

Contents

Company Information	2
Directors' Review	3
Auditor's Report	5
Condensed Interim Balance Sheet	7
Condensed Interim Profit and Loss Account	8
Condensed Interim Statement of Comprehensive Income	9
Condensed Interim Cash flow Statement	10
Condensed Interim Statement of Changes in Equity	11
Condensed Interim Notes to the Financial Information	12

Company Information

BOARD OF DIRECTORS

Mr. Ahmed H. Shaikh
Chairman
Mr. Ahmed Jaudet Bilal
Chief Executive Officer
Mr. Khalid A. H. Al Sagar
Mr. Imran Maqbool
Mr. Irfan Nazir Ahmad
Mr. Muhammad Faisal Muzammil
Mr. Khaleeque Ur Rehman

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

AUDIT COMMITTEE

Mr. Khalid A. H. Al Sagar
Chairman
Mr. Irfan Nazir Ahmad
Mr. Ahmed H. Shaikh

HR & REMUNERATION COMMITTEE

Mr. Imran Maqbool
Chairman
Mr. Irfan Nazir Ahmad
Mr. Ahmed H. Shaikh

LEGAL ADVISOR

Mr. Babar Shahzad Imran

SHARES REGISTRAR

Hameed Majeed Associates
(Private) Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants, Lahore

BANKERS

JS Bank Limited
Faysal Bank Limited
National Bank of Pakistan

BANKERS (Cont'd)

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

REGISTERED OFFICE

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

PROJECT LOCATIONS

Unit I
Iskanderabad, District Mianwali.

Unit II
Hattar Road, Haripur.

Directors' Review

The Board of Directors of Agritech Limited ("the Company") hereby presents the reviewed interim financial statements for the half year ended 31 December 2012.

The principal business of the Company is the manufacturing and marketing of fertilizers. The Company owns and operates the country's newest and most efficient urea manufacturing plant at Mianwali. The company also manufactures SSP (Single Super Phosphate) at Haripur Hazara plant, which is the largest Single Super Phosphate (SSP) manufacturing plant in the country.

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

The gas load shedding and curtailment continued to affect the business during this period. The urea plant produced 24,550 tons as compared to 87,318 tons urea produced in first half of 2011.

To resolve the gas supply issue, the fertilizer manufacturers are in continuous dialogue with the Government of Pakistan (GOP). GOP by its ECC decision dated 18 December 2012 dedicated certain gas fields to Four Fertilizer Manufacturer (FFM). In this regards, key milestone has been achieved through signing of agreement with OGDC and FFM for the supply of 130 mmcf gas. It is expected that agreements with MOL and Mari also be finalized in the month of March 2013.

SSP continued to post a solid performance in this period on the back of initiatives of cost reduction, increased market price and technology changes.

Operating Financial Results

	Half year ended 31 December 2012	Half year ended 31 December 2011
Sales - Net	1,430,858,097	3,127,264,767
Operating Profit / (Loss)	(156,145,245)	1,084,445,252
Finance cost	(1,733,046,284)	(1,010,298,710)
Loss before taxation	(2,008,432,573)	(293,697,424)
Loss after taxation	(1,883,422,326)	(103,872,012)
Loss per share	(4.80)	(0.26)

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

Future Outlook

The fertilizer sector continues to enjoy a positive outlook in Pakistan, which is a major consumer of fertilizer with area under cultivation of approximately 23 million HA. The strategic importance of fertilizer usage and its related benefits to the agriculture sector cannot be ignored in the long run. The gas availability issue is a national issue which will be a challenge for the fertilizer industry to manage. However, the strong international Urea prices coupled with devaluation will make fertilizer imports more expensive and unaffordable for the GOP. Consequently, the direct gas arrangement has been initiated and in finalization stage.

Directors' Review

International Phosphate market currently shows a strong trend, supporting the local SSP pricing and margins. Hazara Phosphate is expected to deliver staggering performance in the next period on the back of lowest cost technology, strong pricing and premium brand.

Modification in the Auditors report

Qualification

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

In this regards, AGL signed a mandate agreement with the bank dated 4 October 2012 for the conversion of complete debt into equity instrument. With the successful rescheduling / restructuring of the Company's debts and other proposed measures mentioned above, the management of the Company envisages that sufficient financial resources will be available for the continuing operations and it is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances.

