AGRITECH

ALL OVER AND BEYOND

nurturing

GROWTH...

Interim Financial Report | for the half year ended June 30, 2014 (Un-audited)

Contents

Company Information

BOARD OF DIRECTORS

Mr. Wajahat Ahmed Baqai
(Chairman)
Mr. Ahmed Jaudet Bilal
(Chief Executive Officer)
Mr. Rehmat Ali Hasnie
Mian Asif Said
Chaudhary Khaqan Saadullah Khan
Mr. Kamran Ali Kazim
Mr. Ahsan Raza Durrani
Mr. Muhammad Faisal Muzammil

COMPANY SECRETARY

Mr. Affan Sajjad

CHIEF FINANCIAL OFFICER

Mr. Taneem Haider

AUDIT COMMITTEE

Mian Asif Said
(Chairman)
Mr. Kamran Ali Kazim
Mr. Ahsan Raza Durrani

HR & REMUNERATION COMMITTEE

Chaudhary Khaqan Saadullah Khan
(Chairman)
Mr. Ahmed Jaudet Bilal
Mr. Kamran Ali Kazim
Mr. Rehmat Ali Hasnie

LEGAL ADVISOR

Mr. Babar Shahzad Imran

SHARES REGISTRAR

Hameed Majeed Associates (Private) Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants, Lahore

INTERNAL AUDITORS

M. Yousaf Adil Saleem & Co.
Chartered Accountant, (Deloitte Pakistan)

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' Review

The Board of Directors of Agritech Limited ("the Company") hereby presents the reviewed interim financial statements for the half year ended June 30, 2014.

The principal 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. The company also manufactures SSP (Single Super Phosphate) at Haripur Hazara plant, which is the largest Single Super Phosphate (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.

The gas load shedding and curtailment continued to affect the business during this period. The urea plant produced 7,398 tons in first half of 2014(88,937 tons: 2013).

To resolve the gas supply issue, the fertilizer manufacturers are in continuous dialogue with the Government of Pakistan (GOP). GOP by its ECC decision dated December 18, 2012 dedicated certain gas fields to Four Fertilizer Manufacturer (FFM).

Operating Financial Results

Financial Results of Agritech Limited

	Half year ended June 30, 2014	Half year ended June 30, 2013
Sales - Net	**668,432,229**	2,674,030,404
Operating (Loss)/Profit	**(1,182,432,193)**	178,492,896
Finance Cost	**1,399,366,469**	1,538,355,451
Loss before Tax	**2,545,184,264**	1,353,470,357
Loss after Tax	**2,378,664,899**	833,852,941
Loss per share	**6.28**	2.35

Future Outlook

The second half of the year generally is the major offtake period of all fertilizers during a year with around 55% of urea yearly urea offtakes and 75% of phosphates yearly offtakes.

Urea offtakes during Jan-Jun 2014 declined by 5% due to lower cotton acreages as well as very low cotton prices, and Kharif 2014 urea demand also likely to be lower by 2% vs Kharif 2013. However, robust demand prospects for Rabi crops primarily Potatoes & wheat Urea offtakes likely to recover during Oct-Dec, 2014 (1st half Rabi 2014/15) taking yearly Urea offtakes during 2014 to 5.9 million tons equivalent to 2013 offtakes. Continuous gas curtailment to SNGPL plants and imminent winter closure of plants both sui networks will result in urea shortage of 600,000 tons during Rabi 2014/15 relying on imports to bridge the gap.

Phosphates consumption during 1st half 2014 also saw a 5% decline vs last year despite correction in international DAP prices at the start of year. The major reasons attributed to this decline were the announcement of GOP of subsidy on phosphates in the budget, and continuous decline in international DAP prices. Contrary to 1st half 2014, the phosphates offtakes during Jul-Dec 2014 looks robust due to recovery of international DAP prices, likely implementation of subsidy mechanism by GOP from Rabi and likely increase in acreages of Rabi crops i.e. Potatoes & Wheat. Full year DAP offtakes likely to reach at 2013 level of 1.6 million tons provided if international DAP prices do not escalate any further. In the event if subsidy mechanism is implemented from Rabi the phosphates offtakes can further be increased with reduction in prices for consumer. This will also have a positive impact on the offtakes of SSP during rest of 2014 particularly during Rabi.

