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Company Information

BOARD OF DIRECTORS

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

CHIEF FINANCIAL OFFICER

Syed Taneem Haider

COMPANY SECRETARY

Mr. Affan Sajjad

AUDIT COMMITTEE

Mian Asif Said
Chairman
Mr. Nauman Ansari
Mr. Ahsan Raza Durrani

HR & REMUNERATION COMMITTEE

Chaudhary Khaqan Saadullah Khan
Chairman
Mr. Ahmed Jaudet Bilal
Mr. Nauman Ansari

LEGAL ADVISOR

Mr. Babar Shahzad Imran

SHARES REGISTRAR

Hameed Majeed Associates
(Private) Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants, Lahore

BANKERS

National Bank of Pakistan
Faysal Bank Limited
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
JS Bank Limited
Dubai Islamic Bank Pakistan Limited
Pak Liyba Holding Company Limited
Standard Chartered Bank (Pakistan) Limited

REGISTERED OFFICE

307 - Upper Mall, 1st Floor, Lahore.
Ph: 042 - 35958771-74 (4 Lines)
Fax: 042 - 35958775, 35958705

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 Fifteen Months and Quarter ended September 30, 2013.

The principal business of the Company is the manufacturing and marketing of fertilizers. The Company owns and operates 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.

Agritech's Urea plant has been facing continuous gas curtailment and repeated gas load shedding for last three years. In year 2011 and 2012, Urea plant was only able to produce 149,071 tons and 93,400 tons respectively as compared to a design capacity of more than 400,000 tons per annum. The gas scenario forced the company to a situation, where it was challenging to manage its operations under extreme gas load shedding scenario. The production levels relatively improved in 2013 owing to management's continuous effort and support by the Government of Pakistan to sustain gas supply for urea plant. The urea plant produced 205,287 tons in 15 months period ended September 30, 2013, which is 21% higher as compared to 161,951 tons produced compared with same period last year. Plant operations, which were no longer energy efficient due to gas load shedding, are reset to optimal level, resulting in substantial saving in variable cost. The Gross profit margin increased by 29% as compared to last period. Company also focused on cost saving strategy both on operational and financial front. By virtue of this, Company was able to reduce its fixed cost particularly the administrative cost by 35%.

Fifteen Months and Three Months ending September 30, 2013 - Financial Results

| | Fifteen Months Ended | | Three Months Ended | |
|-------------------------------------|------------------------|--------------------|----------------------|--------------------|
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| Sales Net | 7,125,061,162 | 6,461,166,524 | 3,020,172,661 | 364,250,952 |
| Gross profit / (loss) | 1,545,556,206 | 1,121,670,532 | 1,240,054,244 | (356,137,404) |
| Operating profit / (loss) | 908,965,032 | 284,183,992 | 1,059,357,625 | (450,143,338) |
| Finance cost | (3,930,891,451) | (3,672,058,136) | (659,489,716) | (849,089,236) |
| Profit /loss before taxation | (2,956,130,314) | (3,113,055,053) | 405,772,617 | (1,277,394,657) |
| Profit/loss after taxation | (2,395,616,135) | (2,683,509,640) | 321,659,133 | (1,055,050,473) |
| Earning/(loss) per share | (6.10) | (6.84) | 0.82 | (2.69) |

On SSP, company focused on positioning SSP TARA brand as the best quality phosphate brand available in Pakistan. Company also eliminated the working capital issue of SSP business, which was hampering the achievement of optimum SSP production. Phosphate market was slow during this period resulting in lower than expected sales. However, the fundamentals of the phosphate market remained strong and Company's competitive position improved considerably.

Change of Financial Year

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

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

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.

Directors' Review

Urea demand for Rabi 2013-14 is projected at 3.05 million tons which is around 6% higher versus Rabi 2012-13. Wheat crop economics at support price of Pkr 1250 per 40kg look favorable to farmers due to improved availability of water and lower fertilizer market price of phosphates. Increase in Wheat support price by Federal Government may result in further increase in overall Urea off takes during Rabi 2013-14. Despite better urea production with improved gas supply, the Economic Coordination Committee (ECC) on advice of Ministry of Industries approved imports of 500,000 tons of urea during Rabi 2013-14. At present Trading Corporation of Pakistan (TCP) has issued tenders of 350,000 tons and fertilizer industry has requested to stop further import tenders as it will result in oversupply.

