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Company Information

BOARD OF DIRECTORS

Syed Hasan Irtiza Kazmi
Chairman
Mr. Ahmed Jaudet Bilal
Chief Executive Officer
Mian Asif Said
Chaudhary Khaqan Saadullah Khan
Mr. Nauman Ansari
Mr. Ahsan Raza Durrani
Mr. Khadim Hussain
Mr. Muhammad Faisal Muzammil

CHIEF FINANCIAL OFFICER

Syed Taneem Haider

COMPANY SECRETARY

Mr. Affan Sajjad

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

Albaraka 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

Soneri Bank Limited

Citi Bank N.A.

HSBC Bank Middle East Limited

United Bank Limited

Habib Bank Limited

Dubai Islamic Bank Pakistan Limited

Pak Liyba Holding Company Limited

Standard Chartered Bank (Pakistan) Limited

REGISTERED OFFICE

Ismail Aiwan-e-Science
Off Shahrah-e-Roomi Lahore, 54600
Ph: +92 (0)42 111-786-645
Fax: +92 (0)42 3576-1791

PROJECT LOCATIONS

Unit I
Iskanderabad, District Mianwali.

Unit II
Hattar Road, Haripur.

Directors' Review

The Board of Directors of Agritech Limited ("the Company") hereby presents the reviewed interim financial statements for the twelve months ended June 30, 2013.

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 113,487 tons as compared to 156,654 tons urea which is 72.44% compared with the same period last year and 26.20% of plant capacity.

The long term Gas agreements for continuous supply of Gas to the four badly affected fertilizer plants (Including Agritech) have been signed. The long term allocation of gas to the consortium of fertilizer plants was approved by the GOP Vide ECC decision dated December 18, 2012. 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 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 consistently at 72% of capacity from March 2013 to-date.

Phosphate market was slow during this period resulting in lower than expected sales. However, the fundamentals of the phosphate market are strong and we expect the SSP sales to recover in 2013-14

Change of Accounting Year

The Company during the year has changed its accounting year from 30 June to 31 December to align its year-end with the major shareholders of the Company. In this respect the Company applied and obtained all legal approvals.

In view of the above, audited and complete set of financial statements of the Company will be prepared for eighteen months period from 01 July 2012 to 31 December 2013. Therefore, management has prepared condensed interim financial information for the twelve months period from 01 July 2012 to 30 June 2013 instead of complete set of financial statements.

Twelve Months Operating Financial Results

	Twelve months ended June 30, 2013	Twelve Months ended June 30, 2012
Sales Net	**4,104,888,501**	5,697,064,161
Operating Profit / (Loss)	**(150,392,593)**	734,340,041
Finance cost	**(3,271,401,735)**	(2,794,226,564)
Loss before taxation	**(3,361,902,930)**	(1,835,660,397)
Profit/Loss after taxation	**(2,717,275,267)**	(1,628,459,168)
Loss per share	**(6.92)**	(4.15)

The Company in previous year as well as in current period faced operational issues due to extended gas load shedding from SNGPL. As a result, the Company is facing liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. However, the company is fully confident that with the changed shareholding and implementation of direct gas arrangements, the Company will earn healthy profits in the future and meet its operational and financial obligations on timely basis.

Directors' Review

Future Outlook

The fertilizer sector continues to enjoy a positive outlook in Pakistan, which is a major consumer of fertilizer with area under cultivation of approximately 23 million HA. The strategic importance of fertilizer usage and its related benefits to the agriculture sector cannot be ignored in the long run. However, the recent devaluation in Pakistan Rupee will make fertilizer imports more expensive for the GOP in terms of foreign exchange spent and subsidy on imports. Consequently, it is likely that the GOP will do its best effort to provide gas to the local Industry for local production of fertilizers before the long term supply agreements are fully implemented. Post long term gas supply agreements implementation, the fertilizer plants on SNGPL network are likely to run at minimum of 78% of capacity all year around.

Further, the Company has planned to convert its existing total long term and short term debts including mark-up into preference shares. The necessary steps for the said conversion have already been initiated by the Company. With the aforesaid conversion and other measures, management of the Company envisages that sufficient financial resources will be available for the continuing operations and it is expected to operate profitably.

