Contents

plant a tree...

green the earth...

clean the air...

live happily...


PAK AMERICAN
FERTILIZERS

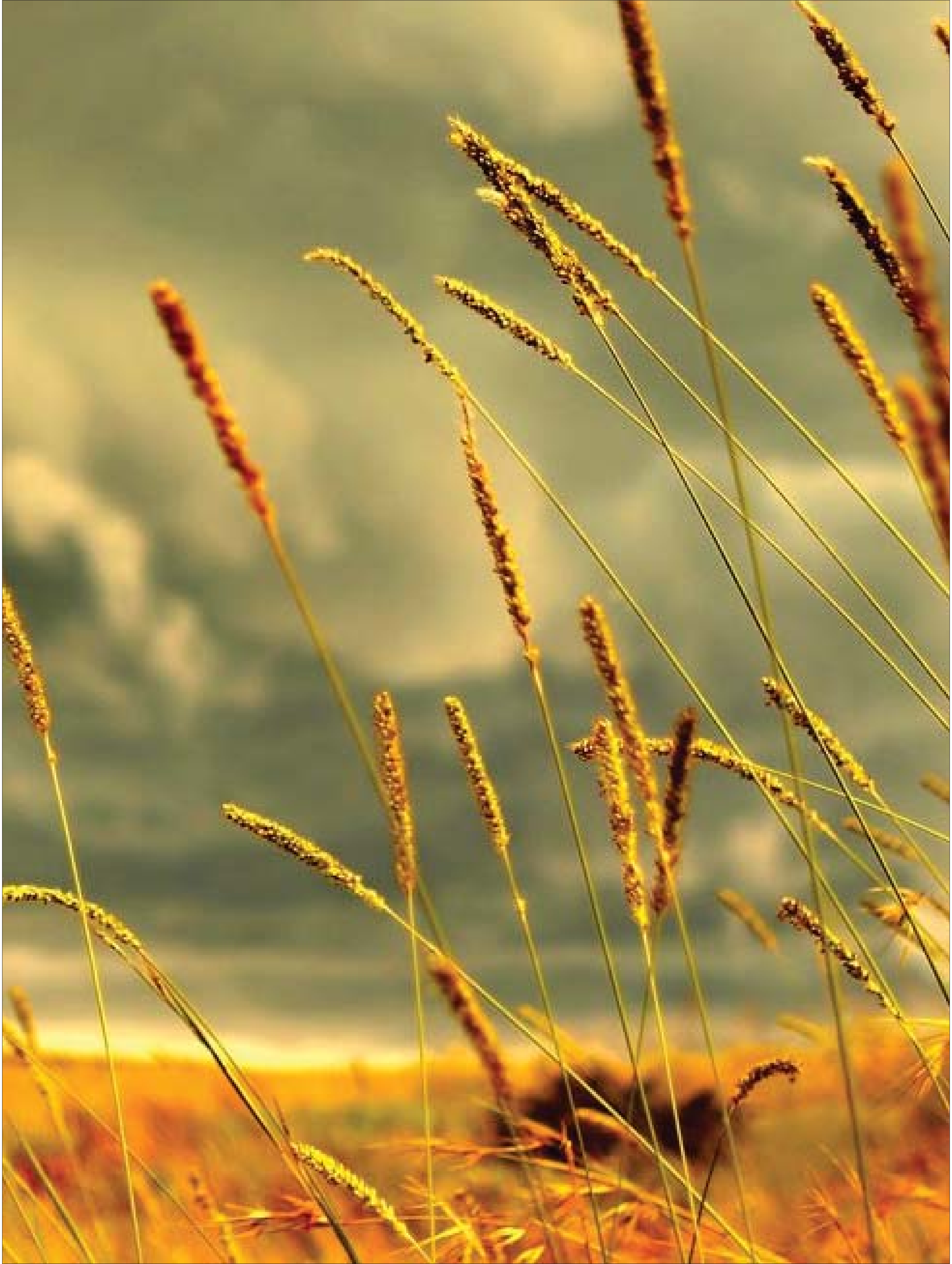
Agritech Urea Fertilizer Plant Daudkhel

Vision

To become a major regional diversified fertilizer company

Mission

To become a diversified manufacturer of both nitrogenous and phosphatic fertilizers, significantly contributing to the development of the agricultural sector of Pakistan.



Company Information

BOARD OF DIRECTORS

Mr. Ahmed H. Shaikh
Chairman

Mr. Ahmed Jaudet Bilal
Chief Executive Officer

Mr. Khalid A. H. Al Sagar

Mr. Imran Maqbool

Mr. Irfan Nazir Ahmad

Mr. Muhammad Faisal Muzammil

Mr. Khaleeque Ur Rehman

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

AUDIT COMMITTEE

Mr. Khalid A. H. Al Sagar
Chairman

Mr. Irfan Nazir Ahmad

Mr. Ahmed H. Shaikh

HR & REMUNERATION COMMITTEE

Mr. Imran Maqbool
Chairman

Mr. Irfan Nazir Ahmad

Mr. Ahmed H. Shaikh

BANKERS

JS Bank Limited
Faysal Bank Limited
National Bank of Pakistan
Al Baraka 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

BANKERS *(Cont'd)*

Askari Bank Limited
Soneri Bank Limited
Citi Bank N.A.
HSBC Bank Middle East Limited
United Bank Limited
Habib Bank Limited
Dubai Islamic Bank Pakistan Limited
Pak Libya Holding Company Limited
Standard Chartered Bank (Pakistan) Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants, Lahore

LEGAL ADVISOR

Mr. Babar Shahzad Imran

SHARES REGISTRAR

Hameed Majeed Associates
(Private) Limited

REGISTERED OFFICE

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

PROJECT LOCATIONS

Unit I
Iskanderabad, District Mianwali.

Unit II
Hattar Road, Haripur.

Directors' Report

The Directors of Agritech Limited ("the Company") along with the management team are pleased to present the Company's Annual Report accompanied by the Audited Financial Statements for the financial year ended 30 June 2012.

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

Business Review

Merger of Agritech and Hazara Phosphate

During the year, the Board of Directors of the Company approved merger of Agritech Limited and Hazara Phosphate Fertilizers (Private) Limited. In this regard, merger petition along with the scheme of amalgamation was filed with the Honourable Lahore High Court. The Honourable Court appointed a commission, which conducted shareholders' and creditors' meeting under its supervision. After getting approvals from shareholders and creditors, the Honourable Court approved the merger with effect from 23 May 2012 and issued the order accordingly.

Principal Activities

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

Year in Review

Financial Results of Agritech Limited (Merged Entity)

	2012	2011
Sales - net	5,697,064,161	5,149,162,239
Operating profit	734,340,041	915,967,388
Finance cost	2,794,226,564	1,947,010,895
Profit/(loss) before tax	(1,835,660,397)	(996,892,755)
Profit/(loss) after tax	(1,628,459,168)	50,597,008
Earnings/(loss) per share	(4.15)	0.13

Urea Manufacturing

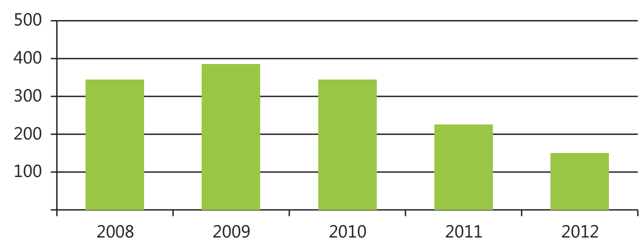
The year in review continued to be an extremely difficult year for the urea fertilizer manufacturing sector in Pakistan as it faced unprecedented and extended gas load shedding. The production of the fertilizer plants on SNGPL and SSGC network was reduced beyond expectation. As a consequence of extensive and unplanned natural gas load shedding, urea plant only operated for 173 days during the year. The urea plant could only produce 156,645 tons during the year, which is only 33% of production capacity and 28% lower production than the previous year.

The plant operations became inefficient in energy due to lower gas availability during on-stream days. The Company was able to sustain the operations despite unfavorable environment. Government of Pakistan ("GoP") also imposed Gas Development Cess on urea from 01 January 2012, which increased the per bag cost by Rs. 300. The cost was transferred to customers and urea price adjusted accordingly.

This is a clear reflection on the current Government of Pakistan policy, which is severely and illegally damaging the fertilizer industry. However, the company and the Industry are in continuous dialogue with the Government of Pakistan to restore the contracted gas supply to the fertilizer Industry.

Urea Production

(Tons in Thousands)



DAP Trading

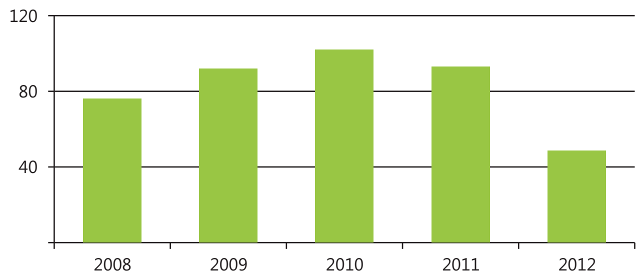
As part of business risk management policy and restrictions from the lenders, the DAP trading business has been temporarily discontinued by the Company. This is to mitigate the Company's risk in the prevailing volatile international DAP market, currency volatility and expected lowering of demand in the local market due to higher prices.

SSP Manufacturing

SSP business continues to post a strong performance. After acquisition of SSP business from GoP in November 2008, the management took major debottlenecking initiatives, which resulted in significant capacity expansion without major capex. Moreover, the technology of replacing imported phosphate rock with cheaper local phosphate rock as a key raw material for SSP production continued to reap healthy dividends for the Company. During the year, the Company also expanded SSP area of sales to Southern Punjab, which allowed the Company to mitigate the risk of sales concentration to Upper Punjab. Going forward, management plans to capture Sindh Market as well. Tara brand of SSP is now a fully established brand and continues to maintain a strong position in the market with good profitability. The business will continue to increase market share and profitability over the next few years.

SSP Production

(Tons in Thousands)



Debt Re-profiling:

The debt amortization profile, higher interest cost and associated liquidity problems have forced the Company to consider the restructuring of its debt obligation to ensure continued timely discharge of its commitments to its lenders. The Company initiated the debt restructuring process with the help of the key lending banks and successfully completed first round of restructuring of its debt in December 2010. This was supposed to improve the Company's financial health and liquidity of the Company. However, unfortunately, the Company had to face the unavoidable circumstances in form of gas load shedding and gas curtailment by SNGPL. Due to this, urea plant remained non operational for a significant period resulting in huge production loss. This situation nullified the expected positive impacts of restructuring.

In lieu of the prevailing situation, the Company again decided to undergo restructuring of its entire debt and initiated second round of restructuring in 2011. Lenders understood the situation, showed confidence in business and management, and approved the restructuring. As per terms of restructuring, lenders approved further one year grace period and one year extension in principal repayment period. Moreover, overdue markup is also converted into preference shares /private placed term finance certificates.

This second round of restructuring was helpful and encouraged the Company to repay its all operational liabilities as well as some of financial liabilities. But again, due to extensive gas load shedding going on SNGPL network, the urea plant operated for only 173 days, enabling it to produce only 33% of the capacity. This resulted in reduced cashflows, which created overdue financial debts amounting to Rs. 3,615 million, as referred to in note 46.2.2 of financial statements.

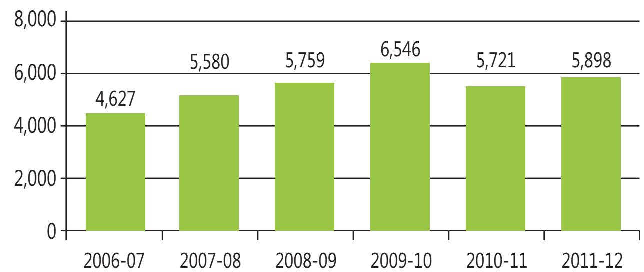
However, the Company is fully confident that with the changed shareholding and implementation of revised business plan, which consists of change of product mix and start of DAP trade, the Company will earn healthy profits in the future and meet its operational and financial obligations on timely basis

Fertilizer Industry in 2011-2012

In 2011-12, the off take of Urea was 5.9 Million tons as compared to 5.7 Million tons in 2010-11 registering slight improvement. Urea domestic production was recorded at 4.69 Million tons as compared to 4.98 Million tons during the same period last year, remaining well short of off takes and resulting in reliance on imported urea. The government imported 1.7 Million tons of Urea through the Trading Corporation of Pakistan to bridge the supply demand gap.

Domestic Urea Offtakes

(Tons in Thousands)



Future Outlook

The gas availability issue is a national issue, which will be a challenge for the fertilizer industry. However, the strong international urea prices coupled with devaluation will make fertilizer imports more expensive and unaffordable for the GoP. Consequently, we expect the gas availability to improve over the next few months.

In order to mitigate the gas curtailment and levy of cess, the industry was forced to increase the urea prices from Rs. 1,378 per bag to Rs. 1,729 per bag by July 2012. The prices of urea are likely to increase further, if the current gas curtailment to fertilizer industry continues.

International phosphate prices are likely to stay firm on the back of rising commodity prices and subsequently increase in demand among major consuming countries. In Pakistan, the steep rise in input prices in last two years has negatively affected the ability of the farmer to use costly imported fertilizer and potential for growth exists for cost effective indigenous fertilizers like SSP. We expect that SSP business is expected to deliver returns on the back of lowest cost technology, strong pricing and premium brand position.

Modification in the Auditors' report

Qualification

The auditors qualified their report due to the fact that the Company could not make timely repayments of principal and interest related to long term loans and certain financial & other covenants imposed by lenders could not be complied with. International Accounting Standard 1 - Presentation of Financial Statements requires that if an entity breaches a provision of long term loan, that liability becomes payable on demand and it should classify the liability as current. However, in these financial statements the long term debts have continued to be classified as long term according to respective loan repayment schedules.

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

Emphasis

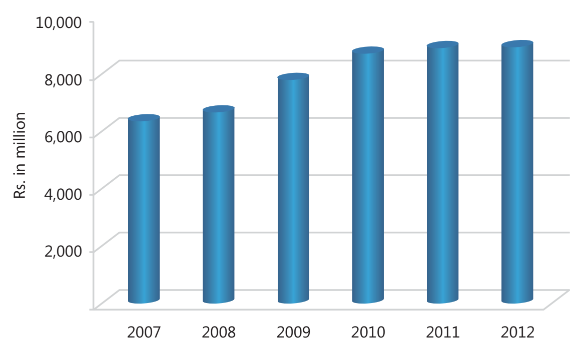
Auditors also raised concern about Company ability to operate as going concern. The fact of the matter is that the Company was forced to breach the covenants imposed by the lenders due to operational issues faced by the continued gas curtailments unduly inflicted by GoP and repeated gas load shedding. The assumption that the Company will operate as going concern is based on steps taken by the management during the year to mitigate the gas curtailment issue. The wholly owned subsidiary, Hazara Phosphate Fertilizers (Private) Limited ("HPFL") was merged into the Company. HPFL manufactures phosphate fertilizers and has registered profits in the past on a consistent basis. The Company intends to expand the phosphate fertilizer business with change in product mix and consequently margins and cash flows. Further, the Company has been successfully trading DAP fertilizer to generate handsome revenues and profit margins. Trading of DAP fertilizer was discontinued due to restrictions imposed by the providers of debt finance, however, with the changed shareholding, the Company expects to restart the trading business which will yield substantial revenue. With these initiatives, the Company expects to earn profits in the future and meet its operational and financial obligations on timely basis.