International phosphate market has shown declining trend in consumption. The price decrease of DAP in the international market encouraged higher phosphates sales in the country. Similar trend of phosphates is expected to continue in last quarter of 2013. SSP industry will remain under pressure due to lower DAP prices. However, Agritech is well placed in the SSP segment on the back of low cost technology and high quality brand to achieve its target.

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

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 : 31 October 2013

On behalf of the Board



Chief Executive Officer

Condensed Interim Balance Sheet (Un-audited)

As at 30 September 2013

| | Note | 30 September 2013 | 30 June 2012 |
|---|------|----------------------|-----------------|
| | | Rupees | Rupees |
| | | Un-Audited | Audited |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Issued, subscribed and paid up capital | | 5,517,642,690 | 5,517,642,690 |
| Reserves | | 9,000,000 | 9,000,000 |
| Accumulated profit | | 1,000,297,071 | 3,392,413,553 |
| | | 6,526,939,761 | 8,919,056,243 |
| Surplus on revaluation of fixed assets | | 3,746,847,300 | 3,944,247,724 |
| Non-current liabilities | | | |
| Subordinated loan | | - | 340,000,000 |
| Redeemable capital - Secured | 7 | 9,654,514,490 | 11,226,126,643 |
| Long term finances - Secured | 8 | 5,071,933,254 | 7,193,887,786 |
| Liabilities against assets subject to finance lease - Secured | | 428,068 | 76,194,996 |
| Long term payables - Unsecured | | 31,135,199 | 31,135,199 |
| Staff retirement benefits | | 14,788,041 | 10,987,413 |
| Deferred taxation - net | | 2,125,150,634 | 2,701,490,476 |
| | | 16,897,949,686 | 21,579,822,513 |
| Current liabilities | | | |
| Current portion of non current liabilities secured | | 4,512,239,013 | 655,060,293 |
| Short term borrowings -secured | | 2,888,488,004 | 3,338,017,160 |
| Trade and other payables | | 2,927,748,980 | 2,395,498,348 |
| Interest/mark-up accrued on borrowings | | 6,113,023,058 | 3,126,619,464 |
| Preference dividend payable | | 284,571,552 | 87,633,848 |
| | | 16,726,070,607 | 9,602,829,113 |
| Contingencies and commitments | 9 | 43,894,770,424 | 44,045,955,593 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | 10 | 36,126,917,516 | 37,197,945,111 |
| Intangible asset | | 2,593,771,929 | 2,598,253,663 |
| Long term advances | | 22,662,476 | 25,297,091 |
| Long term deposits -unsecured, considered good | | 47,332,149 | 41,619,209 |
| | | 38,790,684,070 | 39,863,115,074 |
| Current assets | | | |
| Stores, spares and loose tools | | 2,052,317,657 | 2,106,731,093 |
| Stock-in-trade | | 628,151,976 | 667,938,748 |
| Trade debts | | 34,915,127 | 12,739,838 |
| Advances, deposits, prepayments and other receivables | | 1,074,003,458 | 836,411,259 |
| Due from Azgard Nine Limited -unsecured, considered good | | - | 286,395,126 |
| Current taxation | | 136,949,857 | 55,189,910 |
| Cash and bank balances | | 1,177,748,279 | 217,434,545 |
| | | 5,104,086,354 | 4,182,840,519 |
| | | 43,894,770,424 | 44,045,955,593 |

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


A. T. Bhatt
CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Profit and Loss Account (Un-audited)

For the fifteen months ended 30 September 2013

| | Fifteen months period ended | | Three months period ended | |
|---|---|---|---|---|
| | 01 July 2012 to 30 September 2013 | 01 July 2011 to 30 September 2012 | 01 July 2013 to 30 September 2013 | 01 July 2012 to 30 September 2012 |
| | Rupees Un-Audited | Rupees Un-Audited | Rupees Un-Audited | Rupees Un-Audited |
| Sales - net | 7,125,061,162 | 6,461,166,524 | 3,020,172,661 | 364,250,952 |
| Cost of sales | (5,579,504,956) | (5,339,495,992) | (1,780,118,417) | (720,388,356) |
| Gross profit/ (loss) | 1,545,556,206 | 1,121,670,532 | 1,240,054,244 | (356,137,404) |
| Selling and distribution expenses | (248,175,921) | (245,657,477) | (89,830,831) | (32,059,312) |
| Administrative expenses | (388,415,253) | (591,829,063) | (90,865,788) | (61,946,622) |
| Profit / (loss) from operations | 908,965,032 | 284,183,992 | 1,059,357,625 | (450,143,338) |
| Finance cost | (3,930,891,451) | (3,672,058,136) | (659,489,716) | (849,089,236) |
| Net other income | 65,796,105 | 274,819,091 | 5,904,708 | 21,837,917 |
| Profit / (loss) before taxation | (2,956,130,314) | (3,113,055,053) | 405,772,617 | (1,277,394,657) |
| Taxation | 560,514,179 | 429,545,413 | (84,113,484) | 222,344,184 |
| Profit / (loss) after taxation | (2,395,616,135) | (2,683,509,640) | 321,659,133 | (1,055,050,473) |
| Earning / (loss) per share basic and diluted | Rupees (6.10) | (6.84) | 0.82 | (2.69) |

