AZGARD-9

Interim Financial Report

Interim Financial Report

for the quarter ended
September 30, 2011
(Un-audited)

Contents

Company Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Abid Amin

AUDIT COMMITTEE

Mr. Khalid A.H. Al-Sagar
Mr. Aamer Ghias
Mr. Naseer Miyan

HUMAN RESOURCE COMMITTEE

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

LEGAL ADVISOR

Hamid Law Associates

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

BANKERS

JS Bank Limited
MCB Bank Limited
Citibank N.A.
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
KASB Bank Limited
Silk Bank Limited
Summit Bank 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) 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 38460333, 38488862

Fertilizer

Unit I
Agritech Limited.
Iskanderabad,
District Mianwali.
Ph: +92(0)459 392346-49

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

Directors' Review

The Board of Directors of Azgard Nine Limited ("the Company") hereby presents the unaudited interim financial statements for the **quarter ended September 30, 2011.**

PRINCIPAL ACTIVITIES

The main business of the Company is the production and marketing of Denim focused Textile and Apparel products, ranging from raw cotton to retail ready goods. The Company, through its subsidiaries Agritech Limited and Hazara Phosphate Fertilizers (Private) Limited, also carries on the business of manufacturing and marketing of both Nitrogenous and Phosphatic fertilizers.

TEXTILES AND APPAREL

During the period under review the Company continued to face serious challenges due to the difficult financial, operational and global market conditions carried over from the previous periods. Cotton procured at market highs during the volatility of previous periods kept margins under pressure during current period when the prices declined. Additionally the delay in the completion of restructuring of financial debt and availability of working capital lines from the financial institutions had a compounding effect on the Company as the availability of working capital lines was not at our disposal during the pressing time. Due to the company's inability to purchase cotton adequately, it was unable to maximize production capacity which declined to very low levels. Local cost of operations continued to go up steadily due to across the board inflationary pressures. Continued high levels of discounting and finance costs also hampered performance. Unabated gas and electric load shedding also increased cost due to higher cost energy alternatives. A number of customers viewed the eroding situation negatively and curtailed their risks by sourcing to other more stable producing regions.

The Company faced with these multifaceted and mounting challenges has implemented major cost cutting measures across the company and is aligning itself with the new realities of the market, by exploring every possible opportunity of reducing its cost base and increasing its value chain efficiencies and improving its value proposition.

Future Outlook

Uncertainties and long term challenges remain on the horizon in the shape of high interest rates, persisting energy crisis and rising utility costs, volatile cost of cotton, and deteriorating law and order conditions. In this difficult time, the textile sector expects effective measures from the Government to protect export businesses of the Country of which textile sector is the biggest contributor.

Meanwhile the Company is steadfast on its stated strategic initiatives aimed at enhancing margins by drastically improving operations and affecting across the board cost reductions through consolidations, efficiency in manufacturing and induction of efficient plant and machinery and processes. The Company is also stepping up efforts to improve the top line through better product positioning, and complementing it with enhanced portfolio of services offered to the customers. This is being achieved through developing an institutionalized culture of working with the customers closely than ever before and effectively working as their extension in their supply chain planning.

Steps are being taken to improve the financial health of the Company by major overhauling and consolidation of the Company businesses which will result in a stronger balance sheet with significantly improved debt profile. Notwithstanding the steady improvements and successes, the recovery is estimated to be a slow paced one and one which will entail a long term effort.

Directors' Review

Divestment of shareholding in Agritech Limited

The Company is in negotiations with potential buyers, a consortium of investors including banks. Negotiations are in final stages and agreements in this context are expected to be concluded soon.

With the successful restructuring/reprofiling of the Company's debts and 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 including volatile raw material costs, power crises and global market conditions.

FERTILIZER BUSINESS

Urea Fertilizer

During the period in review the Agritech Limited continued to face extended gas load shedding and production curtailment by SNGPL. The shortage of Urea as a consequence of extensive and unplanned natural gas load shedding to the Company resulted in a considerable reduction in plant operation days and in significantly lower production compared to the previous period.

SSP Fertilizer

Hazara Phosphate continues to post a strong performance due to a combination of major debottlenecking initiatives, raw material cost breakthroughs, and healthy SSP market conditions. The plant is on track to further increase the capacity of the SSP plant to 162,000 in 2012 at a marginal capital expenditure.

A significant breakthrough has been achieved in replacing imported phosphate rock with local phosphate rock as a key raw material for SSP production, which has consequently enhanced the margins. However, going forward, an increased competition due to new capacities coming on line will drive competitive pricing. The Company retains its cost leadership advantage over competitors partly due to local rock usage.

Debt Re-profiling of Agritech

The Company successfully completed the first round of restructuring of its debt in December 2010. Unfortunately the continuation of gas load shedding by SNGPL 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 the process in early 2011. The terms of these supplemental agreements are effective from July 31, 2011. This restructuring will help the Company to smooth out its operations, which in turn will improve its financial health and allow the Company to service its debts on a timely basis.

Future Outlook

The fertilizer sector enjoys a positive outlook in Pakistan which is a major consumer of fertilizer with area under cultivation of approximately 23 million HA. The strategic importance of fertilizer usage and its related benefits to the agriculture sector cannot be ignored in the long run.

The gas availability issue is a national issue which will be a challenge for the fertilizer industry to manage in the foreseeable future. However, global dynamics including a strong international Urea price coupled with Rupee devaluation will render large scale fertilizer imports expensive and unsuitable for the Government of Pakistan. Consequently, we expect the gas availability to improve over the next few months.

International Phosphate market consistently shows a strong upwards trend, supporting the local SSP pricing and margins. Hazara Phosphate is expected to deliver a strong performance in future as a result of lowest cost technology, local raw material substitution, strong pricing and premium brand positioning.