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

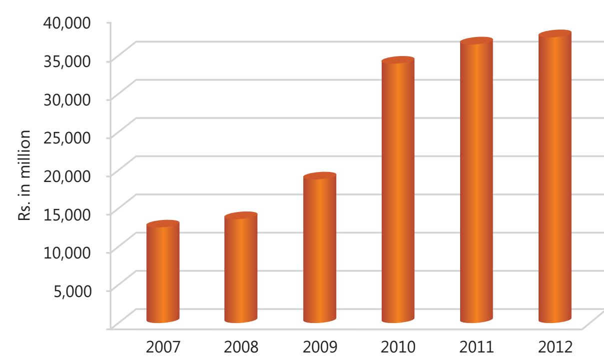
Financial Highlights

Six years at a glance

	2012	2011	2010	2009	2008	2007
Operating performance (Rs. 000)						
Sales-Net	5,697,064	5,149,162	12,854,551	12,997,800	5,701,113	3,835,056
Operating profit	734,340	915,967	2,515,552	4,075,643	2,140,551	1,521,492
(Loss)/profit before tax	(1,835,660)	(996,892)	2,429,031	1,908,122	979,199	572,227
(Loss)/profit after tax	(1,628,459)	50,597	267,959	1,790,953	755,348	425,592
Financial position (Rs. 000)						
Total equity	8,919,056	8,880,383	8,671,866	7,757,432	6,643,582	6,334,513
Long term debt	19,491,270	18,377,667	14,153,500	12,826,365	8,362,949	8,484,410
Property, plant and equipment	37,197,945	36,283,420	33,878,586	18,649,196	13,132,365	12,517,981
Financial analysis						
Current ratio (ratio)	0.44	0.37	0.46	1.46	1.27	2.15
Debt to equity (ratio)	2.19	2.07	1.63	1.65	1.26	1.34
Profitability analysis						
Operating profit to sales (%)	12.89	17.79	19.57	31.36	37.55	39.67
(Loss)/Earning per share (Rs.)	(4.15)	0.13	2.26	4.56	3.12	1.16



Equity



Property Plant & Equipment

Our Human Capital

The corporate culture at Agritech is based on four essential pillars:

Our Corporate culture is nurtured through setting world class performance standards and then focusing, empowering, encouraging and challenging all our employees to develop their capabilities to deliver this mind set transcends all levels of the organization.

This forms the core of the underlying HR policies at Agritech which are designed to deliver outstanding business performance by supporting and developing the Company's most important asset, its people.

Our culture empowers people to contribute to our business objectives and to simultaneously achieve their own personal and career goals. Every day our employees are challenged and motivated to seek the state of the art knowledge and skills required to stay ahead in today's changing business environment.

Teams and individuals are constantly encouraged to develop their professional capabilities, to question the status quo with courage of conviction, and reinvent themselves and their systems of work to confront the dynamics of a fast changing world.

Bureaucracy is constantly pruned to enable people to work with each other without being encumbered and to keep the focus on outcomes and delivery rather than just effort.

We have a strong commitment to meritocracy, and complying with our human resource polices, the Company does not employ any child labor and is an equal opportunity employer.

Corporate Social Responsibility

We constantly strive to maintain a leadership role in this area and wholeheartedly support and fund outreach programs which have a beneficial impact on our environment, employees and the communities we live and work in.

Community Programs

Agritech is committed to a quality eduction for its employees and its communities. The company has established several educational institutions where over 2000 students are enrolled and managed by over 100 professional staff.

Health Center

Agritech operates a state of the art hospital at its Daudkhel site which includes essential care facilities including emergency, labour and gynecology and minor surgery. The center provides subsidized medical care to its employees and the community at large.

In addition, realizing its duties as a responsible corporate citizen, Agritech continues its effort for a greener environment, planting trees in its neighboring communities, providing scholarships for needy students and arranging many activities for the well being of its employees and communities.


Students of an AGRITECH School


Students of an AGRITECH School


Health check at AGRITECH Hospital

Agritech is fully committed to adopting international benchmarks governing corporate social responsibility.

Certifications

Some of our key certifications and initiatives are mentioned below.

OSHA Standards

OHS 18001 compliant proactive HSE program aims to prevent work-related injuries, illnesses and fatalities. This effort at Agritech is independently monitored by a high level Corporate Manager of Health, Safety & Environment who has wide ranging mandate and authority to enforce (Health, Safety & Environment (HSE) standards throughout the company. Effort is complemented with Hearts & Minds Winning techniques for sustainable performance.

ISO 9001

ISO 9001 is a family of standards for quality management systems. ISO 9001 is maintained by ISO, the International Organization for Standardization and is administered by authorized accreditation and certification bodies. The requirements of ISO 9001 include maintaining a set of procedures that cover all key processes in the business, to ensure they are effective, maintain adequate records, check output for defects, with appropriate and corrective action where necessary. The ISO 9001 family of standards also require regular reviews of individual processes and the quality system itself for effectiveness, and to facilitate continuous improvement.

ISO 14001

ISO 14001 is an organizational system standard for monitoring, controlling, and improving quality of the environment. The ISO 14001 Environmental Management standards exist to help organizations minimize how their operations affect the environment (cause adverse changes to air, water, or land) and comply with applicable laws and regulations.

All these achievements are result of dedicated and consorted efforts of Agritech's team. Management provided the necessary resources and encouragement with a firm commitment to implement these systems in full letter and spirit.
For accreditation of above systems, procedures were developed according to the required standards & these are being implemented.

With the implementation of QMS, EMS & OH&S there have been tremendous improvements at the plant. The following are main benefits.

- Increased Efficiency

  Certification process has given a lot of thought to improve the system and how to maximize quality and efficiency. The processes has been established and guidelines in place for anyone to follow easily, making training, transitions, and trouble-shooting etc.

- Employee Morale

  Employee's morale has been motivated by defining roles and responsibilities, accountability of management, established training systems and a clear picture of how their roles affect quality and the overall success of the company.

- International Recognition

  The company repute has been increased after getting certifications of QM, EM & OH&S systems as these standards are recognized worldwide.

- Factual Approach to Decision Making

  The ISO & OHSAS standards set out clear instructions for audits and process reviews that have facilitated information gathering and decision making based on the data.

- Supplier Relationships

  Following the processes for documentation and testing has ensured quality of raw materials fed into our production system and finished product. The process also requires thorough evaluation of new suppliers before a change is made and/or consistency with respect to how and where orders are place.

- Documentation

  Documentation is the key requirement of ISO & OHSAS standards of all processes and any changes, errors and discrepancies. This ensures consistency throughout production and accountability of all staff. This also guarantees traceable records are available in case of non-compliance.

- Consistency

  All processes for development, to production, to shipping, are defined, outlined and documented, minimizing room for error. Even the process of making changes to a process is documented, ensuring that changes are well planned and implemented in the best possible way to maximize efficiency.

- Customer Satisfaction

  Client confidence is gained because of the universal acceptance of the ISO & OHSAS standards. Customer satisfaction is ensured because of the benefits to company efficiency, consistency and dedication to quality service.

Corporate Review

Pattern of Shareholding

The shareholding in the Company as at 30 June 2012 is as follows:

Shareholders' category	Number of shareholders	Number of shares held	Percentage of holding
Individuals	1,139	4,101,744	1.05
Financial Institution	5	38,735,212	9.87
Investment Companies	5	20,083,709	5.12
Funds	3	79,000	0.02
Joint Stock Companies	14	315,352,602	80.36
Modarbas and Mutual Funds	3	10,040,000	2.56
Others	6	4,037,733	1.03
	1,175	392,430,000	100.00

The information of shareholding as at 30 June 2012 as required under Code of Corporate Governance is as follows:

Category no.	Shareholder's category	Number of shares held	Percentage %
1.	Associated Companies, Undertakings and related parties	313,423,184	79.87
2.	NIT and ICP		
	NBP Trusteed Department NI (U) Fund	6,666,667	1.70
	NIT - Equity Market Opportunity Fund	3,333,333	0.85
3.	Directors, Chief Executive Officer and their spouse and minor children		
	1. Mr. Humayun N. Shaikh	1	
	2. Mr. A Jaudet Bilal	501	
	3. Mr. Ahmed H. Shaikh	1	
	4. Mr. Khalid A.H. Al-Sagar	280,4000	
	5. Mr. Irfan Nazir Ahmad	1	
	6. Mr. M. Faisal Muzammil	1	
	7. Mr. Khaleeque-ur-Rehman	1	
	8. Syed Owais Magrabi	1	
4.	Executives		
5.	Public Sector Companies and Corporation		
	Joint Stock Companies	315,352,602	80.36
6.	Banks, DFIs, NBFI, Insurance Companies Leasing Companies Modrabas & Mutual Funds		
	Financial Institution	38,735,212	9.87
	Investment Companies	20,083,709	5.12
	Modarabas & Mutual Funds	10,040,000	2.56
7.	Shareholders holding ten precent or more voting interest in the listed companies		
	Azgard Nine Limited	313,423,184	79.87

The pattern of holding of shares held by the shareholders as at 30 June 2012 is as follows:

Number of shareholders	Shareholding From	To	Total shares held
81	1	100	2,008
823	101	500	406,381
84	501	1000	81,522
107	1001	5000	317,645
20	5001	10000	171,410
8	10001	15000	92,206
6	15001	20000	116,537
6	20001	25000	147,526
1	25001	30000	29,000
1	30001	35000	33,060
3	35001	40000	120,000
4	45001	50000	197,191
3	55001	60000	179,488
2	60001	65000	125,239
1	70001	75000	71,000
1	125001	130000	130,000
1	145001	150000	150,000
1	210001	215000	212,306
1	215001	220000	218,000
1	310001	315000	314,049
1	395001	700000	697,500
1	720001	725000	723,545
1	815001	820000	815,800
1	985001	990000	988,500
1	1125001	1130000	1,128,967
1	1245001	1250000	1,250,000
1	1330001	1335000	1,333,333
1	2800001	2805000	2,804,000
2	3330001	3335000	6,666,666
1	6665001	6670000	6,666,667
1	8330001	8335000	8,332,058
2	9995001	10000000	20,000,000
1	11495001	11500000	11,499,000
1	14235001	14240000	14,236,212
2	19995001	20000000	40,000,000
1	83415001	83420000	83,420,000
1	188750001	188755000	188,753,184
1175			392,430,000

Loss per share

The loss per share of the Company for the year ended 30 June 2012 is Rs. 4.15 per share.

Dividend

Due to circumstances already discussed the Board of Directors does not recommend any dividend for the year ended 30 June 2012.

Corporate Governance and Financial Reporting Framework

As required by the Code of Corporate Governance, the Directors are pleased to report that:

- The financial statements prepared by the management of the Company present accurate state of Company's operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal controls is sound and has been effectively implemented and monitored.
- The Board is satisfied that the Company is performing well as a going concern under the Code of Corporate Governance.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on 30 June 2012 except for those disclosed in the financial statements.
- No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Directors' Report.

Investment in retirement benefits

The value of investments, made by the employees retirement benefit funds operated by the Company as per their respective audited financial statements for the year ended 30 June 2012 are as follows:

		Value (Rs. '000's)
1	Provident Fund	51,532
2	Gratuity Fund	3,551

Board of directors

During the period under review, four meetings of the Board of Directors were held and the attendance by each director is as follows:

Name of Director	Eligibility	Attended
Mr. Humayun N. Shaikh	4	2
Mr. Ahmed Jaudet Bilal	4	4
Mr. Ahmed H. Shaikh	4	4
Mr. Khalid A.H. Al-Sagar	4	2
Mr. Irfan Nazir Ahmad	4	4
Mr. M. Faisal Muzammil	4	4
Mr. Khaleeque-ur-Rehman	4	4
Syed Owais Magrabi	4	4

Appointment of Auditors

Messers. KPMG Taseer Hadi & Co. Chartered Accountants, completed its tenure of appointment with the Company and being eligible has offered its services for another term.

Acknowledgment

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

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

On behalf of the Board of Directors

04 August 2012

Chief Executive Officer

Corporate Governance

Statement of Compliance

With best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby the Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board of Directors includes four (4) non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred in the Board during the period under reviewed.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The business operations of the Company are carried out in accordance with the Company's Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and term and conditions of employment of the chief executive officer ("CEO") and executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses from time to time for its directors during the year to apprise them of their duties and responsibilities.
10. Chief Financial Officer, Company Secretary and Head of Internal Audit executed their responsibilities in accordance with the appointments approved by the Board including their remuneration and terms and conditions of employment, as determined by the Chief Executive.
11. The Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such fully aware of their duties and responsibilities.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The term of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor

children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The Company maintains a list of related parties which is updated on a regular basis. All transactions with related parties are placed before the audit committee on quarterly basis and are approved by the Board of Directors along with pricing methods.

22. We confirm that all other material principles contained in the code have been complied with.

04 August 2012

Chief Executive

Review Report to the Members on Statement of Compliance

With Best Practices of Code of Corporate Governance

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Paksitan

Telephone + 92 (42) 3585 0471-76
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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Agritech Limited ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

KPMG Taseer Hadi & Co.

Lahore

Date : 04 August 2012

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

Financial Statements

Auditors' Report to the Members

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Paksitan

Telephone + 92 (42) 3585 0471-76
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We have audited the annexed balance sheet of Agritech Limited ("the Company") as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) As stated in note 2.3 and 46.2.2 to the financial statements, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard on Presentation of financial statements (IAS-1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current. In these financial statements the long term debts have continued to be classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 18,872.09 million as at the reporting date.

b) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

c) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

KPMG Taseer Hadi & Co.

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

d) in our opinion and to the best of our information and according to the explanations given to us, except for the effects on the financial statements of the matter referred in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

e) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following matters:

i. Note 6.3 to the accompanying financial statements, whereby Redeemable Preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984. The matter of its classification will be dealt in accordance with the clarification from the Securities and Exchange Commission of Pakistan, as fully explained in the above referred note; and

ii. The Company has incurred a loss before tax of Rs. 1,835.66 million during the year ended 30 June 2012 and, as of that date; its current liabilities exceeded its current assets by Rs. 5,419.99 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the financial statements.

Our opinion is not qualified in respect of the above matters.

KPMG Taseer Hadi & Co.

Lahore

Date : 04 August 2012

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

Balance Sheet
as at 30 June 2012

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	6	5,517,642,690	3,924,300,000
Reserves	7	9,000,000	9,000,000
Accumulated profit		3,392,413,553	4,947,083,119
		8,919,056,243	8,880,383,119
Surplus on revaluation of fixed assets	8	3,944,247,724	4,105,671,174
Non-current liabilities			
Subordinated loan	9	340,000,000	340,000,000
Redeemable capital - secured	10	11,226,126,643	9,640,111,042
Long term finances - secured	11	7,193,887,786	6,576,509,402
Liabilities against assets subject to finance lease - secured	12	76,194,996	140,438,153
Long term payables - unsecured	13	31,135,199	31,135,199
Staff retirement benefits	14	10,987,413	22,998,024
Deferred taxation - net	15	2,701,490,476	2,973,657,217
		21,579,822,513	19,724,849,037
Current liabilities			
Current maturity of non - current liabilities	16	655,060,293	1,680,609,341
Short term borrowings	17	3,338,017,160	3,169,436,002
Trade and other payables	18	2,395,498,348	2,696,549,285
Interest / mark-up accrued on borrowings	19	3,126,619,464	3,499,895,917
Preference dividend payable		87,633,848	-
		9,602,829,113	11,046,490,545
Contingencies and commitments	20		
		44,045,955,593	43,757,393,875

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore
04 August 2012

A. T. Bugr
Chief Executive

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	21	37,197,945,111	36,283,420,061
Intangible assets	22	2,598,253,663	2,592,443,038
Long term advances	23	25,297,091	28,663,924
Long term deposits - unsecured, considered good	24	41,619,209	16,467,788
Non-current assets held for sale	25	-	713,092,558
		39,863,115,074	39,634,087,369
Current assets			
Stores, spares and loose tools	26	2,106,731,093	2,062,033,795
Stock in trade	27	667,938,748	418,950,327
Trade receivables	28	12,739,838	68,801,870
Advances, deposits, prepayments and other receivables	29	836,411,259	1,022,618,671
Due from related party - unsecured, considered good	30	286,395,126	317,158,570
Current taxation	31	55,189,910	112,880,472
Cash and bank balances	32	217,434,545	120,862,801
		4,182,840,519	4,123,306,506
		44,045,955,593	43,757,393,875

Director

Profit and Loss Account
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	33	5,697,064,161	5,149,162,239
Cost of sales	34	(4,219,244,562)	(3,705,748,057)
Gross profit		1,477,819,599	1,443,414,182
Selling and distribution expenses	35	(213,598,164)	(244,511,967)
Administrative and general expenses	36	(529,881,394)	(282,934,827)
Operating profit		734,340,041	915,967,388
Finance cost	37	(2,794,226,564)	(1,947,010,895)
Net other income	38	224,226,126	34,150,752
Loss before taxation		(1,835,660,397)	(996,892,755)
Taxation	39	207,201,229	1,047,489,763
(Loss) / profit after taxation		(1,628,459,168)	50,597,008
(Loss) / earnings per share - basic and diluted	40	(4.15)	0.13

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore
04 August 2012

Chief Executive

Director

Statement of Comprehensive Income
for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
(Loss) / profit after taxation	(1,628,459,168)	50,597,008
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	(1,628,459,168)	50,597,008

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore
04 August 2012

Chief Executive

Director

Cash Flow Statement

for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Cash flow from operating activities			
Cash generated from operations	41	1,180,655,542	4,614,482,840
Finance cost paid		(1,895,715,672)	(1,254,115,807)
Interest income received		118,839,418	149,639,024
Taxation		28,521,565	(25,864,548)
Net cash (used in) / generated from operating activities		(567,699,147)	3,484,141,509
Cash flow from investing activities			
Capital expenditure		(1,086,707,540)	(3,771,697,255)
Long term advances		3,366,833	2,217,993
Long term deposits		(25,151,421)	1,782,637
Proceeds from sale of fixed assets		4,385,084	4,058,903
Due from related party		30,763,444	133,848,896
Net cash used in investing activities		(1,073,343,600)	(3,629,788,826)
Cash flow from financing activities			
Long term finances obtained		123,699,279	1,070,648,974
Redemption of redeemable capital		(667,251)	(744,099)
Proceeds from issuance of preference shares		1,593,342,690	-
Repayment of liabilities against assets subject to finance lease		(51,319,159)	(50,480,297)
Transaction costs incurred		(96,022,226)	(236,626,284)
Net increase/(decrease) in short term borrowings		98,207,187	(364,813,584)
Net cash generated from financing activities		1,667,240,520	417,984,710
Net increase in cash and cash equivalents		26,197,773	272,337,393
Cash and cash equivalents at beginning of the year		(1,759,436,572)	(2,031,773,965)
Cash and cash equivalents at end of the year	42	(1,733,238,799)	(1,759,436,572)

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore
04 August 2012

Chief Executive

Director

Statement of Changes in Equity
for the year ended 30 June 2012

	Share capital		Reserves				
	Ordinary shares	Preference shares	Revenue reserve	Available for sale financial assets	Total reserves	Unappropriated profit	Total equity
	Rupees						
As at 01 July 2010 - as reported	3,924,300,000	-	9,000,000	3,077,504,807	3,086,504,807	3,788,703,321	10,799,508,128
Effect of merger	-	-	-	(3,077,504,807)	(3,077,504,807)	949,862,449	(2,127,642,358)
As at 01 July 2010 - as restated	3,924,300,000	-	9,000,000	-	9,000,000	4,738,565,770	8,671,865,770
Total comprehensive income for the year ended 30 June 2011	-	-	-	-	-	50,597,008	50,597,008
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	157,920,341	157,920,341
As at 30 June 2011	3,924,300,000	-	9,000,000	-	9,000,000	4,947,083,119	8,880,383,119
As at 01 July 2011	3,924,300,000	-	9,000,000	-	9,000,000	4,947,083,119	8,880,383,119
Preference shares issued during the year	-	1,593,342,690	-	-	-	-	1,593,342,690
Total comprehensive loss for the year ended 30 June 2012	-	-	-	-	-	(1,628,459,168)	(1,628,459,168)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	161,423,450	161,423,450
Preference dividend for the year ended 30 June 2012	-	-	-	-	-	(87,633,848)	(87,633,848)
As at 30 June 2012	3,924,300,000	1,593,342,690	9,000,000	-	9,000,000	3,392,413,553	8,919,056,243

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore
04 August 2012

Chief Executive

Director

Notes to the Financial Statements
for the year ended 30 June 2012

1 Reporting entity

1.1 Agritech Limited was incorporated on 15 December 1959 as an unlisted Public Limited Company under the Companies Act, 1913 (Now Companies Ordinance, 1984) and was a wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited ("NFC"), a Government owned Corporation, until 15 July 2006. Subsequently, 100% shares of the Company were acquired by Azgard Nine Limited ("ANL") as a part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. On 12 April 2010 the Company was listed on Karachi Stock Exchange ("KSE") vide KSE Notification No. KSE/N-1940. 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 and Granulated Single Super Phosphate ("GSSP") fertilizer.

1.2 Hazara Phosphate Fertilizers (Private) Limited (“HPFL”) a wholly owned subsidiary of the Company was merged into the Company under the scheme of amalgamation approved by Honorable Lahore High Court, vide its order dated 23 May 2012. Details of amalgamation are as follows:

a) Former HPFL was incorporated on 11 June 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 ("NFC"), a Government owned Corporation, until 28 November 2008. Subsequently, 100% shares of HPFL were acquired by the Company as a part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 28 November 2008. HPFL was engaged in the production and sale of Granulated Single Super Phosphate fertilizer.

b) On 30 July 2011, the Board of Directors of the Company and former HPFL in their separate meetings approved a scheme of arrangement ("the Scheme") under section 284 and section 287 of the Companies Ordinance, 1984 for the amalgamation of the former HPFL into the Company.

c) The Scheme was approved by the shareholders of the Company and former HPFL at their respective Extra Ordinary General Meetings held on 08 March 2012. The Scheme was also sanctioned by the Honorable Lahore High Court on 23 May 2012.

d) The scheme envisages:

i) The transfer to and vesting in the Company of the whole undertaking of former HPFL together with all properties, assets, rights, bank accounts, liabilities and obligations of HPFL as subsisting on 23 May 2012 (hereinafter referred to as ‘effective date’).

ii) Since HPFL was the wholly owned subsidiary of the Company therefore no consideration was payable by the Company for the proposed merger / amalgamation. Upon merger / amalgamation of HPFL into the Company in accordance with the Scheme, all the assets and liabilities of HPFL shall be vested into the Company and the share capital of HPFL will be eliminated from the books of account. Likewise, the amount appearing in the books of account of the Company as investment in HPFL shall be eliminated as an adjustment towards the acquisition of assets and liabilities of HPFL by the Company. Ordinary shares of HPFL held legally or beneficially by the Company shall also stand cancelled with out any further act or deed and no shares of the Company shall be issued in lieu thereof.

iii) The dissolution, without winding up, of former HPFL.

1.3 Comparatives presented in these financial statements reflect the effect of merger as if the merger have taken place from the date of acquisition.

Notes to the Financial Statements
for the year ended 30 June 2012

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

2.2 Going concern assumption

The Company, in previous year as well as in current year, also faced operational issues due to extended gas load shedding in winter and gas curtailment by Government of Pakistan for shifting the gas towards power sector to reduce electricity load shedding. 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 46.2.2 to the financial statements. Due to these factors, the Company has incurred a loss before tax of Rs. 1,835.66 million during the year ended 30 June 2012 and, as of that date, its current liabilities exceeded current assets by Rs. 5,419.99 million. These conditions cast significant doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the steps taken by management of the Company during the year as the wholly owned subsidiary, Hazara Phosphate Fertilizers (Private) Limited (“HPFL”) merged into the Company. HPFL manufactures Phosphate fertilizers and has registered profits in the past on a consistent basis. The Company intends to expand the Phosphate fertilizer business with change in product mix and consequently margins and cash flows. Further, the Company has been successfully trading DAP fertilizer to generate handsome revenues and profit margins. Trading of DAP fertilizer was discontinued due to restrictions imposed by the providers of debt finance, however, as referred in note 6.1, with the changed shareholding, the Company expects to restart the trading business which will yield substantial revenue. With these initiatives, the Company expects to earn profits in the future and meet its financial obligations.

Further, during the current year the Company has entered into a second round of rescheduling / restructuring with the providers of debt finances and certain agreements in this respect have been signed with effect from 31 July 2011 and the remaining was signed on 26 August 2011. With the successful rescheduling / restructuring of the Company's debts and other proposed measures mentioned above, the management of the Company envisages that sufficient financial resources will be available for the continuing operations and it is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances.

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 46.2.2. 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.

Notes to the Financial Statements
for the year ended 30 June 2012

However, the long term debts in the amount of Rs. 18,872.09 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:

	Principal net of current maturity Rupees
Redeemable capital	
Term Finance Certificates - I	1,498,602,000
Term Finance Certificates - II	6,894,286,800
Term Finance Certificates - III	495,345,100
Term Finance Certificates - IV	461,557,755
Term Finance Certificates - V	618,313,789
Sukkuks	1,599,800,000
	11,567,905,444
Long term finances	
Syndicate Term Finance - I	3,000,000,000
Syndicate Term Finance - III	3,026,389,549
KASB Bank Limited - Term Finance	280,714,286
National Bank of Pakistan - Term Finance	632,083,735
Dubai Islamic Bank Limited - Term Finance	365,000,000
	7,304,187,570
	18,872,093,014

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments measured at fair value and / or amortized cost, employees retirement benefits under defined benefit plan at present value and certain items of property, plant and equipment measured at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.5 Judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

Notes to the Financial Statements
for the year ended 30 June 2012

2.5.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available.

2.5.2 Recoverable amount of assets / cash generating units and impairment

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.5.3 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities.

2.5.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.5.5 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.5.6 Obligations under defined benefit plans

Obligations under defined benefit plans are determined by independent actuaries based on various assumptions including expected rate of increase in salaries, expected remaining working lives of employees, expected return on plan assets and discount rates.

2.5.7 Fair values of financial instruments with no active market

Fair values of financial assets and financial liabilities with no active market are determined by discounting estimated future cash flows at effective interest rate; the rate that exactly discounts estimated future receipts / payments through expected life of the financial assets / liabilities or, when appropriate, a shorter period, to the net carrying amount of the financial assets / liabilities.

2.6 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

Notes to the Financial Statements
for the year ended 30 June 2012

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is measured at revalued amount, building on freehold land, residential colony assets and, plant and machinery which are measured at revalued amount less accumulated depreciation and capital work in progress which is measured at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction including expenditures on material, labour and overheads directly relating to construction, erection and installation of operating fixed assets. Expenditure incurred on capital work in progress are transferred to operating fixed assets when related items become available for use.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying straight line method over the useful life of each item of property, plant and equipment as specified in note 21 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

3.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is recognized on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously recognized on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year.

Notes to the Financial Statements
for the year ended 30 June 2012

3.3 Goodwill acquired in business combination

Goodwill acquired in business combination represents future economic benefits arising from assets that are not capable of being individually identified and separately recognized. Goodwill is initially recognized at cost which is determined as the excess of the cost of business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

3.4 Stores, spares and loose tools

These are measured at lower of cost and net realizable value. The cost is determined using the weighted average method.

3.5 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined using the following basis:

Finished goods	Average manufacturing cost
Trading stock	Invoice price plus related expense
Stock in transit	Invoice price plus related expense incurred up to the reporting date

Average manufacturing cost in relation to finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.6 Employee benefits

3.6.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

3.6.2 Post-employment benefits

(a) Defined contribution plan

The Company operates an approved defined contributory provident fund for its employees excluding expatriates. Equal contributions are made by the Company and employees at 8.33% of basic salary. Interest is charged @ 18.00% on the outstanding fund balance and is recognized in profit or loss.

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(b) Defined benefit plan

The Company operates a funded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service excluding employees who were members of the discontinued pension scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected remaining useful lives of employees and discount rates. These assumptions are determined by independent actuaries.

The amount recognized in the balance sheet represents the present value of defined benefit obligation less fair value of plan assets as adjusted for unrecognized actuarial gains and losses.

Actuarial gains and losses are recognized using the "10% corridor approach" as set out by International Accounting Standard 19 - Employee Benefits.

Details of scheme are referred in note 14 to the financial statements.

3.7 Financial instruments

3.7.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

3.7.2 Classification and measurement

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

(b) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Assets in this category are presented as non-current assets unless the management intends to dispose off the asset within twelve months from the reporting date. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

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(c) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as non-current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

3.7.3 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

3.7.4 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7.5 Regular way purchases and sales of financial assets

Regular way purchases and sales of financial assets are recognized on trade dates.

3.8 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares and share options are recognized as deduction from equity.

3.9 Preference share capital

Preference share capital is recognized as equity in accordance with the interpretations of the provisions of the Companies Ordinance, 1984, including those pertaining to implied classification of preference shares.

3.10 Redeemable capital

Redeemable capital, including embedded equity component existing due to conversion options, if any, is recognized as 'loans and borrowings', in accordance with the interpretation of the provisions of the Companies Ordinance, 1984, including those pertaining to implied classification of redeemable capital.

3.11 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and redemption value recognized in the profit or loss over the period of the borrowings on an effective interest basis.

Notes to the Financial Statements
for the year ended 30 June 2012

3.12 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'property, plant and equipment'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for property, plant and equipment. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.13 Investments in equity securities

Investments in equity securities are classified as 'available for sale financial assets'. On initial recognition these are measured at cost, being their fair value on date of acquisition, less attributable transaction costs. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit or loss.

3.14 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

3.15 Trade and other payables

3.15.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

3.15.2 Non-financial liabilities

These, on initial recognition and subsequently, are measured at cost.

Notes to the Financial Statements
for the year ended 30 June 2012

3.16 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.17 Trade and other receivables

3.17.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

3.17.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

3.18 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.

Interest income is recognized using effective interest method.

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

Notes to the Financial Statements
for the year ended 30 June 2012

3.20 Government grants

Government grants are recognized when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants related to future expenditure are initially recognized as deferred income. Subsequent to initial recognition grants related to assets are recognized in profit or loss on a systematic basis over the useful life of the assets whereas grants relating to income are recognized in profit or loss on a systematic basis in the same period in which related expenses are recognized. Grants that compensate the Company for expenses or losses already incurred are recognized in profit or loss in the period in which these become receivable.

3.21 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.22 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.23 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at amortized cost.

Notes to the Financial Statements
for the year ended 30 June 2012

3.24 Impairment

3.24.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Company's that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.24.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4 New and revised approved accounting standards, interpretations and amendments thereto

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

Notes to the Financial Statements
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- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses as at 30 June 2012 would need to be recognized in other comprehensive income.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Notes to the Financial Statements
for the year ended 30 June 2012

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

  - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

  - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

  - IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.

The amendments have no impact on financial statements of the Company.

	Note	2012 Rupees	2011 Rupees
5 Authorized share capital			
Ordinary shares of Rs. 10 each			
600,000,000 (2011: 600,000,000) class A shares	5.1	6,000,000,000	6,000,000,000
200,000,000 (2011: 200,000,000) class B shares	5.2	2,000,000,000	2,000,000,000
200,000,000 (2011: 200,000,000) class C shares	5.3	2,000,000,000	2,000,000,000
		10,000,000,000	10,000,000,000
Preference shares of Rs. 10 each			
500,000,000 (2011: 200,000,000) shares		5,000,000,000	2,000,000,000
		15,000,000,000	12,000,000,000

Notes to the Financial Statements
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5.1 Class A ordinary shares include all ordinary shares of the Company other than non-voting ordinary shares and restrictive rights voting ordinary shares, having all rights and privileges, including voting rights as provided in the Companies Ordinance, 1984.

5.2 Class B ordinary shares are restrictive rights voting ordinary shares that have the restricted or disproportionate rights and privileges.

5.3 Class C ordinary shares are non-voting ordinary shares of the Company that do not have any voting rights attached thereto and do not have any rights to receive notice of, attend, or vote at a general meeting of the Company, however, holders of such shares shall have all other rights of ordinary shares, including right to dividend and to share in the assets of the Company in event of its winding up.

	Note	2012 Rupees	2011 Rupees
6 Issued, subscribed and paid-up-capital			
Class A ordinary shares of Rs. 10 each			
383,430,000 (2011: 383,430,000)			
Shares issued fully paid in cash	6.1	3,834,300,000	3,834,300,000
9,000,000 (2011: 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 (2011: nil)			
Shares issued fully paid in cash	6.2 & 6.3	1,593,342,690	-
		5,517,642,690	3,924,300,000

6.1 313,423,184 shares (2011: 313,423,184 shares) are held by Azgard Nine Limited ("ANL") (holding company) as of reporting date. ANL signed a Share Transfer and Debt Swap Agreement dated 12 April 2012 and First Supplemental Agreement dated subsequent to year end for the sale of its entire shareholding to a consortium of banks and financial institutions.

6.2 During the year, the Company issued 11% local currency non-voting cumulative preference shares at the rate of Rs. 10 per share.

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

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

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

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

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

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

		2012 Rupees	2011 Rupees
7	Reserves		
	Revenue reserve	9,000,000	9,000,000
8	Surplus on revaluation of fixed assets		
	As at beginning of the year	4,105,671,174	4,263,591,515
	Transfer to unappropriated profit in respect of incremental depreciation charged for the year net of tax	(161,423,450)	(157,920,341)
	As at end of the year	3,944,247,724	4,105,671,174
9	Subordinated loan - unsecured		
	Subordinated loan	340,000,000	340,000,000

Notes to the Financial Statements
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9.1 This represents loan obtained by Agritech Limited from JS Infocom Limited to finance the acquisition of Hazara Phosphate Fertilizers (Private) Limited ("HPFL"). The loan carries mark-up at six months KIBOR plus a spread of 3.25% per annum (2011: six months KIBOR plus a spread of 3.25% per annum). The loan is subordinated to all long term and short term finances obtained by the Company.

	Note	2012 Rupees	2011 Rupees
10 Redeemable capital - secured			
Term Finance Certificates - I	10.3	1,498,602,000	1,498,760,400
Term Finance Certificates - II	10.4 & 10.9	6,894,286,800	6,894,480,000
Term Finance Certificates - III	10.5 & 10.10	495,345,100	495,460,751
Privately Placed Term Finance Certificates - IV	10.6 & 10.11	553,825,000	-
Privately Placed Term Finance Certificates - V	10.7	618,685,000	-
Sukkuks	10.8	1,599,800,000	1,600,000,000
		11,660,543,900	10,488,701,151
Deferred notional income	10.1	(104,991,352)	-
Transaction costs	10.2	(236,787,449)	(236,126,979)
		11,318,765,099	10,252,574,172
Current maturity presented under current liabilities	16	(92,638,456)	(612,463,130)
		11,226,126,643	9,640,111,042

10.1 This issue represents the difference between amortized cost and face value of zero-coupon Privately Placed Term Finance Certificates - IV with three year maturity (note 10.6). Amortized cost has been determined using effective interest rate of 13.76% per annum being the weighted average rate of return on Redeemable Capital. Movement is as follows:

	2012 Rupees	2011 Rupees
Deferred notional income		
As at beginning of the year	-	-
Occurred during the year	133,876,208	-
Amortized during the year	(28,884,856)	-
As at end of the year	104,991,352	-

10.2 Transaction costs

	2012 Rupees	2011 Rupees
As at beginning of the year	236,126,979	127,549,317
Incurred during the year	60,132,643	140,483,183
Amortized during the year	(59,472,173)	(31,905,521)
As at end of the year	236,787,449	236,126,979

Notes to the Financial Statements
for the year ended 30 June 2012

10.3 These have been issued by way of private placements with a consortium of investors for redemption of privately placed term finance certificates issued earlier by the Company. The total issue comprises of 300,000 certificates of Rs. 5,000 each. This issue has been rescheduled during the year by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011. The terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in fifteen unequal semi-annual installments. First two installments are 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.

Call option

The Company may redeem the TFCs by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days.

Return on TFCs

The issue carries return at six months KIBOR plus 1.75% per annum, payable semi-annually.

Trustee

In order to protect the interests of TFC holders, Pak Brunei Investment Company Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

Security

The issue is secured by charge over property, plant and equipment of the Company.

At the reporting date interest / markup amounting to Rs. 225.275 million was overdue. Refer to note 46.2.2 for details.

10.4 These have been issued by way of private placements with a consortium of investors for redemption of privately placed term finance certificates issued earlier by the Company. The total issue comprises of 1,380,000 certificates of Rs. 5,000 each. This issue has been rescheduled during the year by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011. The terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in fifteen unequal installments. First two installments are just token payments and 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.

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Call option

The Company may redeem the TFCs by way of exercise of call option by giving notice in writing to TFC holders and the Trustee of not less than thirty days. However, the call option can be exercised only after expiry of two years from the date of issue.

Return on TFCs

The issue carries return at six months KIBOR plus 1.75% per annum, payable semi-annually.

Trustee

In order to protect the interests of TFC holders, Faysal Bank Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case the Company defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

Security

The issue is secured by charge over property, plant and equipment of the Company.

At the reporting date interest / markup amounting to Rs. 506.310 million was overdue. Refer to note 46.2.2 for details.

10.5 These have been issued by way of private placements with a consortium of investors to finance the acquisition of HPFL. The total issue comprises of 100,000 certificates of Rs. 5,000 each. This issue has been rescheduled during the year by way of Second Supplemental Trust Deed entered on 26 August 2011 effective from 31 July 2011. The terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in twenty eight unequal installments. First two installments are just token payments and due on 31 October 2010 and 30 November 2010 which have been paid, remaining installments are to be paid quarterly starting from 01 September 2013.

Call option

The Company may redeem the TFCs by way of exercise of call option by giving in writing to TFC holders and the Trustee of not less than thirty days.

Return on TFCs

The issue carries return at three months KIBOR plus 3.25% per annum, payable quarterly.

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for the year ended 30 June 2012

Trustee

In order to protect the interests of TFC holders, JS Bank Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case the Company defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

Security

The issue is secured by charge over property, plant and equipment of the Company.

At the reporting date interest / markup amounting to Rs. 62.526 million was overdue. Refer to note 46.2.2 for details.

10.6 These represent restructuring of outstanding markup amounting to Rs. 553.83 million related to long term debts. The restructuring agreement was entered on 28 October 2011 effective from 01 July 2011. These were issued during the year by way of private placements with a consortium of institutional investors. The total issue comprised of 110,765 TFCs having face value of Rs. 5,000. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in seven unequal semi annual installments starting from 01 January 2012.

Call option

The Company shall be allowed to call the PPTFC in full or in multiples of PKR 500 million after the first day of issuance of PPTFC by providing a notice in writing five days before.

Return on PPTFCs

The issue carries nil return. Also refer note 10.1.

Trustee

In order to protect the interests of TFC holders, Faysal Bank Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

Security

The issue is secured by:

- ranking hypothecation charge over all present and future fixed assets of the Company; and
- ranking mortgage charge over immovable fixed assets (including land and building) of the Company.

Notes to the Financial Statements

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At the reporting date the installment of principal amounting to Rs. 0.111 million was overdue. Refer to note 46.2.2 for details.

10.7 This represents restructuring of outstanding markup amounting to Rs. 618.69 million related to long term debts into the said issue. The restructuring agreement was entered on 28 October 2011 effective from 01 July 2011. These were issued during the year by way of private placements with a consortium of institutional investors. The total issue comprised of 123,737 TFCs having face value of Rs. 5,000. The terms and conditions of the issue are as follows:

Principal redemption

A bullet repayment of principal will be made at the maturity of PPTFC. Maturity of PPTFC is 5.5 years starting from 01 July 2011.

Call option

The Company shall be allowed to call the PPTFC in full or in multiples of PKR 500 million after the first day of issuance of PPTFC by providing a notice in writing five days before.

Return on PPTFCs

The issue carries fixed return rate of 11.00% per annum, payable semi annual with first markup payment due on 01 January 2012.

Trustee

In order to protect the interests of TFC holders, Faysal Bank Limited has been appointed as Trustee for the issue under a trust deed. The trustee has the power to enforce the Company's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

Security

The issue is secured by:

- ranking hypothecation charge over all present and future fixed assets of the Company; and
- ranking mortgage charge over immovable fixed assets (including land and building) of the Company.

At the reporting date installment of principal and interest / markup amounting to Rs. 0.124 million and Rs. 33.935 million respectively were overdue. Refer to note 46.2.2 for details.

10.8 These have been issued by way of private placements with a consortium of investors to finance the balancing, modernization and replacement of Company's property, plant and equipment. The total issue comprises of 320,000 certificates of Rs. 5,000 each. This issue has been rescheduled during the year by way of Second Master Addendum to Transaction Documents entered on 26 August 2011 effective from 31 July 2011. The terms and conditions of the issue after rescheduling are as follows:

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for the year ended 30 June 2012

Principal redemption

The principal redemption of these certificates is structured to be in fifteen unequal installments. First two installments are 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.

Call option

The Company will have a call option to redeem in full all the outstanding amount of Sukkuk units. The call option will be exercisable at any time after the expiry of one year from the execution of the trust deed upon giving to the Sukkuk holders not less than thirty days notice in writing, to redeem on the following redemption date after the expiry of said notice period all of the then outstanding sukkuk units. However, the period during which the Company could exercise the call option has lapsed and currently the Company does not have call option.

Return on Sukkuks

The issue carries return at six months KIBOR plus 2% per annum, payable semi-annually.

Trustee

In order to protect the interests of Sukkuk holders, Pak Brunei Investment Company Limited has been appointed as Trustee for the issue under a trust deed. The Trustee has the power to enforce the Company's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the Sukkuk holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

Security

The issue is secured by charge over property, plant and equipment of the Company.

At the reporting date interest / markup amounting to Rs. 112.518 million was overdue. Refer to note 46.2.2 for details.

10.9 This includes 53,259 certificates of Rs. 5,000 each (2011: 53,259 certificates of Rs. 5,000 each) held by Azgard Nine Limited.

10.10 This includes 18,000 certificates of Rs. 5,000 each (2011: 18,000 certificates of Rs. 5,000 each) held by JS Infocom Limited.

10.11 This includes 4,312 certificates of Rs. 5,000 each (2011: nil) held by JS Infocom Limited.

10.12 For restrictions on title, and assets pledged as security, refer to note 48 to the financial statements.

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
11 Long term finances - secured			
Syndicate Term Finance - I	11.2	3,000,000,000	3,000,000,000
Syndicate Term Finance - II	11.3	475,000,000	475,000,000
Syndicate Term Finance - III	11.4	3,026,389,549	3,026,389,549
KASB Bank Limited - Term Finance	11.5	300,000,000	300,000,000
National Bank of Pakistan - Term Finance	11.6	632,083,735	508,384,456
Dubai Islamic Bank Limited - Term Finance	11.7	365,000,000	365,000,000
		7,798,473,284	7,674,774,005
Transaction costs	11.1	(110,299,784)	(85,330,517)
		7,688,173,500	7,589,443,488
Current maturity presented under current liabilities	16	(19,285,714)	(537,934,086)
Reclassification of Syndicate Term Finance - II to short term		(475,000,000)	(475,000,000)
		(494,285,714)	(1,012,934,086)
		7,193,887,786	6,576,509,402

11.1 Transaction costs

	2012	2011
As at beginning of the year	85,330,517	-
Incurred during the year	35,889,583	96,143,101
Amortized during the year	(10,920,316)	(10,812,584)
As at end of the year	110,299,784	85,330,517

11.2 The finance has been obtained from a consortium of banking companies to finance the revamping of operational efficiencies of the Company's plant and is secured by charge over property, plant and equipment of the Company. This facility has been again rescheduled during the year by way of Second Supplemental Syndicated Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. As per rescheduling terms principal is payable in thirteen unequal semi annual installments starting from 30 December 2013. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually.

At the reporting date interest / markup amounting to Rs. 162.011 million was overdue. Refer to note 46.2.2 for details.

11.3 The finance has been obtained from a consortium of various banking companies to finance the acquisition of Hazara Phosphate Fertilizers (Private) Limited and is secured by charge over property, plant and equipment of the Company. The finance carries mark-up at three months KIBOR plus a spread of 3.25% per annum, payable quarterly. The finance is repayable in equal quarterly installments with the first installment due after fifteen months from the date of disbursement on 28 February 2010.

Notes to the Financial Statements
for the year ended 30 June 2012

At the reporting date the installments of principal and interest / markup amounting to Rs. 287.500 million and Rs. 81.973 million respectively were overdue and accordingly the entire outstanding has been classified as current liability. Refer to note 46.2.2 for details.

11.4 The finance represents restructuring of various short term facilities and overdue letters of credit amounting to Rs. 3,026 million into long term facility. This facility has been rescheduled during the year by way of First Supplemental Syndicated Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. The finance is secured by charge over property, plant and equipment. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually. As per rescheduling terms, the loan is repayable in eight unequal semi annual installments starting from 25 September 2013.

At the reporting date interest / markup amounting to Rs. 294.928 million was overdue. Refer note 46.2.2 for details.

11.5 This term finance facility has been obtained from KASB Bank Limited to meet working capital requirements and is secured against ranking charge over fixed assets of the Company including plant, machinery & equipment (excluding land and building). This facility has been again rescheduled during the year by way of First Supplemental Term Finance Agreement entered on 26 August 2011 effective from 31 July 2011. As per rescheduling terms the principal is repayable in fourteen unequal semi annual installments starting from 30 June 2013. The finance carries mark-up at six months KIBOR plus a spread of 2.50% per annum, payable semi annually.

At the reporting date interest / markup amounting to Rs. 11.176 million was overdue. Refer to note 46.2.2 for details.

11.6 This facility has been obtained from National Bank of Pakistan to finance cost overrun for successful completion and commissioning of revamp project and is secured against ranking charge over fixed assets of the Company including plant, machinery & equipment (excluding land, building). This facility has been rescheduled during the year effective from 20 August 2011. As per financing agreement terms the principal is repayable in eight equal semi annual installments starting from 08 November 2013. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually.

At the reporting date interest amounting to Rs. 104.356 million was overdue. Refer to note 46.2.2 for details.

11.7 This term finance represents restructuring of short term Istisna facility amounting to Rs. 365 million into long term facility during last year under the restructuring agreement entered on 07 June 2011. The finance is secured by charge over property, plant and equipment. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually. The loan is repayable in six unequal semi annual installments starting from 01 December 2013.

11.8 For restrictions on title, and assets pledged as security, refer to note 48 to the financial statements.

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
12 Liabilities against assets subject to finance lease - secured			
Present value of minimum lease payments	12.1 & 12.2	144,331,119	195,650,278
Current maturity presented under current liabilities	12.2 & 16	(68,136,123)	(55,212,125)
		76,194,996	140,438,153

12.1 These represent vehicles and machinery acquired under finance lease arrangements and are secured by lien over documents of title, specific charge over leased assets and registration of leased vehicles jointly in the name of the Company and that of the lessor. Rentals are payable monthly / quarterly. The leases are priced at interest rates ranging from three to six months KIBOR plus a spread of 2% to 3.5% per annum (2011: three to six months KIBOR plus a spread of 2% to 3% per annum). Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option.

12.2 The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

	2012 Rupees	2011 Rupees
Not later than one year	83,133,933	84,518,155
Later than one year but not later than five years	81,070,553	166,793,544
Total future minimum lease payments	164,204,486	251,311,699
Finance charge allocated to future periods	(19,873,367)	(55,661,421)
Present value of future minimum lease payments	144,331,119	195,650,278
Not later than one year	(68,136,123)	(55,212,125)
Later than one year but not later than five years	76,194,996	140,438,153

13 Long term payables - unsecured

This represents amount payable to a contractor whose claim is pending with arbitrator. Refer to note 20.1.1 for details.

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
14 Staff retirement benefits	14.1	10,987,413	22,998,024
14.1 Balance sheet liability			
Present value of defined benefit obligations	14.1.1	50,100,471	38,062,318
Fair value of plan assets	14.1.2	(36,557,160)	(15,428,257)
Deficit		13,543,311	22,634,061
Unrecognized actuarial (loss) / gain	14.1.5	(2,555,898)	363,963
		10,987,413	22,998,024
14.1.1 Movement in liability for defined benefit obligations			
Present value of defined benefit obligations as at 01 July		38,062,318	34,103,594
Current service cost		5,591,597	4,316,999
Interest cost for the year		5,276,652	3,777,374
Benefit paid during the year		(1,483,636)	(62,444)
Actuarial loss / (gain) on present value of defined benefit obligation		2,653,540	(4,073,205)
Present value of defined benefit obligation as at 30 June		50,100,471	38,062,318
14.1.2 Movement in fair value of plan assets			
Fair value of plan assets as at 01 July		15,428,257	14,960,335
Expected return on plan assets for the year		2,159,956	1,795,240
Contribution during the year		20,000,000	-
Benefits paid		(764,732)	(62,444)
Actuarial loss on plan assets		(266,321)	(1,264,874)
Fair value of plan assets as at 30 June		36,557,160	15,428,257
14.1.3 Actual return on plan assets			
Expected return on plan assets		2,159,956	1,795,240
Actuarial loss on plan assets		(266,321)	(1,265,874)
		1,893,635	529,366
14.1.4 Plan assets consist of the following:			
Equity instruments		7,103,472	2,707,656
Bank deposits		66,010,848	12,720,601
		73,114,320	15,428,257
14.1.5 Movement in unrecognized actuarial (losses) / gains			
Unrecognized actuarial gain / (loss) as at 01 July		363,963	(2,444,368)
Actuarial (loss) / gain arising during the year		(2,919,861)	2,808,331
Unrecognized actuarial loss as at 30 June		(2,555,898)	363,963

Notes to the Financial Statements
for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
14.1.6 Charge for the year		
Current service cost for the year	5,591,597	4,316,999
Interest cost for the year	5,276,652	3,777,374
Expected return on plan assets	(2,159,956)	(1,795,240)
Amount chargeable to profit and loss	8,708,293	6,299,133

14.1.7 Historical information

	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of defined benefit obligations	50,100,000	38,062,000	31,478,000	22,662,000
Fair value of plan assets	36,557,000	15,428,000	14,960,000	15,520,000
Deficit in the plan	13,543,000	22,634,000	16,518,000	7,142,000
Experience adjustment arising on plan liabilities	2,885,000	(4,073,000)	3,037,000	(3,783,000)
Experience adjustment arising on plan assets	(266,000)	(1,265,000)	(1,307,000)	(1,884,000)

14.1.8 Assumptions used for valuation of defined benefit schemes:

		2012	2011
Discount rate	Per annum	14%	14%
Expected return on plan assets	Per annum	13%	13%
Expected rates of salary increase in future	Per annum	12%	12%
Average expected remaining life of employees	Number of years	13 years	13 years

14.1.9 The Company expects to charge Rs. 6.836 million to profit and loss account on account of defined benefit plan in 2013.

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
15 Deferred taxation - net			
The liability for deferred taxation comprises temporary differences relating to:			
Deferred tax liability arising on			
Accelerated tax depreciation		4,804,055,193	2,166,364,224
Revaluation of fixed assets		4,403,148,094	4,360,076,660
Finance lease transactions		92,037,671	58,688,638
Deferred tax asset arising on			
Trade debtors		(15,306,680)	(16,563,777)
Provision for gratuity		(4,417,555)	(918,918)
Minimum taxation		(112,755,037)	(65,444,878)
Unabsorbed tax credits	15.1	(6,465,271,210)	(3,528,544,732)
Net liability recognized in balance sheet		2,701,490,476	2,973,657,217

15.1 Tax loss on account of unabsorbed depreciation and business loss amounting to Rs. 16,524.76 million and Rs. 1,947.45 million respectively is available to the Company's credit. Deferred tax asset in respect thereof has been recognized as availability of sufficient taxable profits in future tax years to absorb such loss is expected.

	Note	2012 Rupees	2011 Rupees
16 Current maturity of non-current liabilities			
Redeemable capital	10	92,638,456	612,463,130
Long term finances	11	494,285,714	1,012,934,086
Liabilities against assets subject to finance lease	12	68,136,123	55,212,125
		655,060,293	1,680,609,341

17 Short term borrowings

These represent short term finances utilized under mark-up arrangements from banking companies.

	Note	2012 Rupees	2011 Rupees
Secured			
Running finance	17.1	1,950,673,344	1,880,299,373
Cash finance	17.1	128,100,000	83,916,891
Finance against trust receipt	17.1	182,605,216	63,808,685
Morabaha	17.1	851,638,600	875,000,000
Demand finance	17.1 & 17.2	225,000,000	266,411,053
		3,338,017,160	3,169,436,002

Notes to the Financial Statements
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17.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over current assets of the Company, pledge of stocks and personal guarantees of Directors of the Company.

These finances carry markup at rates ranging from one to six months KIBOR plus a spread of 1.5% to 4.0% per annum (2011: three to six months KIBOR plus a spread of 1.5% to 4.5% per annum), payable quarterly.

The aggregate available short term funded facilities amount to Rs. 3,694 million (2011: Rs. 3,379 million) out of which Rs. 356 million (2011: Rs. 210 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit / guarantee amount to Rs. 2,995 million (2011: Rs. 3,297 million) of which the limits remaining unutilized as at the reporting date amount to Rs. 2,148 million (2011: Rs. 795 million).

17.2 This finance represents restructuring of various past due bills. The Company, during the year, repaid Rs. 66.603 million out of Rs. 266.411 million. The remaining amount of Rs. 199.808 million along with various past due bills amounting to Rs. 25.192 million were restructured on 25 November 2011. As a result of restructuring, the Company was allowed to repay the loan amount in five equal monthly installments starting from 28 February 2012 and ending on 30 June 2012.

17.3 For restrictions on title, and assets pledged as security, refer to note 48 to the financial statements.

17.4 At the reporting date principal and interest amounting to Rs. 700.734 million and Rs. 196.298 million respectively were overdue. Refer note 46.2.2 for details.

	Note	2012 Rupees	2011 Rupees
18 Trade and other payables			
Trade creditors		866,739,296	859,558,655
Bills payable	18.1	748,378,950	741,178,774
Accrued liabilities		201,625,811	107,017,123
Security deposits and retention money		40,013,864	38,668,461
Advances from customers		317,550,762	812,094,099
Tax deducted at source		44,783,989	8,987,474
Federal Excise Duty		237,737	1,140,753
Sales Tax payable		77,620,743	38,069,613
Payable to Provident Fund Trust	18.2	5,253,674	285,090
Workers' Profit Participation Fund	18.3	16,667,660	9,853,226
Workers' Welfare Fund	18.4	4,510,573	8,030,374
Other payables		72,115,289	71,665,643
		2,395,498,348	2,696,549,285

18.1 At the reporting date bills amounting to Rs. 767.488 million were overdue. Refer note 46.2.2 for details.

Notes to the Financial Statements
for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
18.2	Payable to Provident Fund Trust			
	As at the beginning of the year		285,090	84,551,940
	Addition during the year		39,517,609	42,885,052
	Interest on funds utilized by the Company	18.2.1	193,987	11,320,982
	Paid to provident fund trust during the year		(34,743,012)	(138,472,884)
	As at end of the year		5,253,674	285,090

18.2.1 Interest on outstanding liability towards fund is charged at 18% per annum (2011: 18% per annum). Refer note 46.2.2 for details.

		Note	2012 Rupees	2011 Rupees
18.3	Workers' Profit Participation Fund ("WPPF")			
	As at the beginning of the year		9,853,226	14,406,184
	Charged to profit or loss for the year		18,661,644	9,853,226
	Paid during the year		(9,853,226)	(14,406,184)
	As at end of the year		18,661,644	9,853,226
18.4	Workers Welfare Fund ("WWF")			
	As at the beginning of the year		8,030,374	5,758,402
	Charged to profit or loss for the year		344,209	3,864,010
	Paid during the year		(3,864,010)	(1,592,038)
	As at end of the year		4,510,573	8,030,374

19 Interest / mark-up accrued on borrowings

	Note	2012 Rupees	2011 Rupees
Redeemable capital - secured	19.1	1,522,910,243	2,009,469,652
Long term loan - secured		1,030,961,582	959,101,550
Short term loan - secured		403,144,275	415,952,121
Subordinate loan - unsecured		169,603,364	115,372,594
		3,126,619,464	3,499,895,917

19.1 These include mark-up of nil (2011: nil) on TFCs held by Azgard Nine Limited (see note 10.9).

Notes to the Financial Statements
for the year ended 30 June 2012

20 Contingencies and commitments

20.1 Contingencies

20.1.1 A contractor's claim amounting to Rs. 839.510 million (2011: Rs. 839.510 million) against the Company was not acknowledged as debt since the Company also has a counter claim amounting to Rs. 2,556.02 million (2011: Rs. 2,556.02 million) against the contractor. The claim is under settlement with arbitrator. The management expects a favorable decision.

20.1.2 Some ex-employees of the Company have filed a petition demanding the benefits of golden hand shake scheme which was introduced in 1997. The Company estimates liability amounting to Rs. 8 million in case the decision is made against it. The management claims that no benefits are payable to the petitioners under the said scheme and is of the view that the decision will be made in the Company's favor.

20.1.3 Certain cases against the Company are pending before labour courts, where the claim cannot be quantified and ascertained at this stage.

20.1.4 The Company has filed a Civil Suit number 2341 before the Islamabad High Court impugning the decision of Government of Pakistan (Ministry of Industries, Production & Special Initiatives) dated 02 March 2007 wherein it was communicated that since the Company commenced its operations with effect from 13 September 1998 therefore the ten years period for the subsidized rate of feedstock gas under the 1989 Fertilizer Policy shall end on 12 September 2008. The Company has contended that the Government granted subsidy to other fertilizer companies from the date of their “commercial operations” and is therefore bound under constitutional law to equal treatment and non-discrimination against the Company. The commercial operations of the Company commenced on 29 November 1999 therefore the subsidized period of ten years shall end on 28 November 2009. Through an order dated 09 September 2008 (passed in C. M. No. 697 of 2008) the Islamabad High Court has restrained the Oil & Gas Regulatory Authority from notifying an increase in the (subsidized) feedstock gas price subject to Company depositing Cash of Rs. 36 million and bank guarantee of Rs. 108 million with Islamabad High Court which has been deposited by the Company. The Company has a very strong arguable case and there is every likelihood of success, therefore no provision of an amount of Rs. 953 million (2011: Rs. 953 million) has been made.

20.1.5 C. R. number 66/2008 title WAPDA versus Agritech Limited. The said reference is pending before the honorable high court, where in, WAPDA has assailed the order dated 12 May 2005 passed by the Additional District and Sessions Judge, Mianwali, in favor of the Company. Through the order dated 12 May 2005, it was held that the Company was not liable to pay an amount Rs. 2.238 million as demanded by WAPDA. The claim is under settlement with arbitrator. The management expects a favorable decision.

20.1.6 Guarantees given by banks on behalf of the Company as at the reporting date amount to Rs. 196.3 million (2011: Rs. 196.3 million).

20.2 Commitments

There are no commitments at the balance sheet date (2011: nil).

	Note	2012 Rupees	2011 Rupees
21 Property, plant and equipment			
Operating fixed assets	21.1	37,156,269,276	24,479,320,011
Capital work in progress	21.2	41,675,835	11,804,100,050
		37,197,945,111	36,283,420,061

Notes to the Financial Statements
for the year ended 30 June 2012

21.1 Operating fixed assets

	2012													
	Cost / revalued amount							Depreciation						
	As at 01 July 2011	Additions	Disposals	Adjustment	Reclassification from assets held for sale (note - 25)	As at 30 June 2012	Useful lives in years	As at 01 July 2011	For the year	On disposals	Adjustment	Reclassification from assets held for sale (note - 25)	As at 30 June 2012	Net book value as at 30 June 2012
	Rupees							Rupees						Rupees
Owned assets														
Freehold land														
- cost	82,786,373	-	-	-	-	82,786,373		-	-	-	-	-	-	82,786,373
- revaluation	2,322,367,677	-	-	-	-	2,322,367,677		-	-	-	-	-	-	2,322,367,677
	2,405,154,050	-	-	-	-	2,405,154,050		-	-	-	-	-	-	2,405,154,050
Buildings on freehold land														
- cost	1,254,293,538	96,869,812	-	-	-	1,351,163,350	50	415,931,078	24,771,346	-	-	-	440,702,424	910,460,926
- revaluation	1,217,976,192	-	-	-	-	1,217,976,192	50	78,136,871	26,308,145	-	-	-	104,445,016	1,113,531,176
	2,472,269,730	96,869,812	-	-	-	2,569,139,542		494,067,949	51,079,491	-	-	-	545,147,440	2,023,992,102
Plant and machinery														
- cost	11,979,522,576	12,570,630,300	-	-	674,473,491	25,224,626,367	50	4,274,248,103	425,907,382	-	-	382,310,849	5,082,466,334	20,142,160,033
- revaluation	11,641,343,598	-	-	-	646,727,759	12,288,071,357	50	538,563,958	267,039,663	-	-	225,797,843	1,031,401,464	11,256,669,893
	23,620,866,174	12,570,630,300	-	-	1,321,201,250	37,512,697,724		4,812,812,061	692,947,045	-	-	608,108,692	6,113,867,798	31,398,829,926
Residential colony assets														
- cost	14,649,316	4,603	-	-	-	14,653,919	3-20	10,010,075	534,882	-	-	-	10,544,957	4,108,962
- revaluation	226,043,586	-	-	-	-	226,043,586	3-20	11,721,237	4,520,872	-	-	-	16,242,109	209,801,477
	240,692,902	4,603	-	-	-	240,697,505		21,731,312	5,055,754	-	-	-	26,787,066	213,910,439
Road, bridges and culverts	88,857,450	-	-	-	-	88,857,450	20	9,218,037	1,752,281	-	-	-	10,970,318	77,887,132
Furniture, fixtures and office equipment	68,621,399	16,635,142	-	-	-	85,256,541	3-10	52,191,606	5,758,528	-	-	-	57,950,134	27,306,407
Vehicles and rail transport	104,933,210	2,917,000	-	-	-	107,850,210	4	100,336,872	352,406	-	-	-	100,689,278	7,160,932
Tools and other equipment	191,837,353	182,890	-	-	-	192,020,243	3-10	183,455,920	1,319,298	-	-	-	184,775,218	7,245,025
Electrical and other installations	1,341,492,970	154,488	-	-	-	1,341,647,458	20	746,007,745	26,977,265	-	-	-	772,985,010	568,662,448
Plantation	296,476	-	-	-	-	296,476		296,476	-	-	-	-	296,476	-
Books and literature	926,479	-	-	-	-	926,479	10	626,023	66,801	-	-	-	692,824	233,655
Catalyst	111,144,268	16,694,624	-	-	-	127,838,892	3	111,144,268	927,480	-	-	-	112,071,748	15,767,144
	30,647,092,461	12,704,088,859	-	-	1,321,201,250	44,672,382,570		6,531,888,269	786,236,349	-	-	608,108,692	7,926,233,310	36,746,149,260
Assets subject to finance lease														
Plant and machinery	343,460,740	137,816,930	-	(68,692,148)	-	412,585,522	20	23,230,079	10,059,422	-	(5,332,698)	-	27,956,803	384,628,719
Vehicles	79,517,303	70,000	(11,116,349)	-	-	68,470,954	4	35,632,145	15,087,585	(7,740,073)	-	-	42,979,657	25,491,297
	422,978,043	137,886,930	(11,116,349)	(68,692,148)	-	481,056,476		58,862,224	25,147,007	(7,740,073)	(5,332,698)	-	70,936,460	410,120,016
2012	31,070,070,504	12,841,975,789	(11,116,349)	(68,692,148)	1,321,201,250	45,153,439,046		6,590,750,493	811,383,356	(7,740,073)	(5,332,698)	608,108,692	7,997,169,770	37,156,269,276

21.1.1 Certain assets in plant and machinery are idle that have been reclassified from non-current assets held for sale. Depreciation has been charged on these assets in accordance with International Accounting Standard on Property, plant and equipment (IAS - 16).

Notes to the Financial Statements
for the year ended 30 June 2012

21.1.2 Operating fixed assets

	2011													
	Cost / revalued amount							Depreciation						
	As at 01 July 2010	Additions	Disposals	Transfers	Reclassification to assets held for sale	As at 30 June 2011	Useful lives in years	As at 01 July 2010	For the year	On disposals	Reclassification to assets held for sale	As at 30 June 2011	Net book value as at 30 June 2011
	Rupees							Rupees					Rupees
Owned assets													
Freehold land													
- cost	82,786,373	-	-	-	-	82,786,373		-	-	-	-	-	82,786,373
- revaluation	2,322,367,677	-	-	-	-	2,322,367,677		-	-	-	-	-	2,322,367,677
	2,405,154,050	-	-	-	-	2,405,154,050		-	-	-	-	-	2,405,154,050
Buildings on freehold land													
- cost	1,251,934,914	2,358,624	-	-	-	1,254,293,538	50	392,558,998	23,372,080	-	-	415,931,078	838,362,460
- revaluation	1,217,976,192	-	-	-	-	1,217,976,192	50	51,828,726	26,308,145	-	-	78,136,871	1,139,839,321
	2,469,911,106	2,358,624	-	-	-	2,472,269,730		444,387,724	49,680,225	-	-	494,067,949	1,978,201,781
Plant and machinery													
- cost	12,618,204,569	4,006,655	(404,453)	32,189,296	(674,473,491)	11,979,522,576	50	4,412,474,052	244,415,251	(330,351)	(382,310,849)	4,274,248,103	7,705,274,473
- revaluation	12,288,071,357	-	-	-	(646,727,759)	11,641,343,598	50	502,711,536	261,650,265	-	(225,797,843)	538,563,958	11,102,779,640
	24,906,275,926	4,006,655	(404,453)	32,189,296	(1,321,201,250)	23,620,866,174		4,915,185,588	506,065,516	(330,351)	(608,108,692)	4,812,812,061	18,808,054,113
Residential colony assets													
- cost	14,649,316	-	-	-	-	14,649,316	3-20	9,471,941	538,134	-	-	10,010,075	4,639,241
- revaluation	226,043,586	-	-	-	-	226,043,586	3-20	7,200,365	4,520,872	-	-	11,721,237	214,322,349
	240,692,902	-	-	-	-	240,692,902		16,672,306	5,059,006	-	-	21,731,312	218,961,590
Road, bridges and culverts	88,857,450	-	-	-	-	88,857,450	20	7,465,756	1,752,281	-	-	9,218,037	79,639,413
Furniture, fixtures and office equipment	67,336,410	2,392,376	(1,107,387)	-	-	68,621,399	3-10	47,236,271	5,620,455	(665,120)	-	52,191,606	16,429,793
Vehicles and rail transport	103,472,250	1,462,000	(1,040)	-	-	104,933,210	4	100,143,333	194,578	(1,039)	-	100,336,872	4,596,338
Tools and other equipment	190,730,647	1,109,995	(3,289)	-	-	191,837,353	3-10	182,121,556	1,335,378	(1,014)	-	183,455,920	8,381,433
Electrical and other installations	1,341,117,404	375,566	-	-	-	1,341,492,970	20	719,294,556	26,713,189	-	-	746,007,745	595,485,225
Plantation	296,476	-	-	-	-	296,476		296,476	-	-	-	296,476	-
Books and literature	926,479	-	-	-	-	926,479	10	559,197	66,826	-	-	626,023	300,456
Catalyst	111,144,268	-	-	-	-	111,144,268	3	92,055,981	19,088,287	-	-	111,144,268	-
	31,925,915,368	11,705,216	(1,516,169)	32,189,296	(1,321,201,250)	30,647,092,461		6,525,418,744	615,575,741	(997,524)	(608,108,692)	6,531,888,269	24,115,204,192
Assets subject to finance lease													
Plant and machinery	343,460,740	-	-	-	-	343,460,740	20	16,360,864	6,869,215	-	-	23,230,079	320,230,661
Vehicles	89,433,303	795,000	(10,711,000)	-	-	79,517,303	4	26,477,906	16,634,825	(7,480,586)	-	35,632,145	43,885,158
	432,894,043	795,000	(10,711,000)	-	-	422,978,043		42,838,770	23,504,040	(7,480,586)	-	58,862,224	364,115,819
2011	32,358,809,411	12,500,216	(12,227,169)	32,189,296	(1,321,201,250)	31,070,070,504		6,568,257,514	639,079,781	(8,478,110)	(608,108,692)	6,590,750,493	24,479,320,011

Notes to the Financial Statements
for the year ended 30 June 2012

21.1.3 Disposal of property, plant and equipment

	2012						
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	(Loss) / gain on disposal	Mode of disposal	Particulars of buyer
	Rupees						
Leased assets							
Vehicles							
Honda Civic LEB-08-5297	1,557,000	1,167,750	389,250	311,400	(77,850)	Company Policy	Employee
Toyota Corolla LEE-08-1623	1,014,000	726,700	287,300	202,800	(84,500)	Company Policy	Employee
Suzuki Cultus LEB-08-4534	627,000	480,700	146,300	126,400	(19,900)	Company Policy	Employee
Suzuki Cultus LEB-4283	879,000	542,050	336,950	770,000	433,050	Auction	Ali Fawad Mirza
Suzuki Cultus LEB-06-1728	595,000	594,990	10	569,286	569,276	Auction	Muhammad Ilyas
Suzuki Cultus LEB-08-5628	754,000	527,800	226,200	677,500	451,300	Auction	Muhammad Salim Sabir
Suzuki Cultus LEB-09-7958	879,000	586,000	293,000	165,800	(127,200)	Company Policy	Employee
Suzuki Cultus LEB-09-6905	879,000	586,000	293,000	165,800	(127,200)	Company Policy	Employee
Suzuki Cultus LEB-08-7459	596,267	397,511	198,756	117,098	(81,658)	Company Policy	Employee
Suzuki Cultus LEB-09-4282	879,000	586,000	293,000	175,800	(117,200)	Company Policy	Employee
Suzuki Cultus LEB-08-4767	643,267	428,844	214,423	128,400	(86,023)	Company Policy	Employee
Suzuki Cultus LEB-09-6024	879,000	586,000	293,000	165,800	(127,200)	Company Policy	Employee
Suzuki Cultus LEC-08-9569	934,815	529,728	405,087	809,000	403,913	Auction	Rashid Saleem
2012	11,116,349	7,740,073	3,376,276	4,385,084	1,008,808		
2011	12,227,169	8,478,110	3,749,059	4,244,752	495,693		

Notes to the Financial Statements
for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
21.1.4	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	34	805,008,897	632,450,112
	Administrative and general expenses	36	6,126,263	6,380,179
	Income from experimental farms	38.3	248,196	249,490
			811,383,356	639,079,781

21.2 Capital work in progress

	2012			
	As at 01 July 2011 Rupees	Additions Rupees	Transfers Rupees	As at 30 June 2012 Rupees
Building	96,544,221	-	(96,377,236)	166,985
Plant and machinery	11,707,555,829	889,183,925	(12,555,230,904)	41,508,850
	11,804,100,050	889,183,925	(12,651,608,140)	41,675,835

	2011			
	As at 01 July 2010 Rupees	Additions Rupees	Transfers Rupees	As at 30 June 2011 Rupees
Building	39,694,023	56,850,198	-	96,544,221
Plant and machinery	8,048,340,120	3,716,537,215	(57,321,506)	11,707,555,829
	8,088,034,143	3,773,387,413	(57,321,506)	11,804,100,050

21.2.1 Additions to capital work in progress include borrowing costs of Rs. 345.782 million (2011: Rs. 729.785 million) relating to specific borrowings and Rs. 457.681 million (2011: Rs. 902.691 million) relating to general borrowings capitalized at annual capitalization rate of 15.41% per annum (2011: 15.50% per annum) and also include salaries and other directly attributable expenses of Rs. 24.488 million (2011: Rs. 165.401 million).

	Note	2012 Rupees	2011 Rupees
22 Intangible assets			
Oracle computer software and implementation	22.1	30,942,835	-
Work in progress		-	25,132,210
Goodwill acquired in business combination	22.2	2,567,310,828	2,567,310,828
		2,598,253,663	2,592,443,038

Notes to the Financial Statements
for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
22.1	Oracle computer software and implementation			
	Cost		32,288,176	-
	Amortization	22.1.1	(1,345,341)	-
	As at 30 June		30,942,835	-
	Rate of amortization		25%	-

22.1.1 The software represents financial accounting software which has been capitalized during the current year. The amortization of the software represents the total amortization charged during the current year which is equal to accumulated amortization.

22.2 Azgard Nine Limited ("ANL") acquired 100% shares in the Company on 15 July 2006, inclusive of shares offered to the employees of the Company, which were divested by the employees in favor of ANL. As permitted by the terms and conditions of privatization for the purpose of raising finance ANL formed a wholly owned subsidiary; Dominion Fertilizers (Private) Limited ("DFL"). By virtue of agreement ANL transferred 69.19% shares in the Company to DFL, which were later reverted back to ANL on merger of DFL into the Company under the court order dated 07 December 2006 and as such effectively, ANL continued to hold 100% shares since acquisition.

This goodwill represents the excess of purchase consideration paid by ANL to the Privatization Commission of Pakistan for acquisition of the Company over DFL interest in the fair value of identifiable net assets of the Company. The amount of goodwill was transferred to the Company on merger of DFL into the Company.

The Company assessed the recoverable amount as at 30 June 2012 and determined that as of this date there is no impairment of Goodwill. The recoverable amount was calculated on the basis of fair value less costs to sell. Fair value has been determined by considering the price which has been agreed between the Holding Company and the purchasers being the consortium of banks and financial institutions under the Share Transfer & Debt Swap Agreement dated 12 April 2012 and First Supplemental Agreement signed subsequent to year end.

	Note	2012 Rupees	2011 Rupees
23 Long term advances - considered good			
Advances to employees - unsecured	23.1 & 23.3	27,536,359	25,145,332
Advances to employees - secured	23.2	5,777,384	11,776,004
		33,313,743	36,921,336
Current maturity presented under current assets	29	(8,016,652)	(8,257,412)
		25,297,091	28,663,924

23.1 These represent interest free soft loans provided to employees of the Company in accordance with the Company policy.

Notes to the Financial Statements
for the year ended 30 June 2012

23.2 These represent loans provided to employees of the Company against future salaries and retirement benefits and carry mark-up at one half of six months KIBOR per annum (2011: one half of six months KIBOR per annum).

23.3 These include advances to executives amounting to Rs. 5,929,079 (2011: Rs. 14,630,284).

23.4 The above advances are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, in view of large number of advances, it is impracticable to determine amortized cost of each advance. Further, taking into account the carrying amount of advances as at the reporting date, difference between the amortized cost and carrying amount of these advances is not considered to be material.

	Note	2012 Rupees	2011 Rupees
24 Long term deposits - unsecured, considered good			
Deposits against finance lease	24.1	7,962,800	10,039,677
Security deposits with utility companies	24.2	33,656,409	6,428,111
		41,619,209	16,467,788

24.1 These have been deposited with various banking companies and financial institutions against assets subject to finance lease.

24.2 These mainly include security deposits with Water and Power Development Authority and Sui Northern Gas Pipelines Limited. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these being held for an indefinite period with no fixed maturity date, are carried at cost as its amortized cost is impracticable to determine.

25 Non-current assets held for sale

Three compressors and related equipment ("equipments") were replaced by the Company as a part of revamp project of the plant. These equipments were disclosed as non-current assets held for sale as it was management's intention to sell these equipments. However, management was unable to find a suitable buyer to date, and consequently these equipments have been reclassified to property, plant and equipment during the current year.

	Note	2012 Rupees	2011 Rupees
Carrying value:			
- cost	21.1	292,162,642	292,162,642
- related revaluation surplus	21.1	420,929,916	420,929,916
		713,092,558	713,092,558
Less			
reclassified to property, plant and equipment		(713,092,558)	-
		-	713,092,558

Notes to the Financial Statements
for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
26 Stores, spares and loose tools		
Stores	179,115,147	172,155,054
Spares	1,926,574,644	1,888,831,247
Loose tools	1,041,302	1,047,494
	2,106,731,093	2,062,033,795

26.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	2012 Rupees	2011 Rupees
27 Stock in trade		
Raw material	66,007,800	99,714,852
Packing material	43,282,784	23,904,934
Work in process	231,499,635	49,995,045
Finished goods		
- own manufactured	323,518,619	245,335,496
- trading stock	3,629,910	-
	667,938,748	418,950,327

27.1 Details of stock in trade pledged as security are referred to in note 48 to the financial statements.

	2012 Rupees	2011 Rupees
28 Trade receivables		
Considered good - unsecured	12,739,838	68,801,870
Considered doubtful - unsecured	43,733,372	47,325,078
	56,473,210	116,126,948
Less: provision for doubtful balances	(43,733,372)	(47,325,078)
	12,739,838	68,801,870
28.1 Movement in provision for doubtful balances		
As at the beginning of the year	47,325,078	-
Provision for the year	10,721,857	47,325,078
Recovered during the year	(14,313,563)	-
As at end of the year	43,733,372	47,325,078

Notes to the Financial Statements
for the year ended 30 June 2012

29 Advances, deposits, prepayments and other receivables

	Note	2012 Rupees	2011 Rupees
Advances to suppliers - unsecured, considered good		136,349,097	258,624,823
Advances to employees - unsecured, considered good			
- against salaries and post employment benefits	23	8,016,652	8,257,412
- against purchases and expenses		8,263,073	15,007,408
Accrued mark-up	29.1	68,579,206	125,521,696
Deposit with High Court	20.1.4	36,000,000	36,000,000
Prepayments		5,758,401	3,151,899
Sales tax receivable		3,532,619	12,602,946
Subsidy receivable	29.2	550,823,960	550,823,960
Other receivables		19,088,251	12,628,527
		836,411,259	1,022,618,671

29.1 This represents mark-up on short term loan given to Azgard Nine Limited. See note 30.

29.2 This represents receivable from Government of Pakistan against subsidy notified by Ministry of Food, Agriculture, and Livestock on production of Granulated Single Super Phosphate fertilizer @ Rs. 19,120 per metric ton. This subsidy regime was discontinued in April 2009 by the Government of Pakistan.

30 Due from related party - unsecured, considered good

These include the following:

	Note	2012 Rupees	2011 Rupees
Due from Azgard Nine Limited	30.1	286,395,126	317,158,570

30.1 This represents short term loan to Azgard Nine Limited and carries mark-up at 15.50% per annum (2011: 15.50% per annum).

31 Current taxation

	2012 Rupees	2011 Rupees
As at beginning of the year	112,880,472	159,638,163
Paid / deducted at source during the year	49,549,240	64,435,482
Provision for the year	(60,969,156)	(51,785,881)
Adjustments and refunds	(46,270,646)	(59,407,292)
As at end of the year	55,189,910	112,880,472

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
32 Cash and bank balances			
Cash in hand		658,941	663,757
Cash at banks			
- current accounts		197,830,935	92,611,834
- saving accounts	32.1	18,944,669	27,587,210
		216,775,604	120,199,044
		217,434,545	120,862,801

32.1 Rate of return on saving accounts ranges from 5% to 6% per annum (2011: 5% to 6% per annum).

	2012 Rupees	2011 Rupees
33 Sales - net		
Sale of fertilizers		
- own manufactured	6,205,239,215	5,395,791,306
- trading stock	408,746,102	49,415,283
Other products - own manufactured	133,086,175	43,309,412
	6,747,071,492	5,488,516,001
Sales tax	(929,330,401)	(248,250,722)
Trade discounts	(120,676,930)	(91,103,040)
	5,697,064,161	5,149,162,239

Notes to the Financial Statements

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	Note	2012 Rupees	2011 Rupees
34 Cost of sales			
Raw and packing material consumed		1,850,116,406	1,431,021,729
Salaries, wages and other benefits	34.1	665,112,238	508,056,571
Fuel and power		445,334,558	384,227,939
Stores, spares and loose tools consumed		191,270,884	323,704,881
Traveling, conveyance and entertainment		3,996,857	6,711,289
Rent, rates and taxes		429,642	1,402,730
Insurance		80,692,022	126,316,810
Repair and maintenance		23,510,026	15,255,345
Research and development		106,000	100,150
Depreciation		805,008,897	632,450,112
Printing and stationery		1,234,580	1,468,080
Communication		6,026,711	4,918,986
Loader charges		6,860,465	6,898,183
Handling charges		12,633,393	14,430,919
Contract services		9,045,746	8,611,324
Others		54,892,342	50,366,082
		4,156,270,767	3,515,941,130
Opening work-in-process		49,995,045	65,837,221
Closing work-in-process		(231,499,635)	(49,995,045)
		(181,504,590)	15,842,176
Cost of goods manufactured		3,974,766,177	3,531,783,306
Finished goods			
As at beginning of the year		234,977,783	296,565,183
As at end of the year		(323,518,619)	(234,977,783)
		(88,540,836)	61,587,400
Cost of goods sold - own manufactured		3,886,225,341	3,593,370,706
Cost of goods sold - trading stock			
- cost of purchase including ancillary costs		333,019,221	112,377,351
		4,219,244,562	3,705,748,057

34.1 These include charges in respect of employees retirement benefits amounting to Rs. 7.040 million (2011: Rs. 6.931 million) and Rs 12.729 million (2011: Rs. 12.064 million) on account of gratuity and provident fund respectively.

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
35 Selling and distribution expenses			
Salaries and benefits	35.1	75,433,875	56,827,879
Freight and other expenses		112,202,988	155,479,549
Communication		1,014,568	1,086,310
Traveling		13,108,297	11,123,940
Advertisement and marketing		1,417,280	2,016,964
Rent, rates and taxes		96,744	7,340,646
Vehicle running and maintenance		585,813	1,619,944
Printing and stationery		310,211	354,645
Security services		2,246,667	4,740,000
Miscellaneous		7,181,721	3,922,090
		213,598,164	244,511,967

35.1 These include charges in respect of employees retirement benefits amounting to Rs. 0.939 million (2011: Rs. 0.068 million) and Rs. 2.077 million (2011: Rs. 1.993 million) on account of gratuity and provident fund respectively.

	Note	2012 Rupees	2011 Rupees
36 Administrative and general expenses			
Salaries and other benefits	36.1	290,340,324	167,332,817
Traveling, conveyance and entertainment		17,545,843	12,246,921
Rent, rates and taxes		437,244	7,886,781
Printing and stationery		3,525,600	2,046,270
Communication		3,428,955	3,147,527
Legal and professional charges	36.2	173,797,220	45,083,517
Depreciation		6,126,263	6,380,179
Amortization of computer software		1,345,341	-
Guest house expenses		971,686	1,300,161
Head office expenses		369,338	6,294,036
Utilities		5,300,329	4,543,782
Repair and maintenance		3,673,560	4,725,712
Insurance expenses		483,356	397,280
Security services		11,735,008	12,291,579
Others		10,801,327	9,258,265
		529,881,394	282,934,827

36.1 These include charges in respect of employees retirement benefits amounting to Rs. 157.113 million (2011: Rs. 0.648 million) and Rs. 3.274 million (2011: Rs. 3.764 million) on account of gratuity and provident fund respectively.

Notes to the Financial Statements
for the year ended 30 June 2012

		2012 Rupees	2011 Rupees
36.2	These include following in respect of auditors' remuneration:		
	Annual statutory audit	2,800,000	1,700,000
	Report on financial statements	-	250,000
	Review report under Code of Corporate Governance	60,000	50,000
	Interim audits and certifications	2,560,000	575,000
	Out of pocket expenses	600,000	380,000
		6,020,000	2,955,000

	Note	2012 Rupees	2011 Rupees
37 Finance cost			
Interest / mark-up on:			
Subordinated loan - unsecured		54,231,770	54,835,852
Redeemable capital	37.1	1,607,377,980	1,559,940,806
Long term finances		1,215,472,820	874,166,633
Liabilities against assets subject to finance lease		20,046,989	34,158,955
Short term borrowings		564,567,583	953,355,364
Provident fund		193,988	11,320,987
		3,461,891,130	3,487,778,597
Borrowing costs capitalized		(806,136,404)	(1,632,476,738)
		2,655,754,726	1,855,301,859
Amortization of transaction costs & deferred notional income	10.2 & 11.1	99,277,345	42,718,105
Bank charges and commission		39,194,493	48,990,931
		2,794,226,564	1,947,010,895

37.1 This includes mark-up of Rs. 39.193 million (2011: Rs. 57.157 million) on TFCs held by Azgard Nine Limited and mark-up of Rs. 14.22 million (2011: Rs. 14.57 million) on TFCs held by JS Infocom Limited. See note 10.9.

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
38 Net other income / (expenses)			
Net gains / (losses) on financial instruments			
Return on bank deposits		4,263,737	1,947,735
Mark-up income on loan to related party	38.1	61,896,928	69,882,893
Reversal of markup provision		-	17,691,967
Mark-up on advances to employees		412,705	792,212
Provision for doubtful balances	28.1	(10,721,857)	(47,325,078)
Recoveries from doubtful balances	28.1	14,313,563	-
		70,165,076	42,989,729
Other income / (expenses)			
Workers' Profit Participation Fund		(16,667,660)	(9,853,226)
Workers' Welfare Fund		(75,244)	(3,864,010)
Gain on sale of property, plant and equipment	21.1.3	1,008,808	540,840
Assets written off	21	(63,359,450)	-
Notional income	10.1	133,876,208	-
Donations	38.2	-	(150,000)
Income / (loss) from experimental farm	38.3	1,650,988	(221,452)
Miscellaneous		97,627,400	4,708,871
		154,061,050	(8,838,977)
		224,226,126	34,150,752

38.1 This represents mark-up on short term loan given to Azgard Nine Limited. See note 30.

38.2 None of the directors or their spouses had any interest in respect of these donations.

38.3 This includes depreciation amounting to Rs. 0.248 million (2011: Rs. 0.249 million).

	Note	2012 Rupees	2011 Rupees
39 Taxation			
Current taxation	39.1	60,969,156	51,785,881
Deferred taxation		(272,166,741)	(1,106,737,496)
Prior year		3,996,356	7,461,852
Net expense		(207,201,229)	(1,047,489,763)

39.1 Provision for current tax has been made in accordance with section 113 'Minimum tax on income of certain persons' of the Income Tax Ordinance, 2001 ("the Ordinance"). There is no relationship between tax expense and accounting profit as the provision for current taxation is based on turnover tax therefore no numerical reconciliation has been presented.

39.2 Assessments up to and including tax year 2011 except for 2010 are deemed to have been finalized.

Notes to the Financial Statements
for the year ended 30 June 2012

39.3 Income tax return for tax year 2010 was filed, which subsequently has been selected for composite audit under the provisions of Income Tax Ordinance, 2001 and Sales Tax Act, 1990. The audit proceedings are in progress and management is hopeful that no additional tax liability will arise consequently.

		2012	2011
40 (Loss) / earnings per share - basic and diluted			
(Loss) / profit attributable to ordinary shareholders	(Rupees)	(1,628,459,168)	50,597,008
Weighted average number of ordinary shares outstanding during the year	(No. of shares)	392,430,000	392,430,000
(Loss) / earnings per share - basic and diluted	(Rupees)	(4.15)	0.13

The effect of conversion of preference shares into ordinary shares is anti-dilutive, accordingly the diluted LPS is restricted to basic LPS.

	2012 Rupees	2011 Rupees
41 Cash generated from operations		
Loss before taxation	(1,835,660,397)	(996,892,755)
Adjustments for non-cash and other items:		
Interest / markup expense	2,694,949,219	3,487,778,597
Amortization of transaction costs	99,277,345	42,718,105
Depreciation	811,383,356	639,079,781
Amortization of computer software	1,345,341	-
Provision for doubtful balances	10,721,857	47,325,078
Recoveries from doubtful balances	(14,313,563)	-
Notional income	(133,876,208)	-
Mark-up / interest income	(61,896,928)	(70,675,105)
Assets written off	63,359,450	-
Gain on sale of property, plant and equipment	(1,008,808)	(495,677)
	3,469,941,061	4,145,730,779
Operating profit before changes in working capital	1,634,280,664	3,148,838,024

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for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(44,697,298)	(813,068,570)
Stock in trade		(248,988,421)	18,562,928
Trade receivables		59,653,738	195,219,481
Advances, deposits, prepayments and other receivables		129,264,922	651,689,942
		(104,767,059)	52,403,781
(Decrease) / increase in current liabilities:			
Trade and other payables		(348,858,063)	1,413,241,035
Cash generated from operations		1,180,655,542	4,614,482,840

42 Cash and cash equivalents

	Note	2012 Rupees	2011 Rupees
Short term borrowings	17	(1,950,673,344)	(1,880,299,373)
Cash and bank balances	32	217,434,545	120,862,801
		(1,733,238,799)	(1,759,436,572)

43 Transactions and balances with related parties

Related parties from the Company's perspective comprise holding company, associated undertakings, key management personnel (comprising the 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 expectations as approved by the Board of Directors.

	2012 Rupees	2011 Rupees
Details of transactions and balances with related parties are as follows:		
43.1 Transactions with related parties		
43.1.1 Holding company		
Mark-up income on short term loan	61,896,928	69,882,893
Mark-up expense on redeemable capital	39,192,996	57,157,004
Temporary loan given - net	(30,763,444)	(133,848,896)

Notes to the Financial Statements
for the year ended 30 June 2012

		2012 Rupees	2011 Rupees
43.1.2	**Associates**		
	Redeemable capital	21,560,000	-
	Mark-up on subordinated loan	54,231,770	54,835,852
	Mark-up expense on redeemable capital	14,220,152	14,573,756
43.1.3	**Post employment benefit plans**		
	Charge to profit or loss on account of		
	- provident fund trust	18,080,165	17,422,717
	- gratuity trust	9,386,666	7,179,903

43.1.4 **Key management personnel**

Related parties include associated companies, directors, executives and key management personnel. The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 44 to the financial statements.