Hazara Phosphate is expected to deliver staggering performance in the next period on the back of lowest cost technology, strong pricing and premium brand.

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

Lahore
Date : 30 August 2013

Chief Executive Officer

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 2013 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 the twelve months period then ended (here-in-after-referred to as the "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 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. 16,047.55 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:

i) 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. 3,361.90 million during the twelve months period ended 30 June 2013 and, as of that date; its current liabilities exceeded its current assets by Rs. 11,152.90 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 2013 and 30 June 2012 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.

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

Lahore
Date: 30 August 2013

Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2013

	Note	30 June 2013 Un-Audited Rupees	30 June 2012 Audited Rupees
EQUITY AND LIABILITIES			
Capital and reserves			
Issued, subscribed and paid up capital	5	**5,517,642,690**	5,517,642,690
Reserves		**9,000,000**	9,000,000
Accumulated profit		**680,297,985**	3,392,413,553
		6,206,940,675	8,919,056,243
Surplus on revaluation of fixed assets		**3,786,327,385**	3,944,247,724
Non-current liabilities			
Subordinated loan	6	**-**	340,000,000
Redeemable capital - *secured*	7	**10,290,733,151**	11,226,126,643
Long term finances - *secured*	8	**5,408,462,800**	7,193,887,786
Liabilities against assets subject to finance lease - *secured*		**972,696**	76,194,996
Long term payables - *unsecured*		**31,135,199**	31,135,199
Staff retirement benefits		**47,330,463**	10,987,413
Deferred taxation - *net*		**2,064,830,820**	2,701,490,476
		17,843,465,129	21,579,822,513
Current liabilities			
Current portion of non-current liabilities - *secured*		**3,523,369,257**	655,060,293
Short term borrowing - *secured*		**3,430,913,486**	3,338,017,160
Trade and other payables		**2,464,216,380**	2,395,498,348
Due to Azgard Nine Limited - *unsecured, considered good*		**16,600,910**	-
Interest / mark-up accrued on borrowings		**5,618,410,679**	3,126,619,464
Preference dividend payable		**240,394,488**	87,633,848
		15,293,905,200	9,602,829,113
Contingencies and commitments	9		
		43,130,638,389	44,045,955,593
ASSETS			
Non-current assets			
Fixed assets	10	**36,342,291,520**	37,197,945,111
Intangible asset		**2,590,181,617**	2,598,253,663
Long term advances		**22,283,390**	25,297,091
Long term deposits - *unsecured, considered good*		**34,877,809**	41,619,209
		38,989,634,336	39,863,115,074
Current assets			
Stores, spares and loose tools		**2,068,066,352**	2,106,731,093
Stock-in-trade		**651,386,861**	667,938,748
Trade debts		**12,577,958**	12,739,838
Advances, deposits, prepayments and other receivables		**1,105,047,273**	836,411,259
Due from Azgard Nine Limited - *unsecured, considered good*		**-**	286,395,126
Current taxation		**105,390,700**	55,189,910
Cash and bank balances		**198,534,909**	217,434,545
		4,141,004,053	4,182,840,519
		43,130,638,389	44,045,955,593

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 twelve months ended 30 June 2013

	Twelve months period ended		Three months period ended	
	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees	**30 June 2013 Un-audited Rupees**	30 June 2012 Un-audited Rupees
Sales - *net*	**4,104,888,501**	5,697,064,161	**2,171,568,392**	1,521,130,936
Cost of sales	**(3,799,386,539)**	(4,219,244,562)	**(1,395,807,285)**	(1,211,877,613)
Gross profit	**305,501,962**	1,477,819,599	**775,761,107**	309,253,323
Selling and distribution expenses	**(158,345,090)**	(213,598,164)	**(99,353,885)**	(42,270,296)
Administrative expenses	**(297,549,465)**	(529,881,394)	**(87,056,217)**	(176,552,625)
(Loss) / profit from operations	**(150,392,593)**	734,340,041	**589,351,005**	90,430,402
Finance cost	**(3,271,401,735)**	(2,794,226,564)	**(796,271,788)**	(893,030,965)
Net other income / (expense)	**59,891,398**	224,226,126	**(687,418)**	83,020,221
Loss before taxation	**(3,361,902,930)**	(1,835,660,397)	**(207,608,201)**	(719,580,342)
Taxation	**644,627,663**	207,201,229	**81,414,534**	(196,130,614)
Loss after taxation	**(2,717,275,267)**	(1,628,459,168)	**(126,193,667)**	(915,710,956)
Loss per share - *basic and diluted* *Rupees*	**(6.92)**	(4.15)	**(0.32)**	(2.33)

