	-	-	2,569,139,542		545,147,440	77,539,219	-	622,686,659	1,946,452,883
Plant and machinery										
- cost	25,224,626,367	21,688,540	-	25,246,314,907	30-50	5,082,466,334	751,680,041	-	5,834,146,375	19,412,168,532
- revaluation	12,288,071,357	-	-	12,288,071,357	30-50	1,031,401,464	392,475,397	-	1,423,876,861	10,864,194,496
	37,512,697,724	21,688,540	-	37,534,386,264		6,113,867,798	1,144,155,438	-	7,258,023,236	30,276,363,028
Residential colony assets										
- cost	14,653,919	-	-	14,653,919	50	10,544,957	797,033	-	11,341,990	3,311,929
- revaluation	226,043,586	-	-	226,043,586	50	16,242,109	6,781,308	-	23,023,417	203,020,169
	240,697,505	-	-	240,697,505		26,787,066	7,578,341	-	34,365,407	206,332,098
Road, bridges and culverts	88,857,450	-	-	88,857,450	50	10,970,318	2,628,422	-	13,598,740	75,258,710
Furniture, fixtures and office equipment	85,256,541	2,222,268	-	87,478,809	3-10	57,950,134	8,408,366	-	66,358,500	21,120,309
Vehicles and rail transport	107,850,210	960,500	-	108,810,710	5	100,689,278	1,416,373	-	102,105,651	6,705,059
Tools and other equipment	192,020,243	913,000	-	192,933,243	3-10	184,775,218	1,525,769	-	186,300,987	6,632,256
Electrical and other installations	1,341,647,458	1,917,348	-	1,343,564,806	10-50	772,985,010	45,412,429	-	818,397,439	525,167,367
Plantation	296,476	-	-	296,476		296,476	-	-	296,476	-
Books and literature	926,479	-	-	926,479	10	692,824	100,201	-	793,025	133,454
Catalyst	127,838,892	40,978,102	-	168,816,994	3-6	112,071,748	9,172,524	-	121,244,272	47,572,722
	44,672,382,570	68,679,758	-	44,741,062,328		7,926,233,310	1,297,937,082	-	9,224,170,392	35,516,891,936
Assets subject to finance lease										
Plant and machinery	412,585,522	-	-	412,585,522	50	27,956,803	13,985,430	-	41,942,233	370,643,289
Vehicles	68,470,954	-	(49,078,204)	19,392,750	5	42,979,657	13,653,978	(39,755,291)	16,878,344	2,514,406
	481,056,476	-	(49,078,204)	431,978,272		70,936,460	27,639,408	(39,755,291)	58,820,577	373,157,695
31 December 2013	45,153,439,046	68,679,758	(49,078,204)	45,173,040,600		7,997,169,770	1,325,576,490	(39,755,291)	9,282,990,969	35,890,049,631

20.1.1 Certain assets in plant and machinery are idle and depreciation has been charged on these assets in accordance with International Accounting Standard on Property, plant and equipment (IAS - 16).

20.1.2 Operating fixed assets

30 June 2012 — Cost / revalued amount

	As at 01 July 2011	Additions	Disposals	Transfers	Reclassification to assets held for sale	As at 30 June 2012	Useful lives in years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Owned assets							
Freehold land							
- cost	82,786,373	-	-	-	-	82,786,373	
- revaluation	2,322,367,677	-	-	-	-	2,322,367,677	
	2,405,154,050	-	-	-	-	2,405,154,050	
Buildings on freehold land							
- cost	1,254,293,538	96,869,812	-	-	-	1,351,163,350	40-50
- revaluation	1,217,976,192	-	-	-	-	1,217,976,192	40-50
	2,472,269,730	96,869,812	-	-	-	2,569,139,542	
Plant and machinery							
- cost	11,979,522,576	12,570,630,300	-	-	674,473,491	25,224,626,367	30-50
- revaluation	11,641,343,598	-	-	-	646,727,759	12,288,071,357	30-50
	23,620,866,174	12,570,630,300	-	-	1,321,201,250	37,512,697,724	
Residential colony assets							
- cost	14,649,316	4,603	-	-	-	14,653,919	50
- revaluation	226,043,586	-	-	-	-	226,043,586	50
	240,692,902	4,603	-	-	-	240,697,505	
Road, bridges and culverts	88,857,450	-	-	-	-	88,857,450	50
Furniture, fixtures and office equipment	68,621,399	16,635,142	-	-	-	85,256,541	3-10
Vehicles and rail transport	104,933,210	2,917,000	-	-	-	107,850,210	5
Tools and other equipment	191,837,353	182,890	-	-	-	192,020,243	3-10
Electrical and other installations	1,341,492,970	154,488	-	-	-	1,341,647,458	10-50
Plantation	296,476	-	-	-	-	296,476	
Books and literature	926,479	-	-	-	-	926,479	10
Catalyst	111,144,268	16,694,624	-	-	-	127,838,892	3-6
	30,647,092,461	12,704,088,859	-	-	1,321,201,250	44,672,382,570	
Assets subject to finance lease							
Plant and machinery	343,460,740	137,816,930	-	(68,692,148)	-	412,585,522	50
Vehicles	79,517,303	70,000	(11,116,349)	-	-	68,470,954	5
	422,978,043	137,886,930	(11,116,349)	(68,692,148)	-	481,056,476	
30 June 2012	31,070,070,504	12,841,975,789	(11,116,349)	(68,692,148)	1,321,201,250	45,153,439,046	

30 June 2012 — Depreciation

	As at 01 July 2011	For the year	On disposals	Adjustment	Reclassification to assets held for sale	As at 30 June 2012	Net book value as at 30 June 2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned assets							
Freehold land							
- cost	-	-	-	-	-	-	82,786,373
- revaluation	-	-	-	-	-	-	2,322,367,677
	-	-	-	-	-	-	2,405,154,050
Buildings on freehold land							
- cost	415,931,078	24,771,346	-	-	-	440,702,424	910,460,926
- revaluation	78,136,871	26,308,145	-	-	-	104,445,016	1,113,531,176
	494,067,949	51,079,491	-	-	-	545,147,440	2,023,992,102
Plant and machinery							
- cost	4,274,248,103	425,907,382	-	-	382,310,849	5,082,466,334	20,142,160,033
- revaluation	538,563,958	267,039,663	-	-	225,797,843	1,031,401,464	11,256,669,893
	4,812,812,061	692,947,045	-	-	608,108,692	6,113,867,798	31,398,829,926
Residential colony assets							
- cost	10,010,075	534,882	-	-	-	10,544,957	4,108,962
- revaluation	11,721,237	4,520,872	-	-	-	16,242,109	209,801,477
	21,731,312	5,055,754	-	-	-	26,787,066	213,910,439
Road, bridges and culverts	9,218,037	1,752,281	-	-	-	10,970,318	77,887,132
Furniture, fixtures and office equipment	52,191,606	5,758,528	-	-	-	57,950,134	27,306,407
Vehicles and rail transport	100,336,872	352,406	-	-	-	100,689,278	7,160,932
Tools and other equipment	183,455,920	1,319,298	-	-	-	184,775,218	7,245,025
Electrical and other installations	746,007,745	26,977,265	-	-	-	772,985,010	568,662,448
Plantation	296,476	-	-	-	-	296,476	-
Books and literature	626,023	66,801	-	-	-	692,824	233,655
Catalyst	111,144,268	927,480	-	-	-	112,071,748	15,767,144
	6,531,888,269	786,236,349	-	-	608,108,692	7,926,233,310	36,746,149,260
Assets subject to finance lease							
Plant and machinery	23,230,079	10,059,422	-	(5,332,698)	-	27,956,803	384,628,719
Vehicles	35,632,145	15,087,585	(7,740,073)	-	-	42,979,657	25,491,297
	58,862,224	25,147,007	(7,740,073)	(5,332,698)	-	70,936,460	410,120,016
30 June 2012	6,590,750,493	811,383,356	(7,740,073)	(5,332,698)	608,108,692	7,997,169,770	37,156,269,276

