AGRITECH

ALL OVER AND BEYOND

Interim Financial Report for the half year ended 30 June 2015 (Un-audited)

Contents

Company Information

BOARD OF DIRECTORS

Mr. Wajahat Ahmed Baqai
Chairman
Mr. Asim Imtiaz Basra
Mr. Ahsan Raza Durrani
Mr. Rehmat Ali Hasnie
Mr. Kamran Ali Kazim
Mr. Asim Murtaza Khan
Mr. Mohammad Khalid Mir
Chief Executive Officer
Mr. Masroor Ahmed Qureshi

COMPANY SECRETARY & CFO
Syed Taneem Haider

AUDIT COMMITTEE

Mr. Ahsan Raza Durrani
Chairman
Mr. Kamran Ali Kazim
Mr. Masroor Ahmed Qureshi

HR & REMUNERATION COMMITTEE

Mr. Rehmat Ali Hasnie
Chairman
Mr. Kamran Ali Kazim
Mr. Mohammad Khalid Mir

LEGAL ADVISOR

Mr. Barrister Babar S Imran

SHARES REGISTRAR

Hameed Majeed Associates
(Private) Limited

COMPANY WEBSITE

www.pafl.com.pk

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants, Lahore

BANKERS

JS Bank Limited
Faysal Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Albaraka Bank Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Summit Bank Limited
Silk Bank Limited
KASB Bank Limited
Allied Bank Limited
Bank Alfalah Limited
The Bank of Punjab
Bank Islami Pakistan Limited
Askari Bank Limited
Pak Libya Holding Company (Pvt.) Limited
Soneri Bank Limited
Citi Bank N.A.
HSBC Bank Middle East Limited
United Bank Limited
Habib Bank Limited

REGISTERED OFFICE

2nd Floor Asia Centre, 8-Babar Block,
New Garden Town, Lahore
Ph: +92 (0) 42 35860341-44
Fax: +92 (0) 42 35860339-40

PROJECT LOCATIONS

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

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

Directors' Review

The directors of Agritech Limited (Formerly Pak-American Fertilizers Limited), henceforth called the Company, along with the management team are pleased to present the Company's Interim Report accompanied by the Reviewed Financial Statements for the Six months ended June 30, 2015.

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

Business Review

Principal Activities

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

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

First Half in Review

Financial Results of Agritech Limited

	June 30, 2015	June 30, 2014
Sales Net	792,584,471	668,432,229
Operating Loss	878,451,344	1,182,432,193
Finance Cost	1,224,724,135	1,399,366,469
Loss before Tax	2,071,967,299	2,545,184,264
Loss after Tax	1,287,616,290	2,378,664,899
Loss per share	3.48	6.28

Urea Business:

Company produced 25,903 tons of Urea (2014: 7,398 tons) during the first half, which is 3.5 times of the last year but still it's just 12% of the production capacity. This improved urea production was the result of better gas supply situation. Company sold 8,915 tons of Urea (2014: 9103 tons) that is 2% lower than last year. Lower urea sales vs last year is due to deferred urea booking by the company to ensure SSP placement at the start of Kharif 2015.

Urea's industry production during 1H 2015 increased by 7% (2475KT vs 2308KT) due to the improved gas supply to the sector. Urea Industry offtakes saw an increase of 12% during the1H 2015 and reached to 2867KT vs 2559KT. This is attributed to 10% increase during 1st quarter 2015 (Rabi 2nd half 2014/15) with higher consumption on wheat crop. During 2nd quarter 2015 (Khairf 1st half 2015) urea offtakes increased by 15% due to pre-season buying by the dealers. With better Urea production the imports were 11% lower (391KT vs 437KT) in 1H 2015 vs last year.

Phosphates Business:

Company produced 21,714 tons (2014: 41,303) of SSP. This production was 54% of the rated capacity and 53% of last year. Company sold 18,995 tons in 1H 2015 vs 16, 426 tons; an increase of 16% vs last year due to better offtakes on Cotton and Rice crops.

DAP production increased by 18% in 1H 2015 (351KT vs 297KT) due to better gas supply to the only DAP plant on SSGC. DAP offtakes increased by 16% to 465Kt in 1H 2015 vs 402KT last year. Higher income from Wheat crop due to increase in support price lead farmers to use higher phosphates on Kharif crops. Imports of DAP declined by 11% (206KT vs 231KT) during 1H 2015 vs last year.