Directors' Review

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, AGL Company has planned to convert its existing total long term debts including mark-up into preference shares. The company has obtained necessary NOCs/Approvals from the lenders and expecting to complete remaining procedure in second half of the 2014. With the aforesaid conversion and other measures mentioned earlier, the management of the Company envisages that sufficient financial resources will be available for the continuing operations and it is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances.

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 launch a Land project to utilize its idle resources and generate enough resources for the survival and repayment of loans. The company as part of FFM has signed the direct gas arrangements with OGDC, which will resolve the gas supply issues to the urea plant. Further, The Company has obtained necessary NOCs/Approvals from the lenders and expecting to complete remaining procedure in second half of the 2014. 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).

Acknowledgment

The Board would like to avail this opportunity to thank our valued customers and the financial institutions whose faith and support over the years has fostered strong relationships which have played a pivotal role in the growth of the company.

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.

On behalf of the Board

Chief Executive Officer

Lahore
Date : 29 August 2014

Auditor’s Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Agritech Limited** (”the Company”) as at 30 June 2014 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and notes to the accounts for six months period then ended (here-in-after referred to as the “condensed interim financial information”). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As stated in note 2.3 and 15 to the condensed interim financial information, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at 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 this condensed interim financial information the long term debts have continued to be classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 13,299.93 million as at the reporting date.

Qualified Conclusion

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

Emphasis of matter

We draw attention to the following matters:

i) As stated in note 5.2 to the accompanying condensed interim financial information, whereby Redeemable Preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984. The matter of its classification will be dealt in accordance with the clarification from the Securities and Exchange Commission of Pakistan, as fully explained in the above referred note; and

ii) The Company has incurred a loss before tax of Rs. 2,545.18 million during the six months period ended 30 June 2014 and, as of that date; its current liabilities exceeded its current assets by Rs. 16,354.90 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. This condensed interim financial information has however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the condensed interim financial information.

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

Other matters

The figures for the quarters ended 30 June 2014 and 30 June 2013 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Lahore

Date: 29 August 2014

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

Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2014

	Note	30 June 2014 Rupees	31 December 2013 Rupees
EQUITY AND LIABILITIES			
Authorized share capital		**15,000,000,000**	15,000,000,000
Share capital and reserves			
Issued, subscribed and paid-up capital	5	**5,517,642,690**	5,517,642,690
Reserve		**9,000,000**	9,000,000
Accumulated loss		**(2,527,954,650)**	(104,496,573)
		2,998,688,040	5,422,146,117
Surplus on revaluation of fixed assets		**3,775,766,149**	3,817,886,542
Non-current liabilities			
Redeemable capital - *secured*	6	**8,642,227,762**	9,516,754,658
Long term finances - *secured*	7	**4,391,987,096**	4,969,800,304
Long term payables - *unsecured*		**31,135,199**	31,135,199
Staff retirement benefits		**18,587,201**	13,757,997
Deferred taxation - *net*		**2,043,815,527**	2,217,038,194
		15,127,752,785	16,748,486,352
Current liabilities			
Current maturity of non-current liabilities		**6,216,885,085**	4,748,202,377
Short term borrowings - *secured*		**3,424,422,886**	3,640,781,136
Trade and other payables		**3,145,889,505**	2,838,529,371
Interest / mark-up accrued on borrowings		**7,924,142,731**	6,694,402,656
Preference dividend payable		**415,662,187**	328,748,615
		21,127,002,394	18,250,664,155
Contingencies and commitments	8	**-**	-
		43,029,209,368	44,239,183,166
ASSETS			
Non-current assets			
Property, plant and equipment	9	**35,600,635,772**	35,953,627,796
Intangible assets		**2,588,185,373**	2,592,026,353
Long term advances		**21,254,233**	21,736,130
Long term deposits - *unsecured, considered good*		**47,033,749**	47,128,749
		38,257,109,127	38,614,519,028
Current assets			
Stores, spares and loose tools		**2,086,124,959**	2,037,838,649
Stock in trade	10	**832,100,989**	539,320,247
Trade receivables - *unsecured, considered good*		**7,593,788**	14,415,382
Advances, deposits, prepayments and other receivables		**1,447,111,645**	1,432,356,296
Current taxation		**205,163,732**	165,907,478
Cash and bank balances		**194,005,128**	1,434,826,086
		4,772,100,241	5,624,664,138
		43,029,209,368	44,239,183,166