20.1.3 Disposal of property, plant and equipment

	31 December 2013						
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Leased assets							
Vehicles							
24 Suzuki Cultus	**18,163,937**	**15,388,847**	**2,775,090**	**3,771,343**	**996,253**	Company Policy	Employees
18 Toyota Corolla	**24,427,000**	**19,961,316**	**4,465,684**	**4,679,400**	**213,716**	Company Policy	Employees
2 Honda Civic	**3,551,000**	**2,311,700**	**1,239,300**	**1,033,350**	**(205,950)**	Company Policy	Employees
2 Suzuki Cultus	**1,428,267**	**861,894**	**566,373**	**1,415,500**	**849,127**	Through Auction	Mr. Raja Haider Javed
1 Suzuki Cultus	**754,000**	**615,767**	**138,233**	**722,500**	**584,267**	Through Auction	Mr. Faisal Naseer
1 Suzuki Cultus	**754,000**	**615,767**	**138,233**	**751,999**	**613,766**	Through Auction	Mr. Muhammad Akram Zahid
31 December 2013	**49,078,204**	**39,755,291**	**9,322,913**	**12,374,092**	**3,051,179**		
30 June 2012	11,116,349	7,740,073	3,376,276	4,385,084	1,008,808		

	Note	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
20.1.4 The depreciation charge for the period / year has been allocated as follows:			
Cost of sales	*32*	**1,315,245,556**	805,008,897
Administrative and general expenses	*34*	**10,072,152**	6,126,263
Income from experimental farms	*36.3*	**258,782**	248,196
		1,325,576,490	811,383,356

20.1.5 Revaluation of fixed assets

Land, building, plant & machinery and residential colony assets of the Company were revalued as at 07 March 2010 by a firm of independent valuers, Maricon Consultants (Private) Limited.

20.2 Capital work in progress

	31 December 2013			
	As at 01 July 2012 Rupees	**Additions Rupees**	**Transfers Rupees**	**As at 31 December 2013 Rupees**
Building	**166,985**	**4,230,065**	**-**	**4,397,050**
Plant and machinery	**41,508,850**	**23,992,625**	**(6,320,360)**	**59,181,115**
	41,675,835	**28,222,690**	**(6,320,360)**	**63,578,165**

	30 June 2012			
	As at 01 July 2011 Rupees	Additions Rupees	Transfers Rupees	As at 30 June 2012 Rupees
Building	96,544,221	-	(96,377,236)	166,985
Plant and machinery	11,707,555,829	889,183,925	(12,555,230,904)	41,508,850
	11,804,100,050	889,183,925	(12,651,608,140)	41,675,835

20.2.1 Additions to capital work in progress include borrowing costs of nil (30 June 2012: Rs. 345.782 million) relating to specific borrowings and nil (30 June 2012: Rs. 457.681 million) relating to general borrowings capitalized at annual capitalization rate of nil (30 June 2012: 15.41% per annum) and also include salaries and other directly attributable expenses of nil (30 June 2012: Rs. 24.488 million).

	Note	31 December 2013 Rupees	30 June 2012 Rupees
21 Intangible assets			
Oracle computer software and implementation	*21.1*	**18,801,593**	30,942,835
Work in progress		**5,913,932**	-
Goodwill acquired in business combination	*21.2*	**2,567,310,828**	2,567,310,828
		2,592,026,353	2,598,253,663

	Note	31 December 2013 Rupees	30 June 2012 Rupees
21.1 Oracle computer software and implementation			
Cost		**32,288,176**	32,288,176
Amortization	*21.1.1*	**(13,486,583)**	(1,345,341)
As at		**18,801,593**	30,942,835
Rate of amortization		**25%**	25%

21.1.1 The software represents financial accounting software which has been capitalized by the Company. The amortization of the software represents the total accumulated amortization charged till the reporting date.

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 Company assessed the recoverable amount as at 31 December 2013 and determined that as of this date there is no impairment of Goodwill. For impairment testing, the recoverable amount has been determined based on the value in use calculations by discounting the five years cash flow projections at 15.55%. The calculation of value in use is sensitive to discount rate and local inflation rates.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
22 Long term advances - *considered good*			
Advances to employees - *unsecured*	*22.1 & 22.3*	**24,149,715**	27,536,359
Advances to employees - *secured*	*22.2*	**3,714,474**	5,777,384
		27,864,189	33,313,743
Current maturity presented under current assets	*27*	**(6,128,059)**	(8,016,652)
		21,736,130	25,297,091

22.1 These represent interest free soft loans provided to employees of the Company in accordance with the Company policy.

22.2 These represent loans provided to employees of the Company against future salaries and retirement benefits and carry mark-up at one half of six months KIBOR per annum (30 June 2012: one half of six months KIBOR per annum).

22.3 These include advances to executives amounting to Rs. 2,908,678 (30 June 2012: Rs. 5,929,079).

22.4 The above advances are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, in view of large number of advances, it is impracticable to determine amortized cost of each advance. Further, taking into account the carrying amount of advances as at the reporting date, difference between the amortized cost and carrying amount of these advances is not considered to be material.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
23 Long term deposits - *unsecured, considered good*			
Deposits against finance lease and Ijarah	*23.1*	**8,444,700**	7,962,800
Security deposits with utility companies	*23.2*	**38,684,049**	33,656,409
		47,128,749	41,619,209

23.1 These have been deposited with various banking companies and financial institutions against assets subject to finance lease and Ijarah.

23.2 These mainly include security deposits with Water and Power Development Authority and Sui Northern Gas Pipelines Limited. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these being held for an indefinite period with no fixed maturity date, are carried at cost as its amortized cost is impracticable to determine.