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 twelve months ended 30 June 2013

	Twelve months period ended		Three months period ended	
	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees	**30 June 2013 Un-audited Rupees**	30 June 2012 Un-audited Rupees
Loss after taxation	**(2,717,275,267)**	(1,628,459,168)	**(126,193,667)**	(915,710,956)
Other comprehensive income	**-**	-	**-**	-
Total comprehensive loss for the period	**(2,717,275,267)**	(1,628,459,168)	**(126,193,667)**	(915,710,956)

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 twelve months ended 30 June 2013

	Note	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
Cash flows from operating activities			
Cash generated from operations	*12*	**604,964,762**	1,180,655,542
Finance cost paid		**(505,892,297)**	(1,895,715,672)
Interest income received		**87,846,395**	118,839,418
Taxation		**(42,232,783)**	28,521,565
Net cash generated from / (used in) operating activities		**144,686,077**	(567,699,147)
Cash flows from investing activities			
Capital expenditure including purchase of property, plant and equipment		**(33,048,431)**	(1,086,707,540)
Long term advances		**3,013,701**	3,366,833
Long term deposits		**6,741,400**	(25,151,421)
Proceeds from disposal of property, plant and equipment		**5,265,292**	4,385,084
Due from Azgard Nine Limited		**302,996,036**	30,763,444
Net cash generated from / (used in) investing activities		**284,967,998**	(1,073,343,600)
Cash flows from financing activities			
Long term finances paid		**(500,000,000)**	123,699,279
Redemption of redeemable capital		**(5,000,000)**	(667,251)
Issuance of preference shares		**-**	1,593,342,690
Repayment of liabilities against assets subject to finance lease		**(36,450,037)**	(51,319,159)
Transaction costs incurred		**-**	(96,022,226)
Net increase in short term borrowings		**24,158,934**	98,207,187
Net cash (used in) / generated from financing activities		**(517,291,103)**	1,667,240,520
Net (decrease) / increase in cash and cash equivalents		**(87,637,028)**	26,197,773
Cash and cash equivalents at the beginning of period		**(1,733,238,799)**	(1,759,436,572)
Cash and cash equivalents at the end of period	*14*	**(1,820,875,827)**	(1,733,238,799)

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 twelve months ended 30 June 2013

	Share capital				
	Ordinary shares	Preference shares	Revenue reserve	Accumulated profit	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2012 - audited	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	-	-	-	(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	-	-	-	(87,633,848)	(87,633,848)
As at 30 June 2012 - audited	**3,924,300,000**	**1,593,342,690**	**9,000,000**	**3,392,413,553**	**8,919,056,243**
Total comprehensive loss for the period	**-**	**-**	**-**	**(2,717,275,267)**	**(2,717,275,267)**
Transfer of incremental depreciation from surplus on revaluation of fixed assets	**-**	**-**	**-**	**157,920,339**	**157,920,339**
Preference dividend for the period	**-**	**-**	**-**	**(152,760,640)**	**(152,760,640)**
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**

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 twelve months ended 30 June 2013

1 Status and nature of business

1.1 Agritech Limited was incorporated 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 Ismail Aiwan-e-Science, Off Sharah-e-Roomi, Lahore. The principal business of the Company is the production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer.

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.

1.2 Change in accounting year

The Company during the year 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 year ended 31 December 2013.