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Profit and Loss Account (Un-audited)

For the half year and quarter ended 30 June 2014

	Six months period ended		**Three months period ended**	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	Rupees	Rupees	**Rupees**	Rupees
Sales - *net*	**668,432,429**	2,674,030,404	**390,470,115**	2,171,568,392
Cost of sales	**(1,416,481,303)**	(2,212,383,197)	**(754,761,434)**	(1,395,807,285)
Gross (loss) / profit	**(748,048,874)**	461,647,207	**(364,291,319)**	775,761,107
Selling and distribution expenses	**(46,162,949)**	(115,681,789)	**(22,809,502)**	(99,353,885)
Administrative and general expenses	**(388,220,370)**	(167,472,522)	**(197,116,096)**	(87,056,217)
Operating (loss) / profit	**(1,182,432,193)**	178,492,896	**(584,216,917)**	589,351,005
Finance cost	**(1,399,366,469)**	(1,538,355,451)	**(721,426,591)**	(796,271,788)
Net other income / (expenses)	**36,614,398**	6,392,198	**16,309,478**	(687,418)
Loss before taxation	**(2,545,184,264)**	(1,353,470,357)	**(1,289,334,030)**	(207,608,201)
Taxation	**166,519,365**	519,617,416	**(275,460,162)**	81,414,534
Loss after taxation	**(2,378,664,899)**	(833,852,941)	**(1,564,794,192)**	(126,193,667)
Loss per share - *basic and diluted*	**(6.28)**	(2.35)	**(4.10)**	(0.43)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year and quarter ended 30 June 2014

	Six months period ended		Three months period ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	Rupees	Rupees	**Rupees**	Rupees
Loss after taxation	**(2,378,664,899)**	(833,852,941)	**(1,564,794,192)**	(126,193,667)
Other comprehensive income	**-**	-	**-**	-
Total comprehensive loss for the period	**(2,378,664,899)**	(833,852,941)	**(1,564,794,192)**	(126,193,667)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Cash flow Statement (Un-audited)

For the half year ended 30 June 2014

	Note	30 June 2014 Rupees	30 June 2013 Rupees
Cash flows from operating activities			
Cash (used in) / generated from operations	*12*	**(783,253,438)**	620,406,602
Finance cost paid		**(135,983,188)**	(255,808,333)
Interest income received		**30,601,440**	87,819,948
Staff retirement benefits paid		**(85,080)**	(10,004,981)
Taxation		**(18,180,830)**	(50,948,590)
Net cash (used in) / generated from operating activities		**(906,901,096)**	391,464,646
Cash flows from investing activities			
Capital expenditure		**(101,491,902)**	(17,771,440)
Acquisition of intangible assets		**(859,204)**	-
Long term advances		**481,897**	1,554,094
Long term deposits		**95,000**	5,775,200
Proceeds from sale of operating fixed assets		**1,513,200**	119,000
Due from related party		**-**	(52,744,786)
Net cash used in investing activities		**(100,261,009)**	(63,067,932)
Cash flows from financing activities			
Redemption of redeemable capital		**-**	(5,000,000)
Repayment of liabilities against assets subject to finance lease		**(17,300,603)**	(25,838,478)
Net decrease in short term borrowings		**(516,482,248)**	(98,574,699)
Net cash used in financing activities		**(533,782,851)**	(129,413,177)
Net (decrease) / increase in cash and cash equivalents		**(1,540,944,956)**	198,983,537
Cash and cash equivalents at beginning of the period		**(744,751,941)**	(2,019,859,364)
Cash and cash equivalents at end of the period	*14*	**(2,285,696,897)**	(1,820,875,827)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