	31 December 2013 Rupees	30 June 2012 Rupees
24 Stores, spares and loose tools		
Stores	**148,432,384**	179,115,147
Spares	**1,888,191,398**	1,926,574,644
Loose tools	**1,214,867**	1,041,302
	2,037,838,649	2,106,731,093

24.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	31 December 2013 Rupees	30 June 2012 Rupees
25 Stock in trade		
Raw material	**208,133,760**	66,007,800
Packing material	**31,007,697**	43,282,784
Work in process	**103,460,465**	231,499,635
Finished goods		
- own manufactured	**196,718,325**	323,518,619
- trading stock	**-**	3,629,910
	539,320,247	667,938,748

25.1 Details of stock in trade pledged as security are referred to in note 46 to the financial statements.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
26 Trade receivables			
Considered good - *unsecured*		**14,415,382**	12,739,838
Considered doubtful - *unsecured*		**45,647,184**	43,733,372
		60,062,566	56,473,210
Less: provision for doubtful balances	*26.1*	**(45,647,184)**	(43,733,372)
		14,415,382	12,739,838
26.1 Movement in provision for doubtful balances			
As at the beginning of the period / year		**43,733,372**	47,325,078
Provision for the period / year		**1,913,812**	10,721,857
Recovered during the period / year		**-**	(14,313,563)
As at end of the period / year		**45,647,184**	43,733,372
27 Advances, deposits, prepayments and other receivables			
Advances to suppliers - *unsecured, considered good*		**534,360,904**	136,349,097
Advances to employees - *unsecured, considered good*			
- against salaries and post employment benefits	*22*	**6,128,059**	8,016,652
- against purchases and expenses		**11,145,562**	8,263,073
Accrued mark-up	*27.1*	**-**	68,579,206
Deposit with High Court	*19.1.4*	**36,000,000**	36,000,000
Prepayments		**19,831,391**	5,758,401
Sales tax receivable		**217,302,783**	3,532,619
Subsidy receivable	*27.2*	**550,823,960**	550,823,960
Other receivables		**56,763,637**	19,088,251
		1,432,356,296	836,411,259

27.1 This represented mark-up on short term loan given to Azgard Nine Limited. See note 28.

27.2 This represents receivable from Government of Pakistan against subsidy notified by Ministry of Food, Agriculture, and Livestock on production of Granulated Single Super Phosphate fertilizer @ Rs. 19,120 per metric ton. This subsidy regime was discontinued in April 2009 by the Government of Pakistan. The Company, during the period, has also filed a legal suit for the recovery of this subsidy and there is a strong likelihood of the Company's success in this case.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
28 Due from related party - *unsecured, considered good*			
These include the following:			
Due from Azgard Nine Limited	*28.1*	**-**	286,395,126

28.1 This represented short term loan to Azgard Nine Limited ("ANL") and carries mark-up at 15.50% per annum (2012: 15.50% per annum). ANL disposed off its entire holding in AGL in October 2012 by way of Share Transfer and Debt Swap Agreement and First Supplemental Agreement ("the Agreement"). After disposal of shares this balance and the related mark up between the Company and ANL were settled.

	Note	31 December 2013 Rupees	30 June 2012 Rupees
29 Current taxation			
As at beginning of the period / year		**55,189,910**	112,880,472
Paid / deducted at source during the period / year		**153,995,583**	49,549,240
Provision for the period / year		**-**	(60,969,156)
Adjustments and refunds during the period / year		**(43,278,015)**	(46,270,646)
As at end of the period / year		**165,907,478**	55,189,910
30 Cash and bank balances			
Cash in hand		**492,620**	658,941
Cash at banks			
- current accounts		**323,489,225**	197,830,935
- saving accounts	*30.1*	**1,110,844,241**	18,944,669
		1,434,333,466	216,775,604
		1,434,826,086	217,434,545

30.1 Rate of return on saving accounts ranges from 6% to 8.50% per annum (30 June 2012: 5% to 6% per annum).

	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
31 Sales - *net*		
Sale of fertilizers		
- own manufactured	**9,959,219,607**	6,205,239,215
- trading stock	**-**	408,746,102
Other products *- own manufactured*	**222,345,562**	133,086,175
	10,181,565,169	6,747,071,492
Sales tax	**(1,464,800,348)**	(929,330,401)
Trade discounts	**(89,095,865)**	(120,676,930)
	8,627,668,956	5,697,064,161

	Note	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
32 Cost of sales			
Raw and packing material consumed		**3,188,729,127**	1,850,116,406
Salaries, wages and other benefits	*32.1*	**818,559,726**	665,112,238
Fuel and power		**727,293,408**	445,334,558
Stores, spares and loose tools consumed		**219,336,043**	191,270,884
Travelling, conveyance and entertainment		**49,786,052**	33,771,202
Rent, rates and taxes		**1,376,136**	429,642
Insurance		**105,059,571**	80,692,022
Repair and maintenance		**32,051,203**	23,510,026
Research and development		**125,030**	106,000
Depreciation		**1,315,245,556**	805,008,897
Printing and stationery		**2,353,961**	1,234,580
Communication		**7,420,168**	6,026,711
Loading and handling charges		**25,011,138**	19,493,858
Ijarah rentals		**3,416,499**	-
Contract services		**16,526,996**	9,045,746
Others		**32,342,435**	25,117,997
		6,544,633,049	4,156,270,767
Opening work-in-process		**231,499,635**	49,995,045
Closing work-in-process		**(103,460,465)**	(231,499,635)
		128,039,170	(181,504,590)
Cost of goods manufactured		**6,672,672,219**	3,974,766,177
Finished goods			
As at beginning of the year		**323,518,619**	234,977,783
As at end of the year		**(196,718,325)**	(323,518,619)
		126,800,294	(88,540,836)
Cost of goods sold - own manufactured		**6,799,472,513**	3,886,225,341
Cost of goods sold - trading stock			
- cost of purchase including ancillary costs		**-**	333,019,221
		6,799,472,513	4,219,244,562

32.1 These include charges in respect of employees retirement benefits amounting to Rs. 8.05 million (30 June 2012: Rs. 7.04 million) and Rs 19.71 million (30 June 2012: Rs. 12.73 million) on account of gratuity and provident fund respectively.

	Note	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
33 Selling and distribution expenses			
Salaries and benefits	*33.1*	**79,036,820**	75,433,875
Freight and other expenses		**172,873,543**	112,202,988
Communication		**1,281,281**	1,014,568
Travelling		**8,838,067**	13,108,297
Advertisement and marketing		**52,624,524**	1,417,280
Rent, rates and taxes		**553,736**	96,744
Vehicle running and maintenance		**983,715**	585,813
Printing and stationery		**333,589**	310,211
Security services		**3,640,000**	2,246,667
Ijarah rentals		**127,903**	-
Miscellaneous		**10,323,875**	7,181,721
		330,617,053	213,598,164

33.1 These include charges in respect of employees retirement benefits amounting to Rs. 1.15 million (30 June 2012: Rs. 0.93 million) and Rs. 2.95 million (30 June 2012: Rs. 2.07 million) on account of gratuity and provident fund respectively.

