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## Company Information

### BOARD OF DIRECTORS

Mr. Humayun N. Shaikh  
Chairman  
Mr. Ahmed Jaudet Bilal  
Chief Executive Officer  
Mr. Ahmed H. Shaikh  
Mr. Khalid A. H. Al Sagar  
Mr. Mueen Afzal  
Mr. Irfan Nazir Ahmad  
Mr. Muhammad Faisal Muzammil  
Mr. Khaleeqe Ur Rehman

### COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

### CHIEF FINANCIAL OFFICER

Mr. Abid Amin

### AUDIT COMMITTEE

Mr. Mueen Afzal  
Mr. Ahmed H. Shaikh  
Mr. Khalid A. H. Al Sagar  
Mr. Irfan Nazir Ahmad  
Mr. Muhammad Faisal Muzammil

### LEGAL ADVISORS

Mr. Ghulam Muhammad Kundi

### AUDITORS

KPMG Taseer Hadi & Co.  
Chartered Accountants

### BANKERS

Js Bank Limited  
Faysal Bank Limited  
National Bank of Pakistan

### BANKERS (Cont'd)

Standard Chartered Bank (Pakistan) Limited  
Al Baraka Bank Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Summit Bank Limited  
Silk Bank Limited  
KASB Bank Limited  
My Bank Limited  
Allied Bank Limited  
HSBC Bank Middle East Limited  
Bank Alfalah Limited  
The Bank of Punjab  
Bank Islami Pakistan Limited  
Askari Bank Limited  
Pak Libya Holding Company (Pvt) Limited  
Soneri Bank 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*  
Agritech Limited.  
(formerly Pak American Fertilizers Ltd.)  
Iskanderabad,  
District Mainwali.  
Ph: +92 (0)459 392346-49

### *Unit II*

Hazara Phosphate Fertilizers (Pvt.) Ltd.  
Hattar Road,  
Haripur.  
Ph: +92 (0)995 616124-5

## Directors' Report for the Half Year ending December 31, 2010

The directors of Agritech Limited ("the Company") are pleased to present the Half Yearly report with the reviewed interim financial statements of the Company for the Half Year ended December 31, 2010.

The Company's principal business is the manufacture and marketing of Fertilizer products. The company holds 7% market share in Urea.

Agritech, through its subsidiary Hazara Phosphate Fertilizers (Pvt.) Limited (HPFL), is also engaged in the manufacturing and marketing of Phosphate fertilizers. The company is now a diversified fertilizer producer manufacturing both nitrogenous and phosphate fertilizers. The outlook for the sector is expected to remain stable.

The first half is unexpectedly a low season for fertilizer sales due to flood calamity in Pakistan. Company's major selling Districts were seriously affected by flood. The Company's production was effected due to gas load management program operated by GOP to enhance the Electricity production in Pakistan. During the period urea plant produced 82% of rated capacity with resulted in reduction in production of 52,256 MT.

However, there has been a step change in the pricing policy of the company as a consequence of gas load management announced by the GOP. Price of the urea was increased to compensate for the lower production in future.

In the context of the issues emphasized by the auditors in their review report casting significant doubt about the Company's ability to continue as a going concern, the management of the Company is confident that despite of the current difficult scenario the Company would be able to regain strength in the near future through the generation of sufficient profits along with a positive cash flow from its operations.

### Operating Financial Results of Agritech Limited (Stand Alone)

|                    | Half Year Ending<br>December 31, 2010 | Half Year Ending<br>December 31, 2009 |
|--------------------|---------------------------------------|---------------------------------------|
| Sales - net        | 2,506,303,396                         | 6,750,467,036                         |
| Operating profit   | 710,354,747                           | 1,252,893,255                         |
| Finance cost       | (860,369,417)                         | (1,327,688,584)                       |
| (Loss) before tax  | (150,014,670)                         | (74,795,329)                          |
| Profit after tax   | 196,720,145                           | 228,708,958                           |
| Earnings per share | 0.50                                  | 0.58                                  |

### Consolidated Results

|                    | Half Year Ending<br>December 31, 2010 | Half Year Ending<br>December 31, 2009 |
|--------------------|---------------------------------------|---------------------------------------|
| Sales - net        | 3,312,364,180                         | 7,785,464,324                         |
| Operating profit   | 698,892,250                           | 1,254,454,025                         |
| Finance cost       | (843,648,068)                         | (1,332,344,552)                       |
| (Loss) before tax  | (144,755,819)                         | (77,890,527)                          |
| Profit after tax   | 265,933,983                           | 243,316,849                           |
| Earnings per share | 0.68                                  | 0.62                                  |

## Directors' Report for the Half Year ending December 31, 2010

### Future Outlook

The short term and long term outlook for the Fertilizer business is expected to be positive. It is expected urea and phosphates will continue to be in short supply in the short term. The international prices of urea are at US \$ 430/ton indicating strong international demand. International phosphate market is also likely to be in short supply through most of the year 2011. DAP prices are at US \$ 640 per ton translating in to Rs3100 per bag in local market. This helps in maintaining a healthy price of Rs. 960/ Bag for 18% and Rs. 810/Bag for 14% GSSP.

The Company has successfully finalized its financial Re-profiling/Re-structuring up to 95% of its debts. Re-profiling/Restructuring of the debts will improve the short term liquidity of the company and will help in healthy future financial performance.

BMR of the Company for the enhancement of production capacity has been complete and plant is back in production, post major shut down. All major technological changes have been successfully implemented.

On the back of increased urea production, attractive phosphate prices and efficiency gains as a consequence of BMR the company is likely to better operational performance in the second half.

Auditors expressed an emphasis over financial position but we believe that our future outlook is positive to address the highlighted issues

### Acknowledgment

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

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

On behalf of the Board



Chief Executive

Lahore: 28-02-2011

## Independent Auditor's Report on Review of Condensed Interim Unconsolidated Financial Information to the Members

### Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of **Agritech Limited** ("the Company") as at 31 December 2010 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the six-months period then ended (here-in-after referred as the "condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated 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 unconsolidated 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.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the quarters ended 31 December 2010 and 31 December 2009 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion thereon.

Without qualifying our conclusion, we draw attention to note 2.2 of the financial statements which indicate that the Company incurred a loss before tax of Rs. 150.01 million during the six months period ended 31 December 2010 and, as of that date, its current liabilities exceeded current assets by Rs. 5,983.70 million (30 June 2010 : Rs. 9,592.15 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. These financial statements have however been prepared on a going concern basis on the basis of expectation of future profitability and positive cash flows from operating activities.

The financial statements of the Company for the year ended 30 June 2010 were reviewed and audited by Faruq Ali & Co, Chartered Accountants whose reports dated 09 October 2010 expressed an unqualified opinion with emphasis of matter paragraph thereon.

