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## Company Information

### BOARD OF DIRECTORS

Mr. Mueen Afzal  
Chairman  
Mr. Ahmed H. Shaikh  
Chief Executive  
Mr. Aehsun M.H. Shaikh  
Mr. Khalid A.H. Al-Sagar  
Mr. Irfan Nazir Ahmad  
Mr. Aamer Ghias  
Mr. Usman Rasheed

### COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

### CHIEF FINANCIAL OFFICER

Mr. Abid Amin

### AUDIT COMMITTEE

Mr. Khalid A.H. Al-Sagar  
Chairman  
Mr. Mueen Afzal  
Mr. Aehsun M.H. Shaikh  
Mr. Aamer Ghias  
Mr. Usman Rasheed

### HUMAN RESOURCE COMMITTEE

Mr. Ahmed H. Shaikh  
Mr. Irfan Nazir  
Mr. A. Jaudet Bilal

### LEGAL ADVISORS

Hamid Law Associates

### AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants  
A member firm of Russell Bedford International

### BANKERS

JS Bank Limited  
MCB Bank Limited  
Citi Bank N.A.  
Royal Bank of Scotland  
Faysal Bank Limited  
Habib Bank Limited  
HSBC Bank (Middle East) Limited  
United Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
NIB Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
My Bank Limited  
KASB Bank Limited  
Silk Bank Limited  
AtlasBank Limited  
Al Baraka Bank Pakistan Limited

### REGISTERED OFFICE

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

**PROJECT LOCATIONS****Textile & Apparel***Unit I*

2.5 KM off Manga, Raiwind Road,  
District Kasur.

Ph: +92 (0)42 5384081

Fax: +92 (0)42 5384093

*Unit II*

Alipur Road, Muzaffargarh.

Ph: +92 (0)661 422503, 422651

Fax: +92 (0)661 422652

*Unit III*

20 KM off Ferozepur Road,  
6 KM Badian Road on Ruhi Nala,  
Der Khurd, Lahore.

Ph: +92 (0)42 8460333, 8488862

**Fertilizer***Unit I*

Agritech Limited.

(formerly Pak American Fertilizers Ltd.)

Iskanderabad,

District Mainwali.

Ph: +92 (0)459 392346-49

*Unit II*

Hazara Phosphate Fertilizers (Pvt.) Ltd.

Hattar Road,

Haripur.

Ph: +92 (0)995 616124-5

## Directors' Review

*The Board of Directors of Azgard Nine Limited ("the Company") hereby presents the unaudited interim financial statements for the fifteen months ended March 31, 2011.*

### **PRINCIPAL ACTIVITIES**

The Company's principal business is the vertically integrated manufacture and marketing of Denim focused Textile and Apparel products from raw cotton to retail ready products.

Azgard Nine, through its subsidiaries Agritech Limited (AGL) and Hazara Phosphate Fertilizers (Pvt.) Limited (HPFL), is also engaged in the manufacturing and marketing of both Nitrogenous and Phosphate fertilizers.

### **Textile and Apparel**

A major financial reprofiling exercise was completed successfully during the period. This represents a significant breakthrough for The Company and its providers of debt finances. As a result The Company has been able to avert serious repercussions cascading out of the negative situation in the past year. The financial reprofiling has allowed The Company to manage its immediate financial needs and to continue its operations effectively albeit at a reduced capacity.

The Company is still faced with persistent issues primarily related to high cotton prices at a time when adequate cotton stocks could not be built. Cotton prices are hovering near record highs due to global market dynamics as well as loss of crops in Pakistan during the flooding, and it is anticipated that this situation will take the better part of this year to resolve.

In the present situation the Company is slowly and surely regaining its footing and starting to rebuild capacity as efficiently and cost effectively as possible. So far it has been able to increase capacity to 65% in March and is continuing its efforts to scale up operations at the most optimal rate. The dynamics involved in achieving peak manufacturing rates will likely require a period of one year for this goal to be achieved.

The Company looks forward to receiving the agreed support from the financial institutions enabling the Company to run its operations smoothly and at higher capacity and therefore achieve its targeted results.

### **Fertilizers**

The Company's subsidiary, Agritech Limited (AGL), operates the newest and most efficient urea plant in the country. AGL through its 100% owned subsidiary Hazara Phosphate Fertilizers (Pvt.) Limited is also the largest manufacturer of Single Super Phosphate (SSP) fertilizer in Pakistan.

Unscheduled gas shutdown from 27<sup>th</sup> December to present day, have resulted in a significant loss of operating days which is reflected in the financial reporting. The Company previously undertook a major plant revamp project to coincide with scheduled gas shutdown in order to minimize the loss of working days. The initial indications regarding the outcome of the revamp project are positive and it is expected that the projected capacity enhancement will be achieved. However the revamp project will only be fully tested once gas supply normalizes. Discussions are underway with concerned authorities in order to restore gas supply.

### Operating Financial Results of Azgard Nine Limited (Stand Alone)

	Fifteen months ended March 31, 2011	Fifteen months ended March 31, 2010
Sales-Net	13,988,051,325	15,012,036,511
Operating Profit	600,142,327	3,088,484,432
Finance Cost	(2,613,002,036)	(2,932,469,772)
(Loss)/profit before Tax	(2,012,859,709)	142,845,605
Loss after Tax	(2,155,796,410)	(8,158,634)
Loss per share	(4.80)	(0.15)

### Consolidated Results Including Subsidiaries

	Fifteen months ended March 31, 2011	Fifteen months ended March 31, 2010
Sales-Net	23,962,966,990	31,964,352,697
Operating Profit	2,050,545,243	6,964,004,512
Finance Cost	(4,787,323,576)	5,849,782,888
(Loss)/profit before Tax	(2,736,778,333)	1,030,505,241
(Loss)/profit after Tax	(1,892,753,114)	1,128,126,197
(Loss)/earning per share	(4.53)	2.42

### Future Market Outlook

The demand outlook for Textile and Apparel is fundamentally sound with good volumes in the forecast. As a result of the financial reprofiling, The Company is able continue operations as expected and is steadily increasing production rates necessary for optimal manufacturing efficiencies and margins.

Uncertainties and long term challenges remain on the horizon in the shape of high interest rates, persisting energy crisis and rising utility costs, high cost of cotton, and deteriorating law and order conditions. However in light of all possible and necessary steps the company is taking to turn around the situation, it is expected that the efforts will produce positive results by the end of the year 2011.

Subject to a successful and sustained solution for the supply of gas, the future outlook for the Fertilizer business is expected to be positive. Agricultural demand and production is expected to be strong in the upcoming quarters, with good support prices anticipated for the major crops.

