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## Company Information

## BOARD OF DIRECTORS

Mr. Mueen Afzal (*Chairman*)  
 Mr. Ahmed H. Shaikh (*Chief Executive*)  
 Chief Justice (Retd.) Mian Mahboob Ahmad  
 Mr. Aehsun M.H. Shaikh  
 Mr. Ali J. Siddiqui  
 Mr. Khalid A.H. Al-Sagar  
 Mr. Ali Hussain

## COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

## CHIEF FINANCIAL OFFICER

Mr. Abid Amin

## AUDIT COMMITTEE

Chief Justice (Retd.) Mian Mahboob Ahmad (*Chairman*)  
 Mr. Mueen Afzal  
 Mr. Aehsun M.H. Shaikh  
 Mr. Ali J. Siddiqui  
 Mr. Khalid A.H. Al-Sagar  
 Mr. Ali Hussain

## FINANCE COMMITTEE

Mr. Ahmed H. Shaikh  
 Mr. Ali J. Siddiqui  
 Mr. Tariq Mohammad Khan  
 Mr. Ali Hussain

## MANAGEMENT TEAM

Mr. Ahmed H. Shaikh  
 Mr. Atif farooqi  
 Mr. Ahmed Jaudet Bilal  
 Mr. Tariq Mohammad Khan  
 Mr. Abid Amin  
 Mr. Aamer Ghias  
 Mr. Irfan Nazir  
 Ms. Maliha Azam  
 Mr. Tahir Munir  
 Mr. Usman Rasheed  
 Mr. Salim Khan

## HUMAN RESOURCE COMMITTEE

Mr. Ahmed H. Shaikh  
 Mr. Tariq Mohammad Khan  
 Mr. Salim Khan

## BANKERS

JS Bank Limited  
 MCB Bank Limited  
 Citibank N.A.  
 Royal Bank of Scotland  
 Faysal Bank Limited  
 Habib Bank Limited  
 Saudi Pak Industrial & Agricultural Investment  
 Company 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  
 Pak Oman Investment Company Limited  
 Saudi Pak Commercial Bank Limited  
 Atlas Bank Limited  
 Emirates Global Islamic Bank Limited  
 Habib Metropolitan Bank Limited

## LEGAL ADVISORS

Hamid Law Associates

## AUDITORS

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

## REGISTERED OFFICE

Ismail Aiwan-e-Science  
 Off Shahrah-e-Roomi, Lahore. 54600  
 Ph: +92 (0)42 111-786-645  
 Fax: +92 (0)42 576-1791

## Company Information

## 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  
 Fax: +92 (0)661 422652

*Unit III*

20 KM off Ferozpur Road,  
 6KM Badian Road on Ruhi Nala,  
 Der Khurd, Lahore.  
 Ph: +92 (0)42 8460333

Fertilizer

*Unit I*

Pak American Fertilizers Limited  
 Iskanderabad,  
 District Mianwali  
 Ph: +92 (0)459 392346

*Unit II*

Hazara Phosphate Fertilizers (Private) Limited  
 Hattar Road,  
 Haripur.  
 Ph: +92 (0)995 616124

## Directors' Review

The Directors along with the management team of Azgard Nine Limited ("the Company") are pleased to present the half yearly management review along with the un-audited interim financial information for the half year ended June 30, 2009.

### PRINCIPAL ACTIVITIES

The Company's principal business is the manufacture and marketing of Denim focused Textile and Apparel products from raw cotton to retail ready goods. As such it is the largest denim products company by sales in Pakistan.

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

### Textile and Apparel

While the prevalent market conditions continued to be extremely challenging, the company managed to grow its sales and profitability during the 2<sup>nd</sup> quarter. The Company continues in its efforts to improve service levels and add value to its products to achieve greater customer satisfaction, and feels confident that it will be able to maintain a reasonable level of sales growth this year. However, margins will continue to remain under pressure for the foreseeable future.

It is important to note that the company has unwound most of its foreign cross currency swap transactions, thereby removing any potential major risk to the company as a result of devaluation of the Pakistani rupee.

