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Half Yearly Report



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Condensed Interim
Financial Information
*for the half year ended
June 30, 2010*
(un-audited)

Contents

Company Information	2
Directors' Review	4
Review Report to the Members	7
<i>Condensed Interim Financial Information</i>	
Balance sheet	8
Profit and Loss Account	9
Statement of Other Comprehensive Income	10
Cash Flow Statement	11
Statement of Changes in Equity	12
Notes to the Interim Financial Information	13
<i>Condensed Consolidated Interim Financial Information</i>	
Consolidated Balance sheet	23
Consolidated Profit and Loss Account	24
Consolidated Statement of Other Comprehensive Income	25
Consolidated Cash Flow Statement	26
Consolidated Statement of Changes in Equity	27
Notes to the Consolidated Interim Financial Information	28

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. A. Jaudet Bilal

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Abid Amin

AUDIT COMMITTEE

Mr. Mueen Afzal
Mr. Khalid A.H. Al-Sagar
Mr. A. Jaudet Bilal
Mr. Aehsun M.H. Shaikh
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
Emirates Global Islamic Bank Limited

REGISTERED OFFICE

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

PROJECT LOCATIONS

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 Ferozpur 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 Directors of Azgard Nine Limited ("the Company") hereby present the un-audited interim financial information for the half year ended June 30, 2010 together with their review thereupon.

Principal Activities

The Company's principal business is the manufacture and marketing of Denim focused Textile and Apparel products starting from raw cotton to retail ready goods. The Company, despite the extreme circumstances cited below, maintains its prominent position in the denim industry.

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

Textile and Apparel

The prevalent market and macroeconomic conditions continue to be extremely challenging in the first half of 2010. High interest rates, persisting energy shortage, rising utility costs, high raw material costs of cotton and yarn, and deteriorating law and order conditions created a difficult business environment which remains far from reaching a turning point nationally.

While the overall Textile and Denim markets are fundamentally sound with good volumes, the Company's production has been operating at only partial capacity due to a tight working capital environment related to the ongoing financial re-profiling exercise. Lack of availability of cotton pledge lines also hampered efforts to build adequate cotton stocks during the year. The Company was therefore exposed to the very high cotton prices that were prevailing during this period. The reduced level of production and the high cost of cotton has had a very negative impact on the results of the company.

The Company continues in its efforts to try and operate under these conditions as best as possible and maintain its focus on achieving targeted cost and manufacturing efficiencies. The future results are very heavily dependant on the timely availability of working capital and cotton pledge facilities being made available by the lenders, as the cotton season is about to begin again.

Fertilizers

The Company's subsidiary, Agritech Limited, operates the newest and most efficient Urea Plant in the country. Furthermore AGL through its subsidiary, HPFL, is the largest manufacturer of Granular Single Super Phosphate ('GSSP') fertilizer in Pakistan. This makes AGL a prominent player in the sector as a diversified fertilizer producer, manufacturing and marketing both nitrogenous and phosphatic fertilizers.

The management has taken up the matters relating to the present liquidity issues with the providers of debt finances for re-profiling of some of its existing financial obligations. Formal agreements are in finalization stages and would be signed in due course of time.

As part of the ongoing process of re-profiling / restructuring of the existing debt, the Company is also in the process of disinvesting the major portion of its investment in AGL. Various parties have shown an interest in the purchase of the said investment, and the process for the sale of this is already in progress and moving forward smoothly.

Directors' Review

Operating Financial Results of Azgard Nine Limited (Stand Alone)

	Half year ended June 30, 2010	Half year ended June 30, 2009
Sales - net	6,192,665,695	5,809,558,134
Operating profit	926,411,092	1,414,661,884
Finance cost	1,037,470,851	1,217,030,994
(Loss)/profit before tax	(111,059,759)	188,547,916
(Loss)/profit after tax	(173,754,105)	130,146,629
Loss/earnings per share	(0.41)	0.26

Consolidated Results

	Half year ended June 30, 2010	Half year ended June 30, 2009
Sales - net	11,717,774,887	12,585,834,919
Operating profit	1,836,734,580	3,509,792,298
Finance cost	1,973,395,859	2,403,192,104
(Loss)/profit before tax	(136,661,279)	1,097,517,220
Profit after tax	154,904,918	1,023,880,115
Earnings per share	0.02	2.51

Future Market Outlook

The textile sector as a whole continues to face difficult challenges in the shape of high interest rates and increased cost of utilities. There are extended periods of load shedding for electricity and gas, and the situation is further deteriorating as a result of recent floods which are causing serious damage to the country's economy. While it is too early to forecast exact consequences for economy and trade, nevertheless it is expected that higher raw material prices of cotton will prevail due to damage to local crop, which will compress the already tight margins.

In the face of such adversities the Company has intensified its efforts to reduce costs, maximize synergies and increase service levels in an effort to increase manufacturing efficiencies, enhance the product value and exceed customer expectations. The management is confident that it can achieve its goals through this process and increase business viability and profitability over the long term. However, this is dependant on the timely availability of working capital facilities by the lenders in order to be able to run the operations of the Company at full capacity. Currently efforts are still in progress to conclude such arrangements but have as of yet not been finalized.

It may be expected that after the financial re-profiling is complete, and as the working capital lines expand, the Company will be able to increase its production and secure a good financial performance.

Directors' Review

Acknowledgement

The Board takes this opportunity to thank the Company's valued customers and the financial institutions whose faith and support over the years has fostered mutually beneficial 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: August 31, 2010

Review Report to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Azgard Nine Limited** ("the Company") as of June 30, 2010, and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity and notes to the accounts for the six months period then ended, (here-in-after collectively referred to as ("the interim financial information"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Company as at June 30, 2010, and of its financial performance and its cash flows for the six month period then ended in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to note 2.2 to the interim financial information pertaining to re-profiling of the Company's financial liabilities/debts. The Company is facing liquidity problems, which has resulted in delayed redemption/repayment of its debts. This aspect, together with its likely impact on continued operations, was also emphasized in our audit report on the financial statements of the Company for the year ended December 31, 2009. As explained in note 2.2, the Company has succeeded in obtaining consents from its financiers/lenders for re-profiling of the Company's debt finances and the same is pending formalization through execution of restructuring agreements. Further, as approved by the members of the Company in the extraordinary general meeting held on July 23, 2010, the Company is in process of finalizing sale of its remaining investment in ordinary shares of Agritech Limited (formerly Pak American Fertilizers Limited).