Directors' Review

Capital Restructuring:

The gas curtailment in the last 4 years has been the only cause of its debt servicing delays and because of this the mark up accumulated has created an increased debt burden. Whereas operating cash flows are healthy if gas remains available, a capital restructuring has been planned with the cooperation of lenders to enable Company to devise a capital structure, which will be sustainable for both Company and lenders, given the likely gas availability to the plant as allocated by the Government of Pakistan.

The Company's board approved the rehabilitation plan on November 5, 2013 and was also subsequently approved by Shareholders in an EOGM held on December 10, 2013. The Company have received 100% requisite consents of its lenders and currently scheme application is with SECP for the formal approval of the Rehabilitation Plan. We are hopeful to complete the Approval and rehabilitation process by second half of 2015. By implementing this scheme, the Company will achieve a suitable and sustainable capital structure and further improve its financial performance.

Land Project:

The Company is also planning to start the development of plots and construction business. All the layouts and plans are final for implementation. It is expected that the Company will be able to offer the Phase-1 of the plots for sale, the proceeds from the sale of these plots will be used to settle the long term liabilities of the Company.

Future Outlook

Imbalance of gas supply to plants on SNGPL continued with increase in supply of gas on Mari Network plants. Government needs to exercise a fair process whereby all urea plants get a fair share of gas. LNG imports in the country has been commenced, however, the lower quantum of LNG imports cannot fully cover the massive gas shortages in the country. Moreover, higher LNG import price vs domestic gas price is also a challenge for the fertilizer industry particularly plants on SNGPL Networks.

Urea offtakes outlook during 3rd quarter 2015 is directly dependent on monsoon rains. Massive rains during Jul and Aug has already resulted in decline of Urea offtakes and piling up of stocks in the country. Moreover, delay in imports is also adding to the already higher stocks in the country. It is likely that loss of offtakes due to rains will reduce the overall urea consumption during Kharif 2015 vs last year. Lower commodity prices have reduced farmers' margins and farmers are likely to reduce the urea application due to negative farm economics.

Higher rains in 3rd Quarter 2015 will increase the water availability for the subsequent crops, hence, better prospects of Phosphates consumption during the quarter. GOP has announced Rs. 20 Billion subsidy on phosphates and potassic fertilizers in the Budget 2015/16, and a mechanism is being developed between industry & GOP for implementation. This subsidy will reduce the input cost of the farmers helping better phosphates use for the rest of year.

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

Modification in the Auditors report

Qualification

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

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

Emphasis

Auditors also raised concern about Company ability to operate as going concern. The fact of the matter is that the Company was forced to breach the covenants imposed by the lenders due to operational issues faced by the continued gas

Directors' Review

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. Phosphate fertilizers have registered profits in the past on a consistent basis. The Company intends to expand the Phosphate fertilizer business with change in product mix and consequently margins and cash flows.

Further, The Company is also planning to start the development of plots and construction business. All the layouts and plans are final for implementation. It is expected that the Company will be able to offer the Phase-1 of the plots for sale, the proceeds from the sale of these plots will be used to settle the long term liabilities of the Company.

Furthermore, the Company has planned to convert its existing debt 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.

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).

Acknowledgement

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

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

On behalf of the Board

Lahore
Date : 29 August 2015

Chief Executive Officer

Auditors' 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 2015 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 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 2.4 and 14 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. 10,372.45 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) Note 4.3 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 note 4.3 to the condensed interim financial information; and

ii) The Company has incurred a loss before tax of Rs. 2,071.97 million and reported negative cash flows of Rs. 450.19 million from operations during the six months period ended 30 June 2015 and, as of that date; its current liabilities exceeded its current assets by Rs. 23,136.95 million, including Rs. 15,871.37 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 257.93 million. The difference between current liabilities and current assets would be Rs. 33,509.40 million, had the Company classified its long term debts, as current for reasons more fully explained in note 2.4 to the condensed interim financial information. 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 2.3 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 2015 and 30 June 2014 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 2015