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

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the fifteen months ended 30 September 2013

| | Fifteen months period ended | | Three months period ended | |
|---|-------------------------------|-------------------------------|---------------------------|-------------------------------|
| | 30 September 2013 | 30 September 2012 | 30 September 2013 | 30 September 2012 |
| | Rupees Un-audited | Rupees Un-audited | Rupees Un-audited | Rupees Un-audited |
| Profit / (loss) after taxation | (2,395,616,135) | (2,683,509,640) | 321,659,133 | (1,055,050,473) |
| Other comprehensive income | 200,437,356 | 200,903,535 | 42,517,014 | 39,480,085 |
| Total comprehensive income (loss) for the period | <u>(2,195,178,779)</u> | <u>(2,482,606,105)</u> | <u>364,176,147</u> | <u>(1,015,570,388)</u> |

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

Condensed Interim Cash flow Statement (Un-audited)

For the fifteen months ended 30 September 2013

| | | September 2013 | September 2012 |
|---|------|------------------------|------------------------|
| | Note | Rupees (Un-audited) | Rupees (Un-audited) |
| Cash flows from operating activities | | | |
| Cash generated from operations | 12 | 2,354,141,799 | 1,128,325,570 |
| Finance cost paid | | (648,632,314) | (1,936,932,298) |
| Tax paid | | 87,846,395 | 138,958,277 |
| Interest Received | | (97,585,609) | 30,321,565 |
| Net cash generated/ (used in) from operating activities | | 1,695,770,271 | (639,326,886) |
| Cash flows from investing activities | | | |
| Capital expenditure including purchase of property, plant and equipment | | (43,895,149) | (1,086,829,820) |
| Long Term advances | | 2,634,615 | 4,583,494 |
| Long term deposits | | (5,712,940) | (24,931,021) |
| Proceeds from disposal of property, plant and equipment | | 6,060,492 | 5,661,027 |
| Loan to related party | | 302,996,036 | (76,993,122) |
| Net cash used in investing activities | | 262,083,054 | (1,178,509,442) |
| Cash flows from financing activities | | | |
| Long term finances obtained/(Paid) | | (500,000,000) | 123,699,279 |
| Loan from associates | | - | 117,020,654 |
| Issuance of Preference shares | | - | 1,593,342,690 |
| Redemption of redeemable capital | | (5,000,000) | (667,251) |
| Repayment of liabilities against assets subject to finance lease | | (43,010,435) | (55,812,260) |
| Transaction costs incurred on restructuring process | | - | (96,022,225) |
| Net increase in short term borrowings | | (26,579,693) | 98,275,927 |
| Net cash generated from financing activities | | (574,590,128) | 1,779,836,814 |
| Net increase/(decrease) in cash and cash equivalents | | 1,383,263,197 | (37,999,514) |
| Cash and cash equivalents at the beginning of period | | (1,733,238,799) | (1,759,436,572) |
| Cash and cash equivalents at the end of period | 14 | (349,975,602) | (1,797,436,086) |

