

## Contents

Company Information	2
Directors' Review	3
Independent Auditor's Report on Review	6
<b><i>Condensed Consolidated Interim Financial Information</i></b>	
Condensed Interim Consolidated Balance Sheet	8
Condensed Interim Consolidated Profit and Loss Account	9
Condensed Interim Consolidated Statement of Comprehensive Income	10
Condensed Interim Consolidated Cash flow Statement	11
Condensed Interim Consolidated Statement of Changes in Equity	12
Condensed Interim Consolidated Notes to the Financial Information	13
<b><i>Condensed Interim Unconsolidated Financial Information</i></b>	
Condensed Interim Unconsolidated Balance Sheet	21
Condensed Interim Unconsolidated Profit and Loss Account	22
Condensed Interim Unconsolidated Statement of Comprehensive Income	23
Condensed Interim Unconsolidated Cash flow Statement	24
Condensed Interim Unconsolidated Statement of Changes in Equity	25
Condensed Interim Unconsolidated Notes to the Financial Information	26

## 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. Irfan Nazir Ahmad  
Mr. Muhammad Faisal Muzammil  
Mr. Khaleeque Ur Rehman  
Syed Owais Magrabi

### COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

### CHIEF FINANCIAL OFFICER

Mr. Abid Amin

### AUDIT COMMITTEE

Mr. Khalid A. H. Al Sagar  
Mr. Irfan Nazir Ahmad  
Mr. Muhammad Faisal Muzammil  
Syed Owais Magrabi

### LEGAL ADVISOR

Mr. Ghulam Muhammad Kundi

### AUDITORS

KPMG Taseer Hadi & Co.  
Chartered Accountants, Lahore

### BANKERS

JS Bank Limited  
Faysal Bank Limited  
National Bank of Pakistan

### BANKERS (Cont'd)

Standard Chartered Bank (Pakistan) Limited  
Albaraka Bank Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Summit Bank Limited  
Silk Bank Limited  
KASB Bank Limited  
Allied Bank Limited  
Bank Alfalah Limited  
The Bank of Punjab  
Bank Islami Pakistan Limited  
Askari Bank Limited  
Pak Libya Holding Company (Pvt.) Limited  
Soneri Bank Limited

### 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.  
Iskanderabad,  
District Mianwali.  
Ph: +92 (0)459 392346-49

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

## Directors' Review

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, 2011.

The Company's principal business is the manufacture and marketing of Fertilizer products. The company holds 3% 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 diversified fertilizer producer manufacturing both nitrogenous and phosphate fertilizers. The outlook for the agriculture sector is expected to remain stable. The company has 34% market share in SSP and is the market leader.

The first half is unexpectedly a low season for fertilizer sales and production. The Company's production was effected due to gas load management program operated by GOP. During the period urea plant produced 50% of rated capacity which resulted in reduction in production of 87,318 MT.

Govt. imposed Gas development Cess from Jan 1, 2012 which increased the per bag cost by Rs. 300. This cost raise was transferred to customers and the current price per bag of Urea is Rs. 1,790 inclusive of GST.

### Operating Financial Results of HAZARA Phosphate Fertilizers Limited (Stand Alone)

	Half Year Ending December 31, 2011	Half Year Ending December 31, 2010
<b>Sales - Net</b>	1,283,486,455	676,996,518
<b>Operating Profit</b>	339,368,986	79,999,956
<b>Finance cost</b>	(798,433)	(619,293)
<b>Profit before taxation</b>	338,570,553	119,912,671
<b>Profit after taxation</b>	309,122,356	96,529,373
<b>Earnings per share</b>	16.15	5.04

Hazara Phosphate has now developed into high potential business with a promising future. Post acquisition from the government of Pakistan, the technological breakthrough changes coupled with strong distribution channel development has enabled the business to start delivering un-precedent performance.

## Directors' Review

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

	Half Year Ending December 31, 2011	Half Year Ending December 31, 2010
<b>Sales - Net</b>	2,184,721,471	2,506,303,396
<b>Operating Profit</b>	439,362,854	710,354,747
<b>Finance cost</b>	(1,071,618,127)	(860,369,417)
<b>(Loss) before taxation</b>	(632,255,273)	(150,014,670)
<b>Profit after taxation</b>	(412,981,664)	196,720,145
<b>Earnings per share</b>	(1.05)	0.50

### Consolidated Results

	Half Year Ending December 31, 2011	Half Year Ending December 31, 2010
<b>Sales - Net</b>	3,127,264,767	3,312,364,180
<b>Operating Profit</b>	716,601,286	698,892,250
<b>Finance cost</b>	(1,010,298,710)	(843,648,069)
<b>Loss before taxation</b>	(293,697,424)	(144,755,819)
<b>(Loss)/Profit after taxation</b>	(103,872,012)	265,933,983
<b>(Loss)/Earnings per share</b>	(0.26)	0.68

### Future Outlook

Urea industry in short term looks is an oversupply situation on the back of massive import of 1.2 million tons contracted by government through TCP. Continued gas curtailment throughout 2011 to fertilizer industry particularly to plants operating at SNGPL network has resulted in significant increase in urea import by government. The shipments of contracted volume of 1.2 million tons are expected to complete during 1<sup>st</sup> Qtr 2012, and urea stocks in the country are expected at around 600,000 tons by the end of 1<sup>st</sup> Qtr 2012.

Gas curtailment to plants operating at SNGPL network has been severe with these plants operating at approx. 40% of their capacity. The winter load shedding to fertilizer sector started from mid-Dec 2011 initially planned for 45 days, however, it was extended beyond 45 days and plants are expected to get gas at the start of March 2012.

The phosphate business outlook looks promising as towards end of Dec.2011 global DAP prices saw significant correction. DAP price CFR Karachi came down to USD 600/ton from USD 700/ton. This price reduction will translate in adjustment of Rs. 300-350 per Bag in DAP price at start of next consumption season. In domestic market DAP was being sold during 1<sup>st</sup> half of Rabi 2011/12 at Rs. 4,200 per bag and it is expected to come down to Rs. 3,800 per bag in 2<sup>nd</sup> half of Rabi 2011/12, which will improve farmer's demand in the short term on sugarcane, cotton and maize crops. The SSP market is likely to remain robust with a slight price adjustment in the upcoming season starting in 1<sup>st</sup> Qtr 2012.