	Note	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
34 Administrative and general expenses			
Salaries and other benefits	*34.1*	**240,437,435**	290,340,324
Travelling, conveyance and entertainment		**18,214,325**	17,545,843
Rent, rates and taxes		**1,558,330**	437,244
Printing and stationery		**4,294,563**	3,525,600
Communication		**5,681,927**	3,428,955
Legal and professional charges	*34.2*	**393,121,619**	173,797,220
Depreciation		**10,072,152**	6,126,263
Amortization of computer software		**12,141,242**	1,345,341
Guest house expenses		**920,817**	971,686
Head office expenses		**3,853,150**	369,338
Utilities		**8,288,410**	5,300,329
Repair and maintenance		**1,547,638**	3,673,560
Insurance expenses		**874,654**	483,356
Security services		**24,193,417**	11,735,008
Ijarah rentals		**127,903**	-
Others		**42,437,895**	10,801,327
		767,765,477	529,881,394

34.1 These include charges in respect of employees retirement benefits amounting to Rs. 2.27 million (30 June 2012: Rs. 157.11 million) and Rs. 4.97 million (30 June 2012: Rs. 3.27 million) on account of gratuity & others and provident fund respectively.

		Note	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
34.2	**These include following in respect of auditors' remuneration:**			
	Annual statutory audit		-	2,800,000
	Statutory audit fee for eighteen months period		**3,500,000**	-
	Review report under Code of Corporate Governance		**60,000**	60,000
	Interim audits and certifications		**1,600,000**	2,560,000
	Taxation and other services		**1,817,500**	459,617
	Out of pocket expenses		**500,000**	600,000
			7,477,500	6,479,617
35	**Finance cost**			
	Interest / mark-up on:			
	Subordinated loan - *unsecured*		-	54,231,770
	Redeemable capital		**2,100,598,230**	1,607,377,980
	Long term finances		**1,457,048,602**	1,215,472,820
	Liabilities against assets subject to finance lease		**16,509,482**	20,046,989
	Short term borrowings		**912,919,077**	564,567,583
	Provident fund		**8,812,494**	193,988
	Workers Welfare Fund ("WWF")		**338,293**	-
			4,496,226,178	3,461,891,130
	Borrowing costs capitalized		-	(806,136,404)
			4,496,226,178	2,655,754,726
	Amortization of transaction costs & deferred notional income	*9.8 , 9.9 & 10.7*	**152,718,917**	99,277,345
	Bank charges and commission		**10,407,064**	39,194,493
			4,659,352,159	2,794,226,564
36	**Net other income**			
	Net gains on financial instruments			
	Return on bank deposits		**17,971,635**	4,263,737
	Mark-up income on loan to ANL	*36.1*	**19,240,742**	61,896,928
	Mark-up on advances to employees		**104,101**	412,705
	Provision for doubtful balances	*26.1*	**(1,913,812)**	(10,721,857)
	Recoveries from doubtful balances	*26.1*	-	14,313,563
			35,402,666	70,165,076
	Other income / (expenses)			
	Workers' Profit Participation Fund		**16,667,660**	(16,667,660)
	Workers' Welfare Fund		-	(75,244)
	Gain on sale of property, plant and equipment	*20.1.3*	**3,051,179**	1,008,808
	Assets written off	*20.1.2*	-	(63,359,450)
	Notional income	*9.8*	-	133,876,208
	Donations	*36.2*	**(130,000)**	-
	(Loss) / income from experimental farm	*36.3*	**(2,663,662)**	1,650,988
	Miscellaneous		**10,601,580**	97,627,400
			27,526,757	154,061,050
			62,929,423	224,226,126

36.1 This represents mark-up on short term loan given to Azgard Nine Limited. See note 28.

36.2 None of the directors or their spouses had any interest in respect of these donations.

36.3 This includes depreciation amounting to Rs. 0.259 million (30 June 2012: Rs. 0.248 million).

	Note	**01 July 2012 to 31 December 2013**	01 July 2011 to 30 June 2012
		Rupees	Rupees
37 Taxation			
Income tax			
- current	*37.1*	**-**	60,969,156
- prior years		**-**	3,996,356
Deferred tax		**(484,452,282)**	(272,166,741)
		(484,452,282)	(207,201,229)

37.1 Provision for current tax has been made in accordance with section 113 'Minimum tax on income of certain persons' of the Income Tax Ordinance, 2001 as adjusted by tax credits available on balancing, modernization and replacement of property, plant & equipment under section 65(B) of the Income Tax Ordinance, 2001. There is no relationship between tax expense and accounting profit as the provision for current taxation is based on turnover tax therefore no numerical reconciliation has been presented.

37.2 Assessments up to tax year 2011 have been finalized.

37.3 Income Tax Returns for the tax year 2012 and 2013 have been filed which are deemed to have been assessed under section 120 of the Ordinance.

		01 July 2012 to 31 December 2013	01 July 2011 to 30 June 2012
		Rupees	Rupees
38 Loss per share - *basic and diluted*			
Loss attributable to ordinary shareholders		**(3,382,156,541)**	(1,628,459,168)
Adjustment for comutative preference share dividend		**(217,003,290)**	(78,870,463)
Loss after taxation for calculation of basic earnings per share		**(3,599,159,831)**	(1,707,329,631)
		Number of shares	
Weighted average number of ordinary shares outstanding during the period / year		**392,430,000**	392,430,000
Loss per share - *basic and diluted*	***(Rupees)***	**(9.17)**	(4.35)

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

	Note	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
39 Cash generated from operations			
Loss before taxation		**(3,866,608,823)**	(1,835,660,397)
Adjustments for non-cash and other items:			
Interest / mark-up expense		**4,506,633,242**	2,694,949,219
Amortization of transaction costs		**152,718,917**	99,277,345
Depreciation		**1,325,576,490**	811,383,356
Amortization of computer software		**12,141,242**	1,345,341
Staff retirement benefit		**39,100,977**	26,788,458
Workers' Profit Participation Fund		**(16,667,660)**	16,667,660
Provision for doubtful balances		**1,913,812**	10,721,857
Recoveries from doubtful balances		**-**	(14,313,563)
Notional income		**-**	(133,876,208)
Mark-up / interest income		**(19,240,742)**	(61,896,928)
Assets written off		**-**	63,359,450
Gain on sale of property, plant and equipment		**(3,051,179)**	(1,008,808)
		5,999,125,099	3,513,397,179
Operating profit before changes in working capital		**2,132,516,276**	1,677,736,782
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		**68,892,444**	(44,697,298)
Stock in trade		**128,618,501**	(248,988,421)
Trade receivables		**(3,589,356)**	59,653,738
Advances, deposits, prepayments and other receivables		**(664,524,243)**	129,264,922
		(470,602,654)	(104,767,059)
increase / (Decrease) in current liabilities:			
Trade and other payables		**452,781,819**	(348,630,470)
Cash generated from operations		**2,114,695,441**	1,224,339,253
40 Cash and cash equivalents			
Short term borrowings	*16*	**(2,179,578,027)**	(1,950,673,344)
Cash and bank balances	*30*	**1,434,826,086**	217,434,545
		(744,751,941)	(1,733,238,799)

41 Transactions and balances with related parties

Related parties from the Company's perspective comprise associated undertakings, key management personnel (comprising 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 and continues to have a policy whereby all such transactions are carried out at arm's length with the expectations as approved by the Board of Directors.