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

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

For the fifteen months ended 30 September 2013

| | Share Capital | | Reserves | Accumulated profit | Total equity |
|---|-----------------------------|-----------------------------|-------------------------|-----------------------------|-----------------------------|
| | Ordinary Shares | Preference Shares | Revenue reserves | | |
| | 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 income for the period | - | - | - | (2,683,509,640) | (2,683,509,640) |
| Preference shares issued during the period | - | 1,593,342,690 | - | - | 1,593,342,690 |
| Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax | - | - | - | 200,903,535 | 200,903,535 |
| Preference shares dividend for the period | - | - | - | (131,450,773) | (131,450,773) |
| Balance as at 30 September 2012 - Audited | 3,924,300,000 | 1,593,342,690 | 9,000,000 | 2,333,026,241 | 7,859,668,931 |
| Balance as at 30 June 2012 - Audited | 3,924,300,000 | 1,593,342,690 | 9,000,000 | 3,392,413,554 | 8,919,056,244 |
| Total comprehensive income for the period | - | - | - | (2,395,616,135) | (2,395,616,135) |
| Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax | - | - | - | 200,437,356 | 200,437,356 |
| Preference shares dividend for the period | - | - | - | (196,937,703) | (196,937,703) |
| Balance as at 30 September 2013 - Unaudited | <u>3,924,300,000</u> | <u>1,593,342,690</u> | <u>9,000,000</u> | <u>1,000,297,071</u> | <u>6,526,939,761</u> |

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

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

For the fifteen months ended 30 September 2013

1 Status and nature of business

Agritech Limited was incorporated on 15 December 1959 as an unlisted Public Limited Company under the Company act 1913 (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 entered into a Share Transfer and Debt Swap Agreement dated April 12, 2012 whereof sold and transferred 293,423,184 Class A Ordinary Shares of the Company comprising of 74.77% (approximately) of the issued and paid up share capital of the Company to various financial institutions. The registered office of the Company is situated at 307 Upper Mall, Lahore. The principal business of the Company is the production and sale of urea and Granulated single Super Phosphate ("GSSP") fertilizer.

Pursuant to the scheme of amalgamation approved by Honorable Lahore High Court, Hazara Phosphate Fertilizers (private) Limited ("a wholly owned subsidiary of the company was merged into the Company, vide an order dated 23 May 2012).

1.2 Change in accounting year

The Company during the year has changed its financial year from 30 June to 31 December to align its year-end with the major shareholders of the Company which are banks that close their accounts on 31 December. In this respect the Company applied and obtained:

- Approval from Commissioner Inland Revenue through letter No. LTU/CIR Zone-IIT/F # 55/10516 dated 11 June 2013 under section 74(3) of the Income Tax Ordinance, 2001.
- Approval from SECP through letter No. ARL/1012 dated 12 July 2013 obtaining permission under section 233(2) of the Companies Ordinance, 1984 for preparation of accounts for a period exceeding twelve months i.e. 01 July 2012 to 31 December 2013.
- Approval from SECP through letter No. EMD/233/752/210-92 dated 26 July 2013 under section 158 & 233 of the Companies Ordinance, 1984, for extension of holding of annual general meeting of the Company within four months following the close of new financial year of the Company i.e. up to April 2014 for the year ended 31 December 2013.

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

2 Basis of preparation

2.1 Statement of compliance

This condensed interim financial information of the Company for the fifteen months period ended 30 September 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

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

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

For the fifteen months ended 30 September 2013

2.2 Financial liabilities and continuing operations

The Company, continues to face operational issues due to extended gas load shedding in winter and gas curtailment by Government of Pakistan for shifting the gas towards power sector to reduce electricity load shedding which has perpetuated temporary liquidity issues resulted in over dues as referred in note 15 to the condensed interim financial information. Due to these factors, the Company has incurred a loss before tax of Rs. 2,956.13 million during the fifteen months period ended 30 September 2013 and, as of that date, its current liabilities exceeded current assets by Rs. 11,621.98 million. These conditions cast significant doubt about the Company's ability to continue as a going concern. This condensed interim financial information has however been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the fact that the Economic Coordination Committee ("ECC") of the Cabinet in its meeting held on 18 December 2012 has approved a Dedicated Long Term Gas Supply Solution for Fertilizer Industry by virtue of which a consortium of Four Fertilizer Manufacturers ("FFM") including AGL, which are currently on SNGPL system, has been allowed to purchase gas directly from alternate dedicated gas supply sources. All important pertinent contracts have been signed with the gas producers and the Gas transporters. The execution of these contracts is currently being negotiated with the new GOP. As a consequence of additional gas supply from Northern network the gas supply for the company has improved considerably. The plant has been running consistently at 72% of capacity from March 2013 till date and the trend is likely to continue.

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

2.3 Financial liabilities

The Company could not make timely repayments of principal and interest / markup related to long term debts as referred to in note 15. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 15,052.66 million as detailed below have continued to be classified as long term as per the repayment schedules in these financial statements as the management considers that event of default was not declared by the lenders at the reporting date:

| Redeemable capital | Principal net of current maturity |
|---|--|
| | Rupees |
| Term Finance Certificates (TFCs) - I | 1,305,924,600 |
| Term Finance Certificates (TFCs) - II | 5,564,674,346 |
| Term Finance Certificates (TFCs) - III | 415,851,250 |
| Term Finance Certificates (TFCs) - IV | 184,589,873 |
| Term Finance Certificates (TFCs) - V | 617,942,578 |
| Sukkuks | 1,291,267,143 |
| Privately Placed Term Finance Certificates (PPTFCs) | 509,874,996 |
| | <u>9,890,124,785</u> |

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

For the fifteen months ended 30 September 2013

| | Principal net of current maturity |
|---|--|
| | Rupees |
| <u>Long term finances</u> | |
| Syndicate Term Finance - I | 2,614,285,714 |
| Syndicate Term Finance - III | 2,004,983,076 |
| KASB Bank Limited - Term Finance | 242,142,857 |
| Dubai Islamic Bank Limited - Term Finance | 301,125,000 |
| | <u>5,162,536,648</u> |
| | - |
| | <u>15,052,661,433</u> |

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 condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the year ended 30 June 2012, except as follows:

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

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

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

For the fifteen months ended 30 September 2013

- 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
- IAS 36 (amendment) - Impairment of Assets
- IAS 39 (amendment) - Financial Instruments: Recognition & Measurement
- Annual Improvements 2009-2011 (Effective for Annual Periods beginning on or after 1 January 2013)

| | Note | 30 September 2013 | 30 June 2012 |
|--|------|------------------------------|----------------------|
| | | Rupees | Rupees |
| | | Un-audited | Audited |
| 5 Issued, subscribed and paid up capital | | | |
| Class A ordinary shares of Rs. 10 each 383,430,000 (2012: 383,430,000) Shares issued fully paid in cash | 5.1 | 3,834,300,000 | 3,834,300,000 |
| 9,000,000 (2012: 9,000,000) Shares issued for consideration other than cash | | 90,000,000 | 90,000,000 |
| Preference shares of Rs. 10 each 159,334,269 (2012: 159,334,269) Shares issued fully paid in cash | | 1,593,342,690 | 1,593,342,690 |
| | | <u>5,517,642,690</u> | <u>5,517,642,690</u> |

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.

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For the fifteen months ended 30 September 2013

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 7.2

| | Note | 30 September 2013 Rupees Un-audited | 30 June 2012 Rupees Audited |
|---|------|--|--------------------------------------|
| 7 Redeemable Capital - Secured | | | |
| Term Finance Certificates - I | | 1,498,602,000.00 | 1,498,602,000.00 |
| Term Finance Certificates - II | | 6,894,286,800.00 | 6,894,286,800.00 |
| Term Finance Certificates - III | | 495,460,750.00 | 495,345,100.00 |
| Privately Placed Term Finance Certificates - IV | 7.1 | 548,825,000.00 | 553,825,000.00 |
| Privately Placed Term Finance Certificates - V Sukkuks | | 618,685,000.00 | 618,685,000.00 |
| Privately Placed Term Finance Certificates - Vi | 7.2 | 509,874,996.00 | - |
| | | 12,165,534,546.00 | 11,660,543,900.00 |
| Deferred notional income | | (41,106,319.00) | (104,991,352.00) |
| Transaction costs | | (194,503,975.83) | (236,787,448.85) |
| | | 11,929,924,251.17 | 11,318,765,099.15 |
| Current maturity presented under current liabilities | | (2,275,409,761.00) | (92,638,456.00) |
| | | 9,654,514,490.17 | 11,226,126,643.15 |

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

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

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

For the fifteen months ended 30 September 2013

| | | 30 September 2013 | 30 June 2012 |
|---|-------------|------------------------------|-----------------|
| | Note | 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 | 8.1 | 132,083,735 | 632,083,735 |
| Dubai Islamic Bank Limited - Term Finance | | 365,000,000 | 365,000,000 |
| | | 7,298,473,284 | 7,798,473,284 |
| Transaction Cost | | (90,603,394) | (110,299,784) |
| | | 7,207,869,890 | 7,688,173,500 |
| Current maturity presented under current liabilities | | (1,660,936,636) | (19,285,714) |
| Reclassification of Syndicate Term Finance - II to short term | | (475,000,000) | (475,000,000) |
| | | (2,135,936,636) | (494,285,714) |
| | | 5,071,933,254 | 7,193,887,786 |