Emphasis

Auditors also raised concern about company ability to operate as going concern. The fact of the matter is that the company was forced to breach the covenants imposed by the lenders due to operational issues faced by the continued gas curtailments unduly inflicted by GOP and repeated gas load shedding. The assumption that the company will operate as going concern is based on steps taken by the management during the year to mitigate the gas curtailment issue. The wholly owned subsidiary, Hazara Phosphate Fertilizers (Private) Limited ("HPFL") was merged into the Company. HPFL manufactures Phosphate fertilizers and has registered profits in the past on a consistent basis. The Company intends to expand the Phosphate fertilizer business with change in product mix and consequently margins and cash flows. The company as part of FFM has signed the direct gas arrangements with OGDC, which will resolve the gas supply issues to the urea plant. Further, the company has signed the mandate agreement with bank dated 4 October 2012 for the conversion of complete debt into equity instrument. With these initiatives, the Company expects to earn profits in the future and meet its operational and financial obligations on timely basis.

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

Acknowledgment

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

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

Lahore
Date : 28 February 2013

On behalf of the Board



Chief Executive Officer

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Agritech Limited ("the Company") as at 31 December 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, 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 "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As stated in note 2.3 and 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. 17,450.12 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.

We draw attention to:

- i) note 5.2 to the accompanying condensed interim financial information, whereby Redeemable Preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984. The matter of its classification will be dealt in accordance with the clarification from the Securities and Exchange Commission of Pakistan, as fully explained in the above referred note; and
- ii) The Company has incurred a loss before tax of Rs. 2,008.43 million during the six months period ended 31 December 2012 and, as of that date; its current liabilities exceeded its current assets by Rs. 8,759.71 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. This condensed interim financial information has however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the condensed interim financial information.

Our conclusion is not qualified in respect of above matters.

Other matters

The figures for the quarters ended 31 December 2012 and 31 December 2011 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. Further, as stated in note 1.2 of the condensed interim financial information that the comparative figures for the six months ended 31 December 2011 in the 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 include figures of Hazara Phosphate Fertilizers (Private) Limited which have not been reviewed and we do not express a conclusion thereon.



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

Lahore
Date : 28 February 2013

Condensed Interim Balance Sheet (Un-audited)

As at 31 December 2012

	Note	31 December 2012 Rupees Un-Audited	30 June 2012 Rupees Audited
EQUITY AND LIABILITIES			
Capital and reserves			
Issued, subscribed and paid up capital	5	5,517,642,690	5,517,642,690
Reserves		9,000,000	9,000,000
Accumulated profit		1,522,824,603	3,392,413,553
		7,049,467,293	8,919,056,243
Surplus on revaluation of fixed assets		3,865,287,556	3,944,247,724
Non-current liabilities			
Subordinated loan	6	-	340,000,000
Redeemable capital - secured	7	11,000,704,465	11,226,126,643
Long term finances - secured	8	6,036,592,160	7,193,887,786
Liabilities against assets subject to finance lease - secured		68,797,127	76,194,996
Long term payables - unsecured		31,135,199	31,135,199
Staff retirement benefits		16,192,394	10,987,413
Deferred taxation - net		2,597,115,561	2,701,490,476
		19,750,536,906	21,579,822,513
Current liabilities			
Current portion of non-current liabilities - secured		2,083,698,087	655,060,293
Short term borrowing - secured		3,554,638,065	3,338,017,160
Trade and other payables		2,240,459,206	2,395,498,348
Due to Azgard Nine Limited - unsecured, considered good		1,122,377	-
Interest / mark-up accrued on borrowings		4,400,448,104	3,126,619,464
Preference dividend payable		152,760,642	87,633,848
		12,433,126,481	9,602,829,113
Contingencies and commitments	9	-	-
		43,098,418,236	44,045,955,593
ASSETS			
Non-current assets			
Fixed assets	10	36,766,324,182	37,197,945,111
Intangible asset		2,594,184,467	2,598,253,663
Long term advances		23,837,484	25,297,091
Long term deposits - unsecured, considered good		40,653,009	41,619,209
		39,424,999,142	39,863,115,074
Current assets			
Stores, spares and loose tools		2,088,736,496	2,106,731,093
Stock-in-trade		621,142,435	667,938,748
Trade debts		19,813,491	12,739,838
Advances, deposits, prepayments and other receivables		851,559,797	836,411,259
Due from Azgard Nine Limited - unsecured, considered good		-	286,395,126
Current taxation		67,109,435	55,189,910
Cash and bank balances		25,057,440	217,434,545
		3,673,419,094	4,182,840,519
		43,098,418,236	44,045,955,593