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

For the half year ended 30 June 2014

	Share capital		Reserves		
	Ordinary shares	Preference shares	Revenue reserve	Unappropriated profit / (loss)	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 31 December 2012 - *un-audited*	3,924,300,000	1,593,342,690	9,000,000	1,522,824,603	7,049,467,293
Total comprehensive loss for the period	-	-	-	(833,852,941)	(833,852,941)
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	-	-	-	78,960,169	78,960,169
Preference dividend for the period	-	-	-	(87,633,846)	(87,633,846)
As at 30 June 2013 - *un-audited*	**3,924,300,000**	**1,593,342,690**	**9,000,000**	**680,297,985**	**6,206,940,675**
As at 31 December 2013 - *audited*	**3,924,300,000**	**1,593,342,690**	**9,000,000**	**(104,496,573)**	**5,422,146,117**
Total comprehensive loss for the period	**-**	**-**	**-**	**(2,378,664,899)**	**(2,378,664,899)**
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	**-**	**-**	**-**	**42,120,393**	**42,120,393**
Preference dividend for the period	**-**	**-**	**-**	**(86,913,571)**	**(86,913,571)**
As at 30 June 2014 - *un-audited*	**3,924,300,000**	**1,593,342,690**	**9,000,000**	**(2,527,954,650)**	**2,998,688,040**

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore | **CHIEF EXECUTIVE** | **DIRECTOR**

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

For the half year ended 30 June 2014

1 Status and nature of business

Agritech Limited was incorporated in Pakistan on 15 December 1959 as a public unlisted 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 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. On 31 October 2012, ANL sold majority of its shareholding to a consortium of financial institutions. The registered office of the Company is situated at 307-Upper Mall, First Floor, Lahore. Principal business of the Company is production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer. The Company has two production units with Unit I located at Iskanderabad, District Mianwali and Unit II at Hattar Road, Haripur.

Pursuant to the scheme of amalgamation approved by Honorable 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.

2 Basis of preparation

2.1 Basis of accounting

2.1.1 This condensed interim financial information comprises the condensed interim balance sheet of Agritech Limited ("the Company"), as at 30 June 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof.

2.1.2 This condensed interim financial information of the Company for the six months period ended 30 June 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.1.3 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the eighteen months period ended on 31 December 2013.

2.1.4 This condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

2.1.5 The Company in the previous period, changed its financial year from 30 June to 31 December in order to align its year-end with majority shareholders of the Company which are banks that close their books of account on 31 December and accordingly prepared audited financial statements for the eighteen months as at 31 December 2013. The comparative figures of condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of comprehensive income and condensed interim statement of changes in equity have been derived by deducting the reviewed figures for the six months period ended on 31 December 2012 from the reviewed figures for the twelve months period ended on 30 June 2013.

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

For the half year ended 30 June 2014

2.2 Financial liabilities and continuing operations

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 resulted in over dues as referred in note 15 to the condensed interim financial information. Due to these factors, the Company has incurred a loss before tax of Rs. 2,545.18 million during the six months period ended 30 June 2014 and, as of that date, its current liabilities exceeded current assets by Rs. 16,354.90 million. These conditions cast significant doubt about the Company's ability to continue as a going concern. This condensed interim financial information has however been prepared on a going concern basis. 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 Sui Northern Gas Pipeline Company Limited ("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 has been running currently at 67% of capacity from July 2014 till date and the trend is likely to continue till winter load sheddings.