In view of the above, audited and complete set of financial statements of the Company will be prepared for eighteen months period from 01 July 2012 to 31 December 2013. Therefore, management has prepared condensed interim financial information for the twelve months period from 01 July 2012 to 30 June 2013 instead of complete set of financial statements.

2 Basis of preparation

2.1 Statement of compliance

This condensed interim financial information of the Company for the twelve months period ended 30 June 2013 has been prepared in accordance with the requirements of the International Accounting Standard 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.

The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statement for the year ended 30 June 2012.

The comparative interim balance sheet as at 30 June 2012 and the comparative interim profit and loss account, interim statement of other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes for the year then ended are based on audited financial statements. The interim profit and loss account and interim statement of other comprehensive income for the quarters ended 30 June 2013 and 30 June 2012 are neither audited nor reviewed.

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

For the twelve months ended 30 June 2013

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. 3,361.90 million during the twelve months period ended 30 June 2013 and, as of that date, its current liabilities exceeded current assets by Rs. 11,152.90 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 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 consistently at 72% of capacity from March 2013 till date and the trend is likely to continue.

Further, the Company has planned to convert its existing total long term and short term debts including mark-up into preference shares. 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 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. 16,047.55 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 (TFCs) - I	1,305,924,600
Term Finance Certificates (TFCs) - II	6,007,878,497
Term Finance Certificates (TFCs) - III	431,773,150
Term Finance Certificates (TFCs) - IV	276,912,500
Term Finance Certificates (TFCs) - V	618,066,315
Privately Placed Term Finance Certificates (PPTFCs)	509,874,996
Sukkuks	1,394,111,429
	10,544,541,487

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

For the twelve months ended 30 June 2013

	Principal net of current maturity
	Rupees
Long term finances	
Syndicate Term Finance - I	2,614,285,714
Syndicate Term Finance - III	2,345,451,900
KASB Bank Limited - Term Finance	242,142,857
Dubai Islamic Bank Limited - Term Finance	301,125,000
	5,503,005,472
	16,047,546,959

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 Significant accounting policies

4.1 The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the year ended 30 June 2012, except as follows:

During the current period, the Company has adopted the following amendments to IFRSs which became effective for the current period:

- IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income (amendment)
- IAS 12 Income Taxes - Recovery of Underlying Assets (amendment)

The adoption of the above amendments did not have any effect on these condensed interim financial statements.

4.2 In addition to above, following amendments to the International Financial Reporting Standards / International Accounting Standards are mandatory for the first time for the financial year beginning on or after 1 July 2013, however, the adoption of these amendments is either not yet effective or the amendments did not have any significant impact on the financial information of the Company.

- IAS 1 (amendment) - Presentation of Financial Statement
- IFRS 7 (amendment) - Offsetting Financial assets and Financial Liabilities
- IAS 16 Property, Plant and Equipment
- IAS 19 (amendment) - Employee Benefits
- IAS 27 (amendment) - Separate Financial Statements
- IAS 28 (amendment) - Investments in Associates and Joint Ventures
- IAS 32 (amendment) - Offsetting Financial assets and Financial liabilities
- IAS 32 (amendment) - Financial Instruments: Presentation

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

For the twelve months ended 30 June 2013

- IAS 34 Interim Financial Reporting
- IAS 36 (amendment) - Impairment of Assets
- IAS 39 (amendment) - Financial Instruments: Recognition and Measurement
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013)

	Note	**30 June 2013 Un-audited Rupees**	30 June 2012 Audited Rupees
5 Issued, subscribed and paid up capital			
Class A ordinary shares of Rs. 10 each			
383,430,000 (2012: 383,430,000)			
Shares issued fully paid in cash	*5.1*	**3,834,300,000**	3,834,300,000
9,000,000 (2012: 9,000,000)			
Shares issued for consideration other than cash		**90,000,000**	90,000,000
Preference shares of Rs. 10 each			
159,334,269 (2012: 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

5.1 313,423,184 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 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 this condensed interim financial information.

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

For the twelve months ended 30 June 2013

6 Subordinated loan

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 7.2.