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

9 Contingencies and commitments

9.1 Contingencies

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

| | 30 September 2013 | 30 June 2012 |
|--|------------------------------|-----------------|
| | Rupees | Rupees |
| | Un-audited | Audited |

9.2 Commitments

9.2.1 Commitments under irrevocable letters of credit for:

| | | |
|--|--------------------|---|
| - purchase of stores, spares and loose tools | 113,857,483 | - |
| - purchase of plant and machinery | - | - |
| | 113,857,483 | - |

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

For the fifteen months ended 30 September 2013

| | Note | 30 September 2013 Rupees Un-audited | 30 June 2012 Rupees Audited |
|--|--------|--|--------------------------------------|
| 10 Fixed assets | | | |
| Property, plant and equipment | 10.1 | 36,083,278,399 | 37,156,269,276 |
| Capital work in progress | | 43,639,117 | 41,675,835 |
| | | <u>36,126,917,516</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 | 10.1.1 | 36,472,753 | 12,841,975,789 |
| Reclassification to assets held for sale | | - | 713,092,558 |
| | | 36,472,753 | 13,555,068,347 |
| Less: Disposals during the period/ year - net book value | | 2,791,018 | 3,376,276 |
| Depreciation charged during the period/ year | | 1,106,672,612 | 811,383,356 |
| Adjustments | | - | 63,359,450 |
| | | 1,109,463,630 | 878,119,082 |
| Closing book value | | <u>36,083,278,399</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 | | 16,307,834 | 12,570,630,300 |
| Residential colony assets | | - | 4,603 |
| Furniture, fixtures and office equipment | | 1,712,480 | 16,635,142 |
| Vehicles and rail transport | | - | 2,917,000 |
| Tools and other equipment | | 830,000 | 182,890 |
| Electrical and other installations | | - | 154,488 |
| Catalyst | | 17,622,439 | 16,694,624 |
| <i>Leased assets</i> | | - | - |
| Plant and machinery | | - | 137,816,930 |
| Vehicles | | - | 70,000 |
| | | <u>36,472,753</u> | <u>12,841,975,789</u> |

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

For the fifteen months ended 30 September 2013

11 Transactions with related parties

Related parties comprise holding company, subsidiary company, subsidiaries, 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.

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

| | 30 September 2013 | 30 September 2012 |
|---|------------------------------|------------------------------|
| | Rupees | Rupees |
| 11.1 Transactions with related parties | | |
| 11.1.1 Associate | | |
| National Bank of Pakistan | | |
| Long term finances (repaid) / obtained | (500,000,000) | 123,699,279 |
| Markup expense | 499,003,995 | 623,163,743 |
| Preference dividend | 85,044,109 | 42,176,809 |
| 11.1.2 Other related parties | | |
| Azgard Nine Limited | | |
| Mark-up income on short term loan | 19,240,742 | 61,896,928 |
| Mark-up expense on redeemable capital | 40,662,235 | 48,377,742 |
| Temporary loan given - net | (302,996,035) | (30,763,444) |
| Faysal Bank Limited | | |
| Mark up Expense | 287,400,626 | 334,926,987 |
| Dividend Preference shares | 42,744,090 | 21,307,729 |
| JS Infocom Limited | | |
| PPTFCs issued during the period | 509,874,996 | 21,560,000 |
| Mark-up expense | 96,365,225 | 90,665,380 |
| KASB Bank Limited | | |
| Mark-up expense | 87,478,077 | 104,256,450 |
| Silk Bank | | |
| Mark-up expense | 99,620,850 | 105,602,382 |
| Summit Bank Limited | | |
| Mark-up expense | 128,976,668 | 160,042,617 |
| 11.1.4 Post employment benefit plans | | |
| Contribution to employees provident fund | 22,798,597 | 22,022,167 |
| Contribution to employees gratuity fund | 14,292,362 | 11,786,666 |

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

For the fifteen months ended 30 September 2013

| | | 30 September 2013 | 30 September 2012 |
|---------------|--------------------------------------|------------------------------|-------------------------|
| | | Rupees | Rupees |
| 11.1.5 | Key management personnel | | |
| | Short term employee benefits | 24,545,100 | 23,080,000 |
| | Post employment benefits | 1,395,255 | 1,323,280 |
| | | 30 September 2013 | 30 June 2012 |
| | | Rupees | Rupees |
| | | Un-audited | Audited |
| 11.2 | Balances with related parties | | |
| 11.2.1 | Associate | | |
| | National Bank of Pakistan | | |
| | Long term finances | 2,467,083,735 | 2,967,083,735 |
| | Short term borrowing | 253,670,627 | 42,000,000 |
| | Redeemable capital | 341,921,654 | 341,921,654 |
| | Bills payable | 187,031,000 | 187,031,000 |
| | Preference shares | 617,487,560 | 617,487,560 |
| | Mark-up payable | 976,575,248 | 492,387,421 |
| | Preference dividend payable | 110,100,441 | 25,056,332 |
| 11.2.2 | Other related parties | | |
| | Azgard Nine Limited | | |
| | Short term loan given -net | 266,074,508 | 286,395,126 |
| | Redeemable capital | -- | 266,074,508 |
| | Mark-up receivable | 23,889,675 | 68,579,206 |
| | Faysal Bank | | |
| | Redeemable capital | 1,499,109,500 | 1,499,109,500 |
| | Long term loan | 350,000,000 | 350,000,000 |
| | Preference shares | 310,355,940 | 310,355,940 |
| | Bills payable | 86,500,000 | 73,140,019 |
| | Mark up payable | 548,431,449 | 56,170,929 |
| | Dividend payable | 55,464,432 | 12,702,342 |
| | JS Infocom Limited | | |
| | Subordinated loan | 509,874,996 | 340,000,000 |
| | Redeemable capital | 111,488,000 | 110,722,118 |
| | PPTFCs | 21,560,000 | |
| | Mark-up payable | 78,380,156 | 181,139,325 |
| | Accrued liabilities | - | 70,000,000 |

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

For the fifteen months ended 30 September 2013

| | 30 September 2013 | 30 June 2012 |
|-------------------------------|---|-----------------|
| | Rupees | Rupees |
| | Un-audited | Audited |
| KASB Bank Limited | | |
| Redeemable capital | 242,005,200 | 242,005,200 |
| Long term loan | 300,000,000 | 300,000,000 |
| Running Finance | 99,999,290 | 99,999,290 |
| Mark up payable | 166,064,329 | 76,721,476 |
| Silk Bank | | |
| Long term loan | 147,163,432 | 147,163,432 |
| Running Finance | 292,456,850 | 289,678,585 |
| Finance against trust receipt | 66,202,798 | 185,000,000 |
| Bills payable | 189,106,000 | 129,861,540 |
| Mark up payable | 113,644,559 | 64,813,005 |
| Summit Bank Limited | | |
| Redeemable capital | 603,406,000 | 603,406,000 |
| Running Finance | 299,930,448 | 386,460,009 |
| Bills payable | 380,493,000 | 405,670,882 |
| Mark up payable | 114,135,465 | 114,135,465 |
| 11.2.3 | <i>Post employment benefit plans</i> | |
| Payable to provident fund | 8,062,490 | 5,253,674 |
| Payable to gratuity trust | 14,788,041 | 10,987,413 |

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

For the fifteen months ended 30 September 2013

| | 30 September 2013 | 30 September 2012 |
|---|------------------------------|------------------------------|
| | Rupees | Rupees |
| 12 Cash flow from operating activities | | |
| Profit & (Loss) before tax | (2,956,130,314) | (3,113,055,053) |
| <i>Adjustment for non-cash and other items:</i> | | |
| Interest / markup expense | 3,805,026,555 | 3,554,298,420 |
| Amortization of transaction costs | 125,864,896 | 117,759,715 |
| Depreciation | 1,106,367,714 | 1,033,598,474 |
| Amortization of computer software | 10,106,644 | 3,379,939 |
| Provision for doubtful balances | - | 10,721,857 |
| Recoveries from doubtful balances | - | (14,313,563) |
| Notional income | - | (133,876,209) |
| Mark-up / Interest Income | (19,240,742) | (71,759,427) |
| Assets Written off | - | 63,359,450 |
| Gain on sale of property, plant and equipment | (3,130,377) | (1,959,886) |
| Operating profit before changes in working capital | 2,068,864,375 | 1,448,153,717 |
| Changes in working capital | | |
| (Increase) / decrease in current assets: | | |
| Increase in stores, spares and loose tools | 54,413,436 | (43,168,562) |
| Decrease in stock in trade | 39,786,772 | (164,707,351) |
| Decrease in trade receivables | (22,175,289) | 63,098,617 |
| Increase in advances, deposits, prepayments and other receivables | (306,171,405) | 132,402,636 |
| Staff retirement benefits | (9,883,372) | 27,400,000 |
| | (244,638,220) | 15,025,340 |
| <i>Increase / (decrease) in current liabilities</i> | | |
| - Trade and other payables | 529,915,643 | (334,853,487) |
| Cash generated from operations | <u>2,354,141,799</u> | <u>1,128,325,570</u> |