Further, the Company has planned to convert its existing total long term debt including mark-up into preference shares. The Company has obtained necessary NOCs from the lenders and expecting to complete remaining procedure in next quarter. 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 15. 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. 13,299.93 million as detailed below have continued to be classified as long term as per the repayment schedules in this condensed interim financial information as the management considers that event of default was not declared by the lenders at the reporting date:

	Principal net of current maturity
	Rupees
Redeemable capital	
Term Finance Certificates - I	1,113,247,200
Term Finance Certificates - II	5,121,470,196
Term Finance Certificates - III	368,085,550
Privately Placed Term Finance Certificates - V	617,818,841
Privately Placed Term Finance Certificates	424,895,829
Sukkuks	1,188,422,857
	8,833,940,473

Condensed Interim Notes to the Financial Information (Un-audited)
For the half year ended 30 June 2014

Long term finances	**Principal net of current maturity** **Rupees**
Syndicate Term Finance - I	2,228,571,428
Syndicate Term Finance - III	1,664,514,253
KASB Bank Limited - Term Finance	203,571,430
National Bank of Pakistan - Term Finance	132,083,735
Dubai Islamic Bank Limited - Term Finance	237,250,000
	4,465,990,846
	13,299,931,319

3 Estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Retirement and other benefits
- Provisions and contingencies

4 Statement of consistency in accounting policies

4.1 Except as described below, the accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the eighteen months financial statements for the period ended 31 December 2013.

4.2 Change in accounting policy

During the current period, the Company has adopted the amended version of IAS 19 Employee Benefits (amended 2011) and changed its basis for determining the income or expense related to defined benefits plans.

Under IAS 19, the Company determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. All the changes in the present value of defined benefit obligation are now recognized in statement of comprehensive income and the past service costs are recognized in profit and loss account, immediately in the period they occur. The change in accounting policy has been applied prospectively, being considered immaterial.

4.3 There were certain other new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

In addition to the above, following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

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

For the half year ended 30 June 2014

Standard or interpretation	**Effective date (accounting periods beginning on or after)**
IAS 19 - Employee Benefits	01 July 2014
IAS 38 - Intangible Assets	01 January 2016
IAS 16 - Property, Plant and Equipment	01 January 2016
IAS 41 - Agriculture	01 January 2016
Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles	01 July 2014

	Note	**(Un-audited) 30 June 2014 Rupees**	(Audited) 31 December 2013 Rupees
5 Issued, subscribed and paid-up capital			
Class A ordinary shares of Rs. 10 each			
383,430,000 (31 December 2013: 383,430,000) Shares issued fully paid in cash	*5.1*	**3,834,300,000**	3,834,300,000
9,000,000 (31 December 2013: 9,000,000) Shares issued for consideration as machinery		**90,000,000**	90,000,000
Preference shares of Rs. 10 each			
159,334,269 (31 December 2013: 159,334,269) Shares issued fully paid in cash	*5.2*	**1,593,342,690**	1,593,342,690
		5,517,642,690	5,517,642,690

5.1 As at 30 June 2014, National Bank of Pakistan, an associated undertaking holds 110,715,224 (31 December 2013: 110,715,224) ordinary shares of the Company.

5.2 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 issue of the Shares were duly approved by shareholders of the Company at Extraordinary General Meeting held on 29 August 2011.

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

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

- Requirements of the Ordinance take precedence over the requirements of International Accounting Standards.

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

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For the half year ended 30 June 2014

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

		(Un-audited)	(Audited)
		30 June 2014	31 December 2013
		Rupees	Rupees
6	**Redeemable capital - *secured***		
	Term Finance Certificates - I	**1,498,602,000**	1,498,602,000
	Term Finance Certificates - II	**6,894,286,800**	6,894,286,800
	Term Finance Certificates - III	**495,460,750**	495,460,750
	Privately Placed Term Finance Certificates - IV	**548,825,000**	548,825,000
	Privately Placed Term Finance Certificates - V	**618,685,000**	618,685,000
	Privately Placed Term Finance Certificates	**509,874,996**	509,874,996
	Sukkuks	**1,599,800,000**	1,599,800,000
		12,165,534,546	12,165,534,546
	Deferred notional income	**(14,470,304)**	(28,941,609)
	Transaction costs	**(177,242,407)**	(189,678,336)
		11,973,821,835	11,946,914,601
	Current maturity presented under current liabilities	**(3,331,594,073)**	(2,430,159,943)
		8,642,227,762	9,516,754,658
7	**Long term finances - *secured***		
	Syndicate Term Finance - I	**3,000,000,000**	3,000,000,000
	Syndicate Term Finance - II	**475,000,000**	475,000,000
	Syndicate Term Finance - III	**3,009,833,663**	3,009,833,663
	KASB Bank Limited - Term Finance	**300,000,000**	300,000,000
	National Bank of Pakistan - Term Finance	**132,083,735**	132,083,735
	Dubai Islamic Bank Limited - Term Finance	**365,000,000**	365,000,000
		7,281,917,398	7,281,917,398
	Transaction costs	**(74,003,750)**	(80,739,723)
		7,207,913,648	7,201,177,675
	Current maturity presented under current liabilities	**(2,340,926,552)**	(1,756,377,371)
	Reclassification of Syndicate Term Finance - II to short term	**(475,000,000)**	(475,000,000)
		(2,815,926,552)	(2,231,377,371)
		4,391,987,096	4,969,800,304