Place : Lahore  
Date : February 28, 2011

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

## Condensed Interim Unconsolidated Balance Sheet as at 31 December 2010 (Un-audited)

|   | 31 December<br>2010<br>Un-Audited<br>Rupees | 30 June<br>2010<br>Audited<br>Rupees |
|---|---|--------------------------------------|
| <b>EQUITY AND LIABILITIES</b>                                 |   |                                      |
| <b>CAPITAL AND RESERVES</b>                                   |   |                                      |
| Authorized share capital                                      | 12,000,000,000                              | 12,000,000,000                       |
| Issued, subscribed and paid up capital                        | 3,924,300,000                               | 3,924,300,000                        |
| Reserves  | 3,086,504,807                               | 3,086,504,807                        |
| Accumulated profit  | 4,035,088,270                               | 3,788,703,321                        |
|   | 11,045,893,077                              | 10,799,508,128                       |
| Surplus on revaluation  | 4,213,926,711                               | 4,263,591,515                        |
| Subordinated loan   | 340,000,000                                 | 340,000,000                          |
| <b>NON-CURRENT LIABILITIES</b>                                |   |                                      |
| Redeemable capital - Secured                                  | 10,188,326,376                              | 8,186,009,933                        |
| Long term finances - Secured                                  | 7,029,022,888                               | 2,643,985,482                        |
| Liabilities against assets subject to finance lease - Secured | 157,800,026                                 | 171,786,793                          |
| Long term payables  | 31,135,199                                  | 31,135,199                           |
| Deferred taxation   | 3,295,366,048                               | 3,670,264,056                        |
|   | 20,701,650,537                              | 14,703,181,463                       |
| <b>CURRENT LIABILITIES</b>                                    |   |                                      |
| Current portion of non-current liabilities - Secured          | 181,568,548                                 | 2,811,717,740                        |
| Short term borrowing - Secured                                | 3,363,280,001                               | 4,787,718,650                        |
| Accrued markup  | 2,095,228,450                               | 1,266,233,127                        |
| Trade and other payables                                      | 2,097,582,887                               | 3,245,423,196                        |
|   | 7,737,659,886                               | 12,111,092,713                       |
| <b>CONTINGENCIES AND COMMITMENTS</b>                          | 44,039,130,211                              | 42,217,373,819                       |
| <b>ASSETS</b>   |   |                                      |
| <b>NON-CURRENT ASSETS</b>                                     |   |                                      |
| Fixed assets  | 35,116,627,935                              | 32,622,125,567                       |
| Intangible asset  | 2,567,310,828                               | 2,567,310,828                        |
| Investments   | 4,463,069,207                               | 4,463,069,207                        |
| Long term advances - Unsecured, considered good               | 32,694,381                                  | 30,881,917                           |
| Long term deposits - Unsecured, considered good               | 15,466,817                                  | 15,048,517                           |
|   | 42,195,169,168                              | 39,698,436,036                       |
| <b>CURRENT ASSETS</b>   |   |                                      |
| Stores, spares and loose tools                                | 1,193,134,600                               | 1,216,265,750                        |
| Stock-in-trade  | 19,518,333                                  | 23,572,749                           |
| Trade debts   | 136,637,766                                 | 229,460,227                          |
| Advances, deposits, prepayments and other receivables         | 162,368,120                                 | 296,014,054                          |
| Due from related parties - Unsecured, considered good         | 121,959,862                                 | 525,865,626                          |
| Taxation  | 82,782,277                                  | 151,517,334                          |
| Cash and bank balances  | 127,560,085                                 | 76,242,043                           |
|   | 1,843,961,043                               | 2,518,937,783                        |
|   | 44,039,130,211                              | 42,217,373,819                       |

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed Interim Unconsolidated Profit and Loss Account (Un-audited) for the six months ended 31 December 2010

|   | 2010                       |                                  | 2009                          |                                  |
|---|----------------------------|----------------------------------|-------------------------------|----------------------------------|
|   | July to December<br>Rupees | October to<br>December<br>Rupees | July to<br>December<br>Rupees | October to<br>December<br>Rupees |
| <b>Sales - net</b>                                      | 2,506,303,396              | 1,493,747,300                    | 6,750,467,036                 | 3,608,716,090                    |
| Cost of sales   | (1,549,713,716)            | (956,198,735)                    | (5,160,829,305)               | (3,021,392,379)                  |
| <b>Gross profit</b>                                     | 956,589,680                | 537,548,565                      | 1,589,637,731                 | 587,323,711                      |
| Administrative expenses                                 | (149,662,571)              | (101,024,019)                    | (128,519,682)                 | (85,253,123)                     |
| Selling and distribution expenses                       | (132,916,318)              | (86,044,891)                     | (270,501,073)                 | (175,667,776)                    |
| Net other income  | 36,343,956                 | 11,537,709                       | 62,276,279                    | 122,243,765                      |
| <b>Profit from operations</b>                           | 710,354,747                | 362,017,364                      | 1,252,893,255                 | 448,646,577                      |
| Finance cost  | (860,369,417)              | (424,314,499)                    | (1,327,688,584)               | (814,658,479)                    |
| <b>Loss before taxation</b>                             | (150,014,670)              | (62,297,135)                     | (74,795,329)                  | (366,011,902)                    |
| Taxation  | 346,734,815                | (11,514,320)                     | 303,504,287                   | 327,312,828                      |
| <b>Profit / (loss) after taxation</b>                   | 196,720,145                | (73,811,455)                     | 228,708,958                   | (38,699,074)                     |
| <b>Earning / (loss) per share<br/>basic and diluted</b> | Rupees 0.50                | (0.19)                           | 0.58                          | (0.10)                           |

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)  
for the six months ended 31 December 2010

|  | 2010                       |                               | 2009                       |                               |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|
|  | July to December<br>Rupees | October to December<br>Rupees | July to December<br>Rupees | October to December<br>Rupees |
| <b>Profit / (loss) after taxation</b>                      | <b>196,720,145</b>         | <b>(73,811,455)</b>           | 228,708,958                | (38,699,074)                  |
| <b>Other comprehensive income</b>                          |                            |                               |                            |                               |
| Change in fair value of available for sale financial asset | -                          | -                             | 2,787,283,538              | -                             |
| Other comprehensive income for the period                  | -                          | -                             | 2,787,283,538              | -                             |
| <b>Total comprehensive income (loss) for the period</b>    | <b>196,720,145</b>         | <b>(73,811,455)</b>           | <b>3,015,992,496</b>       | <b>(38,699,074)</b>           |

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR

Condensed Interim Unconsolidated Cash flow Statement (Un-audited)  
for the six months ended 31 December 2010

|   | Note | July to December 2010  | July to December 2009  |
|---|------|------------------------|------------------------|
|   |      | Rupees                 | Rupees                 |
| <b>Cash flows from operating activities</b>                             |      |                        |                        |
| Cash generated from operations  | 11   | 718,486,064            | 3,695,682,819          |
| Finance cost paid   |      | (786,568,051)          | (1,223,793,390)        |
| Income tax received/(paid)  |      | 61,518,173             | (100,848,523)          |
| Long term deposits and advances   |      | (2,230,764)            | (4,911,023)            |
| Net cash (used in)/generated from operating activities                  |      | (8,794,578)            | 2,366,129,883          |
| <b>Cash flows from investing activities</b>                             |      |                        |                        |
| Capital expenditure including purchase of property, plant and equipment |      | (2,801,048,992)        | (4,387,610,028)        |
| Proceeds from disposal of property, plant and equipment                 |      | 4,930,572              | -                      |
| Interest received   |      | 149,242,262            | 641,874                |
| Loan to related party   |      | 403,905,764            | -                      |
| Net cash used in investing activities                                   |      | (2,242,970,394)        | (4,386,968,154)        |
| <b>Cash flows from financing activities</b>                             |      |                        |                        |
| Long term finances obtained   |      | 3,941,287,405          | 1,018,087,179          |
| Proceeds from issuance of term finance certificates                     |      | -                      | 10,140,980             |
| Redemption of term finance certificates                                 |      | (624,499)              | -                      |
| Repayment of liabilities against assets subject to finance lease        |      | (25,294,959)           | (21,326,143)           |
| Transaction costs incurred on restructuring process                     |      | (187,846,284)          | -                      |
| Dividend paid   |      | -                      | (588,645,000)          |
| Net cash generated from financing activities                            |      | 3,727,521,663          | 418,257,016            |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             |      | <b>1,475,756,691</b>   | <b>(1,602,581,255)</b> |
| <b>Cash and cash equivalents at the beginning of period</b>             |      | <b>(4,711,476,607)</b> | <b>(1,825,492,510)</b> |
| <b>Cash and cash equivalents at the end of period</b>                   | 12   | <b>(3,235,719,916)</b> | <b>(3,428,073,765)</b> |