	Note	**01 July 2012 to 31 December 2013 Rupees**	01 July 2011 to 30 June 2012 Rupees
Details of transactions and balances with related parties are as follows:			
41.1 Transactions with related parties			
41.1.1 *Associates*			
National Bank of Pakistan			
Long term loans (repaid) / obtained	*10.5*	**(500,000,000)**	123,699,279
Mark-up expense	*35*	**621,634,858**	502,965,081
Preference dividend		**102,164,586**	25,056,332
Mark-up paid		**(50,788,024)**	(45,970,520)
Advisory Fees	*34*	**(300,000,000)**	-
Bank balances - net		**18,798,153**	-
Short term borrowings - net		**(42,000,000)**	(258,000,000)
41.1.2 *Other related parties*			
Azgard Nine Limited			
Mark-up income on short term loan	*36*	**19,240,742**	61,896,928
Mark-up expense on redeemable capital	*35*	**47,927,382**	39,192,996
Temporary loan recovered / (given) - net		**287,517,502**	(30,763,444)
Faysal Bank Limited			
Mark-up expense	*35*	**339,489,906**	268,291,982
Preference dividend		**51,349,028**	12,702,342
Trustee fee	*34*	**(12,839,280)**	-
Bank balances - net		**737,861,772**	1,067,773
Short term borrowings - net		**76,025,606**	-
JS Infocom Limited			
Redeemable capital obtained	*9.6*	**509,874,996**	-
Long term Loan conversion	*9.6*	**(340,000,000)**	-
Mark-up expense	*35*	**108,625,901**	68,451,922

	Note	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
KASB Bank Limited			
Mark-up expense	35	**103,900,708**	84,284,801
Mark-up paid		**-**	(8,587,786)
Bank balances - net		**(684,695)**	135,461
Silk Bank Limited			
Long term loans (repaid) / obtained	10.3	**(16,555,886)**	-
Mark-up expense	35	**114,193,633**	80,849,365
Mark-up paid		**(106,414,675)**	(41,314,117)
Short term borrowings - net		**50,079,618**	411,475,116
Summit Bank Limited			
Mark-up expense	35	**131,277,450**	131,643,853
Mark-up paid		**(43,027,721)**	(52,369,738)
Short term borrowings - net		**247,696,404**	11,514,247
41.1.3 Post employment benefit plans			
- Provident Fund Trust		**55,255,522**	36,160,330
- Gratuity Trust		**11,473,216**	11,706,317

41.1.4 Key management personnel

Related parties include associated companies, directors, executives and key management personnel. The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 42 to the financial statements.

	Note	01 July 2012 to 31 December 2013 Rupees	01 July 2011 to 30 June 2012 Rupees
41.2 Balances with related parties			
41.2.1 *Associates*			
National Bank of Pakistan			
Long term loans	10.1 & 10.3 & 10.5	**2,467,083,735**	2,967,083,735
Short term borrowings	16	**-**	42,000,000
Redeemable capital	9.2	**335,976,581**	341,921,654
Bills payable	17	**187,030,000**	187,031,000
Preference shares	5	**617,487,560**	617,487,560
Mark-up payable	18	**1,109,160,558**	492,387,421
Preference dividend payable		**127,220,918**	25,056,332
Bank accounts	30	**62,472,859**	42,932,462
Advisory and other fee	27 & 17	**23,200,000**	(101,000,000)

	Note	**01 July 2012 to 31 December 2013 Rupees**	01 July 2011 to 30 June 2012 Rupees
41.2.2 *Other related parties*			
Azgard Nine Limited			
Short term loan	*28*	**-**	286,395,126
Redeemable capital	*9.2*	**266,074,508**	266,074,508
Mark-up receivable	***27***	**-**	68,579,206
Mark-up payable	*18*	**31,154,821**	-
Faysal Bank Limited			
Redeemable capital	*9.2 & 9.7*	**1,499,109,500**	1,499,109,500
Long term loans	*10.2 & 10.3*	**350,000,000**	350,000,000
Short term borrowings	*16*	**63,186,326**	-
Preference shares	*5*	**310,355,940**	310,355,940
Bills payable		**-**	73,140,019
Mark-up payable	*18*	**602,520,728**	322,132,372
Preference dividend payable		**64,069,370**	12,702,342
Bank accounts	*30*	**739,456,636**	516,283
JS Infocom Limited			
Subordinated loan	*8*	**-**	340,000,000
Redeemable capital	*9.4 & 9.5*	**621,362,996**	111,488,000
Mark-up payable	*18*	**120,264,417**	181,139,325
Accrued liabilities		**-**	70,000,000
KASB Bank Limited			
Redeemable capital	*9.1 & 9.4*	**242,005,200**	242,005,200
Long term loans	*10.4*	**300,000,000**	300,000,000
Short term borrowings	*16*	**99,999,290**	99,999,290
Mark-up payable	*18*	**180,914,033**	76,721,476
Bank accounts	*30*	**1,535**	659,915
Silk Bank Limited			
Long term loans	*10.3*	**130,607,546**	147,163,432
Short term borrowings	*16*	**525,363,419**	503,488,585
Bills payable	*17*	**-**	24,548,000
Mark-up payable	*18*	**132,683,441**	64,813,005
Summit Bank Limited			
Redeemable capital	*9.2 & 9.4*	**603,406,000**	608,406,000
Short term borrowings	*16*	**399,930,447**	386,460,009
Bills payable	*17*	**111,810,000**	366,760,000
Mark-up payable	*18*	**158,887,367**	114,135,465
41.2.3 Post employment benefit plans			
Payable to Provident Fund Trust	*17.2*	**23,017,241**	5,253,674
Payable to Gratuity Trust	*13*	**13,757,997**	10,987,413

42 Remuneration of chief executive, directors and executives

The aggregate amount in respect of chief executive, directors and executives on account of managerial remuneration, perquisites and benefits, post employment benefits, the number of such directors and executives is as follows:

	01 July 2012 to 31 December 2013			
	Directors			
	Chief Executive	Executive	Non-executive	Executives
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	**12,651,428**	**6,737,331**	**-**	**134,746,357**
House rent allowance	**3,795,429**	**1,935,322**	**-**	**44,390,045**
Utility allowance	**1,265,143**	**611,756**	**-**	**3,597,192**
Hard area allowance	**-**	**-**	**-**	**21,251,115**
Other	**540,000**	**468,000**	**-**	**6,666,300**
Post employment benefits	**771,120**	**592,902**	**-**	**11,930,895**
Bonus	**8,228,568**	**3,163,432**	**-**	**50,318,352**
	27,251,688	**13,508,743**	**-**	**272,900,256**
Number of persons	**1**	**1**	**-**	**128**

	01 July 2011 to 30 June 2012			
	Directors			
	Chief Executive	Executive	Non-executive	Executives
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	8,586,394	7,371,432	-	77,360,984
House rent allowance	2,575,918	2,211,432	-	23,208,295
Utility allowance	858,639	737,136	-	1,950,468
Hard area allowance	-	-	-	17,781,682
Other	300,000	432,000	-	4,040,400
Post employment benefits	1,584,119	157,727,440	-	12,659,505
	13,905,070	168,479,440	-	137,001,334
Number of persons	1	4	-	112

One director 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.