### Fertilizers

The company's 100% owned subsidiary, PAFL, operates the newest and most efficient Urea Plant in the country, and PAFL through its recently acquired 100% owned subsidiary, HPFL, is the largest manufacturer of Single Super Phosphate (SSP) fertilizer in Pakistan. Hence, the Company, through its subsidiaries, is now a diversified fertilizer producer, manufacturing and marketing both nitrogenous and phosphate fertilizers.

The fertilizer business continued to grow its sales and profits at a strong pace. Particularly, Phosphate demand improved significantly compared to previous seasons.

The Company announced its decision to disinvest up to 24.99% of its shareholding comprising 98,068,257 shares of PAFL at a fixed price of Rs.30 per share for gross proceeds of PKR 2,942,047,710, by way of an Offer for Sale through a combination of private placement and/or an Initial Public Offering at the domestic stock exchange(s) in Pakistan.

## Directors' Review

### OPERATING FINANCIAL RESULTS OF AZGARD NINE LIMITED (STAND ALONE)

|                   | <i>Amounts in PKR</i>                    |  |                         |
|-------------------|--|--|-------------------------|
|                   | <b>Half year ended<br/>June 30, 2009</b> | <b>Half year ended<br/>June 30, 2008</b> | <b>Change<br/>( % )</b> |
| Sales-Net         | 5,809,558,134                            | 4,622,741,884                            | + 25.67                 |
| Operating Profit  | 1,405,578,910                            | 1,170,418,577                            | + 20.09                 |
| Finance Cost      | 1,217,030,994                            | 815,772,154                              | + 49.18                 |
| Profit before Tax | 188,547,916                              | 354,646,423                              | (46.83)                 |
| Profit after Tax  | 130,146,629                              | 308,075,892                              | (57.75)                 |

### CONSOLIDATED RESULTS INCLUDING SUBSIDIARIES

|                   | <i>Amounts in PKR</i>                    |  |                         |
|-------------------|--|--|-------------------------|
|                   | <b>Half year ended<br/>June 30, 2009</b> | <b>Half year ended<br/>June 30, 2008</b> | <b>Change<br/>( % )</b> |
| Sales-Net         | 12,585,834,919                           | 6,856,997,257                            | + 83.55                 |
| Operating Profit  | 3,500,709,324                            | 2,343,930,220                            | + 49.35                 |
| Finance Cost      | 2,403,192,104                            | 1,413,434,474                            | + 70.02                 |
| Profit before Tax | 1,097,517,220                            | 930,495,746                              | + 17.95                 |
| Profit after Tax  | 1,023,880,115                            | 843,931,646                              | + 21.32                 |

### EARNINGS PER SHARE

|  | <i>Amounts in PKR</i> |                      |                         |
|--|-----------------------|----------------------|-------------------------|
|  | <b>June 30, 2009</b>  | <b>June 30, 2008</b> | <b>Change<br/>( % )</b> |
| <b>Azgard Nine Limited</b>                 |                       |                      |                         |
| Quarter ended                              | 0.17                  | 0.37                 | (54.05)                 |
| Half year ended                            | 0.26                  | 0.71                 | (63.38)                 |
| <b>Consolidated including subsidiaries</b> |                       |                      |                         |
| Quarter ended                              | 1.84                  | 0.20                 | + 820                   |
| Half year ended                            | 2.51                  | 2.07                 | + 21.26                 |

## Directors' Review

### 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. There is also a growing competition from manufacturers in China, India and Bangladesh, where governments have increased their support to the textile sector in order to help it through these challenging times.

The company maintains its efforts to reduce cost, maximize synergies and increase service levels. The objective is to create a highly integrated supply chain and to enhance the product value and exceed customer expectations. The management believes that it will achieve its goals through this process and increase business viability and profitability over the long term.

The outlook for the fertilizer sector, however, remains positive as agricultural production continues to be strong and support prices for the major crops are better than the previous year. The government's continued support to the agriculture sector, which is the back bone of the domestic economy, should lead to maintaining strong demand for fertilizers. The ongoing deficit in the Urea and Phosphates markets indicates favourable trading conditions for the foreseeable future.

### 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 22, 2009

## 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, 2009, and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (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, 2009, 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.

The figures for the quarter ended June 30, 2009 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

Engagement Partner: *Irfan Rahman Malik*

Date: August 22, 2009

## Condensed Interim Financial Information

### Balance sheet as at June 30, 2009

|  | Note | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|--|------|----------------------------------|--------------------------------------|
| <b>EQUITY AND LIABILITIES</b>                                  |      |                                  |                                      |
| <b>Share capital and reserves</b>                              |      |                                  |                                      |
| Issued, subscribed and paid-up capital                         | 4    | 5,209,969,530                    | 3,827,118,540                        |
| Reserves   |      | 3,769,266,047                    | 3,532,469,002                        |
| Unappropriated profit  |      | 2,217,261,250                    | 2,764,494,959                        |
|  |      | 11,196,496,827                   | 10,124,082,501                       |
| <b>Surplus on revaluation of property, plant and equipment</b> |      | 209,563,065                      | 219,356,257                          |
| <b>Non-current liabilities</b>                                 |      |                                  |                                      |
| Redeemable capital - Secured                                   | 5    | 3,545,904,888                    | 3,962,461,561                        |
| Long term finances - Secured                                   | 6    | 2,459,672,500                    | 2,686,842,500                        |
| Liabilities against assets subject to finance lease            | 7    | 21,921,695                       | 25,210,944                           |
|  |      | 6,027,499,083                    | 6,674,515,005                        |
| <b>Current liabilities</b>                                     |      |                                  |                                      |
| Current portion of non-current liabilities                     |      | 1,561,110,472                    | 1,470,921,493                        |
| Short term borrowings  | 8    | 7,805,121,634                    | 6,574,080,304                        |
| Derivative financial liabilities                               |      | 31,594,489                       | 50,536,909                           |
| Trade and other payables                                       |      | 1,336,399,528                    | 1,350,500,115                        |
| Due to related parties   |      | 440,376,612                      | 426,768,193                          |
| Markup accrued on borrowings                                   |      | 426,441,191                      | 466,226,443                          |
| Unclaimed dividend   |      | 4,002,037                        | 14,686,046                           |
|  |      | 11,605,045,963                   | 10,353,719,503                       |
| <b>Contingencies and commitments</b>                           | 9    | -                                | -                                    |
|  |      | 29,038,604,938                   | 27,371,673,266                       |
| <b>ASSETS</b>  |      |                                  |                                      |
| <b>Non-current assets</b>                                      |      |                                  |                                      |
| Property, plant and equipment                                  | 10   | 7,681,851,186                    | 7,734,950,547                        |
| Capital work in progress                                       |      | 1,245,795,104                    | 918,670,893                          |
| Intangible assets  |      | 27,641,108                       | 33,536,216                           |
| Long term investments  | 11   | 7,607,352,030                    | 7,521,644,051                        |
| Long term deposits   |      | 19,777,502                       | 19,777,502                           |
|  |      | 16,582,416,930                   | 16,228,579,209                       |
| <b>Current assets</b>  |      |                                  |                                      |
| Stores, spares and loose tools                                 |      | 277,034,866                      | 201,693,270                          |
| Stock in trade   |      | 4,815,938,689                    | 4,034,103,119                        |
| Trade receivables  |      | 2,244,005,530                    | 1,777,232,612                        |
| Derivative financial assets                                    |      | 94,317,973                       | 175,673,993                          |
| Advances, deposits, prepayments and other receivables          |      | 865,581,389                      | 789,515,062                          |
| Current taxation   |      | 66,186,966                       | 63,948,605                           |
| Short term investments   | 12   | 3,820,024,353                    | 4,018,853,586                        |
| Cash and bank balances   |      | 273,098,242                      | 82,073,810                           |
|  |      | 12,456,188,008                   | 11,143,094,057                       |
|  |      | 29,038,604,938                   | 27,371,673,266                       |

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

Lahore

  
 Chief Executive

  
 Director

Lahore

  
 Chief Executive

  
 Director

## Condensed Interim Financial Information

### Profit and loss account for the half year ended June 30, 2009

|  | Half year ended         |                         | Quarter ended           |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | June 30, 2009<br>Rupees | June 30, 2008<br>Rupees | June 30, 2009<br>Rupees | June 30, 2008<br>Rupees |
| Sales - Net                                  | 5,809,558,134           | 4,622,741,884           | 3,048,574,971           | 2,566,740,675           |
| Cost of sales                                | (4,063,503,070)         | (3,176,850,618)         | (2,091,060,083)         | (1,715,350,971)         |
| <b>Gross Profit</b>                          | <b>1,746,055,064</b>    | <b>1,445,891,266</b>    | <b>957,514,888</b>      | <b>851,389,704</b>      |
| Administrative and selling expenses          | (347,364,587)           | (253,156,618)           | (154,652,789)           | (143,316,612)           |
| Net other operating income/(expenses)        | 6,888,433               | (22,316,071)            | 8,796,281               | (13,680,462)            |
| <b>Results from operating activities</b>     | <b>1,405,578,910</b>    | <b>1,170,418,577</b>    | <b>811,658,380</b>      | <b>694,392,630</b>      |
| Finance cost                                 | (1,217,030,994)         | (815,772,154)           | (698,206,946)           | (509,267,761)           |
| <b>Profit before taxation</b>                | <b>188,547,916</b>      | <b>354,646,423</b>      | <b>113,451,434</b>      | <b>185,124,869</b>      |
| Taxation                                     | (58,401,287)            | (46,570,531)            | (30,615,157)            | (25,676,615)            |
| <b>Profit after taxation</b>                 | <b>130,146,629</b>      | <b>308,075,892</b>      | <b>82,836,277</b>       | <b>159,448,254</b>      |
| <b>Earning per share - basic and diluted</b> | <b>0.26</b>             | <b>0.71</b>             | <b>0.17</b>             | <b>0.37</b>             |

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

## Condensed Interim Financial Information

Statement of other comprehensive income  
for the half year ended June 30, 2009

|   | Half year ended |               | Quarter ended |               |
|---|-----------------|---------------|---------------|---------------|
|   | June 30, 2009   | June 30, 2008 | June 30, 2009 | June 30, 2008 |
|   | Rupees          | Rupees        | Rupees        | Rupees        |
| Surplus on revaluation of investments available for sale      | (34,880)        | 3,175,680     | (19,851)      | (1,220,766)   |
| Unrealised gain/(loss) on derivative financial instruments    | (70,746,867)    | (50,091,213)  | 2,066,530     | (247,550,693) |
| Other comprehensive income before taxation                    | (70,781,747)    | (46,915,533)  | 2,046,679     | (248,771,459) |
| Taxation relating to components of other comprehensive income | -               | -             | -             | -             |
| Other comprehensive income after taxation                     | (70,781,747)    | (46,915,533)  | 2,046,679     | (248,771,459) |
| Profit for the year   | 130,146,629     | 308,075,892   | 82,836,277    | 159,448,254   |
| Total comprehensive income                                    | 59,364,882      | 261,160,359   | 84,882,956    | (89,323,205)  |

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

Lahore



Chief Executive



Director

## Condensed Interim Financial Information

Cash flow statement  
for the half year ended June 30, 2009

|  | Half year ended<br>June 30, 2009 | Half year ended<br>June 30, 2008 |
|--|----------------------------------|----------------------------------|
|  | Rupees                           | Rupees                           |
| CASH FLOW FROM OPERATING ACTIVITIES                              |                                  |                                  |
| Profit before tax  | 188,547,916                      | 354,646,423                      |
| Adjustments for non-cash items                                   | 1,507,919,015                    | 1,104,671,364                    |
| Operating profit before changes in working capital               | 1,696,466,931                    | 1,459,317,787                    |
| Changes in working capital                                       | (1,404,213,614)                  | (1,421,243,800)                  |
| Cash generated from operations                                   | 292,253,317                      | 38,073,987                       |
| Markup paid  | (1,337,333,023)                  | (814,323,387)                    |
| Taxes paid   | (60,639,648)                     | (73,444,704)                     |
| Net cash used in operating activities                            | (1,105,719,354)                  | (849,694,104)                    |
| CASH FLOW FROM INVESTING ACTIVITIES                              |                                  |                                  |
| Capital expenditure  | (550,615,541)                    | (630,327,945)                    |
| Development costs  | -                                | (5,299,818)                      |
| Proceeds from disposal of property, plant and equipment          | 2,262,018                        | 1,662,001                        |
| Dividend received  | -                                | 1,730,500                        |
| Return on investment in term finance certