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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 Limited
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)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, Muzaffaragarh.
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 Directors of Azgard Nine Limited ("the Company") hereby present the un-audited interim financial statements for the half year ended December 31, 2011 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) 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 performance of value added textile sector remained under pressure due to shrinkage in consumer demand in Europe and North America resulting in lower off take and deferral of orders at the request of the customers.

The prevalent market and macroeconomic conditions continue to be extremely challenging in the first half of 2011-2012. High interest rates, debilitating energy shortages, and rising utility costs continue to create an exceedingly difficult business environment which remain 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. Lack of availability of cotton pledge lines also hampered efforts to build adequate cotton stocks during the period. The reduced level of production and the high cost of cotton in stocks purchased during the previous season have had a very negative impact on the results of the company.

The Company continues steadfastly in its efforts to operate under these adverse conditions as efficiently as possible and maintain its focus on achieving targeted cost and manufacturing efficiencies. The future results are heavily dependent on the timely availability of working capital and cotton pledge facilities being made available by the lenders.

Fertilizers

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

The Company has successfully finalized its financial Re-profiling/Re-structuring up to 95% of its debts. Re-profiling/Restructuring of the debts will improve the short term liquidity of the company and will help in healthy future financial performance.

Thus the company's financial result is likely to remain positive on the back of higher urea prices in the next periods. However the gas supply situation continues to be volatile which can pose a significant risk to earnings potential. As per ECC decision on allocation of gas to the fertilizer plants on SNGPL networks, at least 80% gas allocation of company's allocated gas is critical to the business performance.

Operating Financial Results of Azgard Nine Limited (Stand Alone)

	Half Year Ending December 31, 2011	Half Year Ending December 31, 2010
Sales-Net	4,479,820,809	5,225,618,604
Operating Loss	(706,724,149)	(162,605,318)
Finance Cost	(1,501,822,062)	(1,005,078,198)
Loss before Tax	(2,208,546,211)	(1,167,683,516)
Loss after Tax	(2,255,398,476)	(1,221,511,994)
Loss per share	(4.96)	(2.75)

Consolidated Results Including its Subsidiaries

	Half Year Ending December 31, 2011	Half Year Ending December 31, 2010
Sales-Net	7,921,115,404	9,007,258,395
Operating (Loss)/Profit	(130,288,191)	421,187,017
Finance Cost	(2,474,582,571)	(1,581,920,552)
Loss before Tax	(2,604,870,762)	(1,160,733,535)
Loss after Tax	(2,461,897,615)	(912,637,284)
Loss per share	(5.41)	(2.07)

Future Market Outlook

Serious challenges remain on the horizon pertaining to demand in export and local markets at sustainable margins. The industry is going through a difficult phase because of rising cost of inputs, making us uncompetitive in international markets. It may be noted that the textile industry is already on the respirator due to energy shortage, adverse law and order situation, inflationary pressure, extensive periods of electricity and gas load shedding and an excessive financial burden of 15 percent interest rate, adding heavily to the cost of production. The Company is fully alive to these challenges and expects to remain firmly entrenched in the marketplace because of our long standing relationships with customers, rich and unique portfolio of value added services offered, a strong commitment to producing quality products and last but not least our effective and efficient management of stakeholder resources. Steps are being taken to improve the financial health of the Company by restructuring its existing debts, which will enable the Company to convert its mark up due up to March 2012 into zero coupon PPTFC's and further two years grace period in repayment of its outstanding long term loans. The Company is also in negotiations with preference shareholders to restructure the preference shares through issue of a new long term instrument.

In addition to above the Company is also in process of overhauling and consolidation of it's business through sale of its holding in Agritech Limited, which will result in a stronger balance sheet with significantly improved debt profile.

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 Officer

Lahore
February 29, 2012

Independent Auditor's Report on Review of Condensed Interim Unconsolidated Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of **Azgard Nine Limited ("the Company")** as at 31 December 2011 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive loss, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the six-months period then ended (here-in-after referred as the "condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the quarters ended 31 December 2011 and 31 December 2010 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive loss have not been reviewed and we do not express a conclusion thereon. Further, due to the change in Company's financial year the figures for the six months ended 31 December 2010 in the condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive loss, condensed interim unconsolidated cash flow statement and condensed interim unconsolidated statement of changes in equity have not been reviewed and we do not express a conclusion thereon.

Without qualifying our conclusion, we draw attention to the fact that as at 31 December 2011 the Company has overdue debt installments and interest / markup thereon amounting to Rs. 4,793.98 million. Notes 2.2 and 15 to the financial statements disclose the management's plan to overcome the present liquidity problems being faced by the Company.

The financial statements of the Company for the eighteen months ended 30 June 2011 were audited by Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants whose report dated 10 October 2011 expressed an unqualified opinion with emphasis of matter paragraph thereon.