		Note	2012 Rupees	2011 Rupees
43.2	**Balances with related parties**			
43.2.1	**Holding company**			
	Short term loan	30	286,395,126	317,158,570
	Redeemable capital	10.9	266,074,508	266,081,964
	Mark-up receivable	29.1	68,579,206	125,521,696
43.2.2	**Associates**			
	Subordinated loan	9	340,000,000	340,000,000
	Redeemable capital	10.10 & 10.11	110,722,118	89,182,935
	Mark-up payable	19	181,139,325	123,553,110
	Accrued liabilities	18	70,000,000	70,000,000
43.2.3	**Post employment benefit plans**			
	Payable to Provident Fund Trust	18.2	5,253,674	285,090
	Payable to Gratuity Trust	14	10,987,413	22,998,024

Notes to the Financial Statements
for the year ended 30 June 2012

44 Remuneration of chief executive, directors and executives

The aggregate amount in respect of chief executive, directors and executives on account of managerial remuneration, perquisites and benefits, post employment benefits, the number of such directors and executives is as follows:

	2012		
	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees
Managerial remuneration and allowances	12,320,950	10,752,000	124,341,828
Post employment benefits	1,584,119	157,727,440	12,659,505
	13,905,069	168,479,440	137,001,333
Number of persons	1	4	112

	2011		
	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees
Managerial remuneration and allowances	15,960,000	55,302,864	111,556,704
Post employment benefits	499,800	272,748	4,361,817
	16,459,800	55,575,612	115,918,521
Number of persons	1	4	120

The chief executive, directors and certain executives are provided with free use of Company maintained car. Other terms and conditions are as per the terms of reference of the respective employment contracts.

45 Financial instruments

45.1 Financial assets by class and category

		2012		2011	
		Loans and receivables	Total	Loans and receivables	Total
	Note	Rupees	Rupees	Rupees	Rupees
Long term advances	23	25,297,091	25,297,091	28,663,924	28,663,924
Long term deposits	24	41,619,209	41,619,209	16,467,788	16,467,788
Trade receivables	28	56,473,210	56,473,210	116,126,948	116,126,948
Advances and other receivables	29	578,175,284	578,175,284	578,459,895	578,459,895
Accrued mark-up	29	68,579,206	68,579,206	125,521,696	125,521,696
Due from related parties	30	286,395,126	286,395,126	317,158,570	317,158,570
Cash and bank balances	32	217,434,545	217,434,545	120,862,801	120,862,801
		1,273,973,671	1,273,973,671	1,303,261,622	1,303,261,622

Notes to the Financial Statements
for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
45.2	Financial liabilities by class and category			
			Financial liabilities at amortized cost	Financial liabilities at amortized cost
	Subordinated loan	9	340,000,000	340,000,000
	Redeemable capital	10	11,660,543,900	10,488,701,151
	Long term finances	11	7,798,473,284	7,674,774,005
	Liabilities against assets subject to finance lease			
	subject to finance leases	12	144,331,119	195,650,278
	Long term payables	13	31,135,199	31,135,199
	Short term borrowings	17	3,338,017,160	3,169,436,002
	Trade creditors	18	866,739,296	859,558,655
	Bills payable	18	748,378,950	741,178,774
	Accrued liabilities	18	201,625,811	107,017,123
	Security deposits and retention money	18	40,013,864	38,668,461
	Other payables	18	72,115,289	71,665,643
	Mark-up accrued on borrowings	19	3,126,619,464	3,499,895,917
	Preference dividend payable		87,633,848	-
			28,455,627,184	27,217,681,208

45.3 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their book values.

45.3.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined by discounting estimated future cash flows at effective interest rate, the rate that exactly discounts estimated future receipts / payments through expected life of the financial assets / liabilities or, when appropriate, a shorter period, to the net carrying amount of the financial assets / liabilities, using prices from observable current market transactions.

Notes to the Financial Statements
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45.3.2 Discount / interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

46 Financial risk exposure and management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses, assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

46.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

46.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the investments, trade debts, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

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The maximum exposure to credit risk at the reporting date is as follows:

	Note	2012 Rupees	2011 Rupees
Loans and receivables			
Loans and deposits	24	41,619,209	16,467,788
Trade debts - considered good	28	56,473,210	116,126,948
Advances and other receivables	29	27,635,935	27,635,935
Accrued mark-up	29	68,579,206	125,521,696
Due from related party	30	286,395,126	317,158,570
Other receivables	29	19,088,251	12,628,527
Cash and bank balances	32	216,775,604	120,199,044
		716,566,541	735,738,508

46.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2012 Rupees	2011 Rupees
Customers	56,473,210	116,126,948
Banking companies and financial institutions	216,775,604	120,199,044
Others	443,317,727	499,412,516
	716,566,541	735,738,508

46.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or historical information about the counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies and other regulatory authorities. Credit quality of customer is assessed by reference to historical default rates and present ages.

46.1.3(a) Counterparties with external credit ratings

These include bank deposits and accrued return thereon, deposits against finance leases and short term loans to related party. These are neither past due nor impaired. Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

Notes to the Financial Statements
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46.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade receivables. The Company is exposed to credit risk in respect of trade receivables. The analysis of ages of trade receivables at the reporting date is as follows:

	2012		2011	
	Gross carrying amount	Accumulated impairment	Gross carrying amount	Accumulated impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	6,009,611	-	26,025,953	-
Past due by 3 to 6 months	4,688,509	-	16,090,427	-
Past due by 6 to 12 months	470,306	-	12,681,546	-
Past due by more than one year	45,304,784	43,733,372	61,329,022	47,325,078
	56,473,210	43,733,372	116,126,948	47,325,078

Based on historical default rates, the Company believes that no further impairment allowance is necessary in respect of trade receivables.

46.1.4 Credit risk management:

Company’s financial assets does not carry significant credit risk with the exception of trade receivables, which is also very limited. In this respect, Company manages its risk by selling on advance payments or bank guarantees. Moreover, the Company avoids any significant exposure to a single customer.

46.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Notes to the Financial Statements
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46.2.1 Exposure to liquidity risk

46.2.1(a) Contractual maturities of financial liabilities, including estimated interest payments

	30 June 2012				
	Carrying amount	Contractual cash flow	Less than one year	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial liabilities					
Subordinated loan - secured	340,000,000	702,950,000	-	-	702,950,000
Redeemable capital - secured	11,660,543,900	18,111,086,093	993,242,318	5,815,105,644	11,302,738,131
Long term loan - secured	7,798,473,284	11,746,493,738	1,341,703,439	4,482,446,373	5,922,343,926
Liability against assets subject to finance lease	144,331,119	164,204,486	83,133,933	81,070,553	-
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowing - secured	3,338,017,160	3,595,211,382	3,595,211,382	-	-
Trade creditors	866,739,296	866,739,296	866,739,296	-	-
Bill payable	748,378,950	748,378,950	748,378,950	-	-
Accrued liabilities	201,625,811	201,625,811	201,625,811	-	-
Security deposits and retention money	40,013,864	40,013,864	40,013,864	-	-
Other payables	72,115,289	72,115,289	72,115,289	-	-
Mark-up accrued on borrowings	3,126,619,464	3,126,619,464	3,126,619,464	-	-
Preference dividend payable	87,633,848	87,633,848	87,633,848	-	-
	28,367,993,336	39,494,207,420	11,156,417,594	10,378,622,570	17,959,167,256

	30 June 2011				
	Carrying amount	Contractual cash flow	Less than one year	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial liabilities					
Subordinated loan - secured	340,000,000	702,950,000	-	-	702,950,000
Redeemable capital - secured	10,252,574,172	14,332,109,474	3,395,740,381	6,172,784,136	4,763,584,957
Long term loan - secured	7,589,443,488	11,268,331,905	1,857,189,264	3,786,580,735	5,624,561,906
Liability against assets subject to finance lease	195,650,278	346,786,633	109,872,041	118,457,296	118,457,296
Long term payable	31,135,199	31,135,199	-	-	31,135,199
Short term borrowing - secured	3,169,436,002	4,807,394,206	4,807,394,206	-	-
Trade creditors	866,739,296	866,739,296	866,739,296	-	-
Bill payable	748,378,950	748,378,950	748,378,950	-	-
Accrued liabilities	107,017,123	107,017,123	107,017,123	-	-
Security deposits and retention money	40,013,864	40,013,864	40,013,864	-	-
Other payables	72,115,289	72,115,289	72,115,289	-	-
Mark-up accrued on borrowings	3,499,895,917	3,499,895,917	3,499,895,917	-	-
	26,912,399,578	36,822,867,856	15,504,356,331	10,077,822,167	11,240,689,358

Notes to the Financial Statements
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46.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

However, the Company, during the year 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 a liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	Principal	Interest / mark up	Total
	Rupees	Rupees	Rupees
Nature of Liability			
Redeemable capital	234,502	940,566,006	940,800,508
Long term finances	287,500,000	654,444,730	941,944,730
Short term borrowings	700,734,000	196,298,567	897,032,567
Bills payable	767,487,687	67,936,547	835,424,234
	1,755,956,189	1,859,245,850	3,615,202,039

In lieu of the prevailing situation, the Company decided to undergo restructuring of its entire long term debt and during the current year 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. Moreover, the Company during the year has also converted markup of Rs 1,172.51 million into PPTFC's and markup amounting to Rs 1,593.34 million has been settled through proceeds from issuance of preference shares. 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 abovementioned overdue liabilities.

46.3 Market risk

46.3.1 Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

46.3.2 Interest rate risk

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments at the reporting date are as follows:

Notes to the Financial Statements
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	2012		2011	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees	Rupees	Rupees	Rupees
Variable rate instruments	286,395,126	23,281,365,463	317,158,570	21,547,103,940

46.3.2(a) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at the reporting date would have increased / (decreased) loss by amounts presented below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	2012	2011
	Rupees	Rupees
Increase of 100 basis points		
Variable rate instruments	(229,949,703)	(212,299,454)
Decrease of 100 basis points		
Variable rate instruments	229,949,703	212,299,454

46.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

47 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises subordinated debt, redeemable capital, long term finance and liabilities against assets subject to finance lease, including current maturity. Total capital employed includes total equity as shown in the balance sheet, including surplus on revaluation of property, plant and equipment. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

Notes to the Financial Statements
for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
Total debt	19,943,348,303	18,377,667,938
Total equity	12,863,303,967	12,986,054,293
Total capital employed	32,806,652,270	31,363,722,231
Gearing	61%	59%

There were no changes in the Company's approach to capital management during the year. Further the Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance which the Company could not comply as at the reporting date.

	2012 Rupees	2011 Rupees
48 Restriction on title, and assets pledged as security		
Mortgages and charges		
Hypothecation of stocks and movables	25,194,763,333	25,194,763,333
Hypothecation of book debts and receivables	26,144,763,333	26,144,763,333
Mortgage over land and building	27,898,207,550	25,831,540,883
Hypothecation of plant and machinery	31,878,540,550	29,411,873,883
Pledge		
Finished goods	170,814,200	111,889,188

49 Operating segments

These financial statements have been prepared on the basis of single reportable segment.

49.1 Revenue from sales of fertilizer represents 98.03% (2011: 99.31%) of the gross sales of the Company.

49.2 100% (2011: 100%) of the gross sales of the Company are made to customers located in Pakistan.

49.3 All non-current assets of the Company as at 30 June 2012 are located in Pakistan.

Notes to the Financial Statements
for the year ended 30 June 2012

50 Plant capacity and actual production

Urea fertilizer	Unit	2012	2011
Rated capacity	Metric tons	468,600	346,500
Actual production	Metric tons	156,645	216,836
Production efficiency	%age	33%	63%

- The low production is due to shortage of natural gas.
- Increase in rated capacity is due to revamping of existing plant and machinery of the Company.

Phosphate fertilizer	Unit	2012	2011
Rated capacity	Metric tons	146,500	146,500
Actual production	Metric tons	50,888	94,253
Production efficiency	%age	35%	64%

The low production is due to difficulty in procurement of raw material owing to working capital constraints.

51 Date of authorization for issue

These financial statements were authorized for issue on 04 August 2012 by the Board of Directors of the Company.

52 General

Figures have been rounded off to the nearest rupee.

Lahore
04 August 2012

Chief Executive

Director

Notice of Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of AGRITECH LIMITED will be held on 25 August 2012 at 4:00 p.m at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore to transact the following business:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on 16 July 2012.

2. To receive, consider and adopt the financial statements for the year ended 30 June 2012 together with Directors' and Auditors' Report thereon.

3. To consider re-appointement of M/s KPMG Taseer Hadi & Co. Chartered Accountants as external auditors for the financial year ending 30 June 2013 and to fix their remuneration, as per the recommendation of the Board.

4. To discuss any other business that may be brought forward with the permission of the chair.

By Order of the Board

04 August 2012
Lahore

(Muhammad Ijaz Haider)
Company Secretary

NOTES

1. The share transfer books of the Company will remain closed from 19 August 2012 to 25 August 2012 (both days inclusive)

2. A share holder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote on his/her behalf. The instrument appointing proxy which is signed or a notarially certified copy of the power of attorney must be received at the registered office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of proxy applicable for meeting is attached here with.

3. Share holder whose shares are deposited with Central Depository System (CDS) are required to bring their National Identity Card (NIC) along with account Number in CDS for verification. In case of corporate entity the Board of Directors resolutions/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

4. In case of proxy for an individual beneficial owner's NIC or passport account and participant's ID numbers must be deposited along with the form of proxy. Representatives of corporate members should bring the usual documents required for such purpose.

5. Share holders are requested to notify any change in their address immediately.

Form of Proxy

Agritech Limited

AGRITECH
ALL OVER AND BEYOND
Formerly PAK AMERICAN FERTILIZERS LIMITED

I/We ______________________________

son/daughter of ______________________________

a member of Agritech Limited and holder of ______________________________ shares as

per Registered Folio No. ____________ do hereby appoint Mr./Ms. ______________

son/daughter of ______________________________ or failing him/her

Mr. Ms. ______________________________

son/daughter of ______________________________

who is also member of the Company vide Registered Folio No. ______________

as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Saturday the 25 August 2012 at 04:00 p.m at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore and at any adjournment thereof.

In witness whereof on this ____________ day of ____________ 2012.

WITNESSES:

1. Signature: ______________

   Name ______________

   Address ______________

   ____

   CNIC: ______________

Affix Revenue Stamp

2. Signature: ______________

   Name ______________

   Address ______________

   ____

   CNIC: ______________

Member's Signature

NOTE:

1. The Forma of Proxy should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.
2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national Identity Cards/Passport in original to provide his/her identity, and in case of Proxy, must enclosed an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents for such purpose.

AFFIX
CORRECT
POSTAGE

The Company Secretary
AGRITECH LIMITED
Ismail Aiwan-e-Science
Lahore - 54600