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

Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2015

	Note	(Un-audited) 30 June 2015 Rupees	(Audited) 31 December 2014 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	4	**5,517,642,690**	5,517,642,690
Reserves		**9,000,000**	9,000,000
Accumulated losses		**(5,784,575,841)**	(4,504,448,372)
		(257,933,151)	1,022,194,318
Surplus on revaluation of fixed assets		**8,798,822,367**	8,889,592,164
Non-current liabilities			
Redeemable capital - *secured*	5	**7,279,511,713**	7,974,045,542
Long term finances - *secured*	6	**2,933,795,779**	3,669,640,929
Long term payables - *unsecured*		**31,135,199**	31,135,199
Deferred liabilities:			
- staff retirement benefits		**10,476,992**	15,169,860
- deferred taxation		**3,120,269,342**	3,911,114,234
		13,375,189,025	15,601,105,764
Current liabilities			
Current maturity of non-current liabilities		**9,075,001,980**	7,652,195,166
Short term borrowings - *secured*		**3,788,949,423**	3,677,177,328
Trade and other payables		**3,864,354,173**	3,129,544,453
Interest / mark-up accrued on borrowings		**10,274,004,856**	9,170,644,512
Preference dividend payable		**590,929,886**	504,016,311
		27,593,240,318	24,133,577,770
Contingencies and commitments	7		
		49,509,318,559	49,646,470,016
ASSETS			
Non-current assets			
Property, plant and equipment	8	**42,398,042,311**	42,967,113,632
Intangible assets		**2,581,103,782**	2,586,425,782
Long term advances		**18,187,700**	19,917,797
Long term deposits - *unsecured, considered good*		**55,693,921**	44,971,249
		45,053,027,714	45,618,428,460
Current assets			
Stores, spares and loose tools		**2,110,355,613**	2,068,630,517
Stock-in-trade	9	**1,014,831,065**	348,727,103
Trade debts		**19,956,576**	19,858,904
Advances, deposits, prepayments and other receivables		**1,056,867,060**	985,225,926
Advance tax - *net of provision*		**216,070,596**	176,844,685
Cash and bank balances		**38,209,935**	428,754,421
		4,456,290,845	4,028,041,556
		49,509,318,559	49,646,470,016

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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

Condensed Interim Profit and Loss Account (Un-audited)

For the six months period and quarter ended 30 June 2015

	Six months period ended		Three months period ended	
	30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
	Rupees	Rupees	**Rupees**	Rupees
Sales - *net*	**792,584,471**	668,432,429	**621,537,223**	390,470,115
Cost of sales	**(1,296,102,508)**	(1,416,481,303)	**(643,305,859)**	(754,761,434)
Gross loss	**(503,518,037)**	(748,048,874)	**(21,768,636)**	(364,291,319)
Selling and distribution expenses	**(50,260,235)**	(46,162,949)	**(27,836,052)**	(22,809,502)
Administrative and general expenses	**(324,673,072)**	(388,220,370)	**(158,552,613)**	(197,116,096)
Operating loss	**(878,451,344)**	(1,182,432,193)	**(208,157,301)**	(584,216,917)
Finance cost	**(1,224,724,135)**	(1,399,366,469)	**(598,329,620)**	(721,426,591)
Net other income	**31,208,180**	36,614,398	**6,010,505**	16,309,478
Loss before taxation	**(2,071,967,299)**	(2,545,184,264)	**(800,476,417)**	(1,289,334,030)
Taxation	**784,351,009**	166,519,365	**265,439,720**	(275,460,162)
Loss after taxation	**(1,287,616,290)**	(2,378,664,899)	**(535,036,697)**	(1,564,794,192)
Loss per share - *basic and diluted*	**(3.48)**	(6.28)	**(1.47)**	(4.10)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period and quarter ended 30 June 2015

	Six months period ended		Three months period ended	
	30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
	Rupees	Rupees	**Rupees**	Rupees
Loss after taxation	**(1,287,616,290)**	(2,378,664,899)	**(535,036,697)**	(1,564,794,192)
Other comprehensive income	-	-	-	-
Items that will not be reclassified to profit and loss account:				
Remeasurement of defined benefit liability	**5,189,427**	-	-	-
Related Tax	**(1,556,828)**	-	-	-
	3,632,599	-	-	-
Total comprehensive loss for the period	**(1,283,983,691)**	(2,378,664,899)	**(535,036,697)**	(1,564,794,192)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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

Condensed Interim Cash flow Statement (Un-audited)