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

Lahore


CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Profit and Loss Account (Un-audited)

For the six months ended 31 December 2012

	2012		2011	
	July to December Rupees	October to December Rupees	July to December Rupees (Restated)	October to December Rupees (Restated)
Sales - net	1,430,858,097	1,066,607,145	3,127,264,767	1,667,169,929
Cost of sales	(1,587,003,342)	(866,614,985)	(2,042,819,515)	(1,286,476,811)
Gross (loss) / profit	(156,145,245)	199,992,160	1,084,445,252	380,693,118
Administrative expenses	(130,076,943)	(68,130,321)	(272,815,726)	(154,793,902)
Selling and distribution expenses	(42,663,301)	(10,603,989)	(127,493,870)	(54,805,907)
Net other income	53,499,200	2,918,947	32,465,630	42,426,820
(Loss) / profit from operations	(275,386,289)	124,176,797	716,601,286	213,520,129
Finance cost	(1,733,046,284)	(855,214,714)	(1,010,298,710)	(628,985,834)
Loss before taxation	(2,008,432,573)	(731,037,917)	(293,697,424)	(415,465,705)
Taxation	125,010,247	(97,333,937)	189,825,412	202,592,499
Loss after taxation	(1,883,422,326)	(828,371,854)	(103,872,012)	(212,873,206)
Loss per share-basic and diluted <i>Rupees</i>	(4.80)	(2.11)	(0.26)	(0.54)

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

Lahore


CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months ended 31 December 2012

	2012		2011	
	July to December Rupees	October to December Rupees	July to December Rupees (Restated)	October to December Rupees (Restated)
Loss after taxation	(1,883,422,326)	(828,371,854)	(103,872,012)	(212,873,206)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u>(1,883,422,326)</u>	<u>(828,371,854)</u>	<u>(103,872,012)</u>	<u>(212,873,206)</u>

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

Lahore


CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Cash flow Statement (Un-audited)

For the six months ended 31 December 2012

		July to December 2012	July to December 2011
	Note	Rupees	Rupees (Restated)
Cash flows from operating activities			
Cash (used in) / generated from operations	12	(5,436,859)	752,343,146
Finance cost paid		(250,083,964)	(297,126,641)
Interest income received		26,447	104,333,501
Taxation		8,715,807	24,504,525
Net cash (used in) / generated from operating activities		(246,778,569)	584,054,531
Cash flows from investing activities			
Capital expenditure including purchase of property, plant and equipment		(15,276,991)	(628,945,344)
Long term advances		1,459,607	(902,511)
Long term deposits		966,200	(19,107,830)
Proceeds from disposal of property, plant and equipment		5,146,292	514,200
Due from Azgard Nine Limited		355,740,822	(211,112,821)
Net cash generated from / (used in) investing activities		348,035,930	(859,554,306)
Cash flows from financing activities			
Long term finances paid		(500,000,000)	-
Long term finances obtained		-	124,708,213
Loan from associates		-	223,428,137
Redemption of term finance certificates		-	(667,251)
Repayment of liabilities against assets subject to finance lease		(10,611,559)	(27,940,720)
Transaction costs incurred		-	(96,022,226)
Net increase in short term borrowings		122,733,633	63,184,927
Net cash (used in) / generated from financing activities		(387,877,926)	286,691,080
Net (decrease) / increase in cash and cash equivalents		(286,620,565)	11,191,305
Cash and cash equivalents at the beginning of period		(1,733,238,799)	(1,759,436,572)
Cash and cash equivalents at the end of period	13	(2,019,859,364)	(1,748,245,267)