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR

**Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)**  
for the six months ended 31 December 2010

|   | Reserves      |                 |                                     |                |                    |                | Total equity |
|---|---------------|-----------------|-------------------------------------|----------------|--------------------|----------------|--------------|
|   | Share Capital |                 | Reserves                            |                | Total equity       |                |              |
|   | Rupees        | Rupees          | Rupees                              | Rupees         | Rupees             | Rupees         |              |
|   |               | Revenue reserve | Available for sale financial assets | Total reserves | Accumulated profit |                |              |
| <b>Balance as at 30 June 2009 - Audited</b>   | 3,924,300,000 | 9,000,000       | 290,221,269                         | 299,221,269    | 2,906,671,536      | 7,130,192,805  |              |
| Total comprehensive income for the period   | -             | -               | 2,787,283,538                       | 2,787,283,538  | 228,708,958        | 3,015,992,496  |              |
| <b>Balance as at 31 December 2009 - Unaudited</b>   | 3,924,300,000 | 9,000,000       | 3,077,504,807                       | 3,086,504,807  | 3,135,380,494      | 10,146,185,301 |              |
| Total comprehensive income for the period   | -             | -               | -                                   | -              | 624,539,606        | 624,539,606    |              |
| Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax | -             | -               | -                                   | -              | 28,783,221         | 28,783,221     |              |
| <b>Balance as at 30 June 2010 - Audited</b>   | 3,924,300,000 | 9,000,000       | 3,077,504,807                       | 3,086,504,807  | 3,788,703,321      | 10,799,508,128 |              |
| Total comprehensive income for the period   | -             | -               | -                                   | -              | 196,720,145        | 196,720,145    |              |
| Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax | -             | -               | -                                   | -              | 49,664,804         | 49,664,804     |              |
| <b>Balance as at 31 December 2010 - Unaudited</b>   | 3,924,300,000 | 9,000,000       | 3,077,504,807                       | 3,086,504,807  | 4,035,088,270      | 11,045,893,077 |              |

The annexed notes 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

Lahore

CHIEF EXECUTIVE

DIRECTOR

**Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)**  
for the six months ended 31 December 2010

**1 Status and nature of business**

Agritech Limited was incorporated on 11 June 1985 as an unlisted Public Limited Company under the 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. The Company obtained listing on Karachi Stock Exchange on 12 April 2010. The registered office of the company is situated at Ismail Aiwane-Science, Off Sharah -e-Roomi, Lahore. The principal business of the Company is the production and sale of urea fertilizer.

**2 Basis of preparation****2.1 Statement of compliance**

The condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. 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 statements for the year ended 30 June 2010.

**2.2 Financial liabilities and continuing operations**

These financial statements have been prepared on the assumption that the Company would continue as a going concern although the Company has incurred a loss before tax of Rs. 150.01 million during the six month ended 31 December 2010 and, as of that date, its current liabilities exceeded current assets by Rs. 5,983.70 million (30 June 2010 : Rs. 9,592.15 million). The assumption that the Company would continue as a going concern is based on the expectation of future profitability and positive cash flows from operating activities.

**3 Estimates**

The preparation of the condensed interim unconsolidated 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 unconsolidated 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 interim financial information are generally based on the same policies and methods as applied in preparation of the annual financial statements for the year ended 30 June 2010.

**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 January 2011, 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.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
for the six months ended 31 December 2010

- IFRS 7 (amendment) - Disclosures - Transfers of Financial Assets
- IAS 12 (amendment) - Deferred Tax on Investment Property
- IAS 24 (Revised) - Related Party Disclosures
- IAS 32 (amendment) - Financial Instruments: Presentation - Classification of Right Issues
- IFRIC 14 (amendment) - The Limit on a Defined Benefit Assets - Minimum Funding Requirements
- IFRIC 19 - Extinguishing financial liabilities with equity instruments

|   | Note  | 31 December<br>2010<br>Un-audited<br>Rupees | 30 June<br>2010<br>Audited<br>Rupees |
|---|---|---|--------------------------------------|
| <b>5 Redeemable capital - Secured</b>                     |   |   |                                      |
| Privately Placed Term Finance Certificates (PPTFCs) - I   | 5.1   | 6,894,480,000                               | 6,894,480,000                        |
| Privately Placed Term Finance Certificates (PPTFCs) - II  | 5.2   | 1,498,800,000                               | 1,498,800,000                        |
| Privately Placed Term Finance Certificates (PPTFCs) - III | 5.3   | 495,540,751                                 | 496,165,250                          |
| Sukkuks   | 5.4   | 1,600,000,000                               | 1,600,000,000                        |
|   |   | <b>10,488,820,751</b>                       | 10,489,445,250                       |
| Transaction costs   |   | <b>(300,494,375)</b>                        | (127,549,317)                        |
|   |   | <b>10,188,326,376</b>                       | 10,361,895,933                       |
| Current maturity presented under current liabilities      |   | -   | (2,175,886,000)                      |
|   |   | <b>10,188,326,376</b>                       | 8,186,009,933                        |
| <b>5.1</b>  | PPTFCs - I have been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of PPTFCs is structured to be in twelve semi-annual installments starting from January 2012.    |   |                                      |
| <b>5.2</b>  | PPTFCs - II have been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of PPTFCs is structured to be in twelve semi-annual installments starting from May 2012.       |   |                                      |
| <b>5.3</b>  | PPTFCs - III have been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of PPTFCs is structured to be in twenty four quarterly installments starting from March 2012. |   |                                      |
| <b>5.4</b>  | Sukkuks have been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of PPTFCs is structured to be in twelve semi-annual installments starting from February 2012.      |   |                                      |
| <b>6 Long term finances</b>                               |   |   |                                      |
| Syndicate Term Finance - I                                |   | 475,000,000                                 | 481,250,000                          |
| Syndicate Term Finance - II                               | 6.1   | 2,999,716,686                               | 2,431,485,482                        |
| Syndicate Term Finance - III                              | 6.2   | 3,026,389,549                               | -                                    |
| Term Finance - I  |   | 352,916,653                                 |                                      |
| Term Finance - II   | 6.3   | 300,000,000                                 | 300,000,000                          |
|   |   | <b>7,154,022,888</b>                        | 3,212,735,482                        |
| Current maturity presented under current liabilities      |   | <b>(125,000,000)</b>                        | (568,750,000)                        |
|   |   | <b>7,029,022,888</b>                        | 2,643,985,482                        |

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
for the six months ended 31 December 2010

- 6.1** Syndicate Term Finance - I (STF-I) has been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of STF-I is structured to be in twelve semi-annual installments starting from June 2012.
- 6.2** Syndicate Term Finance - II (STF-II) represents restructuring of various short term facilities into long term facility during the period. As per terms of the restructured agreement the principal redemption of STF-II is structured to be in six semi-annual installments starting from June 2012.
- 6.3** Term Finance - II (TF-II) represents restructuring of various short term facilities into long term facility during the period. As per terms of the restructured agreement the principal redemption of TF-II is structured to be in twelve semi-annual installments starting from June 2012.

**7 Contingencies and commitments**

**7.1 Contingencies**

**7.1.1** Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 196.3 million (30 June 2010: Rs. 196.3 million).

**7.1.2** There is no change in the status of contingencies since 30 June 2010.

**7.2 Commitments**

**7.2.1 Commitments under irrevocable letters of credit for:**

- purchase of stores, spares and loose tools
- purchase of plant and machinery

**8 Fixed assets**

|  | Note  | 31 December<br>2010<br>Un-audited<br>Rupees | 30 June<br>2010<br>Audited<br>Rupees |
|--|-------|---|--------------------------------------|
| Property, plant and equipment                            | 8.1   | 23,436,666,691                              | 23,740,198,529                       |
| Capital work in progress                                 |       | 11,679,961,244                              | 8,881,927,038                        |
|  |       | <b>35,116,627,935</b>                       | 32,622,125,567                       |
| <b>8.1 Property, plant and equipment</b>                 |       |   |                                      |
| Opening book value                                       |       | 23,740,198,529                              | 12,336,272,523                       |
| Add: Additions during the period/ year                   | 8.1.1 | 3,809,786                                   | 2,493,083,910                        |
| Revaluation surplus                                      |       | -   | 6,560,395,944                        |
| Transfer in during the period/ year                      |       | -   | 2,806,623,489                        |
|  |       | <b>3,809,786</b>                            | 11,860,103,343                       |
| Less: Disposals during the period/ year - net book value |       | 4,655,663                                   | 10,213,137                           |
| Depreciation charged during the period/ year             |       | 302,685,961                                 | 445,964,200                          |
|  |       | <b>307,341,624</b>                          | 456,177,337                          |
| Closing book value                                       |       | <b>23,436,666,691</b>                       | 23,740,198,529                       |

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
for the six months ended 31 December 2010

|  | 31 December<br>2010<br><u>Un-audited</u><br>Rupees | 30 June<br>2010<br><u>Audited</u><br>Rupees |
|--|--|---|
| <b>8.1.1 Additions during the period/ year</b> |  |   |
| <i>Owned assets</i>                            |  |   |
| Buildings on freehold land                     | -  | 3,802,878                                   |
| Plant and machinery                            | 1,521,450  | 2,402,255,980                               |
| Residential colony assets                      | -  | 3,622,089                                   |
| Furniture, fixtures and office equipment       | 1,116,070  | 9,455,898                                   |
| Vehicles and rail transport                    | -  | 13,312                                      |
| Tools and other equipment                      | 1,700  | 2,470,831                                   |
| Electrical and other installations             | 375,566  | 46,630,922                                  |
| <i>Leased assets</i>                           |  |   |
| Vehicles                                       | 795,000  | 24,832,000                                  |
|  | <u>3,809,786</u>                                   | <u>2,493,083,910</u>                        |
| <b>9 Investments</b>                           |  |   |
| Cost of investments                            | 1,385,564,400                                      | 1,385,564,400                               |
| Add: Fair value adjustments                    | 3,077,504,807                                      | 3,077,504,807                               |
|  | <u>4,463,069,207</u>                               | <u>4,463,069,207</u>                        |

**10 Transactions with related parties**

Related parties comprise holding company, subsidiary company, 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.

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

|   | July to<br>December 2010<br>Rupees | July to December<br>2009<br>Rupees |
|---|------------------------------------|------------------------------------|
| <b>10.1 Transactions with related parties</b> |                                    |                                    |
| <b>10.1.1 Holding company</b>                 |                                    |                                    |
| Markup income                                 | 34,105,309                         | 87,755,315                         |
| Markup expense                                | 36,521,753                         | 42,126,125                         |
| Temporary loan                                | (40,007,335)                       | 10,630,855                         |
| <b>10.1.2 Subsidiary company</b>              |                                    |                                    |
| Temporary loan                                | (363,898,429)                      | (282,913,125)                      |

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
for the six months ended 31 December 2010

|   | July to<br>December 2010<br>Rupees                    | July to December<br>2009<br>Rupees             |
|---|---|--|
| <b>10.1.3 Associated company</b>            |   |  |
| Mark-up on long term loan                   | 26,951,847  | 28,381,930                                     |
| Mark-up expense on redeemable capital       | 7,244,304   | 6,844,099                                      |
| Transaction Cost                            | -   | 70,000,000                                     |
| <b>10.1.4 Post employment benefit plans</b> |   |  |
| Contribution to employees provident fund    | 8,246,208   | 6,107,336                                      |
| Contribution to employees gratuity fund     | 7,949,567   | 7,371,680                                      |
| <b>10.1.5 Key management personnel</b>      |   |  |
| Short term employee benefits                | 15,960,000  | 6,600,000                                      |
| Post employment benefits                    | 499,800   | 376,516  |
|   | <u>31 December<br/>2010<br/>Un-audited<br/>Rupees</u> | <u>30 June<br/>2010<br/>Audited<br/>Rupees</u> |
| <b>10.2 Balances with related parties</b>   |   |  |
| <b>10.2.1 Holding company</b>               |   |  |
| Temporary loan                              | 411,000,131   | 451,007,466                                    |
| Redeemable capital                          | 266,081,964   | 599,520,000                                    |
| Markup receivable                           | 89,744,112  | 204,485,615                                    |
| <b>10.2.2 Subsidiary company</b>            |   |  |
| Temporary loan                              | (289,040,269)   | 74,858,160                                     |
| <b>10.2.3 Associated company</b>            |   |  |
| Long term loan                              | 340,000,000   | 340,000,000                                    |
| Redeemable capital                          | 89,928,000  | 89,928,000                                     |
| Markup payable                              | 87,487,588  | 68,717,258                                     |
| Accrued Liabilities                         | -   | 70,000,000                                     |
| <b>10.2.4 Post employment benefit plans</b> |   |  |
| Payable to provident fund                   | 85,533,428  | 84,210,584                                     |
| Payable to gratuity trust                   | 22,018,523  | 14,073,414                                     |

All transactions with related parties have been carried out on commercial terms and conditions.



Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
for the six months ended 31 December 2010

|   | July to<br>December 2010<br>Rupees | July to December<br>2009<br>Rupees |
|---|------------------------------------|------------------------------------|
| <b>11 Cash flow from operating activities</b>           |                                    |                                    |
| Loss before tax   | (150,014,670)                      | (74,795,329)                       |
| Adjustment for :  |                                    |                                    |
| - Depreciation on property, plant and equipment         | 302,685,961                        | 193,378,535                        |
| - Profit on disposal of property, plant and equipment   | (274,909)                          | -                                  |
| - Amortization of transaction costs                     | 14,901,226                         | -                                  |
| - Markup income   | (34,500,759)                       | (88,397,189)                       |
| - Finance cost  | 1,615,563,374                      | 1,315,767,603                      |
| <b>Profit before working capital changes</b>            | <b>1,748,360,223</b>               | <b>1,345,953,620</b>               |
| Effect on cash flow due to working capital changes:     |                                    |                                    |
| - Stores, spares and loose tools                        | 23,131,150                         | (538,250,233)                      |
| - Stock-in-trade  | 4,054,416                          | 1,084,303,341                      |
| - Trade debts   | 92,822,461                         | 459,423,095                        |
| - Advances, deposits, prepayments and other receivables | 18,904,432                         | (994,514,273)                      |
| - Trade and other payables                              | (1,168,786,618)                    | 2,338,767,269                      |
|   | (1,029,874,159)                    | 2,349,729,199                      |
| Cash generated from operations                          | <u>718,486,064</u>                 | <u>3,695,682,819</u>               |
| <b>12 Cash and cash equivalents</b>                     |                                    |                                    |
| Short term borrowings - secured                         | (3,363,280,001)                    | (3,568,254,398)                    |
| Cash and bank balances                                  | 127,560,085                        | 140,180,633                        |
|   | <u>(3,235,719,916)</u>             | <u>(3,428,073,765)</u>             |

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
for the six months ended 31 December 2010

**13 Date of authorization**

This interim financial information was authorized for issue by the Board of Directors of the Company on February 28, 2011.

**14 General**

**14.1** Figures have been rounded off to the nearest thousand of Rupees.

**14.2** The following re-arrangement has been made for the purpose of better presentation.

| Account Name          | From   | To                       | 30 June<br>2010<br>Rupees |
|-----------------------|--|--------------------------|---------------------------|
| Advances to suppliers | Advances, deposits, prepayments<br>and other receivables | Capital work in progress | 844,536,244               |

Lahore

*A. T. Buan*  
CHIEF EXECUTIVE

*[Signature]*  
DIRECTOR

# Condensed Interim Consolidated Financial Information

## Condensed Interim Consolidated Balance Sheet

*as at 31 December 2010 (Un-audited)*

|   | <i>Note</i> | 31 December<br>2010<br>Un-Audited<br>Rupees | 30 June<br>2010<br>Audited<br>Rupees |
|---|-------------|---|--------------------------------------|
| <b>EQUITY AND LIABILITIES</b>                                 |             |   |                                      |
| <b>CAPITAL AND RESERVES</b>                                   |             |   |                                      |
| Authorized share capital                                      |             | <u>12,000,000,000</u>                       | <u>12,000,000,000</u>                |
| Issued, subscribed and paid up capital                        |             | 3,924,300,000                               | 3,924,300,000                        |
| Reserves  |             | 9,000,000                                   | 9,000,000                            |
| Accumulated profit  |             | <u>5,054,164,557</u>                        | <u>4,738,565,770</u>                 |
|   |             | 8,987,464,557                               | 8,671,865,770                        |
| Surplus on revaluation  |             | 4,213,926,711                               | 4,263,591,515                        |
| Loan from associates - Unsecured, Subordinated                |             | 340,000,000                                 | 340,000,000                          |
| <b>NON-CURRENT LIABILITIES</b>                                |             |   |                                      |
| Redeemable capital - Secured                                  | 5           | 10,188,326,376                              | 8,186,009,933                        |
| Long term finances - Secured                                  | 6           | 7,029,022,888                               | 2,643,985,482                        |
| Liabilities against assets subject to finance lease - Secured |             | 161,790,416                                 | 176,659,033                          |
| Long term payables  |             | 31,135,199                                  | 31,135,199                           |
| Deferred taxation   |             | <u>3,633,481,779</u>                        | <u>4,080,394,717</u>                 |
|   |             | 21,043,756,658                              | 15,118,184,364                       |
| <b>CURRENT LIABILITIES</b>                                    |             |   |                                      |
| Current portion of non-current liabilities - Secured          |             | 183,279,529                                 | 2,813,312,542                        |
| Short term borrowing - Secured                                |             | 3,363,280,001                               | 4,787,718,650                        |
| Accrued markup  |             | 2,095,228,450                               | 1,266,233,127                        |
| Trade and other payables                                      |             | <u>2,664,098,476</u>                        | <u>3,682,738,510</u>                 |
|   |             | 8,305,886,456                               | 12,550,002,829                       |
| <b>CONTINGENCIES AND COMMITMENTS</b>                          |             |   |                                      |
|   | 7           | <u>42,891,034,382</u>                       | <u>40,943,644,478</u>                |
| <b>ASSETS</b>   |             |   |                                      |
| <b>NON-CURRENT ASSETS</b>                                     |             |   |                                      |
| Fixed assets  | 8           | 37,191,273,112                              | 34,723,122,289                       |
| Intangible asset  |             | 2,567,310,828                               | 2,567,310,828                        |
| Long term advances - Unsecured, considered good               |             | 32,694,381                                  | 30,881,917                           |
| Long term deposits - Unsecured, considered good               |             | <u>18,103,642</u>                           | <u>18,237,248</u>                    |
|   |             | 39,809,381,963                              | 37,339,552,282                       |
| <b>CURRENT ASSETS</b>   |             |   |                                      |
| Stores, spares and loose tools                                |             | 1,250,106,496                               | 1,273,258,490                        |
| Stock-in-trade  |             | 139,520,039                                 | 413,608,320                          |
| Trade debts   |             | 279,006,999                                 | 311,346,429                          |
| Advances, deposits, prepayments and other receivables         |             | 767,606,054                                 | 908,736,284                          |
| Due from related parties - Unsecured, considered good         |             | 411,000,131                                 | 451,007,466                          |
| Taxation  |             | 82,446,371                                  | 159,638,163                          |
| Cash and bank balances  |             | <u>151,966,329</u>                          | <u>86,497,044</u>                    |
|   |             | 3,081,652,419                               | 3,604,092,196                        |
|   |             | <u>42,891,034,382</u>                       | <u>40,943,644,478</u>                |

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

Lahore

*A. T. Bux*  
CHIEF EXECUTIVE

*[Signature]*  
DIRECTOR

Condensed Interim Consolidated Profit and Loss Account (Un-audited)  
for the half year ended 31 December 2010

|   | July to December<br>2010 | July to December<br>2009 | October to<br>December 2010 | October to<br>December 2009 |
|---|--------------------------|--------------------------|-----------------------------|-----------------------------|
|   | Rupees                   | Rupees                   | Rupees                      | Rupees                      |
| Sales - net   | 3,312,364,180            | 7,785,464,324            | 1,969,761,292               | 4,311,630,319               |
| Cost of sales   | (2,340,301,799)          | (6,125,767,391)          | (1,433,076,143)             | (3,694,435,734)             |
| <b>Gross profit</b>                                     | <b>972,062,381</b>       | <b>1,659,696,933</b>     | <b>536,685,149</b>          | <b>617,194,585</b>          |
| Administrative expenses                                 | (172,564,899)            | (155,377,301)            | (113,998,066)               | (98,407,851)                |
| Selling and distribution expenses                       | (137,192,507)            | (316,162,212)            | (88,973,756)                | (201,185,969)               |
| Net other income  | 36,587,275               | 66,296,605               | 11,685,021                  | 126,136,811                 |
| <b>Profit from operations</b>                           | <b>698,892,250</b>       | <b>1,254,454,025</b>     | <b>345,398,348</b>          | <b>443,737,576</b>          |
| Finance cost  | (843,648,069)            | (1,332,344,552)          | (406,845,778)               | (814,930,546)               |
| <b>Loss before taxation</b>                             | <b>(144,755,819)</b>     | <b>(77,890,527)</b>      | <b>(61,447,430)</b>         | <b>(371,192,970)</b>        |
| Taxation  | 410,689,802              | 321,207,376              | 55,505,688                  | 343,203,048                 |
| <b>Profit / (loss) after taxation</b>                   | <b>265,933,983</b>       | <b>243,316,849</b>       | <b>(5,941,742)</b>          | <b>(27,989,922)</b>         |
| <b>Earning / (loss) per share<br/>basic and diluted</b> | <b>0.68</b>              | <b>0.62</b>              | <b>(0.02)</b>               | <b>(0.07)</b>               |

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

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A. T. Bux  
CHIEF EXECUTIVE

  
DIRECTOR

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)  
for the half year ended 31 December 2010

|   | July to<br>December<br>2010 | July to<br>December 2009 | October to<br>December 2010 | October to<br>December 2009 |
|---|-----------------------------|--------------------------|-----------------------------|-----------------------------|
|   | Rupees                      | Rupees                   | Rupees                      | Rupees                      |
| <b>Profit / (loss) after taxation</b>                         | <b>265,933,983</b>          | <b>243,316,849</b>       | <b>(5,941,742)</b>          | <b>(27,989,922)</b>         |
| <b>Other comprehensive income</b>                             |                             |                          |                             |                             |
| Change in fair value of available for<br>sale financial asset | -                           | -                        | -                           | -                           |
| Incremental depreciation - net of tax                         | 49,664,804                  | -                        | 23,743,953                  | -                           |
| Other comprehensive income for the period                     | 49,664,804                  | -                        | 23,743,953                  | -                           |
| <b>Total comprehensive income<br/>(loss) for the period</b>   | <b>315,598,787</b>          | <b>243,316,849</b>       | <b>17,802,211</b>           | <b>(27,989,922)</b>         |

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

Lahore

A. T. Bux  
CHIEF EXECUTIVE

  
DIRECTOR

## Condensed Interim Consolidated Cash flow Statement (Un-audited) for the half year ended 31 December 2010

|   | July to December<br>2010      | July to December<br>2009      |
|---|-------------------------------|-------------------------------|
| Note  | Rupees                        | Rupees                        |
| <b>Cash flows from operating activities</b>                             |                               |                               |
| Cash generated from operations  | 1,083,579,343                 | 3,924,362,389                 |
| Finance cost paid   | (769,846,703)                 | (1,224,295,856)               |
| Income tax received/(paid)  | 59,468,083                    | (101,065,557)                 |
| Long term deposits and advances   | (1,678,858)                   | (6,374,952)                   |
| Net cash (used in)/generated from operating activities                  | <u>371,521,865</u>            | <u>2,592,626,024</u>          |
| <b>Cash flows from investing activities</b>                             |                               |                               |
| Capital expenditure including purchase of property, plant and equipment | (2,802,550,093)               | (4,495,412,095)               |
| Proceeds from disposal of property, plant and equipment                 | 4,930,572                     | -                             |
| Interest received   | 149,242,262                   | 748,147                       |
| Loan to related party   | 40,007,335                    | (104,356,798)                 |
| Net cash used in investing activities                                   | <u>(2,608,369,924)</u>        | <u>(4,599,020,746)</u>        |
| <b>Cash flows from financing activities</b>                             |                               |                               |
| Long term finances obtained   | 3,941,287,406                 | 1,018,087,179                 |
| Proceeds from issuance of term finance certificates                     | -                             | 10,140,980                    |
| Redemption of term finance certificates                                 | (624,499)                     | -                             |
| Repayment of liabilities against assets subject to finance lease        | (26,060,630)                  | (17,503,377)                  |
| Transaction costs incurred on restructuring process                     | (187,846,284)                 | -                             |
| Dividend paid   | -                             | (588,645,000)                 |
| Net cash generated from financing activities                            | <u>3,726,755,993</u>          | <u>422,079,782</u>            |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             | <b>1,489,907,934</b>          | <b>(1,584,314,940)</b>        |
| <b>Cash and cash equivalents at the beginning of period</b>             | <b>(4,701,221,606)</b>        | <b>(1,809,599,154)</b>        |
| <b>Cash and cash equivalents at the end of period</b>                   | <b><u>(3,211,313,672)</u></b> | <b><u>(3,393,914,094)</u></b> |

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed Interim Consolidated Statement of Changes in Equity (Un-audited) for the half year ended 31 December 2010

|   | Share Capital        |                  | Reserves         |                                     | Total equity         |                      |
|---|----------------------|------------------|------------------|-------------------------------------|----------------------|----------------------|
|   | Rupees               | Rupees           | Revenue reserve  | Available for sale financial assets | Accumulated profit   | Rupees               |
| <b>Balance as at 30 June 2009 - Audited</b>       | 3,924,300,000        | 9,000,000        | 9,000,000        | -                                   | 3,803,750,034        | 7,737,050,034        |
| Total comprehensive income for the period         | -                    | -                | -                | -                                   | 243,316,849          | 243,316,849          |
| - Profit for the period                           | -                    | -                | -                | -                                   | -                    | -                    |
| - Other comprehensive income for the period       | -                    | -                | -                | -                                   | -                    | -                    |
| <b>Balance as at 31 December 2009 - Unaudited</b> | 3,924,300,000        | 9,000,000        | 9,000,000        | -                                   | 4,047,066,883        | 7,980,366,883        |
| Total comprehensive income for the period         | -                    | -                | -                | -                                   | 662,715,666          | 662,715,666          |
| - Profit for the period                           | -                    | -                | -                | -                                   | 28,783,221           | 28,783,221           |
| - Other comprehensive income for the period       | -                    | -                | -                | -                                   | 4,738,565,770        | 4,738,565,770        |
| <b>Balance as at 30 June 2010 - Audited</b>       | 3,924,300,000        | 9,000,000        | 9,000,000        | -                                   | 4,738,565,770        | 8,671,865,770        |
| Total comprehensive income for the period         | -                    | -                | -                | -                                   | 265,933,983          | 265,933,983          |
| - Profit for the period                           | -                    | -                | -                | -                                   | 49,664,804           | 49,664,804           |
| - Other comprehensive income for the period       | -                    | -                | -                | -                                   | 5,054,164,557        | 5,054,164,557        |
| <b>Balance as at 31 December 2010 - Unaudited</b> | <b>3,924,300,000</b> | <b>9,000,000</b> | <b>9,000,000</b> | <b>-</b>                            | <b>5,054,164,557</b> | <b>8,987,464,557</b> |

The annexed notes 1 to 13 form an integral part of this condensed interim consolidated financial information.