## Directors' Review

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.

Auditors expressed an emphasis over financial position but we believe that our future outlook of the company on the back of higher urea prices is likely to remain positive. The gas supply situation continues to be volatile. As per ECC decision on allocation of gas to the fertilizer plants on SNGPL networks, at least 80% gas allocation of company's allocated gas is critical to the business performance.

### **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 Officer

Lahore  
February 29, 2012

## 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 2011 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 2011 and 31 December 2010 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 the following matters:

- As at 31 December 2011 the Company has overdue debts and interest/markup thereon amounting to Rs. 4,692.00 million. Notes 2.2 and 14 to the financial statements disclose the management's plan to overcome the present liquidity problems being faced by the Company.
- The Company has incurred a loss before tax of Rs. 632.26 million during the six months period ended 31 December 2011 and, as of that date, its current liabilities exceeded its current assets by Rs. 7,850.71 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. The condensed interim unconsolidated 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 unconsolidated financial information.

**Condensed  
Interim  
Consolidated  
Financial  
Information**

## Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 31 December 2011

	Note	31 December 2011 Un-Audited Rupees	30 June 2011 Audited Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid up capital		3,924,300,000	3,924,300,000
Reserves		9,000,000	9,000,000
Accumulated profit		4,917,967,547	4,947,083,119
		<u>8,851,267,547</u>	<u>8,880,383,119</u>
Surplus on revaluation of property, plant and equipment		4,030,914,734	4,105,671,174
Subordinated loan	5	340,000,000	340,000,000
<b>Non-current liabilities</b>			
Redeemable capital - Secured	6	10,225,615,424	9,640,111,042
Long term finances - Secured	7	7,211,168,944	6,576,509,402
Liabilities against assets subject to finance lease - Secured		95,521,136	140,438,153
Long term payables - Unsecured		31,135,199	31,135,199
Staff retirement benefits		24,534,407	20,372,547
Deferred taxation - net		2,746,257,432	2,973,657,218
		<u>20,334,232,542</u>	<u>19,382,223,561</u>
<b>Current liabilities</b>			
Current maturity of non current liabilities		547,188,422	1,680,609,341
Short term borrowings		3,180,009,401	3,169,436,002
Trade and other payables		2,903,773,792	2,699,174,761
Due to related parties - unsecured		-	-
Interest/mark-up accrued on borrowings		4,521,153,991	3,499,895,917
		<u>11,152,125,606</u>	<u>11,049,116,021</u>
Contingencies and commitments	8	44,708,540,429	43,757,393,875
		<u>44,708,540,429</u>	<u>43,757,393,875</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	36,849,415,297	36,283,420,061
Intangible asset		2,599,599,004	2,592,443,038
Long term advances		29,566,435	28,663,924
Long term deposits - Unsecured, considered good		35,293,475	16,467,788
Non-current assets held for sale		713,092,558	713,092,558
		<u>40,226,966,769</u>	<u>39,634,087,369</u>
<b>Current assets</b>			
Stores, spares and loose tools		2,162,064,711	2,085,938,729
Stock-in-trade		683,094,082	395,045,393
Trade receivables - unsecured, considered good		57,643,948	68,801,870
Advances, deposits, prepayments and other receivables		1,147,278,560	1,022,618,671
Due from related parties - Unsecured, considered good		304,843,254	317,158,570
Current taxation		47,206,528	112,880,472
Cash and bank balances		79,442,577	120,862,801
		<u>4,481,573,660</u>	<u>4,123,306,506</u>
		<u>44,708,540,429</u>	<u>43,757,393,875</u>

The annexed notes 1 to 15 form an integral part of this condensed interim consolidated financial information.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR



## Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the six months ended 31 December 2011

	2011		2010	
	July to December Rupees	October to December Rupees	July to December Rupees	October to December Rupees
Sales - net	3,127,264,767	1,667,169,929	3,312,364,180	1,969,761,292
Cost of sales	(2,042,819,515)	(1,286,476,811)	(2,340,301,799)	(1,433,076,143)
<b>Gross profit</b>	<b>1,084,445,252</b>	<b>380,693,118</b>	<b>972,062,381</b>	<b>536,685,149</b>
Administrative expenses	(272,815,726)	(154,793,902)	(172,564,899)	(113,998,066)
Selling and distribution expenses	(127,493,870)	(54,805,907)	(137,192,507)	(88,973,756)
Net other income	32,465,630	42,426,820	36,587,275	11,685,021
<b>Profit from operations</b>	<b>716,601,286</b>	<b>213,520,129</b>	<b>698,892,250</b>	<b>345,398,348</b>
Finance cost	(1,010,298,710)	(628,985,834)	(843,648,069)	(406,845,779)
<b>Loss before taxation</b>	<b>(293,697,424)</b>	<b>(415,465,705)</b>	<b>(144,755,819)</b>	<b>(61,447,431)</b>
Taxation	189,825,412	202,592,499	410,689,802	55,505,688
<b>(Loss) / Profit after taxation</b>	<b>(103,872,012)</b>	<b>(212,873,206)</b>	<b>265,933,983</b>	<b>(5,941,743)</b>
<b>(Loss) / Earning per share basic and diluted</b>	<b>(0.26)</b>	<b>(0.54)</b>	<b>0.68</b>	<b>(0.02)</b>

The annexed notes 1 to 15 form an integral part of this condensed interim consolidated financial information.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR

## Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

*For the six months ended 31 December 2011*

	2011		2010	
	July to December Rupees	October to December Rupees	July to December Rupees	October to December Rupees
<b>Profit / (loss) after taxation</b>	<b>(103,872,012)</b>	<b>(212,873,206)</b>	265,933,983	(5,941,742)
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive (Loss) / income for the period</b>	<b><u>(103,872,012)</u></b>	<b><u>(212,873,206)</u></b>	<b><u>265,933,983</u></b>	<b><u>(5,941,742)</u></b>

The annexed notes 1 to 15 form an integral part of this condensed interim consolidated financial information.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR

## Condensed Interim Consolidated Cash flow Statement (Un-audited)

For the six months ended 31 December 2011

	Note	July to December 2011 Rupees	July to December 2010 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	752,343,146	1,083,579,343
Finance cost paid		(297,126,641)	(769,846,703)
Tax paid		24,504,525	59,468,083
Interest Received		104,333,501	-
Net cash (used in)/generated from operating activities		<u>584,054,531</u>	<u>373,200,723</u>
<b>Cash flows from investing activities</b>			
Capital expenditure including purchase of property, plant and equipment		(628,945,344)	(2,802,550,093)
Long Term advances		(902,511)	(1,678,858)
Long term deposits		(19,107,830)	-
Proceeds from disposal of property, plant and equipment		514,200	4,930,572
Interest received		-	149,242,262
Loan to related party		(211,112,821)	40,007,335
Net cash used in investing activities		<u>(859,554,306)</u>	<u>(2,610,048,782)</u>
<b>Cash flows from financing activities</b>			
Long term finances obtained		124,708,213	3,941,287,406
Loan for associates		223,428,137	-
Redemption of term finance certificates		(667,251)	(624,499)
Repayment of liabilities against assets subject to finance lease		(27,940,720)	(26,060,630)
Transaction costs incurred on restructuring process		(96,022,226)	(187,846,284)
Net increase in short term borrowings		63,184,927	-
Net cash generated from financing activities		<u>286,691,080</u>	<u>3,726,755,993</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,191,305</b>	<b>1,489,907,934</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>(1,759,436,572)</b>	<b>(4,701,221,606)</b>
<b>Cash and cash equivalents at the end of period</b>	12	<b><u>(1,748,245,267)</u></b>	<b><u>(3,211,313,672)</u></b>

The annexed notes 1 to 15 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 six months ended 31 December 2011*

	Share Capital	Revenue reserve	Reserves Available for sale financial assets	Total reserves	Accumulated profit	Total equity
	-----Rupees-----					
<b>Balance as at 30 June 2010 - Audited</b>	3,924,300,000	9,000,000	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
Transfer of incremental depreciation from surplus on revaluation of fixed assets					49,664,804	49,664,804
<b>Balance as at 31 December 2010 - Unaudited</b>	<u>3,924,300,000</u>	<u>9,000,000</u>	<u>-</u>	<u>9,000,000</u>	<u>5,054,164,557</u>	<u>8,987,464,557</u>
<b>Balance as at 30 June 2011 - Audited</b>	3,924,300,000	9,000,000	-	9,000,000	4,947,083,119	8,880,383,119
Total comprehensive income 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
<b>Balance as at 31 December 2011 - Unaudited</b>	<u>3,924,300,000</u>	<u>9,000,000</u>	<u>-</u>	<u>9,000,000</u>	<u>4,917,967,547</u>	<u>8,851,267,547</u>

The annexed notes 1 to 15 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 six months ended 31 December 2011

### 1 Status and nature of business

The Group comprises the following Companies:  
*Agritech Limited ('AGL') - parent Company*

Agritech Limited (formerly Pak American Fertilizers Limited) was incorporated on 15 December 1959 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. On 12 April 2010 the Company was listed on Karachi Stock Exchange ("KSE") vide KSE Notification No. KSE/N-1940. The registered office of the Company is situated at Ismail Aiwan-e-Science, Off Sharah-e-Roomi, Lahore. The principal business of the Company is the production and sale of urea fertilizer.

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

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 28 November 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 28 November 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

#### 2.1 Statement of compliance

The condensed interim unconsolidated 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 unconsolidated 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 2011.

#### 2.2 Financial liabilities and continuing operations

The worldwide and nationwide recessionary trends and other economic conditions have perpetuated general credit and liquidity crisis. These circumstances are being faced by all the industrial and business sectors in Pakistan. The Company, in previous year as well as in current period under review, 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. Additionally, the Company has faced massive devaluation of the Pak Rupee over the past couple of years which increased urea project cost manifold, with high interest/mark-up rates resulting in substantially high finance costs on project finance and acquisition loans. This has perpetuated temporary, liquidity issues, as referred to in note 13 to the financial statements.

During the current period the Company has entered into a second round of Rescheduling with the providers of debt finances and agreements in this respect have been signed with effect from 31 July 2011 and 26 August 2011. With the successful rescheduling of the Company's debts the management of the Company envisages that sufficient financial resources will be available for the continuing operations of the Company. The fertilizer sector is likely to remain robust in coming years. The trend indicates that the sales will continue to grow with improved operational profitability inspite of high finance costs and other factors.

During the six months period ended 31 December 2011, the Company has incurred a loss before tax of Rs. 632.26 million and as of that date, its current liabilities exceeded current assets by Rs. 7,850.71 million (30 June 2011: Rs. 7,779.87 million). These conditions also cast significant doubt about the Company's ability to continue as a going concern. 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 which in turn depend on the availability of gas as per allocation.

### 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

## Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the six months ended 31 December 2011

### 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 2011.
- 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 2012, 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 12 (amendment) - Deferred Tax on Investment Property
  - IAS 19 (amendment) - Employee Benefits
  - IAS 1 (amendment) - Presentation of items of other comprehensive income
  - IFRS 7 (amendment) - Transfers of Financial Assets
  - IAS 32 (amendment) - Offsetting Financial assets and Financial liabilities
  - IFRS 7 (amendment) - Offsetting Financial assets and Financial Liabilities

### 5 Subordinated loan

This represents loan obtained by the Company from JS Infocom Limited ("JS") to finance the acquisition of Hazara Phosphate Fertilizer (Private) Limited. The loan is subordinated to all long term and short term finances obtained. Subsequent to the reporting date, the Company is in the process of negotiating the restructuring and conversion of the subordinate loan facility obtained from JS Infocom Limited into a secured Privately Placed Term Finance Certificates issued as Redeemable Capital under Section 120 of the Companies Ordinance (1984) of 8 years tenor (inclusive of 2 years grace period) carrying mark-up rate of 6 month KIBOR plus 1.95% per annum, to be secured by a ranking charge over all present and future total assets whether current or fixed including immovable assets of the Company with a 25% margin.