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

Lahore


CHIEF EXECUTIVE


DIRECTOR

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

For the six months ended 31 December 2012

	Share Capital		Reserves		Total equity
	Ordinary shares	Preference shares	Revenue reserve	Accumulated profit	
	Rupees	Rupees	Rupees	Rupees	
Balance as at 30 June 2011 - Audited	3,924,300,000	-	9,000,000	4,947,083,119	8,880,383,119
Total comprehensive loss for the period	-	-	-	(103,872,012)	(103,872,012)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	74,756,440	74,756,440
Balance as at 31 December 2011 - Unaudited	<u>3,924,300,000</u>	<u>-</u>	<u>9,000,000</u>	<u>4,917,967,547</u>	<u>8,851,267,547</u>
Preference shares issued during the period	-	1,593,342,690	-	-	1,593,342,690
Total comprehensive loss for the period	-	-	-	(1,524,587,156)	(1,524,587,156)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	86,667,010	86,667,010
Preference dividend for the period	-	-	-	(87,633,848)	(87,633,848)
Balance as at 30 June 2012 - Audited	<u>3,924,300,000</u>	<u>1,593,342,690</u>	<u>9,000,000</u>	<u>3,392,413,553</u>	<u>8,919,056,243</u>
Total comprehensive loss for the period	-	-	-	(1,883,422,326)	(1,883,422,326)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	78,960,170	78,960,170
Preference dividend for the period	-	-	-	(65,126,794)	(65,126,794)
Balance as at 31 December 2012 - Unaudited	<u>3,924,300,000</u>	<u>1,593,342,690</u>	<u>9,000,000</u>	<u>1,522,824,603</u>	<u>7,049,467,293</u>

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

Lahore


CHIEF EXECUTIVE


DIRECTOR

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

For the six months ended 31 December 2012

1 Status and nature of business

- 1.1** Agritech Limited was incorporated on 15 December 1959 as an unlisted Public Limited Company under the Companies Act, 1913 (Now Companies Ordinance, 1984) and was a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited ("NFC"), a Government owned Corporation, until 15 July 2006. Subsequently, 100% shares of the Company were acquired by Azgard Nine Limited ("ANL") as a part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. On 12 April 2010 the Company was listed on Karachi Stock Exchange ("KSE") vide KSE Notification No. KSE/N-1940. ANL, during the period has sold its major shareholding in the Company to a consortium of banks and financial institutions. The registered office of the Company is situated at Ismail Aiwana-e-Science, Off Sharah-e-Roomi, Lahore. The principal business of the Company is the production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer.
- 1.2** Hazara Phosphate Fertilizers (Private) Limited ("HPFL"), a wholly owned subsidiary of the Company was merged into the Company under the scheme of amalgamation approved by Honorable Lahore High Court, vide its order dated 23 May 2012. Comparatives presented for the six months and the quarter ended 31 December 2012 in 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 have been restated to reflect the effect of the merger as if the merger has taken place from the date of acquisition.

2 Basis of preparation

2.1 Statement of compliance

This condensed interim financial information of the Company for the six months period ended 31 December 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

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

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

For the six months ended 31 December 2012

2.2 Financial liabilities and continuing operations

The Company, in previous year as well as in current year, also faced operational issues due to extended gas load shedding in winter and gas curtailment by Government of Pakistan for shifting the gas towards power sector to reduce electricity load shedding which has perpetuated temporary liquidity issues resulted in overdues as referred in note 14 to the condensed interim financial information. Due to these factors, the Company has incurred a loss before tax of Rs. 2,008.43 million during the six months period ended 31 December 2012 and, as of that date, its current liabilities exceeded current assets by Rs. 8,759.71 million. These conditions cast significant doubt about the Company's ability to continue as a going concern. This condensed interim financial information has however been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the fact that the Economic Coordination Committee ("ECC") of the Cabinet in its meeting held on 18 December 2012 has approved a Dedicated Long Term Gas Supply Solution for Fertilizer Industry by virtue of which a consortium of Four Fertilizer Manufacturers ("FFM") including AGL, which are currently on SNGPL system, has been allowed to purchase gas directly from alternate dedicated gas supply sources after the respective agreements are signed between FFM and dedicated gas supply producers ("GSP"). Agreement with one of the GSPs has already been signed by FFM subsequent to period end and remaining agreements are in the process of signing. The Company is expected to be profitable in future and generate positive cash flows from operating activities once the remaining agreements between FFM and GSP are signed and necessary augmentation of existing pipelines takes place which is expected to be completed by 30 September 2013.