43 Financial instruments

43.1 Financial assets by class and category

		31 December 2013	
		Loans and receivables	Total
	Note	Rupees	Rupees
Long term advances	*22*	**21,736,130**	**21,736,130**
Long term deposits	*23*	**47,128,749**	**47,128,749**
Trade receivables	*26*	**60,062,566**	**60,062,566**
Advances and other receivables	*27*	**654,733,159**	**654,733,159**
Accrued mark-up	*27*	**-**	**-**
Due from related party	*28*	**-**	**-**
Cash and bank balances	*30*	**1,434,826,086**	**1,434,826,086**
		2,218,486,690	**2,218,486,690**

	Note	30 June 2012 Loans and receivables Rupees	30 June 2012 Total Rupees
Long term advances	22	25,297,091	25,297,091
Long term deposits	23	41,619,209	41,619,209
Trade receivables	26	56,473,210	56,473,210
Advances and other receivables	27	682,754,490	682,754,490
Accrued mark-up	27	68,579,206	68,579,206
Due from related party	28	286,395,126	286,395,126
Cash and bank balances	30	217,434,545	217,434,545
		1,378,552,877	1,378,552,877

43.2 Financial liabilities by class and category

	Note	Financial liabilities at amortized cost **31 December 2013 Rupees**	Financial liabilities at amortized cost 30 June 2012 Rupees
Subordinated loan	8	**-**	340,000,000
Redeemable capital	9	**12,165,534,546**	11,660,543,900
Long term finances	10	**7,281,917,398**	7,798,473,284
Liabilities against assets subject to finance lease	11	**86,665,063**	144,331,119
Long term payables - unsecured	12	**31,135,199**	31,135,199
Short term borrowings	16	**3,640,781,136**	3,338,017,160
Trade creditors	17	**1,843,936,735**	866,739,296
Bills payable	17	**348,892,297**	748,378,950
Accrued liabilities	17	**183,322,666**	201,625,811
Security deposits and retention money	17	**35,074,814**	40,013,864
Other payables	17	**51,452,005**	72,115,289
Mark-up accrued on borrowings	18	**6,694,402,656**	3,126,619,464
Preference dividend payable		**328,748,615**	87,633,848
		32,691,863,130	28,455,627,184

43.3 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their book values.

43.3.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and 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, using prices from observable current market transactions.

43.3.2 Discount / interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

44 Financial risk exposure and management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses, assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. 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 management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

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:

44.1 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.

44.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the investments, trade debts, trade deposits and other receivables. 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.

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

	Note	**31 December 2013 Rupees**	30 June 2012 Rupees
Loans and receivables			
Long term deposits - unsecured, considered good	*23*	**47,128,749**	41,619,209
Trade debts - *considered good*	*26*	**60,062,566**	56,473,210
Advances and other receivables	*27*	**131,930,530**	131,930,530
Accrued mark-up	*27*	**-**	68,579,206
Due from related party	*28*	**-**	286,395,126
Other receivables	*27*	**56,763,637**	19,088,251
Cash and bank balances	*30*	**1,434,333,466**	216,775,604
		1,730,218,948	820,861,136

44.1.2 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:

	31 December 2013 Rupees	30 June 2012 Rupees
Customers	**60,062,566**	56,473,210
Banking companies and financial institutions	**1,434,333,466**	216,775,604
Others	**235,822,916**	547,612,322
	1,730,218,948	820,861,136

44.1.3 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.

44.1.3(a) Counterparties with external credit ratings

These include bank deposits and accrued return thereon, deposits against finance leases and short term loans to related party. 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.

Banks	Rating Long term	Rating Short term	Rating Agency	31 December 2013 Rupees	30 June 2012 Rupees
Allied Bank Limited	AA+	A1+	PACRA	**85,777,657**	93,227
Albaraka Bank (Pakistan) Limited	A	A1	PACRA	**164,036**	5,863,503
Askari Bank Limited	AA	A1+	PACRA	**55,490,155**	5,493,528
Barclays Bank Pakistan	A	A-1	Standard & Poor's	**2,989,748**	5,919,945
Bank Alfalah Limited	AA	A1+	PACRA	**115,349**	16,061
Bank Islami Pakistan Limited	A	A1	PACRA	**3,214,014**	258,913
Dubai Islamic Bank Pakistan Limited	A	A-1	JCR-VIS	**1,549,899**	-
Faysal Bank Limited	AA	A1+	PACRA	**739,460,177**	1,561,256
Habib Bank Limited	AAA	A-1+	JCR-VIS	**68,018,195**	2,078,513
JS Bank Limited	A+	A1	PACRA	**-**	15,402
KASB Bank Limited	BBB	A3	PACRA	**1,543**	686,286
MCB Bank Limited	AAA	A1+	PACRA	**313,415**	1,685,849
Meezan Bank Limited	AA	A-1+	JCR-VIS	**239,307,752**	-
National Bank of Pakistan	AAA	A-1+	JCR-VIS	**65,290,689**	47,529,016
NIB Bank Limited	AA-	A1+	PACRA	**12,909**	60,597
Soneri Bank Limited	AA-	A1+	PACRA	**10,075,637**	793
The Bank of Punjab	AA-	A1+	PACRA	**1,835**	77,851
United Bank Limited	AA+	A-1+	JCR-VIS	**162,550,456**	145,434,864
				1,434,333,466	216,775,604

44.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade receivables. The Company is exposed to credit risk in respect of trade receivables. The analysis of ages of trade receivables at the reporting date is as follows:

	31 December 2013		30 June 2012	
	Gross carrying amount	**Accumulated impairment**	Gross carrying amount	Accumulated impairment
	Rupees	**Rupees**	Rupees	Rupees
Neither past due nor impaired	**7,390,707**	**-**	6,009,611	-
Past due by 3 to 6 months	**4,439,955**	**-**	4,688,509	-
Past due by 6 to 12 months	**5,221**	**-**	470,306	-
Past due by more than one year	**48,226,683**	**45,647,184**	45,304,784	43,733,372
	60,062,566	**45,647,184**	56,473,210	43,733,372

The Board has formulated a policy to create provision allowance for trade receivables on a time based criteria. Provision allowance on closing trade receivable balances has adequately been created in accordance with the approved policy. Based on past experience the management believes that no further impairment allowance is necessary in respect of trade receivables and there are reasonable grounds to believe that the amounts will be recovered in normal course.

44.1.4 Credit risk management:

Company's financial assets does not carry significant credit risk with the exception of trade receivables, 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.

44.2 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. The Company's approach to managing liquidity 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.