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

Lahore
February 29, 2012

Condensed Unconsolidated Interim Financial Information

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at December 31, 2011

	Note	31 December 2011 Un-Audited Rupees	30 June 2011 Audited Rupees
EQUITY AND LIABILITIES			
Capital and reserves			
Authorized share capital		**15,000,000,000**	15,000,000,000
Issued, subscribed and paid up capital		**4,548,718,700**	4,548,718,700
Reserves		**7,521,012,756**	7,566,084,048
Accumulated loss		**(4,038,531,383)**	(1,845,738,603)
		8,031,200,073	10,269,064,145
Surplus on revaluation of fixed assets		**3,662,264,114**	3,724,869,810
Non-current liabilities			
Redeemable capital - secured	*5*	**3,587,787,858**	3,953,868,892
Long term finances - secured	*6*	**3,115,095,040**	3,390,029,147
Liabilities against assets subject to finance lease - secured	*7*	**28,957,705**	37,135,730
		6,731,840,603	7,381,033,769
Current liabilities			
Current portion of non-current liabilities - secured		**2,077,866,889**	1,531,656,600
Short term borrowing - secured		**8,142,225,743**	8,035,475,980
Trade and other payables		**3,299,506,966**	2,743,608,344
Due to related parties		**304,843,253**	317,158,570
Interest / mark-up accrued on borrowings		**3,274,277,609**	2,111,260,162
Dividend payable		**32,729,078**	32,729,078
		17,131,449,538	14,771,888,734
Contingencies and commitments	*8*		
		35,556,754,328	36,146,856,458
ASSETS			
Non-current assets			
Fixed assets	*9*	**13,613,319,840**	13,835,133,413
Intangible asset		**5,209,632**	8,289,489
Long term investment	*10*	**2,689,884,362**	2,692,146,629
Long term deposits - unsecured, considered good		**31,395,493**	21,613,393
		16,339,809,327	16,557,182,924
Current assets			
Stores, spares and loose tools		**436,333,535**	473,028,964
Stock-in-trade		**3,872,090,356**	3,763,161,375
Trade receivables		**2,780,589,943**	3,185,586,167
Advances, deposits, prepayments and other receivables		**1,056,853,490**	955,318,688
Short term investments	11	**10,969,811,440**	10,969,811,440
Current taxation		**65,169,526**	76,509,215
Cash and bank balances	13	**36,096,711**	166,257,685
		19,216,945,001	19,589,673,534
		35,556,754,328	36,146,856,458

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

For the six months ended December 31, 2011

	2011		2010	
	July to December	**October to December**	July to December	October to December
	Rupees	**Rupees**	Rupees	Rupees
Sales - net	**4,479,820,809**	**2,574,818,071**	5,225,618,604	2,479,463,834
Cost of sales	**(4,813,293,697)**	**(2,639,959,370)**	(4,866,335,388)	(2,396,630,825)
Gross (loss) / profit	**(333,472,888)**	**(65,141,299)**	359,283,216	82,833,009
Administrative expenses	**(276,587,078)**	**(144,807,364)**	(249,244,043)	(114,990,736)
Selling and distribution expenses	**(188,584,237)**	**(68,644,216)**	(204,449,683)	(90,256,983)
Net other income / (expense)	**91,920,054**	**105,358,627**	(68,194,809)	(237,135,534)
Loss from operations	**(706,724,149)**	**(173,234,252)**	(162,605,318)	(359,550,244)
Finance cost	**(1,501,822,062)**	**(881,184,974)**	(1,005,078,198)	(521,331,828)
Loss before taxation	**(2,208,546,211)**	**(1,054,419,226)**	(1,167,683,516)	(880,882,072)
Taxation	**(46,852,265)**	**(26,764,077)**	(53,828,478)	(26,204,348)
Loss after taxation	**(2,255,398,476)**	**(1,081,183,303)**	(1,221,511,994)	(907,086,420)
Loss per share - basic and diluted	**(4.96)**	**(2.38)**	(2.75)	(2.01)

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Unconsolidated Statement of Comprehensive Loss (Un-audited)

For the six months ended December 31, 2011

	2011		2010	
	July to December	**October to December**	July to December	October to December
	Rupees	**Rupees**	Rupees	Rupees
Loss after taxation	**(2,255,398,476)**	**(1,081,183,303)**	(1,221,511,994)	(907,086,420)
Other comprehensive (loss) / income for the period:				
Changes in fair value of cash flow hedges	**(42,816,481)**	**(22,019,539)**	(13,185,328)	1,546,930
Changes in fair value of available for sale financial assets	**(2,254,811)**	**(2,254,228)**	(98,461)	-
	(45,071,292)	**(24,273,767)**	(13,283,789)	1,546,930
Total comprehensive loss for the period	**(2,300,469,768)**	**(1,105,457,070)**	(1,234,795,783)	(905,539,490)

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Unconsolidated Cash flow Statement (Un-audited)

For the six months ended December 31, 2011

	Note	**July to December 2011 Rupees**	July to December 2010 Rupees
Cash (used in) / generated from operations	*12*	**(25,070,894)**	624,889,616
Finance cost paid		**(127,402,702)**	(400,747,811)
Long term deposits		**(9,782,100)**	100,000
Taxes paid		**(35,512,576)**	(53,793,115)
Net cash (used in) / generated from operating activities		**(197,768,272)**	170,448,690
Cash flows from investing activities			
Capital expenditure		**(56,180,060)**	(46,799,474)
Proceeds from disposal of fixed assets		**10,518,075**	5,550,289
Return on investment		**12,169,788**	-
Long term investments		**-**	335,088,756
Short term investments		**-**	378,060
Redemption of held to maturity investment		**7,456**	-
Interest received		**11,950,915**	242,952
Net cash (used in) / generated from investing activities		**(21,533,826)**	294,460,583
Cash flows from financing activities			
Long term finances obtained		**-**	(122,760,000)
Redemption of redeemable capital		-	(660,000)
Liabilities against assets subject to finance lease		**(5,293,322)**	(13,796,757)
Due to related party		**(12,315,317)**	(118,227,084)
Short term borrowings		**106,749,763**	340,645,245
Dividend paid		**-**	220,861
Net cash generated from financing activities		**89,141,124**	85,422,265
Net (decrease) / increase in cash and cash equivalents		**(130,160,974)**	550,331,538
Cash and cash equivalents at the beginning of period		**166,257,685**	67,772,100
Cash and cash equivalents at the end of period	*13*	**36,096,711**	618,103,638

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For the six months ended December 31, 2011

	Share Capital			Reserves							
	Ordinary shares	Preference shares	Total	Share Premium	Cash flow hedges	Reserve on merger	Preference share redemption reserve	Available for sale financial assets	Total reserves	Accumulated loss	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2010 - Audited	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	66,479,346	105,152,005	661,250,830	3,021,442,137	6,212,571,079	2,582,977,468	13,674,892,427
Total comprehensive loss for the period	-	-	-	-	(13,185,328)	-	-	(98,461)	(13,283,789)	(1,221,511,994)	(1,234,795,783)
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	-	(330,625,180)
Preference dividend for the year ended 31 December 2010	-	-	-	-	-	-	-	-	-	(29,590,953)	(29,590,953)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	-	-	-	68,831,836	68,831,836
Balance as at 31 December 2010 - Unaudited	4,548,718,700	-	4,548,718,700	2,358,246,761	53,294,018	105,152,005	661,250,830	3,021,343,676	6,199,287,290	1,400,706,357	12,148,712,347
Balance as at 30 June 2011 - Audited	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**48,894,931**	**105,152,005**	**661,250,830**	**4,392,539,521**	**7,566,084,048**	**(1,845,738,603)**	**10,269,064,145**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(42,816,481)**	**-**	**-**	**(2,254,811)**	**(45,071,292)**	**(2,255,398,476)**	**(2,300,469,768)**
Transfer of incremental depreciation from surplus on revaluation of fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62,605,696**	**62,605,696**
Balance as at 31 December 2011 - Unaudited	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**6,078,450**	**105,152,005**	**661,250,830**	**4,390,284,710**	**7,521,012,756**	**(4,038,531,383)**	**8,031,200,073**

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

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

1 Status and nature of business

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, Raiwand 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, Muzaffargarh.

2 Basis of preparation

2.1 Statement of compliance

The condensed interim unconsolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim unconsolidated financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the eighteen months ended 30 June 2011.

2.2 Financial liabilities and continuing operations

As mentioned in the annual report of the Company for the eighteen months ended 30 June 2011, the Company in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. Due to liquidity problems and unavailability of working capital finances, the Company was not able to make timely purchases of raw materials and had to procure raw material at higher prices, resulting in substantial increase in cost of sales. High finance costs also had an adverse impact on profitability of the Company. This has perpetuated temporary liquidity issues, as referred to in note 15 to the financial statements. Consequently, the shareholders of the Company in the extraordinary general meeting held on 23 July 2010, approved the divestment of 79.87% shares held in Agritech Limited.

Majority of the funds generated through divestment of shares will be utilized towards repayment / prepayment of the Company's debts to the extent of Rs. 9,742.81 million. The Company is also in the process of getting approvals from majority of the lenders for the conversion of the outstanding amount of their mark up till 31 March 2012 into 5 year zero coupon PPTFC's. Since the Company intends to prepay 25% of the long term loans up front from the above mentioned sale proceeds, it has requested the respective lenders to allow it a further grace period of two years without increasing the overall tenure of the loans agreed under Master Restructuring Agreement for which positive feedback has been received from the lenders. For this purpose the respective loan repayment schedules would accordingly be amended through amendment in the said agreement. Furthermore the amount outstanding towards preference shareholders is proposed to be settled through conversion into to new long term instrument for which the negotiations are in final phases.

With the divestment of shareholding in Agritech Limited and other proposed measures mentioned above, 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 power crises and global market conditions.

3 Estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities,income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Provisions and contingencies
- Fair value of investment in subsidiaries

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

For the six months ended December 31, 2011

4 Significant accounting policies

4.1 The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the eighteen months ended 30 June 2011.

4.2 In addition to above, following amendments to the International Financial Reporting Standards are mandatory for the first time for the financial year beginning on or after 1 January 2012, however, the adoption of these amendments is either not yet effective or the amendments did not have any significant impact on the financial information of the Company.

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

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
5 Redeemable capital - secured		
Term Finance Certificates (TFCs) - I	**1,498,649,061**	1,498,649,061
Term Finance Certificates (TFCs) - II	**2,498,000,000**	2,498,000,000
Term Finance Certificates (TFCs) - III	**823,620,000**	823,620,000
	4,820,269,061	4,820,269,061
Transaction costs	**(78,659,938)**	(86,964,537)
	4,741,609,123	4,733,304,524
Current maturity presented under current liabilities	**(1,153,821,265)**	(779,435,632)
	3,587,787,858	3,953,868,892
6 Long term finances		
United Bank Limited	**75,000,000**	75,000,000
National Bank of Pakistan	**1,000,000,000**	1,000,000,000
Deutsche Investitions - Und MBH (Germany)	**1,477,864,912**	1,588,113,482
Saudi Pak Industrial and Agricultural Company Limited	**100,000,000**	100,000,000
Citi Bank N.A	**567,539,466**	567,539,466
HSBC Middle East Limited	**272,113,408**	272,113,408
	3,492,517,786	3,602,766,356
Transaction costs	**(39,176,194)**	(43,430,609)
	3,453,341,592	3,559,335,747
Current maturity presented under current liabilities	**(338,246,552)**	(169,306,600)
	3,115,095,040	3,390,029,147

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

For the six months ended December 31, 2011

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
7 Liabilities against assets subject to finance lease - Secured		
Present value of minimum lease payments	**40,237,841**	45,531,163
Current maturity presented under current liabilities	**(11,280,136)**	(8,395,433)
	28,957,705	37,135,730

8 Contingencies and commitments

8.1 Contingencies

8.1.1 There is no material change in the contingencies from preceding audited published financial statements of the Company for the eighteen months period ended 30 June 2011.

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
8.2 Commitments		
8.2.1 Commitments under irrevocable letters of credit for:		
- purchase of machinery	**-**	5,919,288
- purchase of stores, spare and loose tools	**64,107,357**	141,745,448
- purchase of raw material	**7,008,000**	25,800,276
	71,115,357	173,465,012
8.2.2 Commitments for capital expenditure	**11,414,222**	-

	Note	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
9 Property, plant and equipment			
Operating assets	*9.1*	**13,602,743,312**	13,835,133,413
Capital work in progress		**10,576,528**	-
		13,613,319,840	13,835,133,413
9.1 Operating assets			
Net book value as at the beginning of the period		**13,835,133,413**	14,053,786,326
Additions during the period	*9.1.1*	**45,603,532**	818,566,003
Disposals during the period - Net book value		**(9,947,990)**	(19,446,873)
Depreciation charged during the period		**(268,045,643)**	(1,017,772,043)
Net book value as at the end of the period		**13,602,743,312**	13,835,133,413

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

For the six months ended December 31, 2011

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
9.1.1 Additions- Cost		
Assets owned by the Company		
Building on freehold land	**7,703,975**	402,848,970
Plant and Machinery	**7,089,791**	353,500,314
Furniture and fixtures	**-**	12,129,605
Vehicles	**275,138**	1,201,414
Tools and equipment	**13,753,455**	42,728,027
Electric installation	**16,781,173**	5,763,405
Assets subject to finance lease		
Vehicles	**-**	394,268
	45,603,532	818,566,003

10 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	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
Investments in related parties			
Cost	*10.1*	**2,891,100,557**	2,891,108,013
Fair value adjustment	*10.1*	**(201,224,827)**	(198,974,248)
		2,689,875,730	2,692,133,765
Other investments			
Cost	*10.2*	**18,664**	18,664
Fair value adjustment	*10.2*	**(10,032)**	(5,800)
		8,632	12,864
		2,689,884,362	2,692,146,629

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

For the six months ended December 31, 2011

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
10.1 Investments in related parties		
Unquoted		
Farital AB		
14,700 (June 2011: 14,700) ordinary shares with a capital of SEK 260,150,100		
Proportion of capital held: 100% (June 2011: 100%)		
Activity:*Textile and Apparel*		
Relationship:*Parent - Subsidiary*		
Cost	**2,625,026,049**	2,625,026,049
Fair value adjustment	**(201,224,827)**	(198,974,248)
	2,423,801,222	2,426,051,801
Agritech Limited		
53,259 (June 2011: 53,259) term finance certificates of Rs. 5,000 each.(June 2011: Rs. 5,000 each)	**266,074,508**	266,081,964
Quoted		
Agritech Limited		
313,423,184 (June 2011: 313,423,184) ordinary shares of Rs. 10 each.		
Proportion of capital held: 79.87% (June 2011: 79.87%)		
Activity:*Fertilizer*		
Relationship:*Parent - Subsidiary*		
Cost	**-**	6,378,291,871
Fair value adjustment	**-**	4,591,519,569
	-	10,969,811,440
Less: Transferred to short term investments		(10,969,811,440)
	2,689,875,730	2,692,133,765
10.2 Other investments		
Quoted		
Colony Mills Limited		
4,332 (June 2011: 4,332) ordinary shares of Rs. 10 each.		
Market value of Rs. 1.00 (June 2011: Rs. 1.70) per share		
Cost	**8,664**	8,664
Fair value adjustment	**(4,332)**	(1,300)
	4,332	7,364
JS Value Fund Limited		
1,000 (June 2011: 1,000) ordinary shares of Rs. 10 each.		
Market value of Rs. 4.30 (June 2011: Rs. 5.50) per share		
Cost	**10,000**	10,000
Fair value adjustment	**(5,700)**	(4,500)
	4,300	5,500
	8,632	12,864

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

For the six months ended December 31, 2011

		July to December 2011 (Un-Audited) Rupees	July to December 2010 (Un-Audited) Rupees
11	**Short term investments**		
	Agritech Limited		
	313,423,184 (June 2011: 313,423,184) ordinary shares of Rs. 10 each.		
	Proportion of capital held: 79.87% (June 2011: 79.87%)		
	Activity:*Fertilizer*		
	Relationship:*Parent - Subsidiary*		
	Cost	**6,378,291,871**	6,378,291,871
	Fair value adjustment	**4,591,519,569**	4,591,519,569
		10,969,811,440	10,969,811,440

The investment in equity securities of Agritech Limited ("AGL") has been measured at fair value of Rs. 35 (June 2011: Rs. 35) per share as compared to the market value of Rs. 15.36 (June 2011: Rs. 19.00) per share. The fair value is based on plan B of sell side advisor (National Bank of Pakistan) approved in principal by potential buyers, a consortium of investors including banks, to acquire shares in AGL.

		July to December 2011 (Un-Audited) Rupees	July to December 2010 (Un-Audited) Rupees
12	**Cash flows from operating activities**		
	Loss before taxation	**(2,208,546,211)**	(1,167,683,516)
	Adjustment for non-cash and other items:		
	Finance cost	**1,306,480,306**	904,115,922
	Gain on disposal of property, plant and equipment	**(570,082)**	(5,550,288)
	Gain on sale of investment	**-**	(165,115)
	Gain on winding up of subsidiary	**-**	(212,945)
	Return on bank deposits	**(11,950,915)**	(242,952)
	Return on investment in term finance certificates	**(12,169,788)**	(36,521,753)
	Depreciation	**268,045,643**	301,107,091
	Amortization of intangible assets	**3,079,856**	1,851,815
	Exchange gain on long term loan	**(110,248,570)**	-
		1,442,666,450	1,164,381,775
	Loss before changes in working capital	**(765,879,761)**	(3,301,741)
	Effect on cash flow due to working capital Changes		
	Stores, spares and loose tools	**36,695,429**	(96,042,225)
	Stock in trade	**(108,928,981)**	(349,849,104)
	Trade receivables	**404,996,224**	541,302,480
	Advances, deposits, prepayments and other receivables	**(144,351,284)**	526,820,422
	Trade and other payables	**552,397,479**	5,959,784
		740,808,867	628,191,357
	Cash (used in) / generated from operations	**(25,070,894)**	624,889,616

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

For the six months ended December 31, 2011

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
13 Cash and cash equivalent		
Cash and bank balances	**36,096,711**	166,257,685
	36,096,711	166,257,685

14 Transactions with related parties

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. Pricing for these transactions is determined as follows:

Nature of transaction	Pricing mechanism
Sales	Cost plus margin
Purchases	Comparable uncontrolled price method
Investments (including loans and advances)	Comparable uncontrolled price method
Borrowings	Comparable uncontrolled price method
Contribution to post employment benefit plan	As per terms of employment
Compensation of key management personnel	As per terms of employment

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

	July to December 2011 Rupees	July to December 2010 Rupees
14.1 Transactions with related parties		
14.1.1 Subsidiaries		
Sale of goods	**189,105,892**	64,824,086
Return on investment in TFCs	**12,169,788**	36,521,753
Interest/markup on borrowing	**33,987,541**	34,058,497
14.1.2 Post-employment benefit plans		
Contribution to employees provident fund	**47,637,864**	43,600,936
Interest payable	**34,199,707**	-
14.1.3 Key management personnel		
Short-term employee benefits	**22,489,618**	18,092,398
Post employment benefits	**1,341,534**	442,002

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

	31 December 2011 Un-audited	30 June 2011 Audited
	Rupees	Rupees
14.2 *Balances with related parties*		
14.2.1 *Subsidiaries*		
Borrowings	**304,843,253**	317,158,570
Trade receivables	**1,114,795,008**	1,172,900,745
Markup payable	**55,449,900**	125,521,696
Investment in ordinary shares	**9,003,317,920**	9,003,317,920
Investment in term finance certificates	**266,074,508**	266,081,964
14.2.3 *Key Management Personnel*		
Short term employee benefits payable	**3,748,270**	4,834,943
Post employment benefits	**223,589**	73,667

15 Overdue debt finances

The Company is facing liquidityshortfall due to the facts disclosed in note 2.2 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	As at 31 December 2011		
	Principal	Interest/mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	409,010,000	1,184,634,359	**1,593,644,359**
Long term finances	-	427,357,631	**427,357,631**
Bills payable	1,175,421,146	-	**1,175,421,146**
Short term borrowings	48,060,000	946,246,073	**994,306,073**
Preference shares	574,518,935	-	**574,518,935**
Preference Dividend	28,727,041	-	**28,727,041**
	2,235,737,122	**2,558,238,063**	**4,793,975,185**

16 Date of authorization

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

17 General

17.1 Figures have been rounded off to the nearest rupee.

17.2 The comparative figures have been re-arranged, where necessary, for the purpose of better presentation.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Consolidated Financial Information

Condensed Interim Consolidated Balance Sheet (Un-audited)

As at December 31, 2011

	Note	31 December 2011 Un-Audited Rupees	30 June 2011 Audited Rupees
EQUITY AND LIABILITIES			
Capital and reserves			
Authorized share capital		15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital		4,548,718,700	4,548,718,700
Reserves		3,108,356,464	3,159,053,369
Accumulated loss		(2,782,890,113)	(464,226,537)
		4,874,185,051	7,243,545,532
Surplus on revaluation of fixed assets		6,881,646,247	7,003,957,881
Non-controlling interests		2,576,248,540	2,582,107,738
Subordinated loan		340,000,000	340,000,000
Non-current liabilities			
Redeemable capital - secured	5	13,547,328,774	13,327,897,970
Long term finances - secured	6	10,326,264,180	9,966,538,549
Liabilities against assets subject to finance lease - secured		124,478,841	177,573,883
Long term payables - Unsecured		31,135,199	31,135,199
Staff retirement benefits		24,534,407	20,372,547
Deferred taxation		2,746,257,432	2,973,657,218
		26,799,998,833	26,497,175,366
Current liabilities			
Current portion of non-current liabilities - secured		2,625,055,310	3,212,265,941
Short term borrowing - secured		11,433,950,805	11,284,647,753
Trade and other payables		7,141,169,866	6,040,024,804
Interest / mark-up accrued on borrowings		7,739,981,700	6,185,634,382
Dividend payable		32,729,078	32,729,078
		28,972,886,759	26,755,301,958
Contingencies and commitments	7		
		70,444,965,430	70,422,088,475
ASSETS			
Non-current assets			
Fixed assets		50,484,978,235	50,168,926,414
Intangible asset		5,418,275,951	5,409,716,922
Long term investment		8,632	12,864
Long term deposits - unsecured, considered good		80,428,721	52,831,484
Long term advances		29,566,435	28,663,924
Non-current assets held for disposal		713,092,558	713,092,558
		56,726,350,532	56,373,244,166
Current assets			
Stores, spares and loose tools		2,598,398,246	2,581,479,175
Stock-in-trade		4,682,445,668	4,430,657,751
Trade receivables		3,842,888,535	4,480,130,994
Advances, deposits, prepayments and other receivables		2,259,800,818	1,953,047,605
Current taxation		214,218,736	298,819,762
Cash and bank balances		120,862,895	304,709,022
		13,718,614,898	14,048,844,309
		70,444,965,430	70,422,088,475

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

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

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

For the six months ended December 31, 2011

	2011		2010	
	July to December	**October to December**	July to December	October to December
	Rupees	**Rupees**	Rupees	Rupees
Sales - net	**7,921,115,404**	**4,036,450,793**	9,007,258,395	4,917,823,825
Cost of sales	**(7,125,956,198)**	**(3,684,863,173)**	(7,311,483,127)	(4,061,722,737)
Gross (loss) / profit	**795,159,206**	**351,587,620**	1,695,775,268	856,101,088
Administrative expenses	**(693,159,766)**	**(390,736,879)**	(627,929,605)	(385,335,431)
Selling and distribution expenses	**(320,885,032)**	**(126,422,090)**	(297,627,602)	(179,230,083)
Net other income / (expense)	**88,597,401**	**116,130,036**	(349,031,044)	(356,781,992)
Loss from operations	**(130,288,191)**	**(49,441,313)**	421,187,017	(65,246,418)
Finance cost	**(2,474,582,571)**	**(1,449,274,572)**	(1,581,920,552)	(819,558,289)
Loss before taxation	**(2,604,870,762)**	**(1,498,715,885)**	(1,160,733,535)	(884,804,707)
Taxation	**142,973,147**	**175,828,422**	248,096,251	(23,691,985)
Loss after taxation	**(2,461,897,615)**	**(1,322,887,463)**	(912,637,284)	(908,496,692)
Profit/(loss) after tax attributable to:				
Equity holders of the Parent Company	**(2,440,985,358)**	**(1,344,832,303)**	(982,671,249)	(893,674,332)
Non-controlling interests	**(20,912,257)**	**21,944,840**	70,033,965	(14,822,360)
	(2,461,897,615)	**(1,322,887,463)**	(912,637,284)	(908,496,692)
Loss per share - basic and diluted	**(5.41)**	**(2.91)**	(2.07)	(1.98)

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

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Consolidated Statement of Comprehensive Loss (Un-audited)

For the six months ended December 31, 2011

	2011		2010	
	July to December	**October to December**	July to December	October to December
	Rupees	**Rupees**	Rupees	Rupees
Loss after taxation	**(2,461,897,615)**	**(1,322,887,463)**	(912,637,284)	(908,496,692)
Other comprehensive (loss) / income for the period:				
Changes in fair value of cash flow hedges	**(42,816,481)**		(13,185,328)	1,546,930
Exchange difference on translation of foreign subsidiaries	**(7,876,192)**		44,789,385	2,753,658
Changes in fair value of available for sale financial assets	**(4,232)**		(23,077)	-
	(50,696,905)	**-**	31,580,980	4,300,588
Total comprehensive loss for the period	**(2,512,594,520)**	**(1,322,887,463)**	(881,056,304)	(904,196,104)
Total comprehensive loss attributable to				
Equity holders of the Parent Company	**(2,491,682,263)**	**(754,825,859)**	(951,090,269)	(889,373,744)
Non-controlling interests	**(20,912,257)**	**21,944,840**	70,033,965	(14,822,360)
	(2,512,594,520)	**(732,881,019)**	(881,056,304)	(904,196,104)

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

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Consolidated Cash flow Statement (Un-audited)

For the six months ended December 31, 2011

	July to December 2011 Rupees	July to December 2010 Rupees
Cash flows from operating activities		
Loss before taxation	**(2,604,870,762)**	(1,160,733,535)
Adjustment for non-cash items	**2,243,815,727**	2,872,783,336
(Loss) / profit before changes in working capital	**(361,055,035)**	1,712,049,801
Effect on cash flow due to working capital Changes	**1,162,024,809**	411,247,198
Cash generated from operations	**800,969,774**	2,123,296,999
Interest/markup paid	**(439,774,767)**	(584,625,116)
Long term deposits	**(27,597,237)**	422,152
Taxes refund/(paid)	**174,387**	(15,011,600)
Net cash generated from operating activities	**333,772,157**	1,524,082,435
Cash flows from investing activities		
Capital expenditure	**(685,125,404)**	(3,754,429,803)
Proceeds from disposal of fixed assets	**11,032,275**	42,046,013
Investments	**-**	333,663,302
Interest received	**12,465,115**	149,660,255
Net cash used in investing activities	**(661,628,014)**	(3,229,060,233)
Cash flows from financing activities		
Long term finances obtained	**-**	3,781,190,673
Redemption of redeemable capital	-	4,494,750
Liabilities against assets subject to finance lease	**(5,293,322)**	(21,443,264)
Short term borrowings	**149,303,052**	(1,580,465,307)
Net cash generated from financing activities	**144,009,730**	2,183,776,852
Net (decrease) / increase in cash and cash equivalents	**(183,846,127)**	478,799,054
Cash and cash equivalents at the beginning of period	**304,709,022**	321,703,032
Cash and cash equivalents at the end of period	**120,862,895**	800,502,086

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

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

For the six months ended December 31, 2011

	Share Capital			Reserves								
	Ordinary shares	Preference shares	Total	Share Premium	Cash flow hedges	Translation reserve	Reserve on merger	Preference share redemption reserve	Available for sale financial assets	Total reserves	Accumulated loss	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2010 - Unaudited	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	66,479,346	(92,671,639)	105,152,005	661,250,830	18,103	3,098,475,406	3,748,250,593	11,726,069,879
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	1,541,219	1,541,219
Total comprehensive loss for the period	-	-	-	-	(13,185,328)	44,789,385	-	-	(23,077)	31,580,980	(982,671,249)	(951,090,269)
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	-	-	(330,625,180)
Preference dividend for the year ended 31 December 2010	-	-	-	-	-	-	-	-	-	-	(29,590,953)	(29,590,953)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	83,863,048	83,863,048
Balance as at 31 December 2010 - Unaudited	4,548,718,700	-	4,548,718,700	2,358,246,761	53,294,018	(47,882,254)	105,152,005	661,250,830	(4,974)	3,130,056,386	2,821,392,658	10,500,167,744
Balance as at 30 June 2011 - Audited	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**48,894,931**	**(14,485,358)**	**105,152,005**	**661,250,830**	**(5,800)**	**3,159,053,369**	**(464,226,537)**	**7,243,545,532**
Total comprehensive loss for the period	-	-	-	-	**(42,816,481)**	**(7,876,192)**	-	-	**(4,232)**	**(50,696,905)**	**(2,440,985,358)**	**(2,491,682,263)**
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	**122,321,782**	**122,321,782**
Balance as at 31 December 2011 - Unaudited	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**6,078,450**	**(22,361,550)**	**105,152,005**	**661,250,830**	**(10,032)**	**3,108,356,464**	**(2,782,890,113)**	**4,874,185,051**

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

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

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

For the six months ended December 31, 2011

1 Status and nature of business

Parent Company

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 productions units with Unit I located at 2.5 K.M off Manga, Raiwand 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, Muzaffargarh.

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

The condensed interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim consolidated financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the eighteen months ended 30 June 2011.

2.2 Financial liabilities and continuing operations

As mentioned in the annual report of the Company for the eighteen months ended 30 June 2011, the Company in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. Due to liquidity problems and unavailability of working capital finances, the Company was not able to make timely purchases of raw materials and had to procure raw material at higher prices, resulting in substantial increase in cost of sales. High finance costs also had an adverse impact on profitability of the Company. This has perpetuated temporary liquidity issues, as referred to in note 15 to the financial statements. Consequently, the shareholders of the Company in the extraordinary general meeting held on 23 July 2010, approved the divestment of 79.87% shares held in Agritech Limited.