The management of the Company, though, does not envisage any difficulty in generating and arranging necessary finances for continuing operations of the Company and in meeting its financial obligations, however, the continuing operations of the Company are dependent on the conclusion and implementation of the aforesaid arrangements/steps, continued availability of sufficient financial resources and continued support of banks, financial institutions and holders of debt instruments.

The figures for the quarter ended June 30, 2010 in the condensed interim profit and loss account and condensed interim statement of other comprehensive income have not been reviewed and we do not express opinion on them.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Lahore

Date: August 31, 2010
Engagement Partner: Irfan Rahman Malik

Condensed Interim Balance Sheet as at June 30, 2010

	June 30, 2010	December 31, 2009
	Rupees	Rupees
EQUITY AND LIABILITIES		
Share capital and reserves		
Issued, subscribed and paid-up capital	4,879,343,880	4,879,343,880
Reserves	6,212,571,079	6,943,648,200
Accumulated profit	2,582,977,468	2,677,561,193
	13,674,892,427	14,500,553,273
Surplus on revaluation of property, plant and equipment	3,854,231,008	3,969,152,218
Non-current liabilities		
Redeemable capital - Secured	2,641,683,055	3,096,956,918
Long term finances - Secured	1,705,980,000	1,891,312,500
Liabilities against assets subject to finance lease - Secured	48,086,275	56,638,407
	4,395,749,330	5,044,907,825
Current liabilities		
Current portion of non-current liabilities	2,646,417,229	2,356,508,078
Short term borrowings	8,384,508,230	8,911,333,573
Trade and other payables	2,603,125,016	1,776,603,962
Due to related party	451,007,466	1,245,555,096
Interest/mark-up accrued on borrowings	885,846,995	657,422,644
Dividend payable	3,227,633	63,183,986
	14,974,132,569	15,010,607,339
Contingencies and commitments	-	-
	36,899,005,334	38,525,220,655
ASSETS		
Non-current assets		
Property, plant and equipment	14,325,650,936	14,054,500,286
Intangible assets	12,446,328	15,396,765
Long term investments	3,221,603,201	12,052,756,447
Derivative financial assets	-	45,298,097
Long term deposits - Unsecured, considered good	30,344,241	30,723,041
	17,590,044,706	26,198,674,636
Current assets		
Stores, spares and loose tools	386,509,212	404,451,110
Stock in trade	4,018,227,799	4,414,852,668
Trade receivables	3,843,099,273	3,126,881,285
Advances, deposits, prepayments and other receivables	1,526,230,586	1,163,125,222
Short term investments	9,402,695,520	2,942,047,710
Current taxation	64,426,138	70,842,910
Cash and bank balances	67,772,100	204,345,114
	19,308,960,628	12,326,546,019
	36,899,005,334	38,525,220,655

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

Lahore


 CHIEF EXECUTIVE


 DIRECTOR

Condensed Interim Profit and loss account for the half year ended June 30, 2010

	Half year ended June 30, 2010	Half year ended June 30, 2009	Quarter ended June 30, 2010	Quarter ended June 30, 2009
	Rupees	Rupees	Rupees	Rupees
Sales - Net	6,192,665,695	5,809,558,134	2,918,486,071	3,048,574,971
Cost of sales	(5,449,561,159)	(4,063,503,070)	(2,772,685,683)	(2,091,060,083)
Gross profit	743,104,536	1,746,055,064	145,800,388	957,514,888
Selling and distribution expenses	(229,972,484)	(159,673,919)	(101,235,037)	(72,313,641)
Administrative and general expenses	(229,549,243)	(187,690,667)	(109,203,436)	(82,339,148)
Net other income	642,828,283	15,971,406	520,102,182	14,029,039
Operating profit	926,411,092	1,414,661,884	455,464,097	816,891,138
Finance cost	(1,037,470,851)	(1,217,030,994)	(530,646,566)	(698,206,946)
Other charges	-	(9,082,974)	-	(5,232,758)
(Loss)/profit before taxation	(111,059,759)	188,547,916	(75,182,469)	113,451,434
Taxation	(62,694,346)	(58,401,287)	(29,881,640)	(30,615,157)
(Loss)/profit after taxation	(173,754,105)	130,146,629	(105,064,109)	82,836,277
(Loss)/earnings per share - Basic and diluted	(0.41)	0.26	(0.25)	0.17

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

Lahore


 CHIEF EXECUTIVE


 DIRECTOR

Condensed Interim Statement of other comprehensive income for the half year ended June 30, 2010

	Half year ended June 30, 2010	Half year ended June 30, 2009	Quarter ended June 30, 2010	Quarter ended June 30, 2009
	Rupees	Rupees	Rupees	Rupees
(Loss)/profit after taxation	(173,754,105)	130,146,629	(105,064,109)	82,836,277
Other comprehensive income/(loss):				
Changes in fair value of cash flow hedges	(4,264,010)	(70,746,867)	1,817,569	2,066,530
Available for sale financial assets				
Changes in fair value of available for sale financial assets	(180,956)	(34,880)	(232,235)	(19,851)
Surplus realized on derecognition.	(762,382,985)	-	(762,382,985)	-
Incremental depreciation	114,921,210	9,793,192	57,460,605	-
Taxation relating to components of other comprehensive income	-	-	-	-
	(651,906,741)	(60,988,555)	(703,337,046)	2,046,679
Total comprehensive (loss)/income	(825,660,846)	69,158,074	(808,401,155)	84,882,956

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

Condensed Interim Cash flow statement for the half year ended June 30, 2010

	June 30, 2010	June 30, 2009
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(111,059,759)	188,547,916
Adjustments for non-cash and other items	612,908,905	1,507,919,015
Operating profit before changes in working capital	501,849,146	1,696,466,931
Changes in working capital	286,918,556	(1,404,213,614)
	788,767,702	292,253,317
Interest/markup paid	(747,205,541)	(1,337,333,023)
Taxes paid	(56,277,574)	(60,639,648)
Net cash flow used in operating activities	(14,715,413)	(1,105,719,354)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(724,140,350)	(550,615,541)
Proceeds from disposal of property, plant and equipment	3,248,653	2,262,018
Return on investments	-	61,530,419
Investments	1,476,084,480	113,086,375
Net cash flow from/(used in) investing activities	755,192,783	(373,736,729)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances	(246,052,500)	(357,270,000)
Redeemable capital	-	(198,506,673)
Liabilities against assets subject to finance lease	(14,449,431)	(10,964,804)
Due to related party	(753,034,862)	13,608,419
Short term borrowings	283,174,657	1,231,041,330
Preference shares	(86,731,895)	-
Proceeds from issue of ordinary shares net of transaction costs	-	1,003,256,252
Dividend paid	(59,956,353)	(10,684,009)
Net cash (used in)/flow from financing activities	(877,050,384)	1,670,480,515
Net (decrease)/increase in cash and cash equivalents	(136,573,014)	191,024,432
Cash and cash equivalents as at beginning of the period	204,345,114	82,073,810
Cash and cash equivalents as at end of the period	67,772,100	273,098,242