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For the half year ended 30 June 2014

8 Contingencies and commitments

8.1 Contingencies

There is no material change in contingencies from the preceding published financial statements of the Company for the eighteen months period ended 31 December 2013.

8.2 Commitments

8.2.1 The amount of future ijarah rentals and the period in which these payments will become due are as follows:

	Note	**(Un-audited) 30 June 2014 Rupees**	(Audited) 31 December 2013 Rupees
Not later than one year		**24,991,115**	23,768,100
Later than one year but not later than five year		**59,029,637**	67,837,686
		84,020,752	91,605,786
8.2.2 Commitments under irrevocable letters of credit for:			
- purchase of machinery		**56,791,000**	-

9 Property, plant and equipment

	Note	**(Un-audited) 30 June 2014 Rupees**	(Audited) 31 December 2013 Rupees
Operating fixed assets	*9.1*	**35,540,050,521**	35,890,049,631
Capital work in progress		**60,585,251**	63,578,165
		35,600,635,772	35,953,627,796

9.1 Operating fixed assets

	Note	**(Un-audited) 30 June 2014 Rupees**	(Audited) 31 December 2013 Rupees
Net book value at beginning of the period		**35,890,049,631**	37,156,269,276
Add: Additions during the period	*9.1.1*	**104,484,816**	68,679,758
Less: Disposals during the period - net book value		**636,300**	9,322,913
Depreciation for the period		**453,847,626**	1,325,576,490
		454,483,926	1,334,899,403
Net book value at end of the period		**35,540,050,521**	35,890,049,631

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

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	(Un-audited) 30 June 2014 Rupees	(Audited) 31 December 2013 Rupees
9.1.1 Additions - ***cost***		
Owned assets		
Buildings on freehold land	**300,907**	-
Plant and machinery	**27,480,849**	21,688,540
Furniture, fixtures and office equipment	**5,194,196**	2,222,268
Vehicles and rail transport	**-**	960,500
Tools and other equipment	**238,450**	913,000
Electrical and other installations	**957,162**	1,917,348
Catalyst	**70,313,252**	40,978,102
	104,484,816	68,679,758

10 Stock in trade

Finished goods inventory of the Company includes provision for diminution in value of stock due to net realizable value amounting to Rs. 462,703,682.

11 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.

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

	(Un-audited) January to June 2014 Rupees	(Un-audited) January to June 2013 Rupees
11.1 Transactions with related parties		
11.1.1 Associate		
National Bank of Pakistan		
Mark-up expense	**178,294,667**	163,829,433
Preference dividend	**33,682,678**	33,868,770
Advisory fees	**180,000,000**	174,000,000
Bank balances - net	**(61,566,771)**	(527,096)