		31 December 2011 <u>Un-audited</u> Rupees	30 June 2011 <u>Audited</u> Rupees
<b>6 Redeemable capital - Secured</b>			
Term Finance Certificates (TFCs) - I	6.1	1,498,602,000	1,498,760,400
Term Finance Certificates (TFCs) - II	6.2	6,894,286,800	6,894,480,000
Term Finance Certificates (TFCs) - III	6.3	495,345,100	495,460,751
Sukuk Certificates	6.4	1,599,800,000	1,600,000,000
		<u>10,488,033,900</u>	10,488,701,151
Transaction costs		<u>(262,418,476)</u>	(236,126,979)
		<u>10,225,615,424</u>	10,252,574,172
Current maturity presented under current liabilities		-	(612,463,130)
		<u>10,225,615,424</u>	9,640,111,042

- 6.1 TFCs - I have been rescheduled during the period by way of second supplemental trust deed entered into date 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of TFCs is structured to be in fifteen unequal installments. First two installments were principal coupon payment due on 31 July 2010 and 31 August 2010 which have been paid, remaining installments are to be paid semi annually starting from 29 November 2013.
- 6.2 TFCs - II have been rescheduled during the period by way of second supplemental trust deed entered into dated 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of TFCs is structured to be in fifteen unequal installments. First two installments were principal coupon payment due on 31 July 2010 and 31 August 2010 which have been paid, remaining installments are to be paid semi annually starting from 14 July 2013.

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

### For the six months ended 31 December 2011

6.3 TFCs - III have been rescheduled during the period by way of second supplemental trust deed entered into dated 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of TFCs is structured to be twenty eight unequal installments. First two installments were just token payments due on 31 October 2010 and 30 November 2010, remaining installments are to be paid quarterly starting from 01 September 2013.

6.4 Sukkuks have been rescheduled during the period by way of second Master Addendum to Transaction Documents entered into dated 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of these certificates is structured to be in fifteen unequal installments. First two installments were just token payments due on 31 July 2010 and 31 August 2010 which have been paid, remaining installments are to be paid semi annually starting from 06 August 2013.

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
<b>7 Long term finances</b>		
Syndicate Term Finance - I	475,000,000	475,000,000
Syndicate Term Finance - II	7.1 3,000,000,000	3,000,000,000
Syndicate Term Finance - III	7.2 3,026,389,549	3,026,389,549
KASB Bank Limited - Term Finance	7.3 300,000,000	300,000,000
National Bank of Pakistan - Term Finance	7.4 633,092,669	508,384,456
Dubai Islamic Bank Limited - Term Finance	365,000,000	365,000,000
	<b>7,799,482,218</b>	7,674,774,005
Transaction Cost	<b>(113,313,274)</b>	(85,330,517)
	<b>7,686,168,944</b>	7,589,443,488
Current maturity presented under current liabilities	-	(537,934,086)
Reclassification of Syndicate Term Finance - I to short term	<b>(475,000,000)</b>	(475,000,000)
	<b>(475,000,000)</b>	(1,012,934,086)
	<b>7,211,168,944</b>	6,576,509,402

7.1 Syndicate Term Finance - II (STF-II) has been rescheduled during the period by way of Second Supplemental Syndicated Term Finance Agreement entered into dated 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of STF-II is structured to be in thirteen unequal semi-annual installments starting from 30 December 2013.

7.2 Syndicate Term Finance - III (STF-III) has been rescheduled during the period by way of First Supplemental Syndicated Term Finance Agreement entered into 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of STF-III is structured to be in eight unequal semi annual installments starting from 25 September 2013.

7.3 KASB Bank Limited- Term Finance has been rescheduled during the period by way of First Supplemental Term Finance Agreement entered into dated 26 August 2011 effective from 31 July 2011. As per terms of the restructured agreement the principal redemption is structured to be in fourteen unequal semi annual installments starting from 30 June 2013.

7.4 National Bank of Pakistan Limited- Term Finance has been rescheduled during the period effective from 20 August 2011. As per terms financing agreement the loan is repayable in eight semi annual installments starting from 08 November 2013.

## 8 Contingencies and commitments

### 8.1 Contingencies

There is no material change in contingencies from the preceding annual published financial statements of the company for the year ended 30 June 2011.





Condensed Interim Consolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

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

	July to December 2011	July to December 2010
	Rupees	Rupees
<b>10.1 Transactions with related parties</b>		
<b>10.1.1 Holding company</b>		
Markup income	33,987,542	34,105,309
Markup expense	12,176,422	36,521,753
Temporary loan	(12,315,316)	(40,007,335)
<b>10.1.2 Subsidiary company</b>		
Temporary loan	223,428,137	(363,898,429)
<b>10.1.3 Associated company</b>		
Markup on long term loan	28,419,808	26,951,847
Markup expense on redeemable capital	40,902,558	7,244,304
Transaction Cost		-
<b>10.1.4 Post employment benefit plans</b>		
Contribution to employees provident fund	9,650,181	8,246,208
Contribution to employees gratuity fund	4,586,666	7,949,567
<b>10.1.5 Key management personnel</b>		
Short term employee benefits	70,808,992	16,606,875
Post employment benefits	3,650,968	802,707
	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>Un-audited</b>	<b>Audited</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>10.2 Balances with related parties</b>		
<b>10.2.1 Holding company</b>		
Temporary loan	304,843,254	317,158,570
Redeemable capital	266,074,508	266,081,964
Markup receivable	55,449,901	125,521,696
<b>10.2.2 Subsidiary company</b>		
Temporary loan	(661,080,717)	(437,652,580)
<b>10.2.3 Associated company</b>		
Redeemable capital	94,642,234	76,926,502
Markup payable	143,791,402	123,553,110
<b>10.2.4 Post employment benefit plans</b>		
Payable to provident fund	5,415,757	-
Payable to gratuity trust	24,534,407	20,372,547

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

	31 December 2011 Rupees	31 December 2010 Rupees
<b>11 Cash flow from operating activities</b>		
Loss before tax	(293,697,424)	(144,755,819)
<i>Adjustment for non-cash and other items:</i>		
- Depreciation on property, plant and equipment	342,833,727	330,538,607
- Profit on disposal of property, plant and equipment	162,350	(274,909)
- Amortization of transaction costs	41,747,972	14,901,226
- Markup income	(34,261,706)	(34,500,759)
- Finance cost	1,030,668,587	1,598,842,026
<b>Operating profit before changes in working capital</b>	<b>1,087,453,506</b>	<b>1,764,750,372</b>
<b>Changes in working capital</b>		
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(76,125,981)	23,151,994
- Stock-in-trade	(288,048,689)	274,088,282
- Trade debts	11,157,922	32,339,430
- Advances, deposits, prepayments and other receivables	(194,718,982)	26,388,732
- Staff Retirement benefits	4,161,860	-
	(543,573,870)	355,968,438
<i>Increase / (decrease) in current liabilities</i>		
- Trade and other payables	208,463,510	(1,037,139,467)
Cash generated from operations	<b>752,343,146</b>	<b>1,083,579,343</b>
<b>12 Cash and cash equivalents</b>		
Short term borrowings - secured	(1,827,687,844)	(3,363,280,001)
Cash and bank balances	79,442,577	151,966,329
	<b>(1,748,245,267)</b>	<b>(3,211,313,672)</b>
<b>13 Overdue financial liabilities</b>		

The Company in previous year as well as in current period faced operational issues due to revamp of existing plant and machinery 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:

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

Nature of Liability	Principal	Interest / mark up	Total
	(-----Rupees-----)		
Redeemable capital	115,650	2,077,578,002	2,077,693,652
Long term finances	225,000,000	1,489,286,610	1,714,286,610
Short term borrowings	370,813,079	81,734,517	452,547,596
Bills payable	394,386,133	53,089,335	447,475,468
	<b>990,314,862</b>	<b>3,701,688,464</b>	<b>4,692,003,326</b>

In lieu of the prevailing situation, the Company decided to undergo restructuring of its entire long term debt and during the current period under review it has successfully completed second round of rescheduling. As a result of rescheduling the Company has been allowed further grace period of one year for the repayment of long term debts in the amount of Rs. 17,447.52 million. The rescheduling will allow the Company to repay the overdue principal of Rs. 990.31 million from cash generated from operations. Out of the overdue markup of Rs 3,701.69 million, markup amounting to Rs. 2,765.85 million is proposed to be converted into preference shares / PPTFCs. In this regard, lenders have provided their consents and subsequent to reporting date the Company has issued the said preference shares / PPTFCs. The remaining markup and the above overdue principal will be settled through cash generated from operations.

14 Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on February 29, 2012.

15 General

15.1 Figures have been rounded off to the nearest Rupees

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR

**Condensed  
Interim  
Unconsolidated  
Financial  
Information**

## Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 31 December 2011

	Note	31 December 2011 Un-Audited Rupees	30 June 2011 Audited Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued, subscribed and paid up capital		3,924,300,000	3,924,300,000
Reserves		3,126,688,038	3,126,688,038
Accumulated profit		3,313,176,847	3,651,402,070
		<b>10,364,164,885</b>	<b>10,702,390,108</b>
Surplus on revaluation of fixed assets		4,030,914,734	4,105,671,174
Subordinated loan	5	340,000,000	340,000,000
<b>Non-current liabilities</b>			
Redeemable capital - secured	6	10,225,615,425	9,640,111,042
Long term finances - secured	7	7,211,168,943	6,576,509,402
Liabilities against assets subject to finance lease - secured		93,311,705	137,416,284
Long term payables - unsecured		31,135,199	31,135,199
Staff retirement benefits		24,534,407	20,372,547
Deferred taxation - net		2,497,521,747	2,740,838,277
		<b>20,083,287,426</b>	<b>19,146,382,751</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities - secured		545,412,758	1,678,758,469
Short term borrowing - secured		3,180,009,401	3,169,436,002
Trade and other payables		2,240,095,173	2,070,387,768
Due to related parties - unsecured		661,080,717	437,652,580
Interest / mark-up accrued on borrowings		4,521,153,992	3,499,895,917
		<b>11,147,752,041</b>	<b>10,856,130,736</b>
<b>Contingencies and commitments</b>	8	<b>45,966,119,086</b>	<b>45,150,574,769</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	9	34,806,519,507	34,223,031,751
Intangible asset		2,599,599,004	2,592,443,038
Long term investment	10	4,503,252,438	4,503,252,438
Long term advances		29,566,435	28,663,924
Long term deposits - unsecured, considered good		17,049,963	13,830,963
Non-current assets held for sale		713,092,558	713,092,558
		<b>42,669,079,905</b>	<b>42,074,314,672</b>
<b>Current assets</b>			
Stores, spares and loose tools		2,083,386,188	2,019,442,828
Stock-in-trade		265,484,691	54,540,771
Trade debts		15,456,064	47,585,257
Advances, deposits, prepayments and other receivables		533,621,783	440,625,710
Due from related parties - unsecured, considered good		304,843,254	317,158,570
Current taxation		47,016,134	100,435,464
Cash and bank balances		47,231,067	96,471,497
		<b>3,297,039,181</b>	<b>3,076,260,097</b>
		<b>45,966,119,086</b>	<b>45,150,574,769</b>

The annexed notes 1 to 16 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 2011

	2011		2010	
	July to December Rupees	October to December Rupees	July to December Rupees	October to December Rupees
<b>Sales - net</b>	<b>2,184,721,471</b>	<b>990,173,411</b>	2,506,303,396	1,493,747,300
Cost of sales	(1,406,275,486)	(701,857,024)	(1,549,713,716)	(956,198,735)
<b>Gross profit</b>	<b>778,445,985</b>	<b>288,316,387</b>	956,589,680	537,548,565
Administrative expenses	(247,611,151)	(142,994,446)	(149,662,571)	(101,024,019)
Selling and distribution expenses	(122,717,658)	(53,953,589)	(132,916,318)	(86,044,891)
Net other income	31,245,678	1,894,812	36,343,956	11,537,709
<b>Profit from operations</b>	<b>439,362,854</b>	<b>93,263,164</b>	710,354,747	362,017,364
Finance cost	(1,071,618,127)	(628,366,541)	(860,369,417)	(424,314,499)
<b>Loss before taxation</b>	<b>(632,255,273)</b>	<b>(535,103,377)</b>	(150,014,670)	(62,297,135)
Taxation	219,273,609	225,975,797	346,734,815	(11,514,320)
<b>(Loss) / profit after taxation</b>	<b>(412,981,664)</b>	<b>(309,127,580)</b>	196,720,145	(73,811,455)
<b>(Loss) / earnings per share basic and diluted</b>	<i>Rupees</i> <b>(1.05)</b>	<b>(0.79)</b>	0.50	(0.19)