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

**Condensed Interim Statement of changes in equity
for the half year ended June 30, 2010**

	Share capital		Reserves						Total equity Rupees		
	Ordinary shares Rupees	Preference shares Rupees	Total Rupees	Share premium Rupees	Cash flow hedges Rupees	Reserve on merger Rupees	Preference shares redemption Rupees	Available for sale financial assets Rupees		Total Rupees	Accumulated profit Rupees
As at January 01, 2009	3,165,867,710	661,250,830	3,827,118,540	2,737,841,489	152,655,940	105,152,405	517,500,000	19,339,538	3,532,469,002	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	-	-	-	-	262,387,112	-	1,012,064,572
Transaction costs incurred on issue of right shares	-	-	-	(8,808,320)	-	-	-	-	(8,808,320)	-	(8,808,320)
Profit for the half year ended June 30, 2009	-	-	-	-	-	-	-	-	-	130,146,629	130,146,629
Other comprehensive income (loss) for the half year ended June 30, 2009	-	-	-	-	(70,746,867)	-	-	(34,880)	(70,781,747)	9,793,192	(60,988,555)
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	54,000,000	-	54,000,000	(54,000,000)	-
As at June 30, 2009	4,548,718,700	661,250,830	5,209,969,530	2,991,420,291	81,889,073	105,152,405	571,500,000	19,304,678	3,769,266,047	2,217,261,250	11,196,496,827
As at January 01, 2010	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	70,743,356	105,152,405	625,500,000	3,784,006,078	6,943,648,200	2,677,561,193	14,500,553,273
Loss for the half year ended June 30, 2010	-	-	-	-	(4,264,010)	-	-	(762,563,941)	(766,827,951)	(173,754,105)	(173,754,105)
Other comprehensive income (loss) for the half year ended June 30, 2010	-	-	-	-	-	-	-	-	-	114,921,210	(65,190,674)
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	35,750,830	-	35,750,830	(35,750,830)	-
As at June 30, 2010	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	66,479,346	105,152,405	661,250,830	3,021,442,137	6,212,571,079	2,582,977,468	13,674,892,427

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

Lahore



CHIEF EXECUTIVE



DIRECTOR

**Notes to the condensed interim financial information
for the half year ended June 30, 2010**

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 Aiwan-e-Science, off Shahrah-e-Roomi, Lahore.

2 BASIS OF PREPARATION**2.1 Statement of compliance**

This condensed interim financial report of the Company for the six months period ended June 30, 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 followed.

This 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 Company for the year ended December 31, 2009. Further, the amounts for the quarters ended June 30, 2010 and June 30, 2009 are neither audited nor reviewed.

The comparative interim balance sheet as at December 31, 2009 and the related notes to the condensed interim financial information 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 to the condensed interim financial information for the six months period ended June 30, 2009 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of other comprehensive income for the quarters ended June 30, 2010 and June 30, 2009 are neither audited nor reviewed.

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. The Company has successfully taken the following measures in his context.

Reprofiling of debts

As mentioned in note 14, through a major financial institution, the existing financiers/lenders have given their consents for reprofiling of debts of the Company. This is in the process of being formalized through restructuring agreements.

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

The Company, during the period, divested 79,006,816 ordinary shares held it Agritech Limited (formerly Pak American Fertilizers Limited), through a combination of private placement and public offering, at a price of Rs. 30 per share, 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 shares held in Agritech Limited (formerly Pak American Fertilizers Limited) (see note 12.1). The sale and bidding aspect of the same is in process and is expected to be concluded in the near future. 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 condensed interim financial information

for the half year ended June 30, 2010

Continuing operations

With the successful resolution of liquidity problems, 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, the Company is expected to continue its operations profitably, subject to impact, if any, of high input costs, power crises, floods and global economic slowdown.

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 any future periods affected.

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.

	June 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>

4 SHARE CAPITAL

Authorized share capital

Ordinary shares of Rs. 10 each		
900,000,000 (December 31, 2009: 900,000,000) voting shares	9,000,000,000	9,000,000,000
300,000,000 (December 31, 2009: 300,000,000) non-voting shares	3,000,000,000	3,000,000,000
	12,000,000,000	12,000,000,000
Preference shares of Rs. 10 each		
300,000,000 (December 31, 2009: 300,000,000) non-voting shares	3,000,000,000	3,000,000,000
	3,000,000,000	3,000,000,000
	15,000,000,000	15,000,000,000

Notes to the condensed interim financial information

for the half year ended June 30, 2010

	June 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>

Issued, subscribed and paid-up capital

Voting ordinary shares of Rs. 10 each		
323,712,733 (December 31, 2009: 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 (December 31, 2009: 12,276,073) shares issued as consideration for machinery	122,760,730	122,760,730
50,811,992 (December 31, 2009: 50,811,992) shares issued as consideration on merger	508,119,920	508,119,920
	4,493,494,390	4,493,494,390
Non-voting ordinary shares of Rs. 10 each		
4,753,719 (December 31, 2009: 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
	55,224,310	55,224,310
Preference shares of Rs. 10 each (December 31, 2009: Rs. 10 each)		
33,062,518 (December 31, 2009: 33,062,518) shares fully paid in cash	330,625,180	330,625,180
	4,879,343,880	4,879,343,880

5 REDEEMABLE CAPITAL - SECURED

Term Finance Certificates - I	1,498,649,061	1,498,649,061
Term Finance Certificates - II	2,498,000,000	2,498,000,000
	3,996,649,061	3,996,649,061
Transaction costs	(21,977,679)	(24,419,643)
	3,974,671,382	3,972,229,418
Current maturity presented under current liabilities	(1,332,988,327)	(875,272,500)
	2,641,683,055	3,096,956,918

5.1 For overdues and reprofiling of financial liabilities, refer to note 14.

Notes to the condensed interim financial information for the half year ended June 30, 2010