Directors' Review

Operating Financial Results of Azgard Nine Limited (Stand Alone)

	September 30, 2011	September 30, 2010
Turnover – net	1,905,002,738	2,749,296,281
Operating (loss)/profit	(533,489,897)	196,944,924
Finance cost	620,637,088	483,746,369
Loss before tax	(1,154,126,985)	(286,801,445)
Loss after tax	(1,174,215,173)	(314,425,575)
Loss per share	(2.58)	(0.71)

Consolidated Results Including Subsidiaries

	September 30, 2011	September 30, 2010
Turnover – net	3,884,664,611	4,092,576,082
Operating (loss)/profit	(80,846,878)	486,433,435
Finance cost	1,025,307,999	762,362,263
Loss before tax	(1,106,154,877)	(275,928,828)
Loss after tax	(1,139,010,152)	(4,140,592)
Loss per share	(2.55)	(0.21)

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

Director

Lahore: **October 31, 2011**

Condensed Interim Financial Information

Interim balance sheet
As at September 30, 2011

	Note	September 30, 2011 Rupees (Un-audited)	June 30, 2011 Rupees (Audited)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
1,500,000,000 ordinary and preference shares of Rs. 10 each		**15,000,000,000**	15,000,000,000
Issued, subscribed and paid-up capital		**4,548,718,700**	4,548,718,700
Reserves		**7,545,286,523**	7,566,084,048
Accumulated losses		**(2,992,168,039)**	(1,845,738,603)
		9,101,837,184	10,269,064,145
Surplus on revaluation of property, plant and equipment		**3,697,084,073**	3,724,869,810
Non-current liabilities			
Redeemable capital - *Secured*	*4*	**3,802,160,558**	3,953,868,892
Long term finances - *Secured*	*5*	**3,246,909,110**	3,390,029,147
Liabilities against assets subject to finance lease - *Secured*		**30,261,134**	37,135,730
		7,079,330,802	7,381,033,769
Current liabilities			
Current maturity of non-current liabilities	*6*	**1,752,378,349**	1,531,656,600
Short term borrowings - *Secured*		**8,080,327,119**	8,035,475,980
Trade and other payables		**2,109,784,722**	2,043,608,344
Due to related party		**315,424,444**	317,158,570
Accrued interest/mark-up		**3,304,363,242**	2,811,260,162
Dividend payable		**32,729,078**	32,729,078
		15,595,006,954	14,771,888,734
Contingencies and commitments	*7*	**-**	-
		35,473,259,013	36,146,856,458
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**13,704,794,783**	13,835,133,413
Intangible assets		**5,860,837**	8,289,489
Long term investments		**2,692,146,046**	2,692,146,629
Long term deposits - *Unsecured, considered good*		**20,945,293**	21,613,393
		16,423,746,959	16,557,182,924
Current assets			
Stores, spares and loose tools		**393,292,850**	473,028,964
Stock in trade		**3,568,306,587**	3,763,161,375
Trade receivables		**2,863,709,034**	3,185,586,167
Advances, deposits, prepayments and other receivables		**984,617,586**	955,318,688
Short term investments	*9*	**10,969,811,440**	10,969,811,440
Current taxation		**89,205,299**	76,509,215
Cash and bank balances		**180,569,258**	166,257,685
		19,049,512,054	19,589,673,534
		35,473,259,013	36,146,856,458

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

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

The Chief Executive of the Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Interim profit and loss account

For the quarter ended September 30, 2011

	September 30, 2011 *Rupees* *(Un-audited)*	September 30, 2010 *Rupees* *(Un-audited)*
Turnover - ***net***	**1,905,002,738**	2,749,296,281
Cost of sales	**(2,173,334,327)**	(2,469,704,563)
Gross (loss)/profit	**(268,331,589)**	279,591,718
Selling and distribution expenses	**(119,940,021)**	(117,334,212)
Administrative and general expenses	**(131,779,714)**	(134,253,307)
	(251,719,735)	(251,587,519)
Net other operating (expenses)/income	**(13,438,573)**	168,940,725
Operating (loss)/profit	**(533,489,897)**	196,944,924
Finance cost	**(620,637,088)**	(483,746,369)
Other charges	**-**	-
Loss before taxation	**(1,154,126,985)**	(286,801,445)
Taxation	**(20,088,188)**	(27,624,130)
Loss after taxation	**(1,174,215,173)**	(314,425,575)
Loss per share - ***Basic and diluted***	**(2.58)**	(0.71)

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

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

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Interim statement of other comprehensive Income

For the quarter ended September 30, 2011

	September 30, 2011	September 30, 2010
	Rupees	*Rupees*
	(Un-audited)	*(Un-audited)*
Changes in fair value of cash flow hedges	**(20,796,942)**	(14,732,258)
Available for sale financial assets	**(583)**	(75,384)
Incremental depreciation	**27,785,737**	57,283,309
Other comprehensive income before taxation	**6,988,212**	42,475,667
Taxation	**-**	-
Other comprehensive income after taxation	**6,988,212**	42,475,667
Loss after taxation	**(1,174,215,173)**	(314,425,575)
Total comprehensive loss	**(1,167,226,961)**	(271,949,908)

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Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