For the six months period ended 30 June 2015

	Note	(Un-audited) 30 June 2015 Rupees	(Un-audited) 30 June 2014 Rupees
Cash flows from operating activities			
Cash used in operations	*11*	**(315,992,731)**	(783,253,438)
Finance cost paid		**(88,114,841)**	(135,983,188)
Interest income received		**3,670,888**	30,601,440
Staff retirement benefits paid		**(1,433,218)**	(85,080)
Taxes paid		**(48,316,806)**	(18,180,830)
Net cash used in operating activities		**(450,186,708)**	(906,901,096)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(6,936,347)**	(102,351,106)
Long term advances received		**1,730,097**	481,897
Long term deposits (paid) / received		**(10,722,672)**	95,000
Proceeds from disposal of property, plant and equipment		**4,620,164**	1,513,200
Net cash used in investing activities		**(11,308,759)**	(100,261,009)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		**(40,821,115)**	(17,300,603)
Net increase / (decrease) in short term borrowings		**28,649,197**	(516,482,248)
Net cash used in financing activities		**(12,171,918)**	(533,782,851)
Net decrease in cash and cash equivalents		**(473,667,385)**	(1,540,944,956)
Cash and cash equivalents at beginning of the period		**(2,199,737,107)**	(744,751,941)
Cash and cash equivalents at end of the period	*13*	**(2,673,404,492)**	(2,285,696,897)

The annexed notes 1 to 18 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 six months period ended 30 June 2015

	Share capital		Reserves		
	Ordinary shares	Preference shares	Revenue reserve	Accumulated losses	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 31 December 2013-*un-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 ended 30 June 2014	-	-	-	(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
Transaction with shareholders of the Company					
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**
As at 31 December 2014 - *audited*	**3,924,300,000**	**1,593,342,690**	**9,000,000**	**(4,504,448,372)**	**1,022,194,318**
Total comprehensive loss for the period ended 30 June 2015	-	-	-	**(1,283,983,691)**	**(1,283,983,691)**
Transfer of incremental depreciation from surplus on revaluation of fixed assets - *net of tax*	-	-	-	**90,769,797**	**90,769,797**
Transaction with shareholders of the Company					
Preference dividend for the period	-	-	-	**(86,913,575)**	**(86,913,575)**
As at 30 June 2015-*un-audited*	**3,924,300,000**	**1,593,342,690**	**9,000,000**	**(5,784,575,841)**	**(257,933,151)**

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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

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

For the six months period ended 30 June 2015

1 Reporting Entity

Agritech Limited was incorporated in Pakistan on 15 December 1959 as a 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 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 has sold majority of its shareholding in the Company to a consortium of banks and financial institutions. The registered office of the Company is situated at 2nd Floor, Asia Centre, 8-Babar Block, New Garden Town, Lahore. The 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.

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 2015 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 2015 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 year ended on 31 December 2014.

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

2.2 Judgments and estimates

In preparing this condensed interim financial information, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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

2.2.1 Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

-Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

For the six months period ended 30 June 2015

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.3 Financial liabilities and continuing operations

The Company, continues to face operational issues due to extended gas load shedding 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. 2,071.97 million and reported negative cash flows of Rs. 450.19 from operations during the six months period ended 30 June 2015. As of that date, its current liabilities exceeded its current assets by Rs. 23,136.95 million, including Rs. 15,871.37 million relating to overdue principal and interest / mark-up thereon, and accumulated losses of the Company exceeded the shareholder's equity by Rs. 257.93 million. The difference between current liabilities and current assets would be would be Rs. 33,509.40 million, had the Compnay classified its long term debts as current for reasons more fully explained in note 2.4 to the financial information. 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 Government. As a consequence of additional gas supply from northern network along with the import of LNG the gas supply for the Company has and is likely to improve considerably for coming periods until the FFM arrangements commence.The Company is also planning to start the development of plots and construction business. All the layouts and plans are final for implementation.

Further, the Company has planned to convert its existing debt 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.

2.4 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. 10,372.45 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:

Notes to the Condensed Interim Financial Information (Un-audited)
For the six months period ended 30 June 2015

	Principal net of current maturity
Redeemable capital	**Rupees**
Term Finance Certificates - *I*	920,569,800
Term Finance Certificates - *II*	4,235,061,891
Term Finance Certificates - *III*	304,397,950
Privately Placed Term Finance Certificates - *V*	617,571,367
Privately Placed Term Finance Certificates - *VI*	339,916,664
Sukkuks	982,734,286
	7,400,251,958
Long term finances	
Syndicate Term Finance - *I*	1,842,857,143
Syndicate Term Finance - *III*	832,257,128
KASB Bank Limited - *Term Finance*	165,000,000
National Bank of Pakistan - *Term Finance*	132,083,735
	2,972,198,006
	10,372,449,964

3 Significant accounting policies

3.1 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 financial statements for the financial year ended on 31 December 2014.

3.2 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.

Following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 19 - Employee Benefits	01 January 2016
IAS 38 - Intangible Assets	01 January 2016
IAS 16 - Property, Plant and Equipment	01 January 2016
IAS 41 - Agriculture	01 January 2016
IAS 34 - Interim Financial Reporting	01 January 2016
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	01 January 2016
IFRS 7 - Financial Instruments- Disclosures	01 January 2016
Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles	01 July 2014

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

For the six months period ended 30 June 2015

	Note	(Un-audited) 30 June 2015 Rupees	(Audited) 31 December 2014 Rupees
4 Issued, subscribed and paid-up capital			
Class A ordinary shares of Rs. 10 each			
383,430,000 (31 December 2014: 383,430,000)			
Shares issued fully paid in cash	*4.1*	**3,834,300,000**	3,834,300,000
Ordinary shares of Rs. 10 each			
9,000,000 (31 December 2014: 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 2014: 159,334,269)			
Shares issued fully paid in cash	*4.2*	**1,593,342,690**	1,593,342,690
		5,517,642,690	5,517,642,690

4.1 As at 30 June 2015, National Bank of Pakistan, an associated undertaking holds 130,715,224 (31 December 2014: 130,715,224) ordinary shares of the Company.

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

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

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

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

4.3 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 the Shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.

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

For the six months period ended 30 June 2015

- 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.

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) 30 June 2015 Rupees	(Audited) 31 December 2014 Rupees
5	**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
	Transaction costs	**(120,740,245)**	(142,937,925)
		12,044,794,301	12,022,596,621
	Current maturity presented under current liabilities	**(4,765,282,588)**	(4,048,551,079)
		7,279,511,713	7,974,045,542
6	**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	**(38,402,227)**	(49,453,497)
		7,243,515,171	7,232,463,901
	Current maturity presented under current liabilities	**(4,309,719,392)**	(3,562,822,972)
		2,933,795,779	3,669,640,929

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

For the six months period ended 30 June 2015

7 Contingencies and commitments

7.1 Contingencies

Except for the contingency described below, there is no material change in contingencies from the preceding published financial statements of the Company for the financial year ended 31 December 2014.

The tax department issued show cause notice to the Company dated 15 December 2014 on the grounds that the Company has short paid sales tax on declared production and Suppression of Production of ammonia. The Company replied to the above show cause notice and an Order adjudicating the same was received on 27 April 2015 in which the point related to short paid sales tax on declared production was decided against the Company thus creating demand of Rs. 165.70 million and the Point related to Suppression of Production of ammonia was decided in favor of the Company. Being aggrieved Company filed appeal before CIR(A) against the first point which is pending fixation. The management is hopeful that the case will be decided in favor of the Company.

7.2 Commitments

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

	Note	**(Un-audited) 30 June 2015 Rupees**	(Audited) 31 December 2014 Rupees
Not later than one year		**40,275,810**	33,789,240
Later than one year but not later than five year		**46,978,182**	68,012,925
		87,253,992	101,802,165
7.2.2 Commitments under irrevocable letters of credit for:			
- purchase of raw material		**-**	20,151,372
8 Property, plant and equipment			
Operating fixed assets	*8.1*	**42,362,174,704**	42,895,817,528
Capital work in progress		**35,867,607**	71,296,104
		42,398,042,311	42,967,113,632

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

For the six months period ended 30 June 2015

		Note	(Un-audited) 30 June 2015 Rupees	(Audited) 31 December 2014 Rupees
8.1	**Operating fixed assets**			
	Net book value at beginning of the period		**42,895,817,528**	35,890,049,631
Add:	Additions during the period	*8.1.1*	**42,364,844**	274,759,783
	Surplus on revaluation of operating fixed assets		**-**	9,846,666,117
Less:	Disposals during the period - net book value		**5,238,231**	143,930,751
	Depreciation for the period		**570,769,437**	2,971,727,252
			576,007,668	3,115,658,003
	Net book value at end of the period		**42,362,174,704**	42,895,817,528

8.1.1 Additions - *cost*

Owned assets

	(Un-audited) 30 June 2015 Rupees	(Audited) 31 December 2014 Rupees
Buildings on freehold land	**-**	488,041
Plant and machinery	**31,770,998**	192,234,385
Furniture, fixtures and office equipment	**9,625,100**	9,146,326
Vehicles and rail transport	**-**	6,444
Tools and other equipment	**218,196**	65,000
Electrical and other installations	**750,550**	2,506,335
Catalyst	**-**	70,313,252
	42,364,844	274,759,783

9 Stock-in-trade

Aggregate stocks with a cost of Rs.1,016.77 million (31 December 2014: 110.59 million) are being valued at net realizable value of Rs. 672.56 million (31 December 2014: 72.96 million).