	June 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
6 LONG TERM FINANCES - SECURED		
These represent long term finances utilized under interest/markup arrangements from banking companies and financial institutions.		
United Bank Limited	75,000,000	75,000,000
Citi Bank N.A (Bahrain)	321,000,000	368,812,500
National Bank of Pakistan	1,000,000,000	1,000,000,000
Deutsche Investigations - Und MBH (Germany)	1,254,960,000	1,453,200,000
Saudi Pak Industrial and Agricultural Company Limited	100,000,000	100,000,000
	<u>2,750,960,000</u>	<u>2,997,012,500</u>
Current maturity presented under current liabilities	<u>(1,044,980,000)</u>	<u>(1,105,700,000)</u>
	<u>1,705,980,000</u>	<u>1,891,312,500</u>

6.1 For overdues and reprofiling of financial liabilities, refer to note 14.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED

Present value of minimum lease payments	72,641,422	87,075,385
Current maturity presented under current liabilities	<u>(24,555,147)</u>	<u>(30,436,978)</u>
	<u>48,086,275</u>	<u>56,638,407</u>

8 SHORT TERM BORROWINGS

These represent short term finances utilized under interest/mark-up arrangements from banking companies and financial institutions.

Secured	7,634,508,230	8,201,380,991
Unsecured	750,000,000	709,952,582
	<u>8,384,508,230</u>	<u>8,911,333,573</u>

8.1 These represent secured, as well as unsecured, local and foreign currency financing obtained against aggregate funded and unfunded facilities available of Rs.11,114 million (December 31, 2009: Rs. 11,826 million) from various banking companies and financial institutions. Local currency finances carry markup at rates ranging from one to nine months KIBOR plus 1.75% to 5% per annum (December 31, 2009: one to nine months KIBOR plus 1.5% to 5% per annum). Foreign currency finances carry markup at LIBOR of matching tenor plus spread ranging from 1% to 2.5% per annum (December 31, 2009: LIBOR of matching tenor plus spread ranging from 1% to 2.5% per annum). Markup on pre / post shipment finances refinanced by State Bank of Pakistan ("SBP") is payable at SBP refinance rate plus banks' spread of 1% per annum.

8.2 For overdues and reprofiling of financial liabilities, refer to note 14.

Notes to the condensed interim financial information for the half year ended June 30, 2010

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 152.05 million (December 31, 2009: Rs. 152.05 million).

9.1.2 There is no change in the status of other contingencies since December 31, 2009.

	Notes	June 30, 2010	December 31, 2009
		<i>Rupees</i>	<i>Rupees</i>
9.2 Commitments			
9.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		107,919,016	93,560,121
- purchase of raw material		223,392,187	811,185,420
		<u>331,311,203</u>	<u>904,745,541</u>
9.2.2 Commitments for capital expenditure		<u>9,654,450</u>	<u>3,503,908</u>

10 PROPERTY, PLANT AND EQUIPMENT

Operating assets	10.1	14,312,966,945	14,053,786,326
Capital work in progress		12,683,991	713,960
		<u>14,325,650,936</u>	<u>14,054,500,286</u>

10.1 Operating assets

Net book value as at the beginning of the period		14,053,786,326	7,734,950,547
Additions during the period	10.1.1	712,564,587	3,121,777,809
Revaluation surplus arising during the period		-	3,769,512,782
Net book value of assets disposed during the period	10.1.2	(3,129,167)	(2,608,925)
Depreciation charged during the period		(450,254,801)	(569,845,887)
Net book value as at the end of the period		<u>14,312,966,945</u>	<u>14,053,786,326</u>

Notes to the condensed interim financial information for the half year ended June 30, 2010

	June 30, 2010	December 31, 2009
	Rupees	Rupees
10.1.1 Additions - Cost		
<i>Assets owned by the Company</i>		
Freehold land	-	260,000
Building on freehold land	355,059,518	400,196,657
Plant and Machinery	345,365,293	2,505,801,535
Furniture and fixtures	280,950	9,938,711
Vehicles	48,976	8,759,139
Tools and equipment	7,621,294	128,326,496
Electric installation	3,794,288	9,956,678
<i>Assets subject to finance lease</i>		
Plant and machinery	-	38,579,801
Vehicles	394,268	19,958,792
	<u>712,564,587</u>	<u>3,121,777,809</u>
10.1.2 Disposals - Net Book Value		
<i>Assets owned by the Company</i>		
Vehicles	2,996,608	2,054,829
Tools and equipment	132,559	-
<i>Assets subject to finance lease</i>		
Vehicles	-	554,096
	<u>3,129,167</u>	<u>2,608,925</u>

11 LONG TERM INVESTMENTS

These represent investments in equity and debt securities. These are held for an indefinite period and have been classified as available for sale financial assets. Particulars of investments are as follows:

	Note	June 30, 2010	December 31, 2009
		Rupees	Rupees
<i>Investments in related parties</i>			
Cost	11.1	3,226,196,769	9,216,700,405
Accumulated impairment	11.1	(1,650,720)	(1,650,720)
Fair value adjustment	11.1	(2,979,615)	2,837,669,995
		<u>3,221,566,434</u>	<u>12,052,719,680</u>
<i>Other investments</i>			
Cost		18,664	18,664
Fair value adjustment		18,103	18,103
		<u>36,767</u>	<u>36,767</u>
		<u>3,221,603,201</u>	<u>12,052,756,447</u>

Notes to the condensed interim financial information for the half year ended June 30, 2010

	Note	June 30, 2010	December 31, 2009
		Rupees	Rupees
11.1 Investments in related parties			
<i>Unquoted</i>			
Nafees International Tekstil Sanays Ve Ticaret ANOMIN SIRKET 25,500 ordinary shares of Turkish Lira 1 million each. Proportion of capital held: 51% (December 31, 2009: 51%)			
Cost		1,650,720	1,650,720
Accumulated impairment		(1,650,720)	(1,650,720)
		-	-
Farital AB 14,700 ordinary shares with a capital of SEK 260,150,100 Proportion of capital held: 100% (December 31, 2009: 100%)			
Cost		2,625,026,049	2,625,026,049
Fair value adjustment		(2,979,615)	(2,798,659)
		<u>2,622,046,434</u>	<u>2,622,227,390</u>
Agritech Limited (Formerly Pak American Fertilizers Limited) 120,000 term finance certificates of Rs. 4,996 (2009: Rs. 4,997) each.			
		599,520,000	599,640,000
<i>Quoted</i>			
Agritech Limited (Formerly Pak American Fertilizers Limited) 313,423,184 (December 31, 2009: 392,430,000) ordinary shares of Rs. 10 each. Proportion of capital held: 79.87% (December 31, 2009: 100%)			
Cost	12.1	-	5,990,383,636
Fair value adjustment		-	2,840,468,654
		-	8,830,852,290
		<u>3,221,566,434</u>	<u>12,052,719,680</u>