### **Acknowledgement**

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

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

**On behalf of the Board**



**Chief Executive**

Lahore: **April 30, 2011**

**Condensed  
Interim  
Financial  
Information**

## Condensed Interim Balance Sheet

as at March 31, 2011

	Note	March 31, 2011	December 31, 2009
		<i>Rupees</i>	<i>Rupees</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital		4,548,718,700	4,879,343,880
Reserves	4	6,199,287,290	6,943,648,200
Accumulated profit		671,381,117	2,677,561,193
		<b>11,419,387,107</b>	<b>14,500,553,273</b>
<b>Surplus on revaluation of property, plant and equipment</b>		<b>3,754,194,101</b>	<b>3,969,152,218</b>
<b>Non-current liabilities</b>			
Redeemable capital - Secured	5	4,219,464,503	3,096,956,918
Long term finances - Secured	6	3,317,213,823	1,891,312,500
Liabilities against assets subject to finance lease - Secured	7	39,944,798	56,638,407
		<b>7,576,623,124</b>	<b>5,044,907,825</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities		1,210,756,619	2,356,508,078
Short term borrowings		8,447,155,046	8,911,333,573
Trade and other payables		3,104,187,973	1,776,603,962
Due to related party		390,899,435	1,245,555,096
Interest/mark-up accrued on borrowings		1,625,289,622	657,422,644
Dividend payable		33,039,449	63,183,986
		<b>14,811,328,144</b>	<b>15,010,607,339</b>
<b>Contingencies and commitments</b>		-	-
		<b>37,561,532,476</b>	<b>38,525,220,655</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		13,964,471,762	14,054,500,286
Intangible assets		9,668,607	15,396,765
Long term investments		2,888,066,704	12,052,756,447
Derivative financial assets		-	45,298,097
Long term deposits - Unsecured, considered good		26,131,323	30,723,041
		<b>16,888,338,396</b>	<b>26,198,674,636</b>
<b>Current assets</b>			
Stores, spares and loose tools		459,613,416	404,451,110
Stock in trade		5,976,200,270	4,414,852,668
Trade receivables		3,535,962,873	3,126,881,285
Advances, deposits, prepayments and other receivables		1,102,896,759	1,163,125,222
Short term investments		9,402,695,520	2,942,047,710
Current taxation		66,097,924	70,842,910
Cash and bank balances		129,727,318	204,345,114
		<b>20,673,194,080</b>	<b>12,326,546,019</b>
		<b>37,561,532,476</b>	<b>38,525,220,655</b>

The annexed notes 1 to 12 form an integral part of this interim financial information



## Condensed Interim Profit and loss account for the fifteen months ended March 31, 2011

	Fifteen months ended March 31, 2011	Fifteen months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Sales - Net	13,988,051,325	15,012,036,511	2,569,767,026	3,274,179,624
Cost of sales	(12,850,449,866)	(11,221,527,540)	(2,534,553,319)	(2,676,875,477)
<b>Gross profit</b>	<b>1,137,601,459</b>	3,790,508,971	<b>35,213,707</b>	597,304,147
Selling and distribution expenses	(547,768,941)	(443,662,448)	(113,346,774)	(128,737,447)
Administrative and general expenses	(591,190,108)	(578,635,888)	(112,396,822)	(120,345,805)
Net other income/(expense)	601,499,917	320,273,797	26,866,443	122,726,101
<b>Operating profit/(loss)</b>	<b>600,142,327</b>	3,088,484,432	<b>(163,663,446)</b>	470,946,996
Finance cost	(2,613,002,036)	(2,932,469,772)	(570,452,988)	(506,824,286)
Other charges	-	(13,169,055)	-	-
<b>(Loss)/profit before taxation</b>	<b>(2,012,859,709)</b>	142,845,605	<b>(734,116,434)</b>	(35,877,290)
Taxation	(142,936,701)	(151,004,239)	(26,413,877)	(32,812,706)
<b>(Loss)/profit after taxation</b>	<b>(2,155,796,410)</b>	(8,158,634)	<b>(760,530,311)</b>	(68,689,996)
<b>(Loss)/earnings per share - Basic and diluted</b>	<b>(4.80)</b>	<b>(0.15)</b>	<b>(1.69)</b>	<b>(0.15)</b>

*The annexed notes 1 to 12 form an integral part of this interim financial information*

Lahore


  
CHIEF EXECUTIVE


  
DIRECTOR

## Condensed Interim Statement of other comprehensive Income for the fifteen months ended March 31, 2011

	Fifteen months ended March 31, 2011	Fifteen months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>(Loss)/profit after taxation</b>	<b>(2,155,796,410)</b>	<b>(8,158,634)</b>	<b>(760,530,311)</b>	<b>(67,689,996)</b>
<b>Other comprehensive income/(loss):</b>				
Changes in fair value of cash flow hedges	(17,449,338)	(81,892,584)	1,546,930	(16,598,254)
Available for sale financial assets	-	-	-	-
Changes in fair value of available for sale financial assets	(279,417)	3,764,666,520	-	3,764,690,563
Surplus realized on derecognition.	(762,382,985)	-	-	-
Incremental depreciation	214,958,117	19,716,821	42,753,598	5,428,605
Taxation relating to components of other comprehensive income	-	-	-	-
	<b>(565,153,623)</b>	<b>3,702,490,757</b>	<b>44,300,528</b>	<b>3,753,520,914</b>
<b>Total comprehensive income/(loss)</b>	<b>(2,720,950,033)</b>	<b>3,694,332,123</b>	<b>(716,229,783)</b>	<b>3,685,830,918</b>

*The annexed notes 1 to 12 form an integral part of this interim financial information*

## Condensed Interim cash flow statement for the fifteen months ended March 31, 2011

	March 31, 2011	March 31, 2010
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	(2,012,859,709)	142,845,605
Adjustments for non-cash and other items	2,857,891,408	3,430,514,799
Operating profit before changes in working capital	<b>845,031,699</b>	3,573,360,404
Changes in working capital	(657,860,322)	(599,387,168)
	187,171,377	2,973,973,236
Interest/markup paid	(1,744,174,972)	(2,224,380,677)
Taxes paid	(135,961,210)	(144,783,968)
Expenses on issue of company's securities	(77,602,863)	-
Long term deposits	(453,491)	-
<b>Net cash used in operating activities</b>	<b>(1,771,021,159)</b>	604,808,591
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(802,199,155)	(2,240,744,218)
Proceeds from disposal of property, plant and equipment	13,050,330	2,080,070
Return on investments in term finance certificates	88,555,218	201,720,904
Proceeds from sale of investment -net	1,423,151,911	281,161,927
Redemption of held to maturity investment	-	360,000
Interest received	2,498,005	-
<b>Net cash flow from/(used in) investing activities</b>	<b>725,056,309</b>	(1,755,421,317)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finances	(1,148,767)	(1,037,616,250)
Redeemable capital	-	-
Liabilities against assets subject to finance lease	(32,007,018)	(35,642,111)
Redemption of term finance certificates	-	(397,013,346)
Due to related party	(854,655,661)	497,856,109
Short term borrowings	2,009,094,544	1,454,476,762
Preference shares	(86,731,895)	-
Proceeds from issue of ordinary shares net of transaction costs	-	1,003,256,252
Proceeds from sale & lease back	-	38,579,801
Dividend paid	(63,204,149)	(58,822,894)
<b>Net cash flow from financing activities</b>	<b>971,347,054</b>	1,465,074,323
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(74,617,796)</b>	314,461,597
<b>Cash and cash equivalents as at beginning of the period</b>	<b>204,345,114</b>	82,073,810
<b>Cash and cash equivalents as at end of the period</b>	<b>129,727,318</b>	396,535,407

*The annexed notes 1 to 12 form an integral part of this interim financial information*

# Condensed Interim Statement of changes in Equity for the fifteen months ended March 31, 2011

	Share capital		Reserve										Total equity
	Ordinary shares	Preference shares	Total	Share premium	Cash flow hedges	Reserve on merger	Preference shares redemption reserve	Available for sale financial assets	Accumulated profit	Total	Total equity		
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
As at January 01, 2009	31,65,867.70	661,250,830	3,827,118.40	2,737,841,499	152,655,940	105,152,005	517,500,000	19,339,558	3,532,499,092	2,764,494,959	10,124,082,501		
Issue of bonus shares	633,173,530	-	633,173,530	(633,173,530)	-	-	-	-	-	-	-	-	-
Issue of right shares	749,677,460	-	749,677,460	262,387,112	-	-	-	-	-	-	1,012,064,572	-	-
Transaction costs incurred on issue of right shares	-	-	-	(8,808,320)	-	-	-	-	-	-	-	(8,808,320)	-
Profit for the twelve months ended December 31, 2009	-	-	-	-	-	-	-	-	-	60,531,362	60,531,362	-	-
Other comprehensive income/(loss) for the twelve months ended December 31, 2009	-	-	-	(8,189,158.4)	-	-	-	3,764,666,520	3,682,773,936	197,166,821	3,702,490,757	-	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	108,000,000	-	108,000,000	(108,000,000)	-	-	(330,625,650)
Preference shares classified as current liability	-	(330,625,650)	(330,625,650)	-	-	-	-	-	-	(59,181,949)	(59,181,949)	-	-
Preference share dividend	-	-	-	-	-	-	-	-	-	2,677,561,193	2,677,561,193	-	-
As at December 31, 2009	45,487,187.00	330,625,180	4,879,343,880	2,358,246,761	70,743,356	105,152,005	625,500,000	3,784,006,078	3,732,282,938	14,500,553,273	14,500,553,273	-	-
As at January 01, 2010	45,487,187.00	330,625,180	4,879,343,880	2,358,246,761	70,743,356	105,152,005	625,500,000	3,784,006,078	6,945,648,200	2,677,561,193	14,500,553,273	-	-
(Loss) for the twelve months ended December 31, 2010	-	-	-	-	(17,449,338)	-	-	(762,662,402)	(790,111,740)	(2,155,796,410)	(2,155,796,410)	-	-
Other comprehensive income/(loss) for the twelve months ended December 31, 2010	-	-	-	-	(17,449,338)	-	-	(762,662,402)	(790,111,740)	2,149,811,17	(6,611,536,23)	-	-
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	(537,509,830)	(330,625,180)	-	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	35,750,830	-	35,750,830	(295,900,953)	(295,900,953)	-	-
Preference shares dividend	-	-	-	-	-	-	-	-	6,199,267,290	671,381,117	11,419,387,107	-	-
As at December 31, 2010	45,487,187.00	-	4,548,718,700	2,358,246,761	53,294,018	105,152,005	661,250,830	3,021,343,676	6,199,267,290	671,381,117	11,419,387,107	-	-

The annexed notes 1 to 12 form an integral part of this interim financial information

Lahore



CHIEF EXECUTIVE



DIRECTOR

## Notes to the forming part of interim financial information for the fifteen months ended March 31, 2011

### 1 REPORTING ENTITY

Azgard Nine Limited ("the Company") is incorporated in Pakistan as a Public Limited Company and is currently listed on Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwani-e-Science, off Shahrah-e-Roomi, Lahore.

#### 1.1 Change in accounting year

The Company has been accorded approval by the relevant authorities to adopt the financial year to be from July 1st to June 30th in line with that of the textile industry and also has obtained approvals from regulatory authorities to prepare financial statements exceeding twelve months, and, accordingly the next audited financial statements of the Company will be prepared for eighteen months ending June 30, 2011. As such this interim financial information has been prepared and circulated in compliance with the requirements of Section 245 of the Companies Ordinance, 1984, as allowed by Securities and Exchange Commission of Pakistan.

### 2 BASIS OF PREPARATION

This condensed interim financial report of the Company for the fifteen months ended March 31, 2011 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance,

The interim financial information report is neither audited nor reviewed, and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2009.

The comparative interim balance sheet as at December 31, 2009 and the related notes, are based on audited financial statements. The comparative interim profit and loss account, interim statement of other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes for the fifteen months ended March 31, 2011 are neither audited nor reviewed.

#### 2.1 Statement of compliance

This condensed interim financial information is neither audited nor reviewed.

This condensed interim financial report of the Company for the year ended December 31, 2010 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, as applicable in Pakistan and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the financial statements of the Company for the year ended December 31, 2009.

#### 2.2 Financial liabilities and continuing operations

As mentioned in the annual report of the Company for the year ended December 31, 2009, the Company in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. Due to liquidity problems and unavailability of working capital finances, the Company was not able to make timely purchases of raw material and had to procure raw material at higher prices, resulting in substantial increase in cost of sales. High finance costs also had an adverse impact on the profitability of the Company. The Company has taken the following measures in this context for the management of liquid resources and for

##### Reprofiling of debts

The Company during the year has entered into restructuring / reprofiling agreement with providers of debt finances, whereby various short term and long term debts aggregating to Rs. 8,417.18 million have been restructured / reprofiled and the Company has been allowed graced periods of upto two years. The Company also has overdue debt finances and interest-mark-up thereon amounting to Rs. 1,667 million (see note 10) as at March 31, 2011. Due to reprofiling/restructuring, grace periods, proposed sale of Agritech Limited, the Company will be in a better position to manage its resources and operations and will be able to repay the overdues in due

##### Divestment of shareholding in Agritech Limited

As mentioned in note , the Company, during the period, divested 20.13% comprising 79,006,816 ordinary shares held by it in Agritech Limited, through a combination of private placement and public offering, at a price of Rs. 30 per shares, including a premium of Rs. 20 per share. Further, the shareholders of the Company, in the extraordinary general meeting held on July 23, 2010, have approved the divestment of remaining 79.87% shares held in Agritech Limited. Majority of the funds generated through divestment of remaining shares will be utilized towards repayment/prepayment of some of the Company's debts.

## Notes to the forming part of interim financial information for the fifteen months ended March 31, 2011

### Continuing operations

With the successful restructuring/reprofiling of the Company's debts, proposed divestment of shareholding in Agritech Limited, the management of the Company envisages that sufficient financial resources will be available for the continuing operations of the Company. With positive impact on the finance costs and more effective management of resources and raw material procurement, the Company is expected to continue its operations profitably, subject to impact, if any, of uncontrollable external circumstances

### 2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value or amortized cost and certain items of property, plant and equipment at revalued amounts. In this financial information, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

### 2.3 Judgements, estimates and assumptions

The preparation of financial information requires management to make judgements, 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 judgements 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 judgements 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

### 2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the year ended December 31, 2009.

	March 31, 2011	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>4 SHARE CAPITAL</b>		
<b>Authorized share capital</b>		
Ordinary shares of Rs. 10 each		
900,000,000 voting shares	9,000,000,000	9,000,000,000
300,000,000 non-voting shares	3,000,000,000	3,000,000,000
	<b>12,000,000,000</b>	12,000,000,000
Preference shares of Rs. 10 each		
300,000,000 non-voting shares	3,000,000,000	3,000,000,000
	<b>15,000,000,000</b>	15,000,000,000
<b>Issued, subscribed and paid-up capital</b>		
Voting ordinary shares of Rs. 10 each		
323,712,733 shares fully paid in cash	3,237,127,330	3,237,127,330
62,548,641 shares issued as fully paid bonus shares	625,486,410	625,486,410
12,276,073 shares issued as consideration for machinery	122,760,730	122,760,730
50,811,992 shares issued as consideration on merger	508,119,920	508,119,920
	<b>4,493,494,390</b>	4,493,494,390
Non-voting ordinary shares of Rs. 10 each		
4,753,719 shares fully paid in cash	47,537,190	47,537,190
768,712 shares issued as fully paid bonus shares	7,687,120	7,687,120
	<b>55,224,310</b>	55,224,310
Preference shares of Rs. 10 each (December 31, 2009: Rs. 10 each)		
Nil (December 31, 2009: 33,062,518) shares fully paid in cash	-	330,625,180
	<b>4,548,718,700</b>	4,879,343,880

## Notes to the forming part of interim financial information for the fifteen months ended March 31, 2011

	March 31, 2011	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>5 REDEEMABLE CAPITAL - SECURED</b>		
Term finance certificates	4,820,269,061	3,996,649,061
Transaction costs	(123,459,558)	(24,419,643)
	<u>4,696,809,503</u>	<u>3,972,229,418</u>
Current maturity presented under current liabilities	(477,345,000)	(875,272,500)
	<u>4,219,464,503</u>	<u>3,096,956,918</u>
<b>6 LONG TERM FINANCES - SECURED</b>		
From banking companies and financial institutions.	3,466,704,303	2,997,012,500
Current maturity presented under current liabilities	(149,490,480)	(1,105,700,000)
	<u>3,317,213,823</u>	<u>1,891,312,500</u>
<b>7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED</b>		
Present value of minimum lease payments	49,347,002	87,075,385
Current maturity presented under current liabilities	(9,402,204)	(30,436,978)
	<u>39,944,798</u>	<u>56,638,407</u>
<b>8 CONTINGENCIES AND COMMITMENTS</b>		
<b>8.1 Contingencies</b>		
8.1.1 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 167.79 million (December 31, 2009: Rs. 152.05 million).		
8.1.2 There is no change in the status of other contingencies since December 31, 2009.		
<b>8.2 Commitments</b>		
8.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	175,888,368	93,560,121
- purchase of machinery	8,119,288	-
- purchase of raw material	59,907,006	811,185,420
	<u>243,914,662</u>	<u>904,745,541</u>
8.2.2 Commitments for capital expenditure	-	3,503,908
	<u>-</u>	<u>3,503,908</u>
<b>9 RELATED PARTY TRANSACTIONS AND BALANCES</b>		
Related parties from the Company's perspective comprise subsidiaries, associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. 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.		
Details of transactions and balances with related parties are as follows:		

## Notes to the forming part of interim financial information for the fifteen months ended March 31, 2011

	Fifteen months ended March 31, 2011	Fifteen months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>9.1 Transactions with related parties</b>				
<b>9.1.1 Subsidiaries</b>				
Sale of goods	862,124,104	1,452,238,651	313,831,883	492,993,292
Return on investment in TFCs	88,555,218	135,311,901	10,100,697	20,810,795
Purchases of goods and services	-	15,142,913	-	-
Interest/markup on borrowing	119,884,136	181,438,625	18,430,663	55,327,458
<b>9.1.2 Associates</b>				
Purchases of chemicals	2,857,196	6,941,645	-	536,800
<b>9.1.3 Post-employment benefit plans</b>				
Contribution to employees provident fund	116,026,700	74,266,078	22,711,616	23,535,988
Interest on contribution payable	5,779,470		1,264,259	
<b>9.1.4 Key management personnel</b>				
Short-term employee benefits	48,723,500	38,511,354	11,654,700	19,423,367
			<b>March 31, 2011</b>	December 31, 2009
			<i>Rupees</i>	<i>Rupees</i>
<b>9.2 Balances with related parties</b>				
<b>9.2.1 Subsidiaries</b>				
Borrowings			390,899,435	1,245,555,096
Trade receivables			1,278,453,309	954,510,723
Markup payable			108,174,775	137,090,639
Investment in ordinary shares			9,003,317,920	10,612,790,135
Investment in term finance certificates			266,081,964	599,640,000
<b>9.2.2 Associates</b>				
Trade payables			-	1,877,139
<b>9.2.3 Post-employment benefit plans</b>				
Payable to employees provident fund trust			13,514,583	5,352,298
<b>9.2.4 Key Management Personnel</b>				
Short term employee benefits payable			3,772,400	1,517,000
<b>10 OVERDUES DEBT FINANCES</b>				
<b>10.1</b> Due to circumstances, described in note 2.2, the following debts are overdue.				
		<b>Principal</b>	<b>Interest/mark-up</b>	<b>Total</b>
		<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Redeemable capital	2,120,000	538,302,225	540,422,225	
Long term finances	-	167,627,280	167,627,280	
Short term borrowings	-	364,939,252	364,939,252	
	<b>2,120,000</b>	<b>1,070,868,757</b>	<b>1,072,988,757</b>	



## Notes to the forming part of interim financial information *for the fifteen months ended March 31, 2011*

The management expects that following the restructuring of the Company's debt finances, proposed divestment of shareholding in Agritech Limited and consequent improvement in liquidity of the Company, the Company will be able to pay the overdue debts in due

**10.2** In context of the overall reprofiling/restructuring, the management has recommenced negotiations regarding the settlement of preference shares amounting Rs. 574 million and the same is expected to be settled soon.

### **11 DATE OF AUTHORIZATION FOR ISSUE**

This condensed consolidated financial information was authorized for issue on April 30, 2011 by the Board of Directors of the Company.

### **12 GENERAL**

Figures have been rounded of to the nearest rupee.



**Condensed  
Interim  
Consolidated  
Financial  
Information**

# Condensed Interim Consolidated Balance Sheet

## as at March 31, 2011

	<i>Note</i>	December 31, 2010	December 31, 2009
		<i>Rupees</i>	<i>Rupees</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital	4	4,548,718,700	4,879,343,880
Reserves		3,166,593,100	3,152,133,984
Accumulated profit		1,802,288,640	3,810,725,980
		<b>9,517,600,440</b>	11,842,203,844
<b>Non-controlling interests</b>		2,583,771,267	-
<b>Surplus on revaluation of property, plant and equipment</b>		7,107,685,011	3,969,152,218
<b>Loan from associates - Unsecured, Subordinated</b>		340,000,000	340,000,000
<b>Non-current liabilities</b>			
Redeemable capital - Secured	5	13,697,891,848	11,745,418,131
Long term finances - Secured	6	10,290,395,999	4,640,797,982
Liabilities against assets subject to finance lease - Secured	7	190,848,660	279,208,203
Long term payables		31,135,199	52,185,199
Deferred taxation		3,355,091,825	2,147,388,347
		<b>27,565,363,531</b>	18,864,997,862
<b>Current liabilities</b>			
Current maturity of non-current liabilities		2,032,757,108	3,651,689,218
Short term borrowings		11,739,498,551	12,891,613,075
Trade and other payables		5,900,862,798	5,871,461,238
Interest/mark-up accrued on borrowings		4,336,167,813	1,000,787,278
Dividend payable		33,039,449	63,183,986
		<b>24,042,325,719</b>	23,478,734,795
<b>Contingencies and commitments</b>	8	-	-
		<b>71,156,745,968</b>	58,495,088,719
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		51,037,508,589	37,077,131,053
Intangible assets		5,408,204,869	5,645,095,896
Long term investments		13,690	36,767
Derivative financial assets		-	45,298,097
Long term deposits - Unsecured, considered good		57,711,721	56,988,258
Long term advances		30,925,376	32,496,935
		<b>56,534,364,245</b>	42,857,047,006
<b>Current assets</b>			
Stores, spares and loose tools		1,720,373,548	1,714,633,249
Stock in trade		6,380,260,226	5,985,036,223
Trade receivables		3,667,588,599	4,586,931,259
Advances, deposits, prepayments and other receivables		2,514,388,142	2,587,295,068
Current taxation		141,813,462	326,331,600
Cash and bank balances		197,957,746	437,814,314
		<b>14,622,381,723</b>	15,638,041,713
		<b>71,156,745,968</b>	58,495,088,719

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

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed Interim consolidated Profit and loss account for the fifteen months ended March 31, 2011

	Fifteen months ended March 31, 2011	Fifteen months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Sales - Net	23,962,966,990	31,964,352,697	3,237,933,708	5,688,090,323
Cost of sales	<u>(20,072,527,768)</u>	<u>(22,547,639,677)</u>	<u>(3,185,333,331)</u>	<u>(4,564,782,177)</u>
<b>Gross profit</b>	<b>3,890,439,222</b>	<b>9,416,713,020</b>	<b>52,600,377</b>	<b>1,123,308,146</b>
Selling and distribution expenses	<b>(809,528,558)</b>	<b>(989,397,122)</b>	<b>(170,733,675)</b>	<b>(206,816,645)</b>
Administrative and general expenses	<b>(1,537,167,964)</b>	<b>(1,571,382,870)</b>	<b>(317,447,616)</b>	<b>(296,314,887)</b>
Net other income	<b>506,802,543</b>	<b>108,071,484</b>	<b>228,204,560</b>	<b>105,631,473</b>
<b>Operating profit/(loss)</b>	<b>2,050,545,243</b>	<b>6,964,004,512</b>	<b>(207,376,354)</b>	<b>725,808,087</b>
Finance cost	<b>(4,787,323,576)</b>	<b>(5,849,782,888)</b>	<b>(1,232,007,165)</b>	<b>(1,058,363,758)</b>
Other charges	<b>-</b>	<b>(83,716,383)</b>	<b>-</b>	<b>-</b>
<b>(Loss)/profit before taxation</b>	<b>(2,736,778,333)</b>	<b>1,030,505,241</b>	<b>(1,439,383,519)</b>	<b>(332,555,671)</b>
Taxation	<b>844,025,219</b>	<b>97,620,956</b>	<b>304,362,771</b>	<b>(77,246,705)</b>
<b>(Loss)/profit after taxation</b>	<b><u>(1,892,753,114)</u></b>	<b><u>1,128,126,197</u></b>	<b><u>(1,135,020,748)</u></b>	<b><u>(409,802,376)</u></b>
<b>(Loss)/profit after taxation attributable to:</b>				
equity holders of the parent	<b>(2,031,264,036)</b>	<b>1,128,126,197</b>	<b>(1,073,747,138)</b>	<b>(409,802,376)</b>
non-controlling interests	<b>138,510,922</b>	<b>-</b>	<b>(61,273,610)</b>	<b>-</b>
	<b><u>(1,892,753,114)</u></b>	<b><u>1,128,126,197</u></b>	<b><u>(1,135,020,748)</u></b>	<b><u>(409,802,376)</u></b>
<b>(Loss)/earnings per share - Basic and diluted</b>	<b><u>(4.53)</u></b>	<b><u>2.42</u></b>	<b><u>(2.43)</u></b>	<b><u>(0.90)</u></b>

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

## Condensed Interim Consolidated Statement of other comprehensive Income for the fifteen months ended March 31, 2011

	Fifteen months ended March 31, 2011	Fifteen months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Changes in fair value of cash flow hedges	(17,449,338)	(87,974,163)	-	(6,081,579)
Changes in fair value available for sale financial assets	(23,077)	(30,971)	-	-
Foreign exchange differences on translation of foreign subsidiaries	(3,819,299)	(56,074,962)	36,536,714	(49,969,095)
Incremental depreciation	347,250,230	77,177,426	57,682,645	57,460,605
<b>Other comprehensive income/(loss) before taxation</b>	<b>325,958,516</b>	<b>(66,902,670)</b>	<b>94,219,359</b>	<b>1,409,931</b>
Taxation	(38,746,644)	-	-	-
<b>Other comprehensive income/(loss) after taxation</b>	<b>287,211,872</b>	<b>(66,902,670)</b>	<b>94,219,359</b>	<b>1,409,931</b>
<b>Profit after taxation</b>	<b>(1,892,753,114)</b>	<b>1,128,126,197</b>	<b>(1,135,020,748)</b>	<b>(409,802,376)</b>
<b>Total comprehensive income</b>	<b>(1,605,541,242)</b>	<b>1,061,223,527</b>	<b>(1,040,801,389)</b>	<b>(408,392,445)</b>
<b>Total comprehensive income attributable to:</b>				
equity holders of the parent	(1,620,152,527)	1,061,223,527	(1,044,032,543)	(408,392,445)
non-controlling interests	14,611,285	-	3,231,154	(11,380,131)
	<b>(1,605,541,242)</b>	<b>1,061,223,527</b>	<b>(1,040,801,389)</b>	<b>(419,772,576)</b>

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

## Condensed Interim consolidated cash flow statement for the fifteen months ended March 31, 2011

	December 31, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	(2,736,778,333)	1,030,505,241
Adjustments for non-cash and other items	7,842,874,410	7,126,572,295
Operating profit before changes in working capital	5,106,096,077	8,157,077,536
Changes in working capital	620,686,844	1,429,013,078
	5,726,782,921	9,586,090,614
Payments for		
Interest/markup paid	(3,214,606,835)	(5,779,123,103)
Taxes paid	(30,948,639)	(247,915,721)
<b>Net cash flow from operating activities</b>	<b>2,481,227,447</b>	<b>3,559,051,790</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(9,106,248,583)	(11,104,290,131)
Purchase of software	-	(520,852)
Proceeds from disposal of property, plant and equipment	60,312,096	54,444,193
Proceeds from disposal of investment in NIT - net	105,266	-
Proceeds from sale of investment in ordinary shares of AGL	1,476,084,480	-
Proceeds from sale of investment in term finance certificates	333,558,036	-
Proceeds from sale of investments at fair value through profit or loss	-	108,761,692
Proceeds from sale of available for sale investment	149,867,716	281,161,927
<b>Net cash used in investing activities</b>	<b>(7,086,320,989)</b>	<b>(10,660,443,171)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finaces	3,993,361,461	1,781,369,232
Redeemable capital	82,713,559	(196,208,096)
Liabilities against assets subject to finance lease	(108,944,648)	(185,035,227)
Proceeds from sale and lease back	-	342,040,541
Short term borrowings	544,794,850	4,691,640,438
Proceeds from issue of ordinary shares - net of transaction costs	-	1,003,256,252
Preference shares	(86,731,895)	-
Dividend paid	(59,956,353)	(58,822,894)
<b>Net cash flow from financing activities</b>	<b>4,365,236,974</b>	<b>7,378,240,246</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(239,856,568)</b>	<b>276,848,865</b>
<b>Cash and cash equivalents as at beginning of the period</b>	<b>437,814,314</b>	<b>428,860,804</b>
<b>Cash and cash equivalents as at end of the period</b>	<b>197,957,746</b>	<b>705,709,669</b>

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

# Condensed Interim Consolidated Statement of changes in Equity for the fifteen months ended March 31, 2011

	Share capital		Reserves				Available for sale financial assets	Total	Accumulated profit	Total equity	Non-controlling interests		
	Ordinary shares	Preference shares	Share premium	Cash flow hedges	Translation reserve	Reserve on merger						Redemption reserve	Reserve
As at January 01, 2009	3,165,987,710	661,250,830	3,827,118,540	2,275,841,499	152,635,940	(1,420,374)	105,152,005	517,500,000	490,74	3,511,758,144	2,420,262,535	97,591,192,19	-
Issue of bonus shares	633,173,530	-	(633,173,530)	-	-	-	-	-	-	(633,173,530)	-	-	-
Issue of right shares	749,677,460	-	262,872,112	749,677,460	-	-	-	-	-	262,387,112	-	1,012,064,572	-
Transaction costs incurred on issue of right shares	-	-	(8,806,320)	-	-	-	-	-	-	(8,806,320)	-	(8,806,320)	-
Profit for this year ended December 31, 2009	-	-	-	-	-	-	-	-	-	1,128,126,197	-	1,128,126,197	-
Other comprehensive income/(loss) for the year ended December 31, 2009	-	-	-	-	(67,974,163)	(56,074,982)	-	-	(30,971)	(144,080,096)	77,177,426	(66,902,670)	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	108,000,000	-	-	108,000,000	(108,000,000)	-	-
Preference dividend	-	-	-	-	-	-	-	-	-	(9,181,949)	(9,181,949)	(9,181,949)	-
Preference shares classified as current liability	-	-	(330,625,650)	-	-	-	-	-	-	-	(330,625,650)	(330,625,650)	-
As at December 31, 2009	4,548,718,700	330,625,180	4,879,348,880	2,358,246,761	64,661,777	(7,495,336)	105,152,005	625,500,000	18,103	3,996,083,310	3,485,384,207	11,433,311,399	-
As at January 01, 2010	4,548,718,700	330,625,180	4,879,348,880	2,358,246,761	70,743,356	(7,226,241)	105,152,005	625,500,000	18,103	3,152,133,984	3,810,725,980	11,842,203,344	-
Non-controlling interests arising on divestment	-	-	-	-	-	-	-	-	-	-	(207,468,853)	(207,468,853)	2,400,649,060
Profit for fifteen months ended March 31, 2011	-	-	-	-	-	-	-	-	-	-	(2,031,264,036)	(2,031,264,036)	13,851,032,2
Other comprehensive income/(loss) for fifteen months ended March 31, 2011	-	-	-	-	(17,499,338)	(3,819,299)	-	-	(23,077)	(21,291,714)	293,892,301	272,600,587	14,601,285
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	-	-	(330,625,180)	-
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Preference dividend	-	-	-	-	-	-	-	-	-	1,925,031	1,925,031	1,925,031	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	35,750,830	-	-	(29,590,953)	(29,590,953)	(29,590,953)	-
As at March 31, 2011	4,548,718,700	-	4,548,718,700	2,358,246,761	53,294,018	(11,345,540)	105,152,005	661,250,830	(4,974)	3,166,553,100	1,907,286,640	8,517,604,640	2,588,771,207

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

  
DIRECTOR

  
CHIEF EXECUTIVE

# Notes to the forming part of Consolidated interim financial information for the fifteen months ended March 31, 2011

## 1 REPORTING ENTITY

### Parent Company

Azgard Nine Limited ("ANL") is incorporated in Pakistan as a Public Limited Company and is currently listed on Karachi Stock Exchange (Guarantee) Limited. ANL is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture of yarn, denim and denim products. The registered office of ANL is situated at Ismail Aiwani-e-Science, off Shahrah-e-Roomi, Lahore.