	Note	**30 June 2013 Un-audited Rupees**	30 June 2012 Audited Rupees
7 Redeemable capital - secured			
Term Finance Certificates (TFCs) - I		**1,498,602,000**	1,498,602,000
Term Finance Certificates (TFCs) - II		**6,894,286,800**	6,894,286,800
Term Finance Certificates (TFCs) - III		**495,460,750**	495,345,100
Term Finance Certificates (TFCs) - IV	*7.1*	**548,825,000**	553,825,000
Term Finance Certificates (TFCs) - V		**618,685,000**	618,685,000
Privately Placed Term Finance Certificates	*7.2*	**509,874,996**	-
Sukkuks		**1,599,800,000**	1,599,800,000
		12,165,534,546	11,660,543,900
Deferred notional income		**(50,847,665)**	(104,991,352)
Transaction costs		**(202,960,671)**	(236,787,449)
		11,911,726,210	11,318,765,099
Current maturity presented under current liabilities		**(1,620,993,059)**	(92,638,456)
		10,290,733,151	11,226,126,643

7.1 During the current period the Company has made repayments amounting to Rs. 5 million.

7.2 This represents restructuring of subordinated loan as referred in note 6 to this condensed interim financial information 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") entered on 22 October 2012 effective from 1 July 2012. As per terms of the agreement 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 carries mark-up at six months KIBOR plus 1.95% per annum payable semi-annually.

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

For the twelve months ended 30 June 2013

		Note	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
8	**Long term finances**			
	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		**3,026,389,549**	3,026,389,549
	KASB Bank Limited - Term Finance		**300,000,000**	300,000,000
	National Bank of Pakistan - Term Finance	*8.1*	**132,083,735**	632,083,735
	Dubai Islamic Bank Limited - Term Finance		**365,000,000**	365,000,000
			7,298,473,284	7,798,473,284)
	Transaction costs		**(94,542,672)**	(110,299,784)
			7,203,930,612	7,688,173,500
	Current maturity presented under current liabilities		**(1,320,467,812)**	(19,285,714)
	Reclassification of Syndicate Term Finance - II to short term		**(475,000,000)**	(475,000,000)
			(1,795,467,812)	(494,285,714)
			5,408,462,800	7,193,887,786

8.1 During the current period the Company has made repayments amounting to Rs. 500 million.

9 Contingencies and commitments

9.1 Contingencies

There is no material change in contingencies from the preceding annual publish financial statements of the Company for the year ended 30 June 2012.

		Note	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
9.2	**Commitments**			
	Commitments under irrevocable letters of credit for:			
	- purchases of stores, spare and loose tools		**105,251,568**	-
10	**Fixed assets**			
	Property, plant and equipment	*10.1*	**36,301,188,143**	37,156,269,276
	Capital work in progress		**41,103,377**	41,675,835
			36,342,291,520	37,197,945,111

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

For the twelve months ended 30 June 2013

		Note	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
10.1	**Property, plant and equipment**			
	Opening book value		**37,156,269,276**	24,479,320,011
Add:	Additions during the period / year	*10.1.1*	**33,620,889**	12,841,975,789
	Reclassification to assets held for sale		**-**	713,092,558
			33,620,889	13,555,068,347
Less:	Disposals during the period / year - net book value		**2,483,132**	3,376,276
	Depreciation charged during the period / year		**886,218,890**	811,383,356
	Adjustment		**-**	63,359,450
			888,702,022	878,119,082
	Closing book value		**36,301,188,143**	37,156,269,276

10.1.1 Additions during the period / year

	30 June 2013	30 June 2012
Owned assets		
Buildings on freehold land	**-**	96,869,812
Plant and machinery	**12,731,839**	12,570,630,300
Residential colony assets	**-**	4,603
Furniture, fixtures and office equipment	**1,272,236**	16,635,142
Vehicles and rail transport	**-**	2,917,000
Tools and other equipment	**690,000**	182,890
Electrical and other installations	**-**	154,488
Catalyst	**18,926,814**	16,694,624
Leased assets		
Plant and machinery	**-**	137,816,930
Vehicles	**-**	70,000
	33,620,889	12,841,975,789

11 Transactions with related parties

Related parties comprise associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plans. 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 exceptions as approved by the Board of Directors.