12 SHORT TERM INVESTMENTS

Agritech Limited (Formerly Pak American Fertilizers Limited)
313,423,184 (December 31, 2009: 392,430,000) ordinary shares of Rs. 10 each.
Proportion of capital held: 79.87% (December 31, 2009: 100%)

Activity: *Fertilizer*

Relationship: *Parent - Subsidiary*

Cost	12.1	6,378,291,871	1,995,729,730
Fair value adjustment		3,024,403,649	946,317,980
		<u>9,402,695,520</u>	<u>2,942,047,710</u>

Notes to the condensed interim financial information for the half year ended June 30, 2010

12.1 The Company, during the period, divested 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 share, 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 shares held in Agritech Limited (formerly Pak American Fertilizers Limited), which the Company in the process of selling the same to a suitable buyer. The investment, accordingly has been classified as a short term investment.

13 RELATED PARTY TRANSACTIONS AND BALANCES

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:

	Half year ended June 30, 2010	Half year ended June 30, 2009	Quarter ended June 30, 2010	Quarter ended June 30, 2009
	Rupees	Rupees	Rupees	Rupees
13.1 Transactions with related parties				
13.1.1 Subsidiaries				
Sale of goods	613,116,307	549,956,281	120,123,015	303,356,570
Markup expense	67,394,976	38,356,240	12,067,518	19,694,369
Return on investment in TFCs	41,932,768	74,557,241	21,121,973	33,081,428
Purchases of goods and services	-	15,142,913	-	-
13.1.2 Associates				
Purchases of chemicals	1,342,000	2,448,460	805,200	1,694,500
13.1.3 Post-employment benefit plans				
Contribution to employees provident fund	49,714,148	24,463,169	26,178,160	9,101,644
13.1.4 Key management personnel				
Short-term employee benefits	10,452,000	6,590,000	3,975,000	2,915,000
	<i>Note</i>	June 30, 2010	December 31, 2009	
		Rupees	Rupees	
13.2 Balances with related parties				
13.2.1 Subsidiaries				
Borrowings		451,007,466		1,245,555,096
Trade receivables		1,249,280,549		954,510,723

Notes to the condensed interim financial information for the half year ended June 30, 2010

	June 30, 2010	December 31, 2009
	Rupees	Rupees
Markup payable	204,485,615	137,090,639
Investment in ordinary shares	9,004,968,640	10,612,790,135
Investment in term finance certificates	599,520,000	599,640,000
13.2.2 Associates		
Trade payables	1,594,380	1,877,139
13.2.3 Post-employment benefit plans		
Payable to employees provident fund	7,851,396	5,352,298
13.2.4 Key Management Personnel		
Short term employee benefits payable	1,742,000	1,517,000

14 REPROFILING OF FINANCIAL LIABILITIES/DEBTS

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 which it was unable to meet its obligations in respect of various debts on their respective due dates. The details are as follows:

	June 30, 2010	December 31, 2009
	Rupees	Rupees
Preference shares	243,893,520	330,625,650
Redeemable capital	599,158,420	302,273,414
Long term finances	689,775,018	181,650,000
Short term borrowings	1,392,539,466	-
	<u>2,925,366,424</u>	<u>814,549,064</u>

The existing financiers/lenders have given their consents for reprofiling of debts of the Company. The reprofiling, which is being carried out through a major bank, is in the process of being formalized through a restructuring agreement. Under the said agreements the following debts, including their respective overdues and current maturities, will be rescheduled/restructured, whereby the Company will also avail principal deferrals/grace periods.

	Rupees
Preference shares	243,893,520
Redeemable capital	3,996,649,062
Long term finances	2,750,960,000
Short term borrowings	1,392,539,466
	<u>8,384,042,048</u>

15 GENERAL

Figures have been rounded off to the nearest rupee

Lahore


 CHIEF EXECUTIVE


 DIRECTOR

Condensed interim consolidated balance sheet as at June 30, 2010

	Note	June 30, 2010 Rupees	December 31, 2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital		4,879,343,880	4,879,343,880
Reserves		3,098,475,406	3,152,133,984
Accumulated profit		3,748,250,593	3,810,725,980
		11,726,069,879	11,842,203,844
Non-controlling interests		2,450,218,371	-
Surplus on revaluation of property, plant and equipment		6,750,750,391	3,969,152,218
Loan from associates - Unsecured, Subordinated		340,000,000	340,000,000
Non-current liabilities			
Redeemable capital - Secured	5	10,348,395,699	11,745,418,131
Long term finances - Secured	6	4,538,279,482	4,640,797,982
Liabilities against assets subject to finance lease - Secured	7	229,681,556	279,208,203
Long term payables		52,535,199	52,185,199
Deferred taxation		3,664,663,640	2,147,388,347
		18,833,555,576	18,864,997,862
Current liabilities			
Current maturity of non-current liabilities		5,091,289,333	3,651,689,218
Short term borrowings	8	13,151,236,788	12,891,613,075
Trade and other payables		6,920,340,491	5,871,461,238
Interest/mark-up accrued on borrowings		2,001,291,568	1,000,787,278
Dividend payable		3,227,633	63,183,986
		27,167,385,813	23,478,734,795
Contingencies and commitments	9	-	-
		67,267,980,030	58,495,088,719
ASSETS			
Non-current assets			
Property, plant and equipment		47,195,859,038	37,077,131,053
Intangible assets		5,411,522,755	5,645,095,896
Long term investments		36,767	36,767
Derivative financial assets		-	45,298,097
Long term deposits - Unsecured, considered good		62,983,439	56,988,258
Long term advances		30,091,917	32,496,935
		52,700,493,916	42,857,047,006
Current assets			
Stores, spares and loose tools		1,659,767,702	1,714,633,249
Stock in trade		4,692,753,773	5,985,036,223
Trade receivables		4,220,689,968	4,586,931,255
Advances, deposits, prepayments and other receivables		3,448,566,580	2,587,295,068
Short term investments		-	-
Due from related parties		-	-
Current taxation		224,005,059	326,331,600
Cash and bank balances		321,703,032	437,814,314
		14,567,486,114	15,638,041,713
		67,267,980,030	58,495,088,719

The annexed notes 1 to 14 form an integral part of this interim financial information.