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

2.3 Financial liabilities

The Company could not make timely repayments of principal and interest / markup related to long term debts as referred to in note 14. 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. 17,450.12 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:

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

For the six months ended 31 December 2012

<u>Redeemable capital</u>	Principal net of current maturity
	Rupees
Term Finance Certificates (TFCs) - I	1,402,263,300
Term Finance Certificates (TFCs) - II	6,451,082,649
Term Finance Certificates (TFCs) - III	463,501,300
Term Finance Certificates (TFCs) - IV	369,235,127
Term Finance Certificates (TFCs) - V	618,190,052
Privately Placed Term Finance Certificates (PPTFCs)	509,874,996
Sukkuks	1,496,955,714
	<u>11,311,103,138</u>
	Principal net of current maturity
	Rupees
<u>Long term finances</u>	
Syndicate Term Finance - I	2,807,142,857
Syndicate Term Finance - III	2,685,920,725
KASB Bank Limited - Term Finance	261,428,571
National Bank of Pakistan - Term Finance	51,458,735
Dubai Islamic Bank Limited - Term Finance	333,062,500
	<u>6,139,013,388</u>
	<u>17,450,116,526</u>

3 Estimates

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

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

4 Significant accounting policies

- 4.1 The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the year ended 30 June 2012.
- 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 2013, however, the adoption of these amendments is either not yet effective or the amendments did not have any significant impact on the financial information of the Company.

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

For the six months ended 31 December 2012

- IAS 1 (amendment) - Presentation of items of Other Comprehensive Income
- IAS 1 (amendment) - Presentation of Financial Statements
- IFRS 7 (amendment) - Offsetting Financial assets and Financial Liabilities
- IAS 16 Property, Plant and Equipment
- IAS 19 (amendment) - Employee Benefits
- IAS 27 (amendment) - Separate Financial Statements
- IAS 28 (amendment) - Investments in Associates and Joint Ventures
- IAS 32 (amendment) - Offsetting Financial assets and Financial liabilities
- IAS 32 (amendment) - Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

5 Issued, subscribed and paid up capital

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

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

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- The financial capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 29 August 2011.
- Return of allotment of shares was filed under section 73(1) of the Ordinance.
- The Company is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.
- The requirements of the Ordinance takes precedence over the requirements of International Accounting Standards.
- The preference shareholders have the right to convert these shares into Ordinary shares.

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

6 Subordinated loan

It represented loan obtained by the Company from JS Infocom Limited ("JS") to finance the acquisition of HPFL. The loan was subordinated to all long term and short term finances obtained by the Company. The Company, during the period, has restructured the principal along with the outstanding mark-up as stated in note 7.1

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

For the six months ended 31 December 2012

		31 December 2012	30 June 2012
	<i>Note</i>	Rupees Un-audited	Rupees Audited
7 Redeemable capital - secured			
Term Finance Certificates (TFCs) - I		1,498,602,000	1,498,602,000
Term Finance Certificates (TFCs) - II		6,894,286,800	6,894,286,800
Term Finance Certificates (TFCs) - III		495,345,100	495,345,100
Term Finance Certificates (TFCs) - IV		553,825,000	553,825,000
Term Finance Certificates (TFCs) - V		618,685,000	618,685,000
Privately Placed Term Finance Certificates (PPTFCs)	<i>7.1</i>	509,874,996	-
Sukkuks		1,599,800,000	1,599,800,000
		12,170,418,896	11,660,543,900
Deferred notional income		(90,524,613)	(104,991,352)
Transaction costs		(219,874,060)	(236,787,449)
		11,860,020,223	11,318,765,099
Current maturity presented under current liabilities		(859,315,758)	(92,638,456)
		11,000,704,465	11,226,126,643

7.1 This represents restructuring of subordinated loan as referred in note 6 to this condensed interim financial information along with the outstanding mark-up amounting to Rs. 509.87 million into a fresh issue of Privately Placed Term Finance Certificates (PPTFCs) by way of Settlement Agreement ("Agreement") entered on 22 October 2012 effective from 1 July 2012. As per terms of the agreement the principal redemption of PPTFCs is structured to be in twelve equal semi-annual installments of Rs. 42.49 million each starting from 31 December 2014 and carries mark-up at six months KIBOR plus 1.95% per annum payable semi-annually.