10 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.

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

For the six months period ended 30 June 2015

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

		(Un-audited) January to June 2015 Rupees	(Un-audited) January to June 2014 Rupees
10.1	**Transactions with related parties**		
10.1.1	**Associate**		
	National Bank of Pakistan		
	Mark-up expense	**169,655,096**	178,294,667
	Preference dividend	**35,569,358**	33,682,678
	Advisory fees	**180,000,000**	180,000,000
	Bank balances - *net*	**(4,403,332)**	(61,566,771)
10.1.2	**Other related parties**		
	Faysal Bank Limited		
	Mark-up expense	**99,014,507**	114,298,586
	Preference dividend	**16,929,279**	16,929,279
	Bank balances - *net*	**(164)**	(644,387,872)
	Short term borrowings - *net*	**86,798,148**	(63,186,325)
	Silk Bank Limited		
	Mark-up expense	**33,875,421**	40,211,535
	Mark-up paid	**(12,604,483)**	(14,920,137)
	Short term borrowings - *net*	**5,336,680**	431,086
	Summit Bank Limited		
	Mark-up expense	**61,044,467**	62,191,959
	Mark-up paid	**(41,153,991)**	(19,033,083)
	Short term borrowings - *net*	**(45,389,404)**	67,126,854
10.1.3	**Post employment benefit plans**		
	Provident Fund Trust	**7,278,048**	20,652,056
	Gratuity Trust	**372,949**	4,914,284
10.1.4	**Key management personnel**		
	Short term employee benefits	**14,513,748**	89,276,802
	Post employment benefits	**283,314**	4,694,160

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

For the six months period ended 30 June 2015

		(Un-audited) 30 June 2015 Rupees	Audited 31 December 2014 Rupees
10.2	**Balances with related parties**		
10.2.1	***Associate***		
	National Bank of Pakistan		
	Long term loans	**2,467,083,735**	2,467,083,735
	Redeemable capital	**462,057,100**	462,057,100
	Bills payable	**187,030,000**	187,030,000
	Preference shares	**34,587,560**	34,587,560
	Mark-up payable	**1,737,773,304**	1,568,118,208
	Preference dividend payable	**198,917,910**	163,348,552
	Bank accounts	**735,053**	205,274,372
	Advisory fee	**568,600,000**	359,600,000
	Advance for transaction cost	**23,200,000**	23,200,000
10.2.2	**Other related parties**		
	Faysal Bank Limited		
	Redeemable capital	**1,499,109,500**	1,499,109,500
	Long term finances	**350,000,000**	350,000,000
	Preference shares	**310,355,940**	310,355,940
	Mark-up payable	**928,229,041**	829,214,534
	Preference dividend payable	**115,137,802**	98,208,523
	Bank accounts	**1,336,228**	1,332,851
	Standard Chartered Bank (Pakistan) Limited		
	Redeemable capital	**146,995,500**	146,995,500
	Long term finances	**1,499,904,160**	1,499,904,160
	Mark-up payable	**785,935,101**	699,136,953
	Silk Bank Limited		
	Long term finances	**130,607,546**	130,607,546
	Short term borrowings	**488,973,236**	501,103,546
	Bills payable	**59,903,003**	24,796,733
	Mark-up payable	**188,513,096**	163,972,159

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

For the six months period ended 30 June 2015

	(Un-audited) 30 June 2015 Rupees	Audited 31 December 2014 Rupees
Summit Bank Limited		
Redeemable capital	**603,406,000**	603,406,000
Short term borrowings	**725,694,980**	670,863,965
Bills payable	**26,350,272**	-
Mark-up payable	**270,393,391**	250,677,062
Bank accounts	**95,264**	131,000,839
10.2.3 Post employment benefit plans		
Payable to Gratuity Trust	**10,476,992**	15,169,860