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed Interim Consolidated Notes to the Financial Information (Un-audited) for the half year ended 31 December 2010

### 1 Status and nature of business

The Group comprises the following companies:

#### *Agritech Limited ('AGL') - Parent Company*

Agritech Limited was incorporated on 11 June 1985 as an unlisted Public Limited Company under the 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. The Company obtained listing on Karachi Stock Exchange on 12 April 2010. The registered office of the company is situated at Ismail Aiwani-e-Science, Off Sharah -e-Roomi, Lahore. The principal business of the Company is the production and sale of urea fertilizer.

#### *Hazara Phosphate Fertilizers (Private) limited ('HPFL') - Subsidiary*

HPFL was incorporated on June 11, 1985 as a Private Limited Company under the Companies Ordinance, 1984 and was a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited, a Government owned Corporation, until November 28, 2008. Subsequently, 100% shares of HPFL were acquired by AGL as a part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated November 28, 2008. The registered office of HPFL is situated at Haripur. The principal business of HPFL is the production and sale of Granulated Single Super Phosphate fertilizer.

### 2 Basis of preparation

The condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. 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 statements for the year ended 30 June 2010.

#### 2.1 Statement of compliance

The condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. 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 statements for the year ended 30 June 2010.

#### 2.2 Financial liabilities and continuing operations

These financial statements have been prepared on the assumption that the Company would continue as a going concern although the Company has incurred a loss before tax of Rs. 150.01 million during the six month ended 31 December 2010 and, as of that date, its current liabilities exceeded current assets by Rs. 5,983.70 million (30 June 2010 : Rs. 9,592.15 million). The assumption that the Company would continue as a going concern is based on the expectation of future profitability and positive cash flows from operating activities.

### 3 Estimates

The preparation of the condensed interim unconsolidated 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 unconsolidated 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 interim financial information are generally based on the same policies and methods as applied in preparation of the annual financial statements for the year ended 30 June 2010.

## Condensed Interim Consolidated Notes to the Financial Information (Un-audited) for the half year ended 31 December 2010

- 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 January 2011, 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.

- IFRS 7 (amendment) - Disclosures - Transfers of Financial Assets
- IAS 12 (amendment) - Deferred Tax on Investment Property
- IAS 24 (Revised) - Related Party Disclosures
- IAS 32 (amendment) - Financial Instruments: Presentation - Classification of Right Issues
- IFRIC 14 (amendment) - The Limit on a Defined Benefit Assets - Minimum Funding Requirements
- IFRIC 19 - Extinguishing financial liabilities with equity instruments

|   |     | 31 December<br>2010<br>Un-audited<br>Rupees | 30 June<br>2010<br>Audited<br>Rupees |
|---|-----|---|--------------------------------------|
| <b>5 Redeemable capital - Secured</b>                     |     |   |                                      |
| Privately Placed Term Finance Certificates (PPTFCs) - I   | 5.1 | 6,894,480,000                               | 6,894,480,000                        |
| Privately Placed Term Finance Certificates (PPTFCs) - II  | 5.2 | 1,498,800,000                               | 1,498,800,000                        |
| Privately Placed Term Finance Certificates (PPTFCs) - III | 5.3 | 495,540,751                                 | 496,165,250                          |
| Sukuk   | 5.4 | 1,600,000,000                               | 1,600,000,000                        |
|   |     | <b>10,488,820,751</b>                       | <b>10,489,445,250</b>                |
| Transaction costs   |     | <b>(300,494,375)</b>                        | <b>(127,549,317)</b>                 |
|   |     | <b>10,188,326,376</b>                       | <b>10,361,895,933</b>                |
| Current maturity presented under current liabilities      |     | -   | (2,175,886,000)                      |
|   |     | <b>10,188,326,376</b>                       | <b>8,186,009,933</b>                 |

- 5.1 PPTFCs - I have been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of PPTFCs is structured to be in twelve semi-annual installments starting from January 2012.
- 5.2 PPTFCs - II have been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of PPTFCs is structured to be in twelve semi-annual installments starting from May 2012.
- 5.3 PPTFCs - III have been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of PPTFCs is structured to be in twenty four quarterly installments starting from March 2012.
- 5.4 Sukuks have been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of PPTFCs is structured to be in twelve semi-annual installments starting from February 2012.

|  |     | 31 December<br>2010<br>Un-audited<br>Rupees | 30 June<br>2010<br>Audited<br>Rupees |
|--|-----|---|--------------------------------------|
| <b>6 Long term finances</b>                          |     |   |                                      |
| Syndicate Term Finance - I                           |     | 475,000,000                                 | 481,250,000                          |
| Syndicate Term Finance - II                          | 6.1 | 2,999,716,686                               | 2,431,485,482                        |
| Syndicate Term Finance - III                         | 6.2 | 3,026,389,549                               | -                                    |
| Term Finance - I                                     |     | 352,916,653                                 |                                      |
| Term Finance - II                                    | 6.3 | 300,000,000                                 | 300,000,000                          |
|  |     | <b>7,154,022,888</b>                        | <b>3,212,735,482</b>                 |
| Current maturity presented under current liabilities |     | <b>(125,000,000)</b>                        | <b>(568,750,000)</b>                 |
|  |     | <b>7,029,022,888</b>                        | <b>2,643,985,482</b>                 |

## Condensed Interim Consolidated Notes to the Financial Information (Un-audited) for the half year ended 31 December 2010

- 6.1** Syndicate Term Finance - I (STF-I) has been rescheduled during the period. As per terms of the rescheduling agreement the principal redemption of STF-I is structured to be in twelve semi-annual installments starting from June 2012.
- 6.2** Syndicate Term Finance - II (STF-II) represents restructuring of various short term facilities into long term facility during the period. As per terms of the restructured agreement the principal redemption of STF-II is structured to be in six semi-annual installments starting from June 2012.
- 6.3** Term Finance - II (TF-II) represents restructuring of various short term facilities into long term facility during the period. As per terms of the restructured agreement the principal redemption of TF-II is structured to be in twelve semi-annual installments starting from June 2012.

### 7 Contingencies and commitments

#### 7.1 Contingencies

- 7.1.1** Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 196.3 million (30 June 2010: Rs. 196.3 million).
- 7.1.2** There is no change in the status of contingencies since 30 June 2010.

|   | Note | 31 December        | 30 June           |
|---|------|--------------------|-------------------|
|   |      | 2010               | 2010              |
|   |      | Un-audited         | Audited           |
|   |      | Rupees             | Rupees            |
| <b>7.2 Commitments</b>  |      |                    |                   |
| <b>7.2.1</b> Commitments under irrevocable letters of credit for: |      |                    |                   |
| - purchase of stores, spares and loose tools                      |      | 15,374,790         | 17,576,001        |
| - purchase of plant and machinery                                 |      | 108,897,951        | 77,679,222        |
|   |      | <u>124,272,741</u> | <u>95,255,223</u> |

### 8 Fixed assets

|                               |     |                       |                       |
|-------------------------------|-----|-----------------------|-----------------------|
| Property, plant and equipment | 8.1 | 25,460,496,519        | 25,790,551,902        |
| Capital work in progress      |     | 11,730,776,593        | 8,932,570,387         |
|                               |     | <u>37,191,273,112</u> | <u>34,723,122,289</u> |