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

For the half year ended 30 June 2014

		(Un-audited) January to June 2014 Rupees	(Un-audited) January to June 2013 Rupees
11.1.2	**Other related parties**		
	Faysal Bank Limited		
	Mark-up expense	**114,298,586**	106,799,524
	Preference dividend	**16,929,279**	16,929,278
	Bank balances - net	**(644,387,872)**	(660,293)
	Short term borrowings - *net*	**(63,186,325)**	-
	JS Infocom Limited		
	Mark-up expense	**36,574,829**	19,102,690
	KASB Bank Limited		
	Mark-up expense	**34,107,606**	37,414,634
	Mark-up paid	**(7,000,000)**	-
	Bank balances - *net*	**45**	(2,908)
	Silk Bank Limited		
	Mark-up expense	**40,211,535**	34,261,275
	Mark-up paid	**(14,920,137)**	(15,724,268)
	Short term borrowings - *net*	**431,086**	-
	Summit Bank Limited		
	Mark-up expense	**62,191,959**	45,037,840
	Mark-up paid	**(19,033,083)**	(10,900,000)
	Short term borrowings - *net*	**67,126,854**	-
11.1.3	**Post employment benefit plans**		
	Provident fund Trust	**20,652,056**	16,868,288
	Gratuity Trust	**4,914,284**	4,800,000
11.1.4	**Key management personnel**		
	Short term employee benefits	**89,276,802**	50,207,076
	Post employment benefits	**4,694,160**	2,562,186

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

For the half year ended 30 June 2014

		(Un-audited) 30 June 2014 Rupees	(Un-audited) 31 December 2013 Rupees
11.2	**Balances with related parties**		
11.2.1	***Associate***		
	National Bank of Pakistan		
	Long term loans	**2,467,083,735**	2,467,083,735
	Redeemable capital	**335,976,581**	335,976,581
	Bills payable	**187,030,000**	187,030,000
	Preference shares	**617,487,560**	617,487,560
	Mark-up payable	**1,287,455,225**	1,109,160,558
	Preference dividend payable	**160,903,595**	127,220,918
	Bank accounts	**905,972**	62,472,859
	Advisory and other fee	**203,200,000**	23,200,000
11.2.2	**Other related parties**		
	Faysal Bank Limited		
	Redeemable capital	**1,499,109,500**	1,499,109,500
	Long term loans	**350,000,000**	350,000,000
	Short term borrowings	**-**	63,186,326
	Preference shares	**310,355,940**	310,355,940
	Mark-up payable	**716,819,313**	602,520,728
	Preference dividend payable	**80,998,649**	64,069,370
	Bank accounts	**95,068,763**	739,456,636
	JS Infocom Limited		
	Redeemable capital	**621,362,996**	621,362,996
	Mark-up payable	**156,839,246**	120,264,417
	KASB Bank Limited		
	Redeemable capital	**242,005,200**	242,005,200
	Long term loans	**300,000,000**	300,000,000
	Short term borrowings	**99,999,290**	99,999,290
	Mark up payable	**208,021,639**	180,914,033
	Bank accounts	**1,588**	1,535

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

For the half year ended 30 June 2014

		(Un-audited) 30 June 2014 Rupees	(Un-audited) 31 December 2013 Rupees
	Silk Bank Limited		
	Long term loans	**130,607,546**	130,607,546
	Short term borrowings	**525,795,507**	525,363,419
	Bills payable	**15,020,533**	-
	Mark-up payable	**157,974,839**	132,683,441
	Summit Bank Limited		
	Redeemable capital	**603,406,000**	603,406,000
	Short term borrowings	**607,095,423**	399,930,447
	Bills payable	**56,299,934**	111,810,000
	Mark-up payable	**202,046,243**	158,887,367
11.2.3	**Post employment benefit plans**		
	(Receivable) / payable to Provident Fund Trust	**(250,000)**	23,017,241
	Payable to Gratuity Trust	**18,587,201**	13,757,997