ANL has been accorded approval by the relevant authorities to adopt the financial year to be from July 1st to June 30th in line with that of the textile industry and also has obtained approvals from regulatory authorities to prepare financial statements exceeding twelve months, and, accordingly the next audited financial statements of ANL will be prepared for eighteen months ending June 30, 2011. As such this interim financial information has been prepared and circulated in compliance with the requirements of Section 245 of the Companies Ordinance, 1984, as

### Subsidiary Companies

**Agritech Limited ("AGL") (formerly Pak American Fertilizers Limited)** is incorporated in Pakistan as an Unquoted Public Limited Company and is engaged in manufacture and sale of urea fertilizer. Proportion of interest held by ANL as at the reporting date is 100%. However, during the period, ANL has divested 20.13% of its total holding through a combination of public subscription and private placement. Further, the shareholders of ANL, in the extraordinary general meeting held on July 23, 2010, approved the divestment of remaining shares held in AGL. The divestment is expected to be completed before June 30, 2011. AGL was acquired on July 01, 2006.

**Hazara Phosphate Fertilizers (Private) Limited ("HPFL")** is incorporated in Pakistan as a Private Limited Company and is engaged in manufacture and sale of granulated single super phosphate. HPFL was acquired on November 28, 2008 by AGL. Proportion of interest held by

**Farital AB ("FAB")** is incorporated in Sweden. Investment in FAB was made in order to acquire **Montebello SRL ("MSRL")** a Limited Liability Company incorporated in Italy and owner of an Italian fabric brand. MSRL is engaged in import, export, wholesale and retail marketing and manufacture of textile and apparel products and accessories. Effective control of FAB and MSRL was obtained on December 31, 2008 by ANL.

Nafees International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI ("NIT") is incorporated in Turkey and is engaged in sale of denim and denim products. Proportion of interest by ANL was 51%. NIT was acquired on 05 January 2004. During the period, ANL has disposed its entire shareholding in NIT at USD 0.1 per share.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial report of the Group for the year ended December 31, 2010 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been

The consolidated interim financial information report is not audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2009. Further, the amounts for the quarters ended

The comparative consolidated interim balance sheet as at December 31, 2009 and the related notes, and, the consolidated comparative interim profit and loss account, consolidated interim statement of other comprehensive income, consolidated interim cash flow statement, interim consolidated statement of changes in equity and related notes for the year ended December 31, 2009 are based on audited financial statements. The consolidated interim profit and loss account and consolidated interim statement of other comprehensive income for the quarters ended December

### 2.1 Statement of compliance

This condensed interim financial information is not audited.

This condensed interim financial report of the Group for the year ended December 31, 2010 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, as applicable in Pakistan and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended December 31, 2009.

### 2.2 Financial liabilities and continuing operations

As mentioned in the annual report of ANL for the year ended December 31, 2009, ANL in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. Due to liquidity problems and unavailability of working capital finances, ANL was not able to make timely purchases of raw material and had to procure raw material at higher prices, resulting in substantial increase in cost of sales. High finance costs also had an adverse impact on the profitability of ANL. ANL has taken the following measures in this context for the management of liquid resources and for continuing profitable operations of ANL.



## Notes to the forming part of Consolidated interim financial information for the fifteen months ended March 31, 2011

### Reprofiling of debts

ANL has entered into restructuring / reprofiling agreement with providers of debt finances, whereby various short term and long term debts aggregating to Rs. 8,417.18 million have been restructured / reprofiled and ANL has been allowed graced periods of upto two years. ANL also has overdue debt finances and interest-mark-up thereon amounting to Rs. 1,667 million (see note 10) as at December 31, 2010. Due to reprofiling/restructuring, grace periods, proposed sale of Agritech Limited, ANL will be in a better position to manage its resources and

### Divestment of shareholding in Agritech Limited (formerly Pak American Fertilizers Limited)

ANL, during the period, divested 20.13% comprising 79,006,816 ordinary shares held in Agritech Limited (formerly Pak American Fertilizers Limited), through a combination of private placement and public offering, at a price of Rs. 30 per shares, including a premium of Rs. 20 per share. Further, the shareholders of ANL, in the extraordinary general meeting held on July 23, 2010, have approved the divestment of remaining 79.87% shares held in Agritech Limited. Majority of the funds generated through divestment remaining shares will be utilized towards repayment/prepayment of some of ANL's debts.

### Continuing operations

With the successful restructuring/reprofiling of ANL's debts, proposed divestment of shareholding in Agritech Limited, the management of ANL envisages that sufficient financial resources will be available for the continuing operations of ANL. With positive impact on the finance costs and more effective management of resources and raw material procurement, ANL is expected to continue its operations profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

### 2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value or amortized cost and certain items of property, plant and equipment at revalued amounts. In this financial information, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

### 2.4 Judgements, estimates and assumptions

The preparation of financial information requires management to make judgements, 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 judgements 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 judgements 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.

### 2.5 Functional currency

This financial information is prepared in Pak Rupees which is the Group's functional currency.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are consistent with those applied in the preparation of the preceding annual published financial statements of the Group for the year ended December 31, 2009.

## 4 SHARE CAPITAL

### Authorized share capital

Ordinary shares of Rs. 10 each  
900,000,000 voting shares  
300,000,000 non-voting shares

March 31, 2011	December 31, 2009
Rupees	Rupees

Preference shares of Rs. 10 each  
300,000,000 non-voting shares

9,000,000,000	9,000,000,000
3,000,000,000	3,000,000,000
<b>12,000,000,000</b>	<b>12,000,000,000</b>
3,000,000,000	3,000,000,000
<b>15,000,000,000</b>	<b>15,000,000,000</b>