Majority of the funds generated through divestment of shares will be utilized towards repayment / prepayment of the Company's debts to the extent of Rs. 9,742.81 million. The Company is also in the process of getting approvals from majority of the lenders for the conversion of the outstanding amount of their mark up till 31 March 2012 into 5 year zero coupon PPTFC's. Since the Company intends to prepay 25% of the long term loans up front from the above mentioned sale proceeds, it has requested the respective lenders to allow it a further grace period of two years without increasing the overall tenure of the loans agreed under Master Restructuring Agreement for which positive feedback has been received from the lenders. For this purpose the respective loan repayment schedules would accordingly be amended through amendment in the said agreement. Furthermore the amount outstanding towards preference shareholders is proposed to be settled through conversion into to new long term instrument for which the negotiations are in final phases.

With the divestment of shareholding in Agritech Limited and other proposed measures mentioned above, 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 as expected to continue its operations profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

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

For the six months ended December 31, 2011

3 Estimates

The preparation of the condensed interim information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Provisions and contingencies
- Fair value of investment in subsidiaries

4 Significant accounting policies

4.1 The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the eighteen months ended 30 June 2011.

4.2 In addition to above, following amendments to the International Financial Reporting Standards are mandatory for the first time for the financial year beginning on or after 1 January 2012, however, the adoption of these amendments is either not yet effective or the amendments did not have any significant impact on the financial information of the Group

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

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
5 Redeemable capital - secured		
Term Finance Certificates (TFCs)	**13,442,428,453**	13,442,888,248
Sukkuks	**1,599,800,000**	1,600,000,000
	15,042,228,453	15,042,888,248
Transaction costs	**(341,078,414)**	(323,091,516)
	14,701,150,039	14,719,796,732
Current maturity presented under current liabilities	**(1,153,821,265)**	(1,391,898,762)
	13,547,328,774	13,327,897,970
6 Long term finances		
Term finances	**11,292,000,201**	11,277,540,361
Transaction costs	**(152,489,469)**	(128,761,126)
	11,139,510,732	11,148,779,235
Current maturity presented under current liabilities	**(813,246,552)**	(1,182,240,686)
	10,326,264,180	9,966,538,549

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

For the six months ended December 31, 2011

7 Contingencies and commitments

7.1 Contingencies

7.1.1 There is no material change in the contingencies from preceding audited published financial statements of the Group for the eighteen months period ended 30 June 2011.

	31 December 2011 Un-audited Rupees	30 June 2011 Audited Rupees
7.2 Commitments		
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of machinery	**107,740,714**	5,919,288
- purchase of stores, spare and loose tools	**76,282,029**	141,745,448
- purchase of raw material	**7,008,000**	25,800,276
	191,030,743	173,465,012
7.2.2 Commitments for capital expenditure	**11,414,222**	-

8 Transactions with related parties

Related parties from the Group's perspective comprise associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. The Group in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length. Pricing for these transactions is determined as follows:

Nature of transaction	Pricing mechanism
Sales	Cost plus margin
Purchases	Comparable uncontrolled price method
Borrowings	Comparable uncontrolled price method
Contribution to post employment benefit plan	As per terms of employment
Compensation of key management personnel	As per terms of employment

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

	July to December 2011 Rupees	July to December 2010 Rupees
8.1 Transactions with related parties		
8.1.1 Associated company		
Mark-up on long term loan	**28,419,808**	26,951,847
Mark-up expense on redeemable capital	**40,902,558**	7,244,304
8.1.2 Post-employment benefit plans		
Contribution to employees provident fund	**57,288,045**	53,169,887
Contribution to employees gratuity fund	**4,586,666**	7,949,567
Interest payable	**34,199,707**	-

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

8.1.3 Key management personnel

Short-term employee benefits	**93,298,610**	36,239,596
Post employment benefits	**4,992,502**	1,822,572

	31 December 2011 Un-audited	30 June 2011 Audited
	Rupees	Rupees
8.2 ***Balances with related parties***		
8.2.1 ***Associated company***		
Mark-up on redeemable capital	**94,642,234**	76,926,502
Mark-up on long term loan	**143,791,402**	123,553,110
8.2.3 ***Key Management Personnel***		
Short term employee benefits payable	**3,748,270**	4,834,943
Post employment benefits	**223,589**	73,667

9 Overdue debt finances

The Company is facing liquidity shortfall due to the facts disclosed in note 2.2 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	As at 31 December 2011		
	Principal	**Interest/mark-up**	**Total**
	Rupees	**Rupees**	**Rupees**
Redeemable capital	409,010,000	1,184,634,359	1,593,644,359
Long term finances	-	427,357,631	427,357,631
Bills payable	1,175,421,146	-	1,175,421,146
Short term borrowings	48,060,000	946,246,073	994,306,073
Preference shares	574,518,935	-	574,518,935
Preference dividend	28,727,041	-	28,727,041
	2,235,737,122	2,558,238,063	4,793,975,185

11 Date of authorization

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

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

For the six months ended December 31, 2011

12 General

12.1 Figures have been rounded off to the nearest rupee.

12.2 The comparative figures have been re-arranged, where necessary, for the purpose of better presentation.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Notes