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

For the six months ended 31 December 2012

	31 December 2012	30 June 2012
	Rupees	Rupees
	Un-audited	Audited
8 Long term finances		
Syndicate Term Finance - I	3,000,000,000	3,000,000,000
Syndicate Term Finance - II	475,000,000	475,000,000
Syndicate Term Finance - III	3,026,389,549	3,026,389,549
KASB Bank Limited - Term Finance	300,000,000	300,000,000
National Bank of Pakistan - Term Finance	132,083,735	632,083,735
Dubai Islamic Bank Limited - Term Finance	365,000,000	365,000,000
	7,298,473,284	7,798,473,284
Transaction costs	(102,421,228)	(110,299,784)
	7,196,052,056	7,688,173,500
Current maturity presented under current liabilities	(684,459,896)	(19,285,714)
Reclassification of Syndicate Term Finance - II to short term	(475,000,000)	(475,000,000)
	(1,159,459,896)	(494,285,714)
	6,036,592,160	7,193,887,786

9 Contingencies and commitments

9.1 Contingencies

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

9.2 Commitments

Commitments under irrevocable letters of credit for:

- purchases of stores, spare and loose tools

	31 December 2012	30 June 2012
	Rupees	Rupees
	Un-audited	Audited
	1,695,750	-
	1,695,750	-

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

For the six months ended 31 December 2012

	<i>Note</i>	31 December 2012	30 June 2012
		Rupees	Rupees
		Un-audited	Audited
10 Fixed assets			
Property, plant and equipment	<i>10.1</i>	36,724,432,665	37,156,269,276
Capital work in progress		41,891,517	41,675,835
		<u>36,766,324,182</u>	<u>37,197,945,111</u>
10.1 Property, plant and equipment			
Opening book value		37,156,269,276	24,479,320,011
Add: Additions during the period / year	<i>10.1.1</i>	15,061,319	12,841,975,789
Reclassification to assets held for sale		-	713,092,558
		15,061,319	13,555,068,347
Less: Disposals during the period / year - net book value		(2,483,132)	3,376,276
Depreciation charged during the period / year		(444,414,798)	811,383,356
Adjustment		-	63,359,450
		(446,897,930)	878,119,082
Closing book value		<u>36,724,432,665</u>	<u>37,156,269,276</u>
10.1.1 Additions during the period / year			
<i>Owned assets</i>			
Buildings on freehold land		-	96,869,812
Plant and machinery		784,273	12,570,630,300
Residential colony assets		-	4,603
Furniture, fixtures and office equipment		237,606	16,635,142
Vehicles and rail transport		-	2,917,000
Tools and other equipment		-	182,890
Electrical and other installations		-	154,488
Catalyst		14,039,440	16,694,624
<i>Leased assets</i>			
Plant and machinery		-	137,816,930
Vehicles		-	70,000
		<u>15,061,319</u>	<u>12,841,975,789</u>

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

For the six months ended 31 December 2012

11 Transactions with related parties

Related parties comprise associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length with the exceptions as approved by the Board of Directors.

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

	July to December 2012 Rupees <u>Un-Audited</u>	July to December 2011 Rupees <u>Un-Audited</u>
11.1 Transactions with related parties		
11.1.1 Other related party		
Azgard Nine Limited		
Markup income on short term loan	(19,240,742)	(33,987,542)
Markup expense on redeemable capital	18,474,253	12,176,422
Temporary loan received - net	287,517,503	(12,315,316)
JS Infocom Limited		
PPTFCs issued during the period	509,874,996	-
Mark-up expense on redeemable capital	42,016,465	40,902,558
Mark-up on long term loan	-	28,419,808
National Bank of Pakistan		
Long term finances (repaid) / obtained	(500,000,000)	123,699,279
Markup expense	231,624,429	262,972,406
Preference dividend	34,150,852	-
11.1.2 Post employment benefit plans		
Contribution to employees provident fund	8,697,213	9,650,181
Contribution to employees gratuity fund	5,204,981	4,586,666
Advance received	86,200,000	-
11.1.3 Key management personnel		
Short term employee benefits	5,376,000	70,808,992
Post employment benefits	307,020	3,650,968