## Notes to the forming part of Consolidated interim financial information for the fifteen months ended March 31, 2011

	March 31, 2011	December 31, 2009
	Rupees	Rupees
<b>Issued, subscribed and paid-up capital</b>		
Voting ordinary shares of Rs. 10 each		
323,712,733 shares fully paid in cash	3,237,127,330	3,237,127,330
62,548,641 shares issued as fully paid bonus shares	625,486,410	625,486,410
12,276,073 shares issued as consideration for machinery	122,760,730	122,760,730
50,811,992 shares issued as consideration on merger	508,119,920	508,119,920
	<b>4,493,494,390</b>	4,493,494,390
Non-voting ordinary shares of Rs. 10 each		
4,753,719 shares fully paid in cash	47,537,190	47,537,190
768,712 shares issued as fully paid bonus shares	7,687,120	7,687,120
	<b>55,224,310</b>	55,224,310
Preference shares of Rs. 10 each		
Nil (December 31, 2009: 33,062,518) shares fully paid in cash	-	330,625,180
	<b>4,548,718,700</b>	4,879,343,880
<b>5 REDEEMABLE CAPITAL - SECURED</b>		
Term Finance Certificates	13,442,927,848	12,291,729,061
Sukus	1,600,000,000	1,600,000,000
	<b>15,042,927,848</b>	13,891,729,061
Transaction costs	(357,083,320)	(155,550,430)
	<b>14,685,844,528</b>	13,736,178,631
Current maturity presented under current liabilities	(987,952,680)	(1,990,760,500)
	<b>13,697,891,848</b>	11,745,418,131
<b>6 LONG TERM FINANCES - SECURED</b>		
These represent long term finances utilized under interest/markup arrangements		
From banking companies and financial institutions	10,696,136,479	5,871,497,982
Current maturity presented under current liabilities	(405,740,480)	(1,230,700,000)
	<b>10,290,395,999</b>	4,640,797,982
<b>7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED</b>		
Present value of minimum lease payments	255,393,673	364,338,321
Current maturity presented under current liabilities	(64,545,013)	(85,130,118)
	<b>190,848,660</b>	279,208,203
<b>8 CONTINGENCIES AND COMMITMENTS</b>		
<b>8.1 Contingencies</b>		
<b>8.1.1</b> Counter guarantees given by the Group to its bankers as at the reporting date amount to Rs.364 million (December 31, 2009: Rs.		
<b>8.1.2</b> ANL has overdue debt finances and interest/mark-up thereon (see note 10) which may result in further interest/mark-up and/or penalties, which cannot be quantified at this stage. Further, delay in redemption of preference shares and payment of dividend thereon may attract penalties from regulatory authorities.		
<b>8.1.3</b> There is no change in the status of other contingencies since December 31, 2009.		

## Notes to the forming part of Consolidated interim financial information for the fifteen months ended March 31, 2011

	March 31, 2011	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>8.2 Commitments</b>		
<b>8.2.1</b> Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	300,612,763	394,771,631
- purchase of machinery	134,091,820	1,781,959,711
- purchase of raw material	59,907,006	811,185,420
	<u>494,611,589</u>	<u>2,987,916,762</u>
<b>8.2.2</b> Commitments for capital expenditure	-	3,503,908

### 9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties from the Group's perspective comprise associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. The Group 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.

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

	Fifteen months ended March 31, 2011	Fifteen months ended March 31, 2010	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>9.1 Transactions with related parties</b>				
<b>9.1.1 Associated companies</b>				
Purchases of chemicals	2,857,196	6,941,645	-	536,800
Mark-up on borrowings	78,649,947	86,706,520	24,746,254	26,257,314
<b>9.1.2 Post-employment benefit plans</b>				
Contribution to employees provident fund	138,940,020	91,116,402	27,337,552	26,979,715
Interest on amount due to provident fund	5,779,470	-	1,264,259	-
Contribution to employees gratuity fund	10,023,253	5,896,901	5,549,567	2,100,000
<b>9.1.3 Key management personnel</b>				
Short-term employee benefits	96,060,324	53,721,354	35,145,524	40,434,727

	March 31, 2011	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>9.2 Balances with related parties</b>		
<b>9.2.1 Associated companies</b>		
Trade payables	-	1,877,139
Long term loan	340,000,000	340,000,000
Redeemable capital	89,928,000	89,928,000
Mark-up payable	91,185,352	4,959,715
<b>9.2.2 Post-employment benefit plans</b>		
Payable to employees provident fund	19,841,010	11,723,338
Payable to employees gratuity fund	24,418,523	16,413,300
<b>9.2.3 Key Management Personnel</b>		
Short term employee benefits payable	3,772,400	1,517,000

## Notes to the forming part of Consolidated interim financial information for the fifteen months ended March 31, 2011

### 10 OVERDUES DEBT FINANCES

10.1 Due to circumstances, described in note 2.2, the following debts are overdue.

	<b>Principal</b> <i>Rupees</i>	<b>Interest/mark-up</b> <i>Rupees</i>	<b>Total</b> <i>Rupees</i>
Redeemable capital	2,120,000	538,302,225	540,422,225
Long term finances	-	167,627,280	167,627,280
Short term borrowings	-	364,939,252	364,939,252
	<b><u>2,120,000</u></b>	<b><u>1,070,868,757</u></b>	<b><u>1,072,988,757</u></b>

The management expects that following the restructuring of ANL's debt finances, proposed divestment of shareholding in Agritech Limited and consequent improvement in liquidity of ANL, ANL will be able to pay the overdue debts in due course.

10.2 In context of the overall reprofiling/restructuring, the management has recommenced negotiations regarding the settlement of preference shares amounting Rs. 574 million and the same is expected to be settled soon.

# Notes to the forming part of Consolidated interim financial information for the fifteen months ended March 31, 2011

## 11 SEGMENT INFORMATION

The Group has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the Group's reportable

- Textile and Apparel.
- Fertilizers.

*Manufacture and sale of textile and apparel products*  
*Manufacture and sale of nitrogenous and phosphatic fertilizers*

Information about operating segments as at March 31, 2011 is as follows:

	Textile		Fertilizer		Total	
	Period ended March 31, 2011 Rupees	Period ended March 31, 2010 Rupees	Period ended March 31, 2011 Rupees	Period ended March 31, 2010 Rupees	Period ended March 31, 2011 Rupees	Period ended March 31, 2010 Rupees
Revenue from external customers	14,921,547,551	16,290,506,034	9,041,419,439	15,673,846,663	23,962,966,990	31,964,352,697
Inter-segment revenues	-	-	-	-	-	-
Segment profit / (loss)	(2,453,706,251)	(117,883,403)	560,953,117	1,246,009,600	(1,892,753,114)	1,128,126,197
	As at March 31, 2011 Rupees	As at December 31, 2009 Rupees	As at March 31, 2011 Rupees	As at December 31, 2009 Rupees	As at March 31, 2011 Rupees	As at December 31, 2009 Rupees
Segment assets	37,542,246,832	39,589,251,358	42,761,661,488	31,517,810,976	80,303,908,320	71,107,062,334
	Segment assets		Segment assets		Segment profit	
	As at September 30, 2010 Rupees	As at December 31, 2009 Rupees	As at September 30, 2010 Rupees	As at December 31, 2009 Rupees	Half year ended September 30, 2010 Rupees	Half year ended June 30, 2009 Rupees
<b>11.1 Reconciliation of reportable segment assets and segment profit</b>						
Total for reportable segments	80,303,908,320	71,107,062,334			(1,892,753,114)	1,128,126,197
Elimination of						
Investments in other segments	(9,668,777,484)	(12,372,540,000)			-	-
Inter-segment balances	(390,899,435)	(1,382,645,735)			-	-
Inter-segment profits	-	-			-	-
Goodwill acquired in business combination	912,514,567	1,143,212,120			-	-
Consolidated total	71,156,745,968	58,495,088,719	(1,892,753,114)			1,128,126,197

**12 DATE OF AUTHORIZATION FOR ISSUE**

This condensed consolidated financial information was authorized for issue on April 30, 2011 by the Board of Directors of ANL.

**13 GENERAL**

Figures have been rounded of to the nearest rupee