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR

Condensed Interim Unconsolidated Statement of Comprehensive (Loss) / Income (Un-audited)  
 For the six months ended 31 December 2011

	2011		2010	
	July to December Rupees	October to December Rupees	July to December Rupees	October to December Rupees
(Loss) / profit after taxation	(412,981,664)	(309,127,580)	196,720,145	(73,811,455)
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<b>(412,981,664)</b>	<b>(309,127,580)</b>	<b>196,720,145</b>	<b>(73,811,455)</b>

The annexed notes 1 to 16 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 2011

	Note	July to December 2011 Rupees	July to December 2010 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	486,482,590	718,486,064
Finance cost paid		(296,328,208)	(786,568,051)
Interest income received		104,333,501	149,242,262
Taxation		29,376,409	61,518,173
<b>Net cash generated from operating activities</b>		<b>323,864,292</b>	<b>142,678,448</b>
<b>Cash flows from investing activities</b>			
Capital expenditure including purchase		(616,779,925)	(2,801,048,992)
Long term advances		(902,511)	(1,812,464)
Long term deposits		(3,219,000)	(418,300)
Proceeds from disposal of property, plant and equipment		514,200	4,930,572
Due from related party		12,315,316	403,905,764
<b>Net cash used in investing activities</b>		<b>(608,071,920)</b>	<b>(2,394,443,420)</b>
<b>Cash flows from financing activities</b>			
Long term finances obtained		124,708,214	3,941,287,405
Due to related party		223,428,137	-
Redemption of redeemable capital		(667,251)	(624,499)
Repayment of liabilities against assets subject to finance lease		(27,053,074)	(25,294,959)
Transaction costs on issue of term finance certificates		(96,022,226)	(187,846,284)
Net increase in short term borrowings		63,184,927	
<b>Net cash generated from financing activities</b>		<b>287,578,727</b>	<b>3,727,521,663</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,371,099</b>	<b>1,475,756,691</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>(1,783,827,876)</b>	<b>(4,711,476,607)</b>
<b>Cash and cash equivalents at the end of period</b>	13	<b>(1,780,456,777)</b>	<b>(3,235,719,916)</b>

The annexed notes 1 to 16 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 2011**

	Share Capital		Reserves			Accumulated profit	Total equity
	Ordinary shares	Revenue reserve	Available for sale financial assets	Total reserves			
	-----Rupees-----						
<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 of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	49,664,804	49,664,804	
<b>Balance as at 31 December 2010 - Unaudited</b>	<u>3,924,300,000</u>	<u>9,000,000</u>	<u>3,077,504,807</u>	<u>3,086,504,807</u>	<u>4,035,088,270</u>	<u>11,045,893,077</u>	
<b>Balance as at 30 June 2011 - Audited</b>	3,924,300,000	9,000,000	3,117,688,038	3,126,688,038	3,651,402,070	10,702,390,108	
Total comprehensive loss for the period	-	-	-	-	(412,981,664)	(412,981,664)	
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	74,756,441	74,756,441	
<b>Balance as at 31 December 2011 - Unaudited</b>	<u>3,924,300,000</u>	<u>9,000,000</u>	<u>3,117,688,038</u>	<u>3,126,688,038</u>	<u>3,313,176,847</u>	<u>10,364,164,885</u>	

The annexed notes 1 to 16 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 2011*

**1 Status and nature of business**

Agritech Limited was incorporated on 15 December 1959 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 Aiwana-e-Science, Off Sharah-e-Roomi, Lahore. The principal business of the Company is the production and sale of urea fertilizer.

During the current period the Boards of Directors of the Company and Hazara Phosphate Fertilizers (Private) Limited (wholly owned subsidiary) have approved the merger of both the Companies with effect from 01 July 2011. The Company has subsequent to reporting date, filed a petition with the Lahore High Court ("the Court") for approval. The condensed interim unconsolidated financial information, however, does not reflect the effect of merger which will be accounted for after the Court approves the merger scheme.

**2 Basis of preparation**

**2.1 Statement of compliance**

The condensed interim unconsolidated 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 unconsolidated 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 2011.

**2.2 Financial liabilities and continuing operations**

The worldwide and nationwide recessionary trends and other economic conditions have perpetuated general credit and liquidity crisis. These circumstances are being faced by all the industrial and business sectors in Pakistan. The Company, in previous year as well as in current period under review, 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. Additionally, the Company has faced massive devaluation of the Pak Rupee over the past couple of years which increased urea project cost manifold, with high interest / mark-up rates resulting in substantially high finance costs on project finance and acquisition loans which has perpetuated temporary liquidity issues as referred to in note 14 to the financial statements. Due to these factors, the Company has incurred a loss before tax of Rs. 632.26 million during the six months period ended 31 December 2011 and, as of that date, its current liabilities exceeded current assets by Rs. 7,850.71 million. These conditions also cast significant doubt about the Company's ability to continue as a going concern. 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 which in turn depend on the availability of gas as per allocation.

Further, during the current period the Company has entered into a second round of Rescheduling with the providers of debt finances and agreements in this respect have been signed with effect from 31 July 2011 and 26 August 2011. With the successful rescheduling of the Company's debts the management of the Company envisages that sufficient financial resources will be available for the continuing operations of the Company.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
*For the six months ended 31 December 2011*

**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 unconsolidated financial information are the same as those applied in preparation of preceding annual financial statements for the year ended 30 June 2011.