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

For the six months ended 31 December 2012

	31 December 2012	30 June 2012
	Rupees	Rupees
	Un-Audited	Audited
11.2 Balances with related parties		
11.2.1 Other related party		
Azgard Nine Limited		
Short term Loan received - net	1,122,377	286,395,126
Redeemable capital	266,074,508	266,074,508
Markup receivable	-	68,579,206
JS Infocom Limited		
Subordinate loan	-	340,000,000
Redeemable capital	621,362,996	111,488,000
Mark-up payable	35,389,584	181,139,325
Accrued liabilities	-	70,000,000
National Bank of Pakistan		
Long term finances	2,467,083,735	2,967,083,735
Short term borrowing	248,069,807	42,000,000
Redeemable capital	341,921,654	341,921,654
Bills payable	187,031,000	187,031,000
Preference shares	617,549,990	617,549,990
Mark-up payable	722,730,182	492,387,421
Preference dividend payable	59,207,183	25,056,332
11.2.2 Post employment benefit plans		
Payable to provident fund	76,961,199	5,253,674
Payable to gratuity trust	41,192,394	10,987,413

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

For the six months ended 31 December 2012

	July to December 2012 Rupees <u>Un-Audited</u>	July to December 2011 Rupees <u>Un-Audited</u>
12 Cash flow from operating activities		
Loss before tax	(2,008,432,573)	(293,697,424)
<i>Adjustment for non-cash and other items:</i>		
Finance cost	1,693,787,600	1,030,668,587
Amortization of transaction costs	24,791,945	41,747,972
Amortization of computer software	4,069,196	-
Notional income	14,466,739	-
Depreciation	444,414,798	342,833,727
Staff retirement benefits	5,204,981	-
Markup / interest income	(26,447)	(34,261,706)
(Loss) / gain on sale of property, plant and equipment	(2,663,170)	162,350
	<u>2,184,045,642</u>	<u>1,381,150,930</u>
Operating profit before changes in working capital	<u>175,613,069</u>	<u>1,087,453,506</u>
Changes in working capital		
<i>(Increase) / decrease in current assets:</i>		
Stores, spares and loose tools	17,994,597	(76,125,981)
Stock-in-trade	46,796,313	(288,048,689)
Trade debts	(7,073,653)	11,157,922
Advances, deposits, prepayments and other receivables	(83,728,043)	(194,718,982)
Staff retirement benefits	-	4,161,860
	<u>(26,010,786)</u>	<u>(543,573,870)</u>
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	(155,039,142)	208,463,510
Cash (used in) / generated from operations	<u>(5,436,859)</u>	<u>752,343,146</u>

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

For the six months ended 31 December 2012

	31 December 2012	31 December 2011
	Rupees	Rupees
13 Cash and cash equivalents		
Short term borrowings - secured	(2,044,916,804)	(1,827,687,844)
Cash and bank balances	25,057,440	79,442,577
	<u>(2,019,859,364)</u>	<u>(1,748,245,267)</u>

14 Overdue financial liabilities

The Company, during the year faced operational issues due to extended gas load shedding from SNGPL. As a result, the Company is facing a liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details of overdue financial liabilities are as follows:

Nature of Liability	Principal Rupees	Interest / mark up Rupees	Total Rupees
Redeemable capital	46,496,747	1,712,332,590	1,758,829,337
Long term finances	350,000,000	1,517,558,335	1,867,558,335
Short term borrowings	1,026,742,000	241,484,014	1,268,226,014
Bills payable	777,912,320	144,705,008	922,617,328
	<u>2,201,151,067</u>	<u>3,616,079,947</u>	<u>5,817,231,014</u>

15 Operating segments

This condensed interim financial information has been prepared on the basis of single reportable segment.

15.1 Revenue from sales of fertilizer represents 96.83% (2011: 98.89%) of the gross sales of the Company.

15.2 100% (2011: 100%) of the gross sales of the Company are made to customers located in Pakistan.

15.3 All non-current assets of the Company as at 31 December 2012 are located in Pakistan.

16 Date of authorization

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on 28 February 2013.

17 General

17.1 Figures have been rounded off to the nearest rupee.

Lahore


CHIEF EXECUTIVE


DIRECTOR