44.2.1 Exposure to liquidity risk

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

	31 December 2013				
	Carrying amount	Contractual cash flow	Less than one year	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial liabilities					
Redeemable capital - *secured*	12,165,534,546	16,259,751,572	3,202,762,476	5,065,831,466	7,991,157,630
Long term loan - *secured*	7,281,917,398	9,426,174,133	2,912,065,215	3,806,174,844	2,707,934,074
Liability against assets subject to finance lease	86,665,063	87,739,526	87,739,526	-	-
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowing - *secured*	3,640,781,136	3,881,970,050	3,881,970,050	-	-
Trade creditors	1,843,936,735	1,843,936,735	1,843,936,735	-	-
Bill payable	348,892,297	348,892,297	348,892,297	-	-
Accrued liabilities	183,322,666	183,322,666	183,322,666	-	-
Security deposits and retention money	35,074,814	35,074,814	35,074,814	-	-
Other payables	51,452,005	51,452,005	51,452,005	-	-
Mark-up accrued on borrowings	6,694,402,656	6,694,402,656	6,694,402,656	-	-
Preference dividend payable	328,748,615	328,748,615	328,748,615	-	-
	32,691,863,130	**39,172,600,268**	**19,570,367,055**	**8,872,006,310**	**10,730,226,903**

	30 June 2012				
	Carrying amount	Contractual cash flow	Less than one year	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial liabilities					
Subordinated loan - *secured*	340,000,000	702,950,000	-	-	702,950,000
Redeemable capital - *secured*	11,660,543,900	18,111,086,093	993,242,318	5,815,105,644	11,302,738,131
Long term loan - *secured*	7,798,473,284	11,746,493,738	1,341,703,439	4,482,446,373	5,922,343,926
Liability against assets subject to finance lease	144,331,119	164,204,486	83,133,933	81,070,553	-
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowing - *secured*	3,338,017,160	3,595,211,382	3,595,211,382	-	-
Trade creditors	866,739,296	866,739,296	866,739,296	-	-
Bill payable	748,378,950	748,378,950	748,378,950	-	-
Accrued liabilities	201,625,811	201,625,811	201,625,811	-	-
Security deposits and retention money	40,013,864	40,013,864	40,013,864	-	-
Other payables	72,115,289	72,115,289	72,115,289	-	-
Mark-up accrued on borrowings	3,126,619,464	3,126,619,464	3,126,619,464	-	-
Preference dividend payable	87,633,848	87,633,848	87,633,848		
	28,455,627,184	39,494,207,420	11,156,417,594	10,378,622,570	17,959,167,256

44.2.2 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.

Due to the facts disclosed in note 2.2, 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 are as follows:

	Principal	Interest / mark up	Total
	Rupees	Rupees	Rupees
Nature of Liability			
Redeemable capital	854,431,408	3,080,012,030	3,934,443,438
Long term finances	1,062,279,009	2,466,678,767	3,528,957,776
Short term borrowings	403,379,000	102,110,070	505,489,070
Bills payable	187,030,000	70,131,126	257,161,126
	2,507,119,417	**5,718,931,993**	**8,226,051,410**

In lieu of prevailing situation, the Company has appointed National Bank of Pakistan ("NBP") as Financial Advisor ("FA") to review its Capital structure and propose financial rehabilitation plan. Company was unable to meet its financial obligations due to liquidity constraints as a result of gas curtailment, and its debt burden ballooned in the form of Principal and overdue mark up. It was in this backdrop that FA was mandated to propose the most suitable Capital structure based on a realistic view of gas availability. After analyzing the situation, complete debt plus mark-up conversion into Preference Shares was proposed. In addition to this, it was also discussed to utilize excess cash generated from operations in 2013, for payment of mark-up by creating options benefiting both company and lenders. With a view to further reduce the financial burden of the Company and bring it to a more sustainable level, the Company's Board as part of the rehabilitation plan approved to offer settlement of entire accrued mark up till 31 December 2013. This scheme has been approved in BOD meeting held on 5 November 2013 and subsequently approved by Shareholders in an Extra Ordinary General Meeting held on 10 December 2013. Further, lenders of the company have also approached the scheme positively and started providing consents for its implementation. Company is hopeful to receive the requisite consents and implementation of the scheme in 2014. By implementing this scheme, company will achieve suitable capital structure, reduce servicing burden to a sustainable level eventually leading to improved financial position.

44.3 Market risk

44.3.1 Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

44.3.2 Interest rate risk

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 at the reporting date are as follows:

	31 December 2013		30 June 2012	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	Rupees	**Rupees**	Rupees	Rupees
Variable rate instruments	-	**23,174,898,143**	286,395,126	23,281,365,463

44.3.2(a) 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.

	31 December 2013	30 June 2012
	Rupees	Rupees
Increase of 100 basis points		
Variable rate instruments	**(231,748,981)**	(229,949,703)
Decrease of 100 basis points		
Variable rate instruments	**231,748,981**	229,949,703

44.3.3 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.

45 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 and level of dividends to ordinary shareholders. 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 monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises subordinated debt, 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. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	31 December 2013 Rupees	30 June 2012 Rupees
Total debt	**19,534,117,007**	19,943,348,303
Total equity	**9,240,032,659**	12,863,303,967
Total capital employed	**28,774,149,666**	32,806,652,270
Gearing	**68%**	61%

There were no changes in the Company's approach to capital management during the year. 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.

	31 December 2013 Rupees	30 June 2012 Rupees
46 Restriction on title, and assets pledged as security		
Mortgages and charges		
Hypothecation of stocks and movables	**25,194,763,333**	25,194,763,333
Hypothecation of book debts and receivables	**26,144,763,333**	26,144,763,333
Mortgage over land and building	**29,005,040,872**	27,898,207,550
Hypothecation of plant and machinery	**32,985,373,872**	31,878,540,550
Pledge		
Finished goods	-	170,814,200

47 Segment reporting

47.1 Reportable segments

The Company's reportable segments are as follows:

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

Information regarding the Company's reportable segments is presented below:
The inter-segment transactions related to other material items are insignificant.