**4.2** In addition to above, following amendments to the International Financial Reporting Standards are mandatory for the first time for the financial year beginning on or after 1 January 2012, 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 12 (amendment) - Deferred Tax on Investment Property
- IAS 19 (amendment) - Employee Benefits
- IAS 1 (amendment) - Presentation of items of other comprehensive income
- IFRS 7 (amendment) - Transfers of Financial Assets
- IAS 32 (amendment) - Offsetting Financial assets and Financial liabilities
- IFRS 7 (amendment) - Offsetting Financial assets and Financial Liabilities

**5 Subordinated loan**

This represents loan obtained by the Company from JS Infocom Limited ("JS") to finance the acquisition of Hazara Phosphate Fertilizer (Private) Limited. The loan is subordinated to all long term and short term finances obtained. Subsequent to the reporting date, the Company is in the process of negotiating the restructuring and conversion of the subordinate loan facility obtained from JS Infocom Limited into a secured Privately Placed Term Finance Certificates issued as Redeemable Capital under Section 120 of the Companies Ordinance (1984) of 8 years tenor (inclusive of 2 years grace period) carrying mark-up rate of 6 month KIBOR plus 1.95% per annum, to be secured by a ranking charge over all present and future total assets whether current or fixed including immovable assets of the Company with a 25% margin.

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

For the six months ended 31 December 2011

	Note	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
<b>6 Redeemable capital - secured</b>			
Term Finance Certificates (TFCs) - I	6.1	1,498,602,000	1,498,760,400
Term Finance Certificates (TFCs) - II	6.2	6,894,286,800	6,894,480,000
Term Finance Certificates (TFCs) - III	6.3	495,345,100	495,460,751
Sukkuks Certificates	6.4	1,599,800,000	1,600,000,000
		<b>10,488,033,900</b>	10,488,701,151
Transaction costs		<b>(262,418,475)</b>	(236,126,979)
		<b>10,225,615,425</b>	10,252,574,172
Current maturity presented under current liabilities		-	(612,463,130)
		<b>10,225,615,425</b>	<b>9,640,111,042</b>

**6.1** TFCs - I have been rescheduled during the period by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of TFCs is structured to be in fifteen unequal installments. First two installments were just token payments due on 31 July 2010 and 31 August 2010 which have been paid, remaining installments are to be paid semi annually starting from 29 November 2013.

**6.2** TFCs - II have been rescheduled during the period by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of TFCs is structured to be in fifteen unequal installments. First two installments were just token payments due on 31 July 2010 and 31 August 2010 which have been paid, remaining installments are to be paid semi annually starting from 14 July 2013.

**6.3** TFCs - III have been rescheduled during the period by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of TFCs is structured to be twenty eight unequal installments. First two installments were just token payments due on 31 October 2010 and 30 November 2010, remaining installments are to be paid quarterly starting from 01 September 2013.

**6.4** Sukkuks have been rescheduled during the period by way of Second Master Addendum To Transaction Documents entered into dated 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of these certificates is structured to be in fifteen unequal installments. First two installments were just token payments due on 31 July 2010 and 31 August 2010 which have been paid, remaining installments are to be paid semi annually starting from 06 August 2013.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

		<b>31 December 2011 Un-audited Rupees</b>	30 June 2011 Audited Rupees
<b>7 Long term finances</b>			
Syndicate Term Finance - I		<b>475,000,000</b>	475,000,000
Syndicate Term Finance - II	7.1	<b>3,000,000,000</b>	3,000,000,000
Syndicate Term Finance - III	7.2	<b>3,026,389,549</b>	3,026,389,549
KASB Bank Limited - Term Finance	7.3	<b>300,000,000</b>	300,000,000
National Bank of Pakistan - Term Finance	7.4	<b>633,092,669</b>	508,384,456
Dubai Islamic Bank Limited - Term Finance		<b>365,000,000</b>	365,000,000
		<b>7,799,482,218</b>	7,674,774,005
Transaction costs		<b>(113,313,275)</b>	(85,330,517)
		<b>7,686,168,943</b>	7,589,443,488
Current maturity presented under current liabilities		<b>-</b>	(537,934,086)
Reclassification of Syndicate Term Finance - I to short term		<b>(475,000,000)</b>	(475,000,000)
		<b>(475,000,000)</b>	(1,012,934,086)
		<b>7,211,168,943</b>	6,576,509,402

7.1 Syndicate Term Finance - II (STF-II) has been rescheduled during the period by way of Second Supplemental Syndicated Term Finance Agreement entered on dated 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of STF-II is structured to be in thirteen unequal semi-annual installments starting from 30 December 2013.

7.2 Syndicate Term Finance - III (STF-III) has been rescheduled during the period by way of First Supplemental Syndicated Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. As per terms of the rescheduling agreement the principal redemption of STF-III is structured to be in eight unequal semi annual installments starting from 25 September 2013.

7.3 KASB Bank Limited - Term Finance has been rescheduled during the period by way of First Supplemental Term Finance Agreement entered on dated 26 August 2011 effective from 31 July 2011. As per terms of the restructured agreement the principal redemption is structured to be in fourteen unequal semi annual installments starting from 30 June 2013.

7.4 National Bank of Pakistan Limited - Term Finance has been rescheduled during the period effective from 20 August 2011. As per terms financing agreement the loan is repayable in eight semi annual installments starting from 08 November 2013.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

8 Contingencies and commitments

8.1 Contingencies

There is no material change in contingencies from the preceding annual publish financial statements of the company for the year ended 30 June 2011.

<b>31 December 2011 Un-audited Rupees</b>	<b>30 June 2011 Audited Rupees</b>
---	--

8.2 Commitments

Commitments under irrevocable letters of credit for:

- purchases of stores, spare and loose tools	12,174,672	-
- purchase of raw materials	107,740,714	-
	<b>119,915,386</b>	<b>-</b>

Notes

<b>31 December 2011 Un-audited Rupees</b>	<b>30 June 2011 Audited Rupees</b>
---	--

9 Fixed assets

Property, plant and equipment	9.1	34,806,519,507	22,447,995,000
Capital work in progress		-	11,775,036,751
		<b>34,806,519,507</b>	<b>34,223,031,751</b>

9.1 Property, plant and equipment

Opening book value		22,447,995,000	23,740,198,529
Add: Additions during the period / year	9.1.1	20,768,698	7,427,704
Transfer in during the period / year		12,651,608,140	-
		12,672,376,838	7,427,704
Less: Disposals during the period / year - net book value		676,550	3,518,063
Depreciation charged during the period / year		313,175,781	583,020,612
Reclassification to assets held for sale		-	713,092,558
		313,852,331	1,299,631,233
Closing book value		<b>34,806,519,507</b>	<b>22,447,995,000</b>