	(Un-audited) January to June 2015 Rupees	(Un-audited) January to June 2014 Rupees
11 Cash flow from operating activities		
Loss before taxation	**(2,071,967,299)**	(2,545,184,264)
Adjustment for non-cash and other items:		
Interest / mark-up expense	**1,191,475,185**	1,365,723,263
Amortization of transaction costs	**33,248,950**	33,643,207
Depreciation	**570,769,437**	453,847,626
Amortization of computer software	**5,322,000**	4,700,184
Staff retirement benefit	**372,949**	4,914,284
Mark-up / interest income	**(3,670,888)**	(30,601,440)
Gain on sale of fixed assets	**618,067**	(876,900)
	1,798,135,700	1,831,350,224
Operating loss before changes in working capital	**(273,831,599)**	(713,834,040)
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**(41,725,096)**	(48,286,310)
Stock-in-trade	**(666,103,962)**	(292,780,742)
Trade receivables	**(97,672)**	6,821,594
Advances, deposits, prepayments and other receivables	**(71,641,134)**	(43,691,889)
	(779,567,864)	(377,937,347)
Increase in current liabilities:		
Trade and other payables	**737,406,732**	308,517,949
Cash used in operations	**(315,992,731)**	(783,253,438)

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

For the six months period ended 30 June 2015

12 Segment reporting

12.1 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:

12.2 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 2015	(Un-audited) 30 June 2014	**(Un-audited) 30 June 2015**	(Un-audited) 30 June 2014	**(Un-audited) 30 June 2015**	(Un-audited) 30 June 2014
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
For the six months period ended						
External revenues	**499,870,496**	393,838,167	**292,713,975**	274,594,262	**792,584,471**	668,432,429
Inter-segment revenue	-	-	-	-	-	-
Reportable segment (loss) / profit before tax	**(2,063,617,374)**	(2,552,849,966)	**(8,349,924)**	7,665,702	**(2,071,967,299)**	(2,545,184,264)

	Urea fertilizer segment		Phosphate fertilizer segment		Total	
	(Un-audited) 30 June 2015	Audited 31 December 2014	**(Un-audited) 30 June 2015**	Audited 31 December 2014	**(Un-audited) 30 June 2015**	Audited 31 December 2014
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
As at						
Reportable segment assets	**45,391,942,533**	45,557,707,570	**4,781,966,849**	4,797,631,960	**50,173,909,382**	50,355,339,530
Reportable segment liabilities	**40,547,775,814**	39,264,444,059	**1,174,332,183**	1,179,108,989	**41,722,107,997**	40,443,553,048

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

For the six months period ended 30 June 2015

	(Un-audited) January to June 2015 2015 Rupees	(Un-audited) January to June 2014 2014 Rupees
12.3 Reconciliation of reportable segment profit or loss		
For the six months period ended		
Total loss for reportable segments before tax	**(2,071,967,299)**	(2,545,184,264)
Unallocated corporate income	**784,351,009**	166,519,365
Loss after tax	**(1,287,616,290)**	(2,378,664,899)

	(Un-audited) 30 June 2015 Rupees	(Un-audited) 30 June 2014 Rupees
13 Cash and cash equivalents		
Short term borrowings - *running finance - secured*	**(2,711,614,426)**	(2,479,702,025)
Cash and bank balances	**38,209,935**	194,005,128
	(2,673,404,491)	(2,285,696,897)

14 Overdue financial liabilities

Due to the facts disclosed in note 2.3, 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	5,137,354,159	3,331,786,822	**8,469,140,980**
Long term finances	3,790,719,461	2,815,926,552	**6,606,646,013**
Short term borrowings	492,414,997	303,163,326	**795,578,323**
	9,420,488,617	**6,450,876,699**	**15,871,365,316**

15 Fair value of financial assets and liabilities

The carrying amounts of reedemable capital and long term finances equal their fair values and are determined using the valuation model that considers the present value of expected future cash flows, discounted using a market rate of interest. As the input is unobservable market data, it is classified under level 3.

In case of other financial assets and financial liabilities that are expected to be settled within one year, carrying amounts are a reasonable approximation of the fair values.

16 Financial risk management

The Company's financial risk management objective and policies are consistent with the disclosed in the financial statements for the financial year ended on 31 December 2014.

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

For the six months period ended 30 June 2015

17 Date of authorization

This condensed interim financial information was authorized for issue by Board of Directors of the Company on 29 August 2015.

18 General

18.1 Figures have been rounded off to the nearest rupee.

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

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ALL OVER AND BEYOND

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