#### 8.1 Property, plant and equipment

|  |       |                       |                       |
|--|-------|-----------------------|-----------------------|
| Opening book value                                       |       | 25,790,551,902        | 14,361,612,465        |
| Add: Additions during the period/ year                   | 8.1.1 | 5,138,887             | 2,503,498,017         |
| Revaluation surplus                                      |       | -                     | 6,560,395,944         |
| Transfer in during the period/ year                      |       | -                     | 2,874,586,659         |
|  |       | 5,138,887             | 11,938,480,620        |
| Less: Disposals during the period/ year - net book value |       | 4,655,663             | 10,213,167            |
| Depreciation charged during the period/ year             |       | 330,538,607           | 499,328,016           |
|  |       | 335,194,270           | 509,541,183           |
| Closing book value                                       |       | <u>25,460,496,519</u> | <u>25,790,551,902</u> |

## Condensed Interim Consolidated Notes to the Financial Information (Un-audited) for the half year ended 31 December 2010

### 8.1.1 Additions during the period/ year

| Owned assets                             |                  |                      |
|--|------------------|----------------------|
| Buildings on freehold land               | 382,401          | 3,802,878            |
| Plant and machinery                      | 2,142,462        | 2,403,909,194        |
| Residential colony assets                | -                | 3,622,089            |
| Furniture, fixtures and office equipment | 1,441,758        | 10,875,177           |
| Vehicles and rail transport              | -                | 13,312               |
| Tools and other equipment                | 1,700            | 2,470,831            |
| Electrical and other installations       | 375,566          | 48,191,418           |
|  | <u>795,000</u>   | <u>30,613,118</u>    |
|  | <u>5,138,887</u> | <u>2,503,498,017</u> |

### Leased assets

|          |  |  |
|----------|--|--|
| Vehicles |  |  |
|----------|--|--|

### 9 Transactions with related parties

Related parties comprise holding company, subsidiary company, associated undertakings, key management personnel (including

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

|  | July to       | July to December |
|--|---------------|------------------|
|  | December 2010 | 2009             |
|  | Rupees        | Rupees           |
| <b>9.1 Transactions with related parties</b> |               |                  |
| <b>9.1.1 Holding company</b>                 |               |                  |
| Markup income                                | 34,105,309    | 87,755,315       |
| Markup expense                               | 36,521,753    | 42,126,125       |
| Temporary loan                               | (40,007,335)  | 10,630,855       |
| <b>9.1.2 Subsidiary company</b>              |               |                  |
| Temporary loan                               | (363,898,429) | (282,913,125)    |
| <b>9.1.3 Associated company</b>              |               |                  |
| Mark-up on long term loan                    | 26,951,847    | 28,381,930       |
| Mark-up expense on redeemable capital        | 7,244,304     | 6,844,099        |
| Transaction Cost                             | -             | 70,000,000       |
| <b>9.1.4 Post employment benefit plans</b>   |               |                  |
| Contribution to employees provident fund     | 8,246,208     | 6,107,336        |
| Contribution to employees gratuity fund      | 7,949,567     | 7,371,680        |
| <b>9.1.5 Key management personnel</b>        |               |                  |
| Short term employee benefits                 | 16,606,875    | 6,600,000        |
| Post employment benefits                     | 802,707       | 376,516          |

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)  
for the half year ended 31 December 2010

|  | 31 December<br>2010<br>Un-audited<br>Rupees | 30 June<br>2010<br>Audited<br>Rupees |
|--|---|--------------------------------------|
| <b>9.2 Balances with related parties</b>   |   |                                      |
| <b>9.2.1 Holding company</b>               |   |                                      |
| Temporary loan                             | 411,000,132                                 | 451,007,466                          |
| Redeemable capital                         | 266,081,964                                 | 599,520,000                          |
| Markup receivable                          | 89,744,113                                  | 204,485,615                          |
| <b>9.2.2 Subsidiary company</b>            |   |                                      |
| Temporary loan                             | (289,040,269)                               | 74,858,160                           |
| <b>9.2.3 Associated company</b>            |   |                                      |
| Long term loan                             | 340,000,000                                 | 340,000,000                          |
| Redeemable capital                         | 89,928,000                                  | 89,928,000                           |
| Markup payable                             | 87,487,588                                  | 68,717,258                           |
| Accrued Liabilities                        | -   | 70,000,000                           |
| <b>9.2.4 Post employment benefit plans</b> |   |                                      |
| Payable to provident fund                  | 85,533,428                                  | 84,210,584                           |
| Payable to gratuity trust                  | 22,018,523                                  | 14,073,414                           |

All transactions with related parties have been carried out on commercial terms and conditions.

|   | July to<br>December 2010<br>Rupees | July to December<br>2009<br>Rupees |
|---|------------------------------------|------------------------------------|
| <b>10 Cash flow from operating activities</b>         |                                    |                                    |
| Loss before tax                                       | (144,755,819)                      | (77,890,527)                       |
| Adjustment for :                                      |                                    |                                    |
| - Depreciation on property, plant and equipment       | 330,538,607                        | 219,801,641                        |
| - Profit on disposal of property, plant and equipment | (274,909)                          | -                                  |
| - Amortization of transaction costs                   | 14,901,226                         | -                                  |
| - Markup income                                       | (34,500,759)                       | (88,503,462)                       |
| - Finance cost  | 1,598,842,026                      | 1,320,423,572                      |
| <b>Profit before working capital changes</b>          | <b>1,764,750,372</b>               | <b>1,373,831,224</b>               |

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)  
for the half year ended 31 December 2010

|   |  |                          |
|---|--|--------------------------|
| Effect on cash flow due to working capital changes:   |  |                          |
| - Stores, spares and loose tools  | 23,151,994   | (548,744,059)            |
| - Stock-in-trade  | 274,088,282  | 1,377,987,722            |
| - Trade debts   | 32,339,430   | (23,966,875)             |
| - Advances, deposits, prepayments and other receivables   | 26,388,732   | (977,185,421)            |
| - Trade and other payables  | (1,037,139,467)  | 2,722,439,798            |
|   | <b>(681,171,029)</b>   | <b>2,550,531,165</b>     |
| Cash generated from operations  | <u>1,083,579,343</u>   | <u>3,924,362,389</u>     |
| <b>11 Cash and cash equivalents</b>   |  |                          |
| Short term borrowings - secured   | (3,363,280,001)  | (3,568,254,398)          |
| Cash and bank balances  | 151,966,329  | 174,340,304              |
|   | <u>(3,211,313,672)</u>   | <u>(3,393,914,094)</u>   |
| <b>12 Date of authorization</b>   |  |                          |
| This interim financial information was authorized for issue by the Board of Directors of the Company on 28th February 2011. |  |                          |
| <b>13 General</b>   |  |                          |
| <b>13.1</b>   | Figures have been rounded off to the nearest thousand of Rupees.                   |                          |
| <b>13.2</b>   | The following re-arrangement has been made for the purpose of better presentation. |                          |
| <b>Account Name</b>   | <b>From</b>  | <b>To</b>                |
| Advances to suppliers   | Advances, deposits, prepayments and other receivables                              | Capital work in progress |
|   |  | 844,536,244              |

Lahore

  
**CHIEF EXECUTIVE**
  
**DIRECTOR**