47.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	01 July 2012 to 31 December 2013	01 July 2011 to 30 June 2012	**01 July 2012 to 31 December 2013**	01 July 2011 to 30 June 2012	**01 July 2012 to 31 December 2013**	01 July 2011 to 30 June 2012
		Rupees	**Rupees**	Rupees	**Rupees**	Rupees
External revenues	**7,166,194,273**	3,980,016,348	**1,461,474,683**	1,717,047,813	**8,627,668,956**	5,697,064,161
Inter-segment revenue	**-**	399,851,411	**4,909,366**	-	**4,909,366**	399,851,411
Reportable segment revenue	**7,166,194,273**	4,379,867,759	**1,466,384,049**	1,717,047,813	**8,632,578,322**	6,096,915,572
Reportable segment (loss) / profit before tax	**(3,742,699,439)**	(2,192,212,902)	**(123,909,384)**	356,552,505	**(3,866,608,823)**	(1,835,660,397)

47.3 Other segment information

Interest revenue	**36,657,216**	3,989,913	**659,262**	62,583,457	**37,316,478**	66,573,370
Interest expense	**4,659,014,892**	2,793,042,348	**337,267**	1,184,216	**4,659,352,159**	2,794,226,564
Depreciation	**1,237,439,303**	751,947,185	**88,137,187**	59,436,171	**1,325,576,490**	811,383,356
Amortization	**12,141,242**	1,345,341	**-**	-	**12,141,242**	1,345,341

47.4 Segment assets and liabilities

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	31 December 2013	30 June 2012	**31 December 2013**	30 June 2012	**31 December 2013**	30 June 2012
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Reportable segment assets	**41,060,788,423**	40,891,649,170	**3,773,733,745**	3,711,545,868	**44,834,522,168**	44,603,195,038
Reportable segment liabilities	**34,366,253,168**	30,585,708,122	**1,228,236,341**	1,154,182,949	**35,594,489,509**	31,739,891,071

47.5 Reconciliations of reportable segment revenues, loss, assets, liabilities and other material items

		01 July 2012 to 31 December 2013	01 July 2011 to 30 June 2012
		Rupees	Rupees
47.5.1	**Revenues**		
	Total revenue for reportable segments	**8,632,578,322**	6,096,915,572
	Elimination of inter-segment revenue	**(4,909,366)**	(399,851,411)
	Consolidated revenue	**8,627,668,956**	5,697,064,161
47.5.2	**Profit or loss**		
	Total loss for reportable segments	**(3,866,608,823)**	(1,835,660,397)
	Elimination of inter-segment profits	**-**	-
	Consolidated loss	**(3,866,608,823)**	(1,835,660,397)

		31 December 2013	30 June 2012
		Rupees	Rupees
47.5.3	**Assets**		
	Total assets for reportable segments	**44,834,522,168**	44,603,195,038
	Elimination of inter-segment assets	**(595,339,002)**	(557,239,445)
	Consolidated assets	**44,239,183,166**	44,045,955,593
47.5.4	**Liabilities**		
	Total liabilities for reportable segments	**35,594,489,509**	31,739,891,071
	Elimination of inter-segment liabilities	**(595,339,002)**	(557,239,445)
	Consolidated liabilities	**34,999,150,507**	31,182,651,626

47.5.5 Other material items

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

47.6 Geographical information

The urea and phosphate fertilizer segments are managed and operated locally, therefore, no geographical information is presented in these financial statements.

47.7 100% (30 June 2012: 100%) of the gross sales of the Company are made to customers located in Pakistan.

47.8 All non-current assets of the Company as at 31 December 2013 are located in Pakistan.

48 Plant capacity and actual production

	Unit	01 July 2012 to 31 December 2013	01 July 2011 to 30 June 2012
Urea fertilizer			
Rated capacity	Metric tons	**649,688**	433,125
Actual production for the period / year	Metric tons	**241,826**	156,645
Production efficiency	%age	**37%**	36%

The low production is due to shortage of natural gas.

	Unit	01 July 2012 to 31 December 2013	01 July 2011 to 30 June 2012
Phosphate fertilizer			
Rated capacity	Metric tons	**121,500**	81,000
Actual production for the period / year	Metric tons	**81,654**	50,888
Production efficiency	%age	**67%**	63%

The low production is due to difficulty in procurement of raw material owing to working capital constraints.

49 Provident Fund Trust

The following information is based on latest audited financial statements of Provident Fund Trust.

	Unit	30 June 2013	30 June 2012
Size of fund - total assets	***Rupees***	**123,553,833**	126,501,674
Cost of investments made	***Rupees***	**106,003,481**	113,547,387
Percentage of investments made	***Percentage***	**85.80%**	89.76%
Fair value of investment	***Rupees***	**114,661,617**	118,325,907

The breakup of fair value of investments is as follows:

	30 June 2013		30 June 2012	
	Rupees	Percentage	Rupees	Percentage
Shares in listed companies	**22,775**	**0.02%**	19,634	0.02%
Debt securities	**5,000,000**	**4.36%**	5,000,000	4.23%
Mutual funds	**14,780,556**	**12.89%**	10,904,081	9.22%
Saving certificates	**7,000,000**	**6.10%**	7,000,000	5.92%
Cash at bank	**87,858,286**	**76.62%**	95,402,192	80.63%
	114,661,617	**100.00%**	118,325,907	100.00%

The investments of the Provident Fund Trust are in compliance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

50 Number of employees

The average and total number of employees are as follows:

	31 December 2013	30 June 2012
Average number of employees during the period / year	**766**	823
Total number of employees as at	**781**	790

51 Date of authorization for issue

These financial statements were authorized for issue on 14 March 2014 by the Board of Directors of the Company.

52 General

Figures have been rounded off to the nearest rupee.

Lahore
14 March 2014

Chief Executive

Director

Notes of Annual General Meeting

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 28th April 2014 at 12:30 p.m at the Hotel Sunfort 72-D/I, Liberty Commercial Zone, Gulberg-III, Lahore. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last Extra-Ordinary General Meeting held on December 10, 2013;
2. To receive, consider and adopt the financial statements for 18 months period ended on December 31, 2013 together with Director's and Auditor's reports thereon;
3. To consider re-appointment of M/S KPMG Taseer Hadi & Co. as external auditors for the financial year ending December 31, 2014 and to fix their remuneration, as per the recommendation of the Board;
4. Any other business with the permission of the Chair

By Order of the Board

07 April 2014 (Affan Sajjad)
Lahore Company Secretary

NOTES:

1. Share transfer books of the Company will remain closed from April 22, 2014 to April 28, 2014 (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 forty eight (48) hours before the time of meeting.
3. Members who have not yet submitted photocopies of Computerized National Identity Card (CNIC) are requested to send the same at the earliest.
4. All the account holders whose registration details are uploaded as per CDC Regulations shall authenticate their identity by showing original CNIC at the time of attending the meeting. In case of corporate entity, a certified copy of resolution of the Board of Directors / valid Power of Attorney having the name and specimen signature of the nominee should be produced at the time of meeting.

Notes

Form of Proxy

Agritech Limited

AGRITECH
ALL OVER AND BEYOND
Formerly PAK AMERICAN FERTILIZERS 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 28th April 2014 at 12:30 p.m at the Hotel Sunfort 72-D/I, Liberty Commercial Zone, Gulberg III, Lahore and at any adjournment thereof.

In witness whereof on this __________ day of __________ 2013.

WITNESSES:

1. Signature: ____________________
   Name ____________________
   Address ____________________
   ____
   CNIC: ____________________

Affix Revenue Stamp

2. Signature: ____________________
   Name ____________________
   Address ____________________
   ____
   CNIC: ____________________

____
Member's Signature

NOTE:

1. The Forma of Proxy should be deposited at the Registered Office of the Company 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.

AFFIX
CORRECT
POSTAGE

The Company Secretary
AGRITECH LIMITED
1st Floor, 307-Upper Mall,
Lahore - 45000