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

For the half year ended 30 June 2014

		(Un-audited) January to June 2014	(Un-audited) January to June 2013
		Rupees	Rupees
12	**Cash flow from operating activities**		
	Loss before taxation	**(2,545,184,264)**	(1,353,470,357)
	Adjustment for non-cash and other items:		
	Interest / mark-up expense	**1,365,723,263**	1,473,886,558
	Amortization of transaction costs	**19,171,902**	24,791,945
	Amortization of notional income	**14,471,305**	39,676,948
	Depreciation	**453,847,626**	441,804,092
	Amortization of computer software	**4,700,184**	4,002,850
	Staff retirement benefit	**4,914,284**	4,800,000
	Mark-up / interest income	**(30,601,440)**	(19,240,742)
	Gain on sale of operating fixed assets	**(876,900)**	(118,990)
		1,831,350,224	1,969,602,661
	Operating (loss) / profit before changes in working capital	**(713,834,040)**	616,132,304
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores, spares and loose tools	**(48,286,310)**	20,670,144
	Stock in trade	**(292,780,742)**	(30,244,426)
	Trade receivables	**6,821,594**	7,235,533
	Advances, deposits, prepayments and other receivables	**(43,691,889)**	(253,487,177)
		(377,937,347)	(255,825,926)
	Increase in current liabilities:		
	Trade and other payables	**308,517,949**	260,100,224
	Cash (used in) / generated from operations	**(783,253,438)**	620,406,602

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

For the half year ended 30 June 2014

13 Segment reporting

13.1 Reportable segments

The Company's reportable segments are as follows:

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

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

13.2 Segment revenue and results

Following is the information about reportable segments of the Company:

	Urea fertilizer segment		**Phosphate fertilizer segment**		**Total**	
	(Un-audited) 30 June 2014	(Un-audited) 30 June 2013	**(Un-audited) 30 June 2014**	(Un-audited) 30 June 2013	**(Un-audited) 30 June 2014**	(Un-audited) 30 June 2013
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
For the six months period ended						
External revenues	**393,838,167**	2,492,638,242	**274,594,262**	181,392,162	**668,432,429**	2,674,030,404
Inter-segment revenue	**-**	-	**-**	-	**-**	-
Reportable segment (loss) / profit before tax	**(2,552,849,966)**	(1,204,943,429)	**7,665,702**	(148,526,928)	**(2,545,184,264)**	(1,353,470,357)

	Urea fertilizer segment		**Phosphate fertilizer segment**		**Total**	
	(Un-audited) 30 June 2014	Audited 31 December 2013	**(Un-audited) 30 June 2014**	Audited 31 December 2013	**(Un-audited) 30 June 2014**	Audited 31 December 2013
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
As at						
Reportable segment assets	**39,639,046,195**	41,060,788,423	**3,662,650,118**	3,773,733,745	**43,301,696,313**	44,834,522,168
Reportable segment liabilities	**35,414,990,190**	34,366,253,168	**1,112,251,934**	1,228,236,341	**36,527,242,124**	35,594,489,509

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

For the half year ended 30 June 2014

		(Un-audited) January to June 2014 Rupees	(Un-audited) January to June 2013 Rupees
13.3	**Reconciliation of reportable segment profit or loss**		
	For the six months period ended		
	Total loss for reportable segments before tax	**(2,545,184,264)**	(1,353,470,357)
	Unallocated corporate income	**166,519,365**	519,617,416
	Loss after tax	**(2,378,664,899)**	(833,852,941)

		(Un-audited) 30 June 2014 Rupees	(Un-audited) 30 June 2013 Rupees
14	**Cash and cash equivalents**		
	Short term borrowings - *running finance - secured*	**(2,479,702,025)**	(2,019,410,736)
	Cash and bank balances	**194,005,128**	198,534,909
		(2,285,696,897)	(1,820,875,827)

15 Overdue financial liabilities

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:

Nature of liability	Principal Rupees	Interest / markup Rupees	Total Rupees
Redeemable capital	1,620,993,059	3,759,373,480	**5,380,366,539**
Long term finances	1,646,828,191	2,907,756,218	**4,554,584,409**
Short term borrowings	371,485,000	154,915,432	**526,400,432**
Bills payable	258,510,683	87,759,599	**346,270,282**
	3,897,816,933	**6,909,804,729**	**10,807,621,662**

16 Date of authorization

This condensed interim financial information was authorized for issue by Board of Directors of the Company on 29 August 2014.

17 General

17.1 Figures have been rounded off to the nearest rupee.

A. T. Bujar

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

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