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

For the fifteen months ended 30 September 2013

13 Segment reporting

13.1 Reportable segments

The Company's reportable segments are as follows:

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

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

13.2 Segment revenue and results

Following is the information about reportable segments of the Company:

| | Urea fertilizers segment | | Phosphate fertilizers segment | | Total | |
|--|--------------------------|-----------------|-------------------------------|---------------|-----------------|-----------------|
| | 30 Sept. 2013 | 30-Jun 2012 | 30 Sept. 2013 | 30-Jun 2012 | 30 Sept. 2013 | 30-Jun 2012 |
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| | Un-audited | Audited | Un-audited | Audited | Un-audited | Audited |
| For the fifteen months period ended | | | | | | |
| External revenues | 6,012,279,076 | 4,379,867,759 | 1,112,782,086 | 1,717,047,813 | 7,125,061,162 | 6,096,915,572 |
| Inter-segment revenue | - | 399,851,411 | - | - | - | 399,851,411 |
| Reportable segment (Loss)/ profit before tax | (2,815,492,041) | (2,192,212,902) | (140,638,272) | 356,552,505 | (2,956,130,314) | (1,835,660,397) |
| | Urea fertilizers segment | | Phosphate fertilizers segment | | Total | |
| As at | 30 Sept. 2013 | 30-Jun 2012 | 30 Sept. 2013 | 30-Jun 2012 | 30 Sept. 2013 | 30-Jun 2012 |
| Reportable segment assets | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Reportable segment liabilities | Un-audited | Audited | Un-audited | Audited | Un-audited | Audited |
| Reportable segment assets | 45,308,821,062 | 45,394,901,608 | 3,819,082,151 | 3,711,545,868 | 49,127,903,213 | 49,106,447,476 |
| Reportable segment liabilities | 32,844,645,059 | 30,585,708,122 | 1,297,209,603 | 1,154,182,949 | 34,141,854,662 | 31,739,891,071 |

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

For the fifteen months ended 30 September 2013

13.3 Reconciliation of reportable segment profitable segment profit and loss

| | 30 September 2013 | 30 September 2012 |
|---|----------------------|------------------------|
| | Rupees | Rupees |
| For the fifteen months ended | | |
| Total loss for reportable segments before tax | (2,956,130,314) | (3,113,055,053) |
| Unallocated corporate expenses | 560,514,179 | 429,545,413 |
| Loss after tax | (2,395,616,135) | (2,683,509,640) |
| 14 Cash and cash equivalents | | |
| Short term borrowings - secured | (1,527,723,881) | (1,876,680,804) |
| Cash and bank balances | 1,177,748,279 | 79,244,718 |
| | <u>(349,975,602)</u> | <u>(1,797,436,086)</u> |

15 Overdue financial liabilities

The Company in previous year as well as in current period faced operational issues and 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. The details are as follows:

| Nature of Liability | Principal Rupees | Interest / mark up Rupees | Total Rupees |
|-----------------------|----------------------|---------------------------------|----------------------|
| Redeemable capital | 747,170,808 | 2,995,190,751 | 3,742,361,559 |
| Long term finances | 803,504,539 | 2,152,892,788 | 2,956,397,327 |
| Short term borrowings | 400,000,000 | 82,643,204 | 482,643,204 |
| Bills payable | 427,111,647 | 222,582,311 | 649,693,958 |
| | <u>2,377,786,994</u> | <u>5,453,309,054</u> | <u>7,831,096,048</u> |

In lieu of the prevailing situation, AGL signed a mandate agreement with the banks dated October 4, 2012 for the conversion of complete debt in to preference share. With the aforesaid restructuring and other measures as set out in note 2.2 to the financial statements the management envisages that sufficient financial resources will be available for the repayment of above mentioned overdue liabilities.

16 Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on 31 October 2013.

17 General

17.1 Figures have been rounded off to the nearest rupee.