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

For the twelve months ended 30 June 2013

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

	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
11.1 Transactions with related		
11.1.1 ***Associate***		
National Bank of Pakistan		
Long term finances (repaid) / obtained	**(500,000,000)**	123,699,279
Mark-up expense	**411,911,081**	502,965,081
Preference dividend	**67,923,632**	25,056,332
11.1.2 ***Other related parties***		
Azgard Nine Limited		
Mark-up income on short term loan	**(19,240,742)**	(61,896,928)
Mark-up expense on redeemable capital	**33,373,470**	39,192,996
Temporary loan given -*net*	**(302,996,035)**	(30,763,444)
Faysal Bank Limited		
Mark-up expense	**235,081,837**	268,291,982
Preference dividend	**34,139,153**	12,702,342
JS Infocom Limited		
PPTFCs issued during the period	**509,874,996**	-
Mark-up expense	**78,651,788**	68,451,922
KASB Bank Limited		
Mark-up expense	**71,416,537**	84,284,801
Silk Bank Limited		
Mark-up expense	**84,056,168**	80,849,365
Summit Bank Limited		
Mark-up expense	**106,160,420**	131,643,853
11.1.3 ***Post employment benefit plans***		
Contribution to employees provident fund	**16,234,357**	18,080,165
Contribution to employees gratuity fund	**11,284,000**	9,386,666
11.1.4 ***Key management personnel***		
Short term employee benefits	**104,044,839**	147,414,778
Post employment benefits	**5,191,836**	171,971,064

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

For the twelve months ended 30 June 2013

	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
11.2 Balances with related parties		
11.2.1 *Associate*		
National Bank of Pakistan		
Long term finances	**2,467,083,735**	2,967,083,735
Short term borrowing	**253,670,627**	42,000,000
Redeemable capital	**341,921,654**	341,921,654
Bills payable	**187,031,000**	187,031,000
Preference shares	**617,487,560**	617,549,990
Mark-up payable	**889,482,334**	492,387,421
Preference dividend payable	**92,979,964**	25,056,332
11.2.2 *Other related parties*		
Azgard Nine Limited		
Mark-up payable	**16,600,910**	-
Short term loan given *-net*	**-**	286,395,126
Redeemable capital	**266,074,508**	266,074,508
Mark-up receivable	**-**	68,579,206
Faysal Bank Limited		
Redeemable capital	**1,499,109,500**	1,499,109,500
Long term loan	**350,000,000**	350,000,000
Preference shares	**310,355,940**	310,355,940
Bills payable	**86,500,000**	73,140,019
Mark-up payable	**496,112,660**	56,170,929
Dividend payable	**46,841,495**	12,702,342
JS Infocom		
Subordinate loan	**-**	340,000,000
Redeemable capital	**621,362,996**	111,488,000
Mark-up payable	**78,380,156**	181,139,325
Accrued liabilities	**-**	70,000,000
KASB Bank Limited		
Redeemable capital	**242,005,200**	242,005,200
Long term loan	**300,000,000**	300,000,000
Running finance	**99,999,290**	99,999,290
Mark-up payable	**150,002,789**	76,721,476

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

For the twelve months ended 30 June 2013

		30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
	Silk Bank Limited		
	Long term loan	**147,163,432**	147,163,432
	Running finance	**292,456,850**	289,678,585
	Finance against trust receipt	**66,202,798**	185,000,000
	Bills payable	**189,106,000**	129,861,540
	Mark-up payable	**98,079,876**	64,813,005
	Summit Bank Limited		
	Redeemable capital	**603,406,000**	603,406,000
	Running finance	**299,930,448**	386,460,009
	Bills payable	**380,493,000**	405,670,882
	Mark-up payable	**176,798,057**	114,135,465
11.2.3	***Post employment benefit plans***		
	Payable to provident fund	**7,560,854**	5,253,674
	Payable to gratuity trust	**47,330,463**	10,987,413