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Interim cash flow statement

For the quarter ended September 30, 2011

	September 30, 2011 *Rupees* *(Un-audited)*	September 30, 2010 *Rupees* *(Un-audited)*
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	**(1,154,126,985**	(286,801,445)
Adjustments for non-cash and other items	**715,390,302**	803,251,873
Operating (loss)/profit before changes in working capital	**(438,736,683)**	516,450,428
Changes in working capital	**585,513,040**	(451,787,238)
Cash generated from operations	**146,776,357**	64,663,190
Payments for:		
Interest/markup	**(137,408,112)**	(353,973,986)
Income taxes	**(32,784,272)**	(27,305,104)
Net cash used in operating activities	**(23,416,027)**	(316,615,900)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	**(5,895,306)**	(7,106,338)
Proceeds from disposal of property, plant and equipment	**1,183,823**	3,524,929
Investments	**-**	(52,932,569)
Net cash used in investing activities	**(4,711,483)**	(56,513,978)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from related party	**-**	21,775,068
Long term finances	**-**	153,810,000
Liabilities against assets subject to finance lease	**(2,412,056)**	(7,205,660)
Short term borrowings	**44,851,139**	172,580,096
Net cash flow from financing activities	**42,439,083**	340,959,504
Net increase/(decrease) in cash and cash equivalents	**14,311,573**	(32,170,374)
Cash and cash equivalents as at beginning of the year	**166,257,685**	67,772,100
Cash and cash equivalents as at end of the year	**180,569,258**	35,601,726

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

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

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Interim statement of changes in equity

For the quarter ended September 30, 2011

	Issued, subscribed and paid-up capital			Capital reserves				Revenue reserves				
	Ordinary shares	Preference shares	Total	Share premium	Reserve on merger	Preference shares redemption reserve	Total	Cash flow hedges	Available for sale financial assets	Total	Accumulated profit/(losses)	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
As at July 01, 2010 *(Un-audited)*	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	105,152,005	661,250,830	3,124,649,596	66,479,346	3,021,442,137	3,087,921,483	2,582,977,468	13,674,892,427
Loss for the quarter ended September 30, 2010	-	-	-	-	-	-	-	-	-	-	(314,425,575)	(314,425,575)
Other comprehensive income/(loss) for the quarter ended September 30, 2010	-	-	-	-	-	-	-	(14,732,258)	(75,384)	(14,807,642)	57,283,309	42,475,667
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	-		(330,625,180)
As at September 30, 2010 *(Un-audited)*	4,548,718,700	-	4,548,718,700	2,358,246,761	105,152,005	661,250,830	3,124,649,596	51,747,088	3,021,366,753	3,073,113,841	2,325,835,202	13,072,317,339
As at July 01, 2011 *(Audited)*	4,548,718,700	-	4,548,718,700	2,358,246,761	105,152,005	661,250,830	3,124,649,596	48,894,931	4,392,539,521	4,441,434,452	(1,845,738,603)	10,269,064,145
Loss for the quarter ended September 30, 2011	-	-	-	-	-	-	-	-	-	-	(1,174,215,173)	(1,174,215,173)
Other comprehensive income/(loss) for the quarter ended September 30, 2011	-	-	-	-	-	-	-	(20,796,942)	(583)	(20,797,525)	27,785,737	6,988,212
As at September 30, 2011 *(Un-audited)*	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**105,152,005**	**661,250,830**	**3,124,649,596**	**28,097,989**	**4,392,538,938**	**4,420,636,927**	**(2,992,168,039)**	**9,101,837,184**

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

Lahore
Date: October 31, 2011

DIRECTOR

DIRECTOR

The Chief Executive of the Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Notes to the forming part of interim financial report

For the quarter ended September 30, 2011

1 REPORTING ENTITY

Azgard Nine Limited ("the Company") is incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture and sale of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 K.M. off Manga, Raiwind Road, District Kasur, Unit II at 20 K.M. off Ferozpur Road, 6 K.M Bandian Road on Ruhi Nala, Der Khud, Lahore and Unit III at Alipur Road, Muzaffargrah.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This interim financial report of the Company for the quarter ended September 30, 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, 1984 have been followed.

This interim financial 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 financial statements. This interim financial report should be read in conjunction with the audited financial statements of the Company for the eighteen months period ended June 30, 2011.

The comparative balance sheet as at June 30, 2011 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 quarter ended September 30, 2010 are neither audited nor reviewed.

2.2 Financial Liabilities and Business Operations

The Company is yet to emerge from the negative effects of liquidity crises arising out of worldwide and nationwide recessionary trends and other economic conditions in the current and previous periods. Difficult financial, operational and global market conditions continued to prevail. Due to unavailability of adequate working capital finances during the previous periods, 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. Massive and continuing power crises forced the Company to opt for higher cost energy alternatives that further increased the cost of production. Increasing interest rates resulted in high finance costs which also added significant financial pressure on the Company.

Due to the above circumstances, the Company was unable to meet its obligations in respect of various short and long term debt finances.

The Company has taken the following measures in this context for the management of liquid resources and for continuing profitable operations of the Company.

Restructuring of debts

As mentioned in the annual report of the Company for the eighteen months period ended June 30, 2011, the Company has entered into restructing agreement with providers of debt finances, whereby various short term and long term debts have been restructed and the Company has been allowed graced periods of upto two years.

The restructuring of financial liabilities has facilititated the rationalization of the same in accordance with the debt absorption capacity of the Company and further ensuring more effective and efficient management of financial resources of the Company and availability of sufficient resources for the continuing profitable operations of the Company. The management of the Company also envisages to resolve and meet its obligations including overdue debt finances as referred to in note 11.

Divestment of shareholding in Agritech Limited

As mentioned in the annual report of the Company for the eighteen months period ended June 30, 2011, the Company has divested 20.13% comprising 79,006,816 ordinary shares held it Agritech Limited, through a combination of private placement and public offering, at a price of Rs. 30 per share, including 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. The Company is in negotiations with potentional buyers, a consortium of investors including banks, regarding divestment. Negotiations are in the final stages and agreements in this context are expected to be concluded by November 30, 2011. Majority of the funds generated through divestment of remaining shares will be utilized towards repayment/prepayment of some of the Company's debts including the current overdues.

Business operations

The Company has implemented major cost cutting measures in order to align itself with the new realities of the market, by exploring every possible opportunity of reducing its cost base and increasing its value chain efficiencies and proposition. With the successful restructuring 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 including volatile raw material costs, power crises and global market conditions.