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

	<b>31 December 2011 Un-audited Rupees</b>	<b>30 June 2011 Audited Rupees</b>
<b>9.1.1 Additions during the period / year</b>		
<i>Owned assets</i>		
Buildings on freehold land	-	997,898
Plant and machinery	<b>5,031,000</b>	764,233
Residential colony assets	<b>4,603</b>	-
Furniture, fixtures and office equipment	<b>15,655,405</b>	1,923,012
Vehicles and rail transport	<b>7,000</b>	1,462,000
Tools and other equipment	<b>70,690</b>	1,109,995
Electrical and other installations	-	375,566
<i>Leased assets</i>		
Vehicles	-	795,000
	<b>20,768,698</b>	<b>7,427,704</b>
	<b>July to December 2011 Rupees</b>	<b>July to December 2010 Rupees</b>
<b>10 Investments</b>		
Cost of investments	<b>1,385,564,400</b>	1,385,564,400
Add: Fair value adjustments	<b>3,117,688,038</b>	3,117,688,038
	<b>4,503,252,438</b>	<b>4,503,252,438</b>
<b>11 Transactions with related parties</b>		
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.		
Details of transactions and balances with related parties are as follows:		
	<b>July to December 2011 Rupees</b>	<b>July to December 2010 Rupees</b>
<b>11.1 Transactions with related parties</b>		
<b>11.1.1 Holding company</b>		
Markup income	<b>33,987,542</b>	34,105,309
Markup expense	<b>12,176,422</b>	36,521,753
Temporary loan	<b>(12,315,316)</b>	(40,007,335)

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

	<u>July to December 2011</u> Rupees	<u>July to December 2010</u> Rupees
<b>11.1.2 Subsidiary company</b>		
Sale of goods	223,428,137	(363,898,429)
<b>11.1.3 Associated company</b>		
Markup on long term loan	28,419,808	26,951,847
Markup expense on redeemable capital	40,902,558	7,244,304
<b>11.1.4 Post employment benefit plans</b>		
Contribution to employees provident fund	8,753,052	8,246,208
Contribution to employees gratuity fund	4,586,666	7,949,567
<b>11.1.5 Key management personnel</b>		
Short term employee benefits	68,465,710	15,960,000
Post employment benefits	132,616,000	499,800
	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>Un-audited</b>	<b>Audited</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>11.2 Balances with related parties</b>		
<b>11.2.1 Holding company</b>		
Temporary loan	304,843,254	317,158,570
Markup expense	266,074,508	266,081,964
Markup income	55,449,901	125,521,696
<b>11.2.2 Subsidiary company</b>		
Temporary loan	661,080,717	437,652,580
<b>11.2.3 Associated company</b>		
Markup on long term loan	143,791,402	123,553,110
Markup expense on redeemable capital	94,642,234	76,926,502



Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
<b>11.2.4 Post employment benefit plans</b>		
Contribution to employees provident fund	8,753,052	-
Contribution to employees gratuity fund	4,586,666	20,372,547
	July to December 2011 Rupees	July to December 2010 Rupees
<b>12 Cash flow from operating activities</b>		
Loss before tax	(632,255,273)	(150,014,670)
<i>Adjustment for non-cash and other items:</i>		
Finance cost	1,029,870,157	1,615,563,374
Amortization of transaction costs	41,747,972	14,901,226
Depreciation	313,175,781	302,685,961
Impairment of financial assets	10,721,857	-
Markup / interest income	(34,261,706)	(34,500,759)
Loss / (gain) on sale of property, plant and equipment	162,350	(274,909)
	1,361,416,411	1,898,374,893
<b>Operating profit before changes in working capital</b>	<b>729,161,138</b>	<b>1,748,360,223</b>
<b>Changes in working capital</b>		
<i>(Increase) / decrease in current assets:</i>		
Stores, spares and loose tools	(63,943,360)	23,131,150
Stock-in-trade	(210,943,920)	4,054,416
Trade debts	21,407,335	92,822,461
Advances, deposits, prepayments and other receivables	(163,067,868)	18,904,432
Staff retirement benefits	4,161,860	-
	(412,385,953)	138,912,459
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	169,707,405	(1,168,786,618)
Cash generated from operations	<b>486,482,590</b>	<b>718,486,064</b>

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the six months ended 31 December 2011

	<u>July to</u> <u>December 2011</u>	<u>July to</u> <u>December 2010</u>
	Rupees	Rupees
<b>13 Cash and cash equivalents</b>		
Short term borrowings - secured	(1,827,687,844)	(3,363,280,001)
Cash and bank balances	47,231,067	127,560,085
	<u>(1,780,456,777)</u>	<u>(3,235,719,916)</u>

**14 Overdue financial liabilities**

The Company in previous year as well as in current period faced operational issues due to revamp of existing plant and machinery 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:

	<u>Principal</u>	<u>Interest / mark up</u>	<u>Total</u>
	(-----Rupees-----)		
<b>Nature of Liability</b>			
Redeemable capital	115,650	2,077,578,002	2,077,693,652
Long term finances	225,000,000	1,489,286,610	1,714,286,610
Short term borrowings	370,813,079	81,734,517	452,547,596
Bills payable	394,386,133	53,089,335	447,475,468
	<u>990,314,862</u>	<u>3,701,688,464</u>	<u>4,692,003,326</u>

In lieu of the prevailing situation, the Company decided to undergo restructuring of its entire long term debt and during the current period under review it has successfully completed second round of rescheduling. As a result of rescheduling the Company has been allowed further grace period of one year for the repayment of long term debts in the amount of Rs. 17,447.52 million. The rescheduling will allow the Company to repay the overdue principal of Rs. 990.31 million from cash generated from operations. Out of the overdue markup of Rs 3,701.69 million, markup amounting to Rs. 2,765.85 million is proposed to be converted into preference shares / PPTFCs. In this regard, lenders have provided their consents and subsequent to reporting date the Company has issued the said preference shares / PPTFCs. The remaining markup and the above overdue principal will be settled through cash generated from operations.

**15 Date of authorization**

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on February 29, 2012

**16 General**

16.1 Figures have been rounded off to the nearest rupee.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR