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

For the twelve months ended 30 June 2013

		30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
12	**Cash flow from operating activities**		
	Loss before tax	**(3,361,902,930)**	(1,835,660,397)
	Adjustment for non-cash and other items:		
	Mark-up / interest expense	**3,167,674,158**	2,694,949,219
	Amortization of transaction costs	**49,583,890**	70,392,489
	Amortization of notional income	**54,143,687**	28,884,856
	Depreciation	**886,218,890**	811,383,356
	Amortization of computer software	**8,072,046**	1,345,341
	Provision for doubtful balances	**-**	10,721,857
	Recoveries from doubtful balances	**-**	(14,313,563)
	Notional income	**-**	(133,876,208)
	Mark-up / interest income	**(19,267,189)**	(61,896,928)
	Assets written off	**-**	63,359,450
	Gain on sale of property, plant and equipment	**(2,782,160)**	(1,008,808)
		4,143,643,322	3,469,941,061
	Operating profit before changes in working capital	**781,740,392**	1,634,280,664
	Changes in working capital		
	Decrease / (increase) in current assets:		
	Stores, spares and loose tools	**38,664,741**	(44,697,298)
	Stock-in-trade	**16,551,887**	(248,988,421)
	Trade debts	**161,880**	59,653,738
	Advances, deposits, prepayments and other receivables	**(337,215,220)**	129,264,922
		(281,836,712)	(104,767,059)
	Increase / (decrease) in current liabilities		
	Trade and other payables	**105,061,082**	(348,858,063)
	Cash generated from operations	**604,964,762**	1,180,655,542

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

For the twelve months ended 30 June 2013

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
- 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	
	30 June 2013 Un-audited	30 June 2012 Audited	**30 June 2013 Un-audited**	30 June 2012 Audited	**30 June 2013 Un-audited**	30 June 2012 Audited
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
For the twelve months period ended						
External revenues	**3,262,732,948**	4,379,867,759	**842,155,553**	1,717,047,813	**4,104,888,501**	6,096,915,572
Inter-segment revenue	**-**	399,851,411	**-**	-	**-**	399,851,411
Reportable segment (loss) / profit before tax	**(3,220,539,062)**	(2,192,212,902)	**(141,363,868)**	356,552,505	**(3,361,902,930)**	(1,835,660,397)

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	30 June 2013 Un-audited	30 June 2012 Audited	**30 June 2013 Un-audited**	30 June 2012 Audited	**30 June 2013 Un-audited**	30 June 2012 Audited
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
As at						
Reportable segment assets	**44,570,737,437**	45,394,901,608	**3,621,889,737**	3,711,545,868	**48,192,627,174**	49,106,447,476
Reportable segment liabilities	**32,564,923,563**	30,585,708,122	**1,098,050,463**	1,154,182,949	**33,662,974,026**	31,739,891,071

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

For the twelve months ended 30 June 2013

13.3 Reconciliation of reportable segment profit and loss

	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
For the twelve months ended		
Total loss for reportable segments before tax	**(3,361,902,930)**	(1,835,660,397)
Unallocated corporate expenses	**644,627,663**	207,201,229
Loss after tax	**(2,717,275,276)**	(1,628,459,168)

14 Cash and cash equivalents

	30 June 2013 Un-audited Rupees	30 June 2012 Audited Rupees
Short term borrowings -*running finance - secured*	**(2,019,410,736)**	(1,950,673,344)
Cash and bank balances	**198,534,909**	217,434,545
	(1,820,875,827)	(1,733,238,799)

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:

	Principal Rupees	**Interest / markup Rupees**	**Total Rupees**
Nature of Liability			
Redeemable capital	87,754,107	2,477,032,164	**2,564,786,271**
Long term finances	431,785,714	1,957,202,238	**2,388,987,952**
Short term borrowings	631,060,000	208,549,326	**839,609,326**
Bills payable	831,000,280	222,582,311	**1,053,582,591**
	1,981,600,101	**4,865,366,039**	**6,846,966,140**

16 Date of authorization

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on 30 August 2013.

17 General

17.1 Figures have been rounded off to the nearest rupee.

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