Notes to the forming part of interim financial report

For the quarter ended September 30, 2011

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial instruments at amortized cost and certain items of property, plant and equipment 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.

2.4 Judgements, estimates and assumptions

The preparation of financial statements 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. Subsequently, 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 Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this interim financial report are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the eighteen months period ended June 30, 2011.

	September 30, 2011	June 30, 2011
	Rupees	*Rupees*
	(Un-audited)	*(Audited)*
4 REDEEMABLE CAPITAL - SECURED		
Term Finance Certificates	**4,820,269,061**	4,820,269,061
Transaction costs	**(82,812,238)**	(86,964,537)
	4,737,456,823	4,733,304,524
Current maturity presented under current liabilities	**(935,296,265)**	(779,435,632)
	3,802,160,558	3,953,868,892
5 LONG TERM FINANCES - SECURED		
Term finances	**3,518,585,787**	3,602,766,356
Transaction costs	**(41,303,401)**	(43,430,609)
	3,477,282,386	3,559,335,747
Current maturity presented under current liabilities	**(230,373,276)**	(169,306,600)
	3,246,909,110	3,390,029,147

6 CURRENT MATURITY OF NON-CURRENT LIABILITIES

These include preference shares amounting to 574.5 million which are outstanding overdue as at the reporting date (see note 11). Following the successfull debt restructuring of the Company, the management has recommenced negotiations regarding this issue, including settlement of outstanding dividend on preference shares and the same is expected to be settled soon.

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no change in the status of contingencies since June 30, 2011

7.2 Commitments

7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	**97,702,587**	141,745,448
- purchase of machinery	**4,755,750**	5,919,288
- purchase of raw material	**4,355,530**	25,800,276
	106,813,867	173,465,012

Notes to the forming part of interim financial report

For the quarter ended September 30, 2011

	Note	September 30, 2011 Rupees (Un-audited)	June 30, 2011 Rupees (Audited)
7.2.2 Commitments for capital expenditure		**8,094,143**	-
8 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		**13,704,372,446**	13,835,133,413
Capital work in progress		**422,337**	-
		13,704,794,783	13,835,133,413
8.1 Operating fixed assets			
Net book value as at the beginning of the period		**13,835,133,413**	14,053,786,326
Additions during the period	*8.1.1*	**5,472,969**	818,566,003
Net book value of assets disposed during the period		**(1,644,416)**	(19,446,873)
Depreciation charged during the period		**(134,589,520)**	(1,017,772,043)
Net book value as at the end of the period		**13,704,372,446**	13,835,133,413
8.1.1 Additions - Cost			
Assets owned by the Company			
Buildings on freehold land		**897,281**	402,848,970
Plant and machinery		**3,526,491**	353,500,314
Furniture, fixtures and office equipment		**-**	12,129,605
Vehicles		**-**	1,201,414
Tools and equipment		**691,700**	42,728,027
Electric installation		**357,497**	5,763,405
Assets subject to finance lease			
Vehicles		**-**	394,268
		5,472,969	818,566,003

9 SHORT TERM INVESTMENTS

This represents investment in 313,423,184 ordinary shares of Rs. 10 each in Agritech Limited, a subsidiary of the Company. The Company is in negotiations with potentional buyers, a consortium of investors including banks, for divestment of its interest in Agritech Limited. Accordingly, the investment has been classified as a current asset.

The investment has been valued at Rs. 35 per share taking into consideration the approximate value at which the divestment is expected to be made, and which is also reflective of the controlling interests to be transferred.

10 RELATED PARTY TRANSACTIONS AND BALANCES

10.1 Transactions with related parties

	September 30, 2011	June 30, 2011
10.1.1 ***Subsidiaries***		
Sales	**70,775,024**	162,987,710
Return on investments	**1,734,126**	21,235,068
Interest/markup on borrowings	**17,442,868**	24,552,149
10.1.2 ***Associates***		
Purchases	**-**	929,716
10.1.3 ***Post-employment benefit plans***		
Contribution to employees provident fund trust	**24,609,018**	20,776,536
Interest on payable to employee provident fund trust	**3,191,871**	-

Notes to the forming part of interim financial report
For the quarter ended September 30, 2011

	September 30, 2011	September 30, 2010
	Rupees	*Rupees*
	(Un-audited)	*(Un-audited)*
10.1.4 ***Key management personnel***		
Short-term employee benefits	**14,587,827**	8,362,100
Post employment benefits	**826,644**	473,852
10.2 Balances with related parties		
10.2.1 ***Subsidiaries***		
Borrowings	**315,424,444**	317,158,570
Trade receivables	**1,035,244,016**	1,070,351,453
Accrued interest/mark-up	**142,964,564**	125,521,696
Investment in debt securities	**266,081,964**	266,081,964
10.2.2 ***Associates***		
There are no balances with associates as at the reporting date		
10.2.3 ***Post-employment benefit plans***		
Payable to employees provident fund trust	**130,972,488**	114,122,901
10.2.4 ***Key Management Personnel***		
Short term employee benefits payable	**4,862,609**	4,834,943

11 OVERDUE DEBT FINANCES

Due to circumstances described in note 2.2, debts, including interest/mark-up, amounting to Rs. 4,711 million are overdue as at September 30, 2011.

12 DATE OF AUTHORIZATION FOR ISSUE

This interim financial report was authorized for issue on October 31, 2011 by the Board of Directors of the Company.

13 GENERAL

Figures have been rounded of to the nearest rupee.

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

The Chief Executive of the Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Condensed Interim Consolidated Financial Information

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Interim consolidated balance sheet
As at September 30, 2011

	Note	September 30, 2011 Rupees (Un-audited)	June 30, 2011 Rupees (Audited)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
1,500,000,000 ordinary and preference shares of Rs. 10 each		**15,000,000,000**	15,000,000,000
Issued, subscribed and paid-up capital		**4,548,718,700**	4,548,718,700
Reserves		**3,130,731,601**	3,159,053,369
Accumulated losses		**(1,567,542,821)**	(464,226,537)
		6,111,907,480	7,243,545,532
Surplus on revaluation of property, plant and equipment		**6,938,793,922**	7,003,957,881
Non-controlling interests		**2,611,577,829**	2,582,107,738
Loan from related parties - *Unsecured, Subordinated*		**340,000,000**	340,000,000
Non-current liabilities			
Redeemable capital - *Secured*	4	**13,728,461,895**	13,327,897,970
Long term finances - *Secured*	5	**10,407,130,023**	9,966,538,549
Liabilities against assets subject to finance lease - *Secured*		**141,319,159**	177,573,883
Long term payables - *Unsecured*		**31,135,199**	31,135,199
Deferred taxation		**2,968,413,926**	2,973,657,218
Employees retirement benefits		**2,134,407**	20,372,547
		27,278,594,609	26,497,175,366
Current liabilities			
Current maturity of non-current liabilities	6	**2,371,434,402**	3,212,265,941
Short term borrowings - *Secured*		**10,997,858,554**	11,284,647,753
Trade and other payables		**6,569,306,229**	6,040,024,804
Accrued interest/mark-up		**7,223,325,628**	6,185,634,382
Dividend payable		**32,729,078**	32,729,078
		27,194,653,891	26,755,301,958
Contingencies and commitments	7	**-**	-
		70,475,527,731	70,422,088,475
ASSETS			
Non-current assets			
Property, plant and equipment	8	**50,389,164,147**	50,168,926,414
Intangible assets		**5,407,207,405**	5,409,716,922
Long term investments		**12,281**	12,864
Long term deposits - *Unsecured, considered good*		**66,907,634**	52,831,484
Long term advances		**23,840,733**	28,663,924
Non-current assets held for disposal		**713,092,558**	713,092,558
		56,600,224,758	56,373,244,166
Current assets			
Stores, spares and loose tools		**2,515,614,382**	2,581,479,175
Stock in trade		**4,065,480,220**	4,430,657,751
Trade receivables		**4,051,266,999**	4,480,130,994
Advances, deposits, prepayments and other receivables		**2,468,310,651**	1,953,047,605
Current taxation		**323,586,576**	298,819,762
Cash and bank balances		**451,044,145**	304,709,022
		13,875,302,973	14,048,844,309
		70,475,527,731	70,422,088,475

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

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

The Chief Executive of the Parent Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Interim consolidated profit and loss account

For the quarter ended September 30, 2011

	September 30, 2011	September 30, 2010
	Rupees	*Rupees*
	(Un-audited)	*(Un-audited)*
Turnover - ***net***	**3,884,664,611**	4,092,576,082
Cost of sales	**(3,441,093,025)**	(3,249,760,390)
Gross (loss)/profit	**443,571,586**	842,815,692
Selling and distribution expenses	**(194,462,942)**	(121,539,031)
Administrative and general expenses	**(302,422,887)**	(242,594,174)
	(496,885,829)	(364,133,205)
Net other operating (expenses)/income	**(27,532,635)**	7,750,948
Operating (loss)/profit	**(80,846,878)**	486,433,435
Finance cost	**(1,025,307,999)**	(762,362,263)
Other charges	**-**	-
Loss before taxation	**(1,106,154,877)**	(275,928,828)
Taxation	**(32,855,275)**	271,788,236
Loss after taxation	**(1,139,010,152)**	(4,140,592)
Profit/(loss) after tax attributable to:		
Equity holders of the Parent Company	**(1,160,954,992)**	(88,996,917)
Non-controlling interests	**21,944,840**	84,856,325
	(1,139,010,152)	(4,140,592)
Loss per share - ***Basic and diluted***	**(2.55)**	(0.21)

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

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

The Chief Executive of the Parent Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Interim consolidated statement of other comprehensive income

For the quarter ended September 30, 2011

	September 30, 2011	September 30, 2010
	Rupees	*Rupees*
	(Un-audited)	*(Un-audited)*
Changes in fair value of cash flow hedges	**(20,796,942)**	(14,732,258)
Available for sale financial assets	**(583)**	(23,076)
Exchange difference on translation of foreign subsidiaries	**(7,524,243)**	42,035,727
Incremental depreciation	**85,290,694**	64,223,441
Other comprehensive income before taxation	**56,968,926**	91,503,834
Taxation	**(20,126,735)**	(2,429,046)
Other comprehensive income after taxation	**36,842,191**	89,074,788
Loss after taxation	**(1,139,010,152)**	(4,140,592)
Total comprehensive loss	**(1,102,167,961)**	84,934,196
Total comprehensive income/(loss) attributable to:		
Equity holders of the Parent Company	**(1,131,638,052)**	(3,711,066)
Non-controlling interests	**29,470,091**	88,645,262
	(1,102,167,961)	84,934,196

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

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

The Chief Executive of the Parent Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Interim consolidated cash flow statement

For the quarter ended September 30, 2011

	September 30, 2011 *Rupees* *(Un-audited)*	September 30, 2010 *Rupees* *(Un-audited)*
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	**(1,106,154,877)**	(275,928,828)
Adjustments for non-cash and other items	**1,267,686,521**	3,057,624,990
Operating (loss)/profit before changes in working capital	**161,531,644**	2,781,696,162
Changes in working capital	**816,171,164**	(2,000,735,182)
Cash generated from operations	**977,702,808**	780,960,980
Payments for:		
Interest/markup	**(481,379,990)**	172,831,507
Income taxes	**(62,865,382)**	26,841,623
Employees retirement benefits	**(20,424,806)**	
Net cash used in operating activities	**413,032,630**	980,634,110
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	**(13,050,904)**	(430,829,885)
Proceeds from disposal of property, plant and equipment	**1,183,823**	30,960,759
Investments	**-**	(52,932,569)
Net cash used in investing activities	**(11,867,081)**	(452,801,695)
CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable capital	**(667,251)**	14,195,029
Long term finances	**123,699,279**	(202,326,689)
Liabilities against assets subject to finance lease	**(23,573,255)**	(69,833,961)
Transaction costs on borrowings	**(67,500,000)**	(14,800,000)
Short term borrowings	**(286,789,199)**	(426,850,107)
Net cash flow from financing activities	**(254,830,426)**	(699,615,728)
Net increase/(decrease) in cash and cash equivalents	**146,335,123**	(171,783,313)
Cash and cash equivalents as at beginning of the year	**304,709,022**	321,703,032
Cash and cash equivalents as at end of the year	**451,044,145**	149,919,719

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

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

The Chief Executive of the Parent Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Interim consolidated ctatement of changes in equity

for the quarter ended September 30, 2011

	Issued, subscribed and paid-up capital			Capital reserves					Revenue reserves				
	Ordinary shares	Preference shares	Total	Share premium	Translation reserve	Merger reserve	Preference shares redemption reserve	Total	Cash flow hedges	Available for sale financial assets	Total	Accumulated profit/(losses)	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
As at July 01, 2010 *(Un-audited)*	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	(92,671,639)	105,152,005	661,250,830	3,031,977,957	66,479,346	18,103	66,497,449	3,748,250,593	11,726,069,879
Loss for the quarter ended September 30, 2010	-	-	-	-	-	-	-	-	-	-	-	(88,996,917)	(88,996,917)
Other comprehensive income/(loss) for the quarter ended September 30, 2010	-	-	-	-	42,035,727	-	-	42,035,727	(14,732,258)	(23,076)	(14,755,334)	58,005,458	85,285,851
Non-controlling interest arising on divestment	-	-	-	-	-	-	-	-	-	-	-	2,880,733	2,880,733
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	-	-	-	(330,625,180)
As at September 30, 2010 *(Un-audited)*	4,548,718,700	-	4,548,718,700	2,358,246,761	(50,635,912)	105,152,005	661,250,830	3,074,013,684	51,747,088	(4,973)	51,742,115	3,720,139,867	11,394,614,366
As at July 01, 2011 *(Audited)*	4,548,718,700	-	4,548,718,700	2,358,246,761	(14,485,358)	105,152,005	661,250,830	3,110,164,238	48,894,931	(5,800)	48,889,131	(464,226,537)	7,243,545,532
Loss for the quarter ended September 30, 2011	-	-	-	-	-	-	-	-	-	-	-	(1,160,954,992)	(1,160,954,992)
Other comprehensive income/(loss) for the quarter ended September 30, 2011	-	-	-	-	(7,524,243)	-	-	(7,524,243)	(20,796,942)	(583)	(20,797,525)	57,638,708	29,316,940
As at September 30, 2011 *(Un-audited)*	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**(22,009,601)**	**105,152,005**	**661,250,830**	**3,102,639,995**	**28,097,989**	**(6,383)**	**28,091,606**	**(1,567,542,821)**	**6,111,907,480**

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

Lahore
Date: October 31, 2011

DIRECTOR

DIRECTOR

The Chief Executive of the Parent Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Notes to the forming part of consolidated interim financial report

For the quarter ended September 30, 2011

1 REPORTING ENTITY

Parent Company

Azgard Nine Limited ("the Parent Company") is incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. The Parent Company is a composite spinning, weaving, dyeing and stitching unit engaged in manufacture and sale of yarn, denim and denim products. The registered office of the Parent Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Parent Company has three production units with Unit I located at 2.5 K.M. off Manga, Raiwind Road, District Kasur, Unit II at 20 K.M. off Ferozpur Road, 6 K.M Bandian Road on Ruhi Nala, Der Khud, Lahore and Unit III at Alipur Road, Muzaffargrah.

Subsidiary companies

Agritech Limited ("AGL") is incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. AGL is engaged in manufacture and sale of urea fertilizer. The production facility is located at Iskanderabad, District Mianwali. Proportion of interest held by the Parent Company is 79.87%.

Hazara Phosphate Fertilizers (Private) Limited ("HPFL") is incorporated in Pakistan as a Private Limited Company. HPFL is engaged in manufacture and sale of granulated single super phosphate fertilizer. The production facility is located at Hattar Road, Haripur. HPFL is a wholly owned subsidiary of AGL.

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. Proportion of interest held by the Parent Company is 100%.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This interim financial report of the Group for the quarter ended September 30, 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, 1984 have been followed.

This interim financial 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 financial statements. This interim financial report should be read in conjunction with the audited financial statements of the Group for the eighteen months period ended June 30, 2011.

The comparative balance sheet as at June 30, 2011 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 quarter ended September 30, 2010 are neither audited nor reviewed.

2.2 Financial Liabilities and Business Operations

2.2.1 ***Azgard Nine Limited***

The Parent Company is yet to emerge from the negative effects of liquidity crises arising out of worldwide and nationwide recessionary trends and other economic conditions in the current and previous periods. Difficult financial, operational and global market conditions continued to prevail. Due to unavailability of adequate working capital finances during the previous periods, the Parent 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. Massive and continuing power crises forced the Parent Company to opt for higher cost energy alternatives that further increased the cost of production. Increasing interest rates resulted in high finance costs which also added significant financial pressure on the Parent Company.

Due to the above circumstances, the Parent Company was unable to meet its obligations in respect of various short and long term debt finances.

The Parent Company has taken the following measures in this context for the management of liquid resources and for its continuing profitable operations.

Restructuring of debts

As mentioned in the annual report of the Parent Company for the eighteen months period ended June 30, 2011, the Parent Company has entered into restructing agreement with providers of debt finances, whereby various short term and long term debts have been restructed and the Parent Company has been allowed graced periods of upto two years.

The restructuring of financial liabilities has facilititated the rationalization of the same in accordance with the debt absorption capacity of the Parent Company and further ensuring more effective and efficient management of financial resources of the Parent Company and availability of sufficient resources for the continuing profitable operations of the Parent Company. The management of the Parent Company also envisages to resolve and meet its obligations including overdue debt finances as referred to in note 11.

Notes to the forming part of consolidated interim financial report

For the quarter ended September 30, 2011

Divestment of shareholding in Agritech Limited

As mentioned in the annual report of the Parent Company for the eighteen months period ended June 30, 2011, the Parent Company has divested 20.13% comprising 79,006,816 ordinary shares held it Agritech Limited, through a combination of private placement and public offering, at a price of Rs. 30 per share, including premium of Rs. 20 per share. Further, the shareholders of the Parent Company, in the extraordinary general meeting held on July 23, 2010, have approved the divestment of remaining 79.87% shares held in Agritech Limited. The Parent Company is in negotiations with potential buyers, a consortium of investors including banks, regarding divestment. Negotiations are in the final stages and agreements in this context are expected to be concluded by November 30, 2011. Majority of the funds generated through divestment of remaining shares will be utilized towards repayment/prepayment of some of the Parent Company's debts including the current overdues.

Business operations

The Parent Company has implemented major cost cutting measures in order to align itself with the new realities of the market, by exploring every possible opportunity of reducing its cost base and increasing its value chain efficiencies and proposition. With the successful restructuring of the Parent Company's debts, proposed divestment of shareholding in Agritech Limited, the management of the Parent Company envisages that sufficient financial resources will be available for the continuing operations of the Parent Company. With positive impact on the finance costs and more effective management of resources and raw material procurement, the Parent Company is expected to continue its operations profitably, subject to impact, if any, of uncontrollable external circumstances including volatile raw material costs, power crises and global market conditions.

2.2.2 *Agritech Limited*

The worldwideand nationwide recessionary trends and other economic conditions have perpetuated general credit and liquidity crisis. These circumstances are being faced by all the industrial and business sectors in Pakistan. AGL, during the 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, AGL has faced massive devaluation of the Pak Rupee over the past couple of years which increased urea project cost manifold, with high interest/mark-up rates resulting in substantially high finance costs on project finance and acquisition loans. This has perpetuated temporary, liquidity issues and resulting overdue debts, as referred to in note 11 to the financial statements.

AGL has taken the following measures in this context for the management of liquid resources and for its continuing profitable operations.

Financial liabilities rescheduling and business operations

During the period AGL has entered into a second round of rescheduling with the providers of debt finances and agreements in this respect have been signed with effect from 31 July 2011. By virtue of this rescheduling, AGL has been allowed further grace period of one year for principal repayments of various long term debts. The outstanding markup on redeemable capital and long term finances is proposed to be converted into preference shares / privately placed term finance certificates (PPTFCs). In this regard, investors have provided their consents and AGL is in the process of making final arrangements for issuance of preference shares / PPTFCs.

With the successful rescheduling of the AGL's debt finances the management envisages that sufficient financial resources will be available for the continuing operations of AGL. The fertilizer sector is likely to remain robust in coming years. The trend indicates that the sales will continue to grow with improved operational profitability inspite of high finance costs and other factors.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial instruments at amortized cost and certain items of property, plant and equipment 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.

2.4 Judgements, estimates and assumptions

The preparation of financial statements 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. Subsequently, 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 interim financial report are consistent with those applied in the preparation of the preceding annual published financial statements of the Group for the eighteen months period ended June 30, 2011.

Notes to the forming part of consolidated interim financial report

For the quarter ended September 30, 2011

	September 30, 2011	June 30, 2011
	Rupees	*Rupees*
	(Un-audited)	*(Audited)*
4 REDEEMABLE CAPITAL - SECURED		
Term Finance Certificates	**13,442,420,997**	13,442,888,248
Sukuks	**1,599,800,000**	1,600,000,000
	15,042,220,997	15,042,888,248
Transaction costs	**(378,462,837)**	(323,091,516)
	14,663,758,160	14,719,796,732
Current maturity presented under current liabilities	**(935,296,265)**	(1,391,898,762)
	13,728,461,895	13,327,897,970
5 LONG TERM FINANCES - SECURED		
Term finances	**11,317,059,071**	11,277,540,361
Transaction costs	**(123,930,772)**	(128,761,126)
	11,193,128,299	11,148,779,235
Current maturity presented under current liabilities	**(785,998,276)**	(1,182,240,686)
	10,407,130,023	9,996,538,549

6 CURRENT MATURITY OF NON-CURRENT LIABILITIES

These include preference shares amounting to 574.5 million which are outstanding overdue as at the reporting date. Following the successfull debt restructuring of the Parent Company, the management has recommenced negotiations regarding this issue, including settlement of outstanding dividend on preference shares and the same is expected to be settled soon.

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no change in the status of contingencies since June 30, 2011

7.2 Commitments

	September 30, 2011	June 30, 2011
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	**97,702,587**	141,745,448
- purchase of machinery	**4,755,750**	5,919,288
- purchase of raw material	**4,355,530**	25,800,276
	106,813,867	173,465,012
7.2.2 Commitments for capital expenditure	**8,094,143**	-

8 PROPERTY, PLANT AND EQUIPMENT

	September 30, 2011	June 30, 2011
Operating fixed assets	**38,057,332,641**	38,339,694,153
Capital work in progress	**12,331,831,506**	11,829,232,261
	50,389,164,147	50,168,926,414

Notes to the forming part of consolidated interim financial report

For the quarter ended September 30, 2011

			September 30, 2011	June 30, 2011
			Rupees	*Rupees*
8.1	**Operating fixed assets**		*(Un-audited)*	*(Audited)*
	Net book value as at the beginning of the period		**38,339,694,153**	29,696,708,980
	Additions during the period	*8.1.1*	**6,176,376**	4,805,945,899
	Revaluation during the period		**-**	6,560,395,944
	Exchange difference		**(1,318,494)**	758,316
	Net book value of assets disposed during the period		**(1,644,416)**	(70,335,790)
	Reclassified as held for disposal		**-**	(713,092,558)
	Depreciation charged during the period		**(285,574,978)**	(1,940,686,638)
	Net book value as at the end of the period		**38,057,332,641**	38,339,694,153
8.1.1	**Additions -** *Cost*			
	Assets owned by the Group			
	Freehold land		**-**	50,041,700
	Buildings on freehold land		**897,281**	845,619,495
	Plant and machinery		**3,680,979**	3,743,465,031
	Residential colony assets		**-**	3,622,089
	Roads, bridges and curlvets		**-**	71,444,903
	Furniture, fixtures and office equipment		**544,316**	15,423,703
	Vehicles and rail transport		**4,603**	5,516,182
	Tools and equipment		**691,700**	44,570,745
	Electrical and other installations		**357,497**	15,121,783
	Assets subject to finance lease			
	Vehicles		**-**	11,120,268
			6,176,376	4,805,945,899

9 RELATED PARTY TRANSACTIONS AND BALANCES

		September 30, 2011	June 30, 2011
9.1	**Transactions with related parties**		
9.1.1	***Associates***		
	Purchases	**-**	929,716
	Interest/mark-up on borrowings	**18,247,190**	17,047,132
9.1.2	***Post-employment benefit plans***		
	Contribution to employees provident fund trust	**28,479,721**	27,627,341
	Contribution to gratuity trust	**2,186,666**	2,400,000
	Interest on payable to employee provident fund trust	**3,191,871**	-
9.1.3	***Key management personnel***		
	Short-term employee benefits	**21,930,327**	15,788,975
	Post employment benefits	**13,600,200**	13,163,033
9.2	**Balances with related parties**		
9.2.1	***Associates***		
9.2	**Balances with related parties**		
9.2.1	***Associates***		
	Borrowings	**429,893,305**	429,928,000
	Accured liabilities	**70,000,000**	70,000,000
	Accrued interest/mark-up	**141,800,300**	123,553,110
9.2.2	***Post-employment benefit plans***		
	Payable to employees provident fund trust	**135,952,001**	114,407,990
	Payable to gratuity trust	**5,032,563**	20,372,547
9.2.3	***Key Management Personnel***		
	Short term employee benefits payable	**4,862,609**	4,834,943
	Post employment benefits payable	**176,000,000**	12,000,000

Notes to the forming part of consolidated interim financial report

For the quarter ended September 30, 2011

10 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 segments.

- Textile and Apparel. — *Manufacture and sale of textile and apparel products*
- Fertilizers. — *Manufacture and sale of nitrogenous and phosphatic fertilizers*

Information about operating segments as at the reporting date and for the quarter then ended is as follows:

	Textile		**Fertilizer**		**Total**	
	Quarter ended September 30, 2011 ***Rupees***	Quarter ended September 30, 2010 *Rupees*	**Quarter ended September 30, 2011** ***Rupees***	Quarter ended September 30, 2010 *Rupees*	**Quarter ended September 30, 2011** ***Rupees***	Quarter ended September 30, 2010 *Rupees*
Revenue from external customers	**2,083,626,614**	2,746,154,769	**1,801,037,997**	1,343,279,801	**3,884,664,611**	4,089,434,570
Inter-segment revenues	**1,734,126**	21,235,068	**17,442,868**	15,365,263	**19,176,994**	36,600,331
Segment profit/(loss)	**(1,248,011,045)**	(314,425,575)	**109,000,893**	310,284,983	**(1,139,010,152)**	(4,140,592)
	As at September 30, 2011 ***Rupees***	As at June 30, 2011 *Rupees*	**As at September 30, 2011** ***Rupees***	As at June 30, 2011 *Rupees*	**As at September 30, 2011** ***Rupees***	As at June 30, 2011 *Rupees*
Segment assets	**36,493,644,856**	37,426,945,125	**44,759,828,973**	43,757,380,706	**81,253,473,829**	81,184,325,831

10.1 Reconciliation of reportable segment assets and segment profit

	Segment assets		**Segment profit**	
	As at September 30, 2011 ***Rupees***	As at June 30, 2011 *Rupees*	**Quarter ended September 30, 2011** ***Rupees***	Quarter ended September 30, 2010 *Rupees*
Total for reportable segments	**81,253,473,829**	81,184,325,831	**(1,139,010,152)**	(4,140,592)
Elimination of				
Investments in other segments	**(11,235,893,404)**	(11,235,893,404)	**-**	-
Inter-segment balances	**(458,389,008)**	(442,680,266)	**-**	-
Inter-segment profits	**-**	-	**-**	-
Goodwill acquired in business combination	**916,336,314**	916,336,314	**-**	-
Consolidated total	**70,475,527,731**	70,422,088,475	**(1,139,010,152)**	(4,140,592)

Notes to the forming part of consolidated interim financial report

For the quarter ended September 30, 2011

11 OVERDUE DEBT FINANCES

Due to circumstances described in note 2.2, debts, including interest/mark-up, amounting to Rs. 8,448 million are overdue as at September 30, 2011.

12 DATE OF AUTHORIZATION FOR ISSUE

This interim financial report was authorized for issue on October 31, 2011 by the Board of Directors of the Company.

13 GENERAL

Figures have been rounded of to the nearest rupee.

Lahore
Date: October 31, 2011

DIRECTOR **DIRECTOR**

The Chief Executive of the Parent Company is currently out of Pakistan and in his absence, this interim financial report has been signed by two Directors in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

Notes

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