Lahore


CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Consolidated Financial Information

Condensed interim consolidated profit and loss accounts for the half year ended June 30, 2010

	Half year ended June 30, 2010	Half year ended June 30, 2009	Quarter ended June 30, 2010	Quarter ended June 30, 2009
	Rupees	Rupees	Rupees	Rupees
Sales - Net	11,717,774,887	12,585,834,919	6,029,684,564	7,085,109,771
Cost of sales	(9,575,711,310)	(8,167,040,752)	(5,010,929,133)	(4,497,062,542)
Gross profit	2,142,063,577	4,418,794,167	1,018,755,431	2,588,047,229
Selling and distribution expenses	(341,167,281)	(286,878,338)	(134,350,636)	(112,592,911)
Administrative and general expenses	(591,790,743)	(551,275,205)	(295,475,856)	(319,101,458)
Net other income/(expense)	627,629,027	(70,848,326)	521,997,554	(76,286,638)
Operating profit	1,836,734,580	3,509,792,298	1,110,926,493	2,080,066,222
Finance cost	(1,973,395,859)	(2,403,192,104)	(915,032,101)	(1,340,288,983)
Other charges	-	(9,082,974)	-	(4,541,487)
(Loss)/profit before taxation	(136,661,279)	1,097,517,220	195,894,392	735,235,752
Taxation	291,566,197	(73,637,105)	368,812,902	12,149,126
Profit after taxation	154,904,918	1,023,880,115	564,707,294	747,384,878
Profit after taxation attributable to:				
equity holders of the parent	25,154,351	1,023,880,115	434,956,727	747,384,878
non-controlling interests	129,750,567	-	129,750,567	-
	154,904,918	1,023,880,115	564,707,294	747,384,878
Earnings per share - Basic and diluted	0.02	2.51	1.08	1.84

The annexed notes 1 to 14 form an integral part of this interim financial information.

Lahore


 CHIEF EXECUTIVE


 DIRECTOR

Condensed interim consolidated statement of other comprehensive income for the half year ended June 30, 2010

	Half year ended June 30, 2010	Half year ended June 30, 2009	Quarter ended June 30, 2010	Quarter ended June 30, 2009
	Rupees	Rupees	Rupees	Rupees
Profit after taxation	154,904,918	1,023,880,115	564,707,294	747,384,878
Other comprehensive income/(loss):				
Changes in fair value of cash flow hedges	(4,264,010)	(70,746,868)	1,817,569	2,066,530
Changes in fair value of available for sale financial assets	-	(39,939)	-	(19,852)
Foreign exchange differences on translation of foreign subsidiaries	(85,145,398)	21,573,326	(35,176,303)	80,409,429
Incremental depreciation	160,780,761	9,793,191	103,320,156	4,896,595
Taxation relating to components of other comprehensive income	-	-	-	-
	71,371,353	(39,420,290)	69,961,422	87,352,702
Total comprehensive income/(loss)	226,276,271	984,459,825	634,668,716	834,737,580
Total comprehensive income/(loss) attributable to:				
equity holders of the parent	221,073,272	984,459,825	629,465,717	834,737,580
non-controlling interests	5,202,999	-	5,202,999	-
	226,276,271	984,459,825	634,668,716	834,737,580

The annexed notes 1 to 14 form an integral part of this interim financial information.

Lahore


 CHIEF EXECUTIVE


 DIRECTOR

Condensed interim consolidated cash flow statement for the half year ended June 30, 2010

	June 30, 2010 Rupees	December 31, 2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(136,661,279)	1,097,517,220
Adjustments for non-cash and other items	1,855,974,166	2,951,778,387
Operating profit before changes in working capital	1,719,312,887	4,049,295,607
Changes in working capital	1,897,406,866	(2,767,752,900)
	3,616,719,753	1,281,542,707
Interest/markup paid	(972,891,569)	(3,106,400,304)
Taxes refund/(paid)	14,184,028	(84,508,807)
Net cash flow from/(used in) operating activities	2,658,012,212	(1,909,366,404)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(5,253,472,226)	(1,898,840,495)
Proceeds from disposal of property, plant and equipment	14,421,818	219,823,186
Investments	1,476,084,480	108,761,692
Net cash used in investing activities	(3,762,965,928)	(1,570,255,617)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances	136,761,500	726,411,695
Redeemable capital	(5,154,750)	(187,440,298)
Liabilities against assets subject to finance lease	(65,699,781)	(24,215,930)
Short term borrowings	1,069,623,713	2,161,347,995
Proceeds from issue of share capital net of transaction costs	-	1,003,256,252
Preference shares	(86,731,895)	-
Dividend paid	(59,956,353)	(10,684,009)
Net cash flow from financing activities	988,842,434	3,668,675,705
Net (decrease)/increase in cash and cash equivalents	(116,111,282)	189,053,684
Cash and cash equivalents as at beginning of the period	437,814,314	428,860,804
Cash and cash equivalents as at end of the period	321,703,032	617,914,488
<i>The annexed notes 1 to 14 form an integral part of this interim financial information.</i>		

Lahore


 CHIEF EXECUTIVE


 DIRECTOR

Condensed interim consolidated statement of changes in equity for the half year ended June 30, 2010

	Share capital		Reserve		Preference shares redemption reserve	Available for sale financial assets	Total	Non-controlling interests
	Ordinary shares	Preference shares	Retainable	Transferrable				
As at January 01, 2009	4,58,718,700	661,250,830	-	-	-	-	-	-
Issue of bonus shares	63,173,530	-	63,173,530	-	-	-	-	-
Issue of rights shares	748,677,460	-	748,677,460	-	-	-	-	-
Transaction costs incurred on issue of rights shares	-	-	-	-	-	-	-	-
Profit for the half year ended June 30, 2009	-	-	-	-	-	-	-	-
Other comprehensive income/(loss) for the half year ended June 30, 2009	-	-	-	-	-	-	-	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	-	-
As at March 31, 2009	4,58,718,700	661,250,830	5,209,693,530	2,951,429,251	511,900,000	9,115	11,266,855,796	-
As at January 01, 2010	4,58,718,700	330,625,180	4,879,343,880	2,528,246,761	625,900,000	18,105	11,842,240,844	-
Non-controlling interests arising on divestment	-	-	-	-	-	-	-	2,15,324,405
Profit for the half year ended June 30, 2010	-	-	-	-	-	-	-	128,790,567
Other comprehensive income/(loss) for the half year ended June 30, 2010	-	-	-	-	-	-	-	5,302,999
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	-	-
As at March 31, 2010	4,58,718,700	330,625,180	4,879,343,880	2,528,246,761	661,250,830	18,105	11,726,699,979	2,45,818,971

The annexed notes 1 to 14 form an integral part of this interim financial information.

Lahore


 CHIEF EXECUTIVE


 DIRECTOR

Notes to the condensed consolidated interim financial information for the half year ended June 30, 2010

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. 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 Aiwane-Science, off Shahrah-e-Roomi, Lahore.

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 79.87%. 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, have approved the divestment of remaining shares held in AGL. The sale and bidding aspect of the same is in process and is expected to be concluded in the near future. 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 AGL is 100%.

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. Proportion of interest held by ANL is 100%.

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 held by ANL is 51%. NIT was acquired on 05 January 2004.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial report of the Group for the six months period ended June 30, 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 followed.

This 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 June 30, 2010 and June 30, 2009 are neither audited nor reviewed.

The comparative interim balance sheet as at December 31, 2009 and the related notes to the condensed interim financial information 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 to the condensed interim financial information for the six months period ended June 30, 2009 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of other comprehensive income for the quarters ended June 30, 2010 and June 30, 2009 are neither audited nor reviewed.

Notes to the condensed consolidated interim financial information for the half year ended June 30, 2010

2.2 Financial liabilities and continuing operations

As mentioned in the annual report of the Group 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. ANL has successfully taken the following measures in his context.

Reprofiling of debts

As mentioned in note 12, through a major financial institution, the existing financiers/lenders have given their consents for reprofiling of debts of ANL. This is in the process of being formalized through restructuring agreements.

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

ANL, during the period, divested 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 share, 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 shares held in Agritech Limited (formerly Pak American Fertilizers Limited). The sale and bidding aspect of the same is in process and is expected to be concluded in the near future. Majority of the funds generated through divestment of remaining shares will be utilized towards repayment/prepayment of some of ANL's debts.

Continuing operations

With the successful resolution of liquidity problems, 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, ANL is expected to continue its operations profitably, subject to impact, if any, of high input costs, power crises, floods and global economic slowdown.

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 any future periods affected.

2.4 Functional currency

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

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.

Notes to the condensed consolidated interim financial information for the half year ended June 30, 2010

	June 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
4 SHARE CAPITAL		
Authorized share capital		
Ordinary shares of Rs. 10 each		
900,000,000 (December 31, 2009: 900,000,000) voting shares	9,000,000,000	9,000,000,000
300,000,000 (December 31, 2009: 300,000,000) non-voting shares	3,000,000,000	3,000,000,000
	12,000,000,000	12,000,000,000
Preference shares of Rs. 10 each		
300,000,000 (December 31, 2009: 300,000,000) non-voting shares	3,000,000,000	3,000,000,000
	15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital		
Voting ordinary shares of Rs. 10 each		
323,712,733 (December 31, 2009: 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 (December 31, 2009: 12,276,073) shares issued as consideration for machinery	122,760,730	122,760,730
50,811,992 (December 31, 2009: 50,811,992) shares issued as consideration on merger	508,119,920	508,119,920
	4,493,494,390	4,493,494,390
Non-voting ordinary shares of Rs. 10 each		
4,753,719 (December 31, 2009: 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
	55,224,310	55,224,310
Preference shares of Rs. 10 each (December 31, 2009: Rs. 10 each)		
33,062,518 (December 31, 2009: 33,062,518) shares fully paid in cash	330,625,180	330,625,180
	4,879,343,880	4,879,343,880
5 REDEEMABLE CAPITAL - SECURED		
Term Finance Certificates	12,286,574,311	12,291,729,061
Sukuks	1,600,000,000	1,600,000,000
	13,886,574,311	13,891,729,061
Transaction costs	(241,634,285)	(155,550,430)
	13,644,940,026	13,736,178,631
Current maturity presented under current liabilities	(3,296,544,327)	(1,990,760,500)
	10,348,395,699	11,745,418,131

5.1 For overdues and reprofiling of financial liabilities, refer to note 12.

Notes to the condensed consolidated interim financial information for the half year ended June 30, 2010

	June 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
6 LONG TERM FINANCES - SECURED		
These represent long term finances utilized under interest/markup arrangements		
From banking companies and financial institutions	6,008,259,482	5,871,497,982
Current maturity presented under current liabilities	(1,469,980,000)	(1,230,700,000)
	4,538,279,482	4,640,797,982
6.1 For overdues and reprofiling of financial liabilities, refer to note 12.		
7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED		
Present value of minimum lease payments	310,552,808	364,338,321
Current maturity presented under current liabilities	(80,871,252)	(85,130,118)
	229,681,556	279,208,203
8 SHORT TERM BORROWINGS		
These represent short term finances utilized under interest/mark-up arrangements from banking companies and financial institutions.		
Secured	12,401,236,788	11,769,635,389
Unsecured	750,000,000	1,121,977,686
	13,151,236,788	12,891,613,075
8.1 These represent secured, as well as unsecured, local and foreign currency financing obtained against aggregate funded and unfunded facilities available of Rs. 23,859 million (December 31, 2009: Rs. 24,571 million) from various banking companies and financial institutions. Local currency finances carry markup at rates ranging from one to nine months KIBOR plus 1.75% to 5% per annum (December 31, 2009: one to nine months KIBOR plus 1.5% to 5% per annum). Foreign currency finances carry markup at LIBOR of matching tenor plus spread ranging from 1% to 2.5% per annum (December 31, 2009: LIBOR of matching tenor plus spread ranging from 1% to 2.5% per annum). Markup on pre / post shipment finances refinanced by State Bank of Pakistan ("SBP") is payable at SBP refinance rate plus banks' spread of 1% per annum.		
8.2 For overdues and reprofiling of financial liabilities, refer to note 12.		
9 CONTINGENCIES AND COMMITMENTS		
9.1 Contingencies		
9.1.1 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 348.350 million (December 31, 2009: Rs. 348.350 million).		

Notes to the condensed consolidated interim financial information for the half year ended June 30, 2010

9.1.2 There is no change in the status of other contingencies since December 31, 2009.

	Note	June 30, 2010 Rupees	December 31, 2009 Rupees
9.2 Commitments			
9.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		107,919,016	394,771,631
- purchase of machinery		158,352,000	1,781,959,711
- purchase of raw material		223,392,187	811,185,420
		<u>489,663,203</u>	<u>2,987,916,762</u>
9.2.2 Commitments for capital expenditure		<u>9,654,450</u>	<u>3,503,908</u>
10 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	10.1	39,286,197,913	29,696,708,980
Capital work in progress		7,909,661,125	7,380,422,073
		<u>47,195,859,038</u>	<u>37,077,131,053</u>
10.1 Operating fixed assets			
Net book value as at the beginning of the period		29,696,708,980	22,111,795,518
Additions during the period		4,736,147,442	4,824,402,866
Foreign exchange difference	10.1.1	(3,020,080)	4,935,122
Revaluation surplus arising during the period		5,579,465,369	3,769,512,782
Net book value of assets disposed during the period		(14,302,332)	(3,312,906)
Depreciation charged during the period	10.1.2	(708,801,466)	(1,010,624,402)
Net book value as at the end of the period		<u>39,286,197,913</u>	<u>29,696,708,980</u>

10.1.1 Additions - Cost

Assets owned by the Company

Freehold land	-	260,000
Building on freehold land	359,090,092	527,951,448
Plant and Machinery	4,350,506,605	3,702,961,206
Residential colony assets	279,906	-
Furniture, fixtures and office equipment	2,239,855	27,129,345
Vehicles	57,898	8,763,529
Tools and equipment	7,938,994	134,100,616
Electric installation	4,119,824	11,035,936

Notes to the condensed consolidated interim financial information for the half year ended June 30, 2010

	June 30, 2010 Rupees	December 31, 2009 Rupees
Assets subject to finance lease		
Plant and machinery	-	342,040,541
Vehicles	11,914,268	70,160,245
	<u>4,736,147,442</u>	<u>4,824,402,866</u>
10.1.2 Disposals - Net Book Value		
Assets owned by the Company		
Buildings on freehold land	161,872	420
Plant and machinery	2,382,490	60
Furniture, fixtures and office equipment	21	-
Vehicles	2,996,608	2,758,330
Tools and equipment	132,559	-
Assets subject to finance lease		
Vehicles	8,628,782	554,096
	<u>14,302,332</u>	<u>3,312,906</u>

11 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 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:

	Half year ended June 30, 2010 Rupees	Half year ended June 30, 2009 Rupees	Quarter ended June 30, 2010 Rupees	Quarter ended June 30, 2009 Rupees
11.1 Transactions with related parties				
11.1.1 Associates				
Purchases of chemicals	1,342,000	2,448,460	805,200	1,694,500
Mark-up expense	30,958,395	19,014,000	17,829,738	8,541,222
11.1.2 Post-employment benefit plans				
Contribution to employees provident fund	56,610,641	30,843,980	29,280,606	9,101,644

Notes to the condensed consolidated interim financial information for the half year ended June 30, 2010

	Half year ended June 30, 2010	Half year ended June 30, 2009	Quarter ended June 30, 2010	Quarter ended June 30, 2009
	Rupees	Rupees	Rupees	Rupees
11.1.3 Key management personnel				
Short-term employee benefits	17,052,000	12,414,985	3,975,000	2,915,000
		June 30, 2010	December 31, 2009	
		Rupees	Rupees	
11.2 Balances with related parties				
11.2.1 Associates				
Trade payables		1,594,380	1,877,139	
11.2.2 Post-employment benefit plans				
Payable to employees provident fund		88,190,758	11,723,338	
Payable to gratuity trust		25,356,572	16,413,300	
11.2.3 Key Management Personnel				
Short term employee benefits payable		1,742,000	1,517,000	

12 REPROFILING OF FINANCIAL LIABILITIES/DEBTS

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 which it was unable to meet its obligations in respect of various debts on their respective due dates. The details are as follows:

	June 30, 2010	December 31, 2009
	Rupees	Rupees
Preference shares	243,893,520	330,625,650
Redeemable capital	599,158,420	302,273,414
Long term finances	689,775,018	181,650,000
Short term borrowings	1,392,539,466	-
	<u>2,925,366,424</u>	<u>814,549,064</u>

The existing financiers/lenders have given their consents for reprofiling of debts of ANL. The reprofiling, which is being carried out through a major bank, is in the process of being formalized through a restructuring agreements. Under the said agreements the following debts, including their respective overdues and current maturities, will be rescheduled/restructured, whereby ANL will also avail principal deferrals/grace periods.

	Rupees
Preference shares	243,893,520
Redeemable capital	3,996,649,062
Long term finances	2,750,960,000
Short term borrowings	1,392,539,466
	<u>8,384,042,048</u>

Notes to the condensed consolidated interim financial information for the half year ended June 30, 2010

13 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.
- 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, 2010 and for the quarter then ended is as follows:

	Textile		Fertilizer		Total	
	Half year ended June 30, 2010	Half year ended June 30, 2009	Half year ended June 30, 2010	Half year ended June 30, 2009	Half year ended June 30, 2010	Half year ended June 30, 2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Revenue from external customers	6,628,141,535	6,380,905,461	5,089,633,352	6,204,929,458	11,717,774,887	12,585,834,919
Inter-segment revenues	-	-	-	-	-	-
Segment profit / (loss)	(362,535,166)	106,971,978	517,440,084	916,908,137	154,904,918	1,023,880,115
	As at June 30, 2010	As at December 31, 2009	As at June 30, 2010	As at December 31, 2009	As at June 30, 2010	As at December 31, 2009
Segment assets	37,004,186,638	39,589,251,358	40,008,449,519	31,517,810,976	77,012,636,157	71,107,062,334

Notes to the condensed consolidated interim financial information
for the half year ended June 30, 2010

13.1 Reconciliation of reportable segment assets and segment profit

	Segment assets		Segment profit	
	As at June 30, 2010 Rupees	As at December 31, 2009 Rupees	Half year ended June 30, 2010 Rupees	Half year ended June 30, 2009 Rupees
Total for reportable segments	77,012,636,157	71,107,062,334	154,904,918	1,023,880,115
Elimination of				
Investments in other segments	(10,002,215,520)	(12,372,540,000)	-	-
Inter-segment balances	(655,493,081)	(1,382,645,735)	-	-
Inter-segment profits	-	-	-	-
Goodwill acquired in business combination	913,052,474	1,143,212,120	-	-
Consolidated total	67,267,980,030	58,495,088,719	154,904,918	1,023,880,115

14 GENERAL

Figures have been rounded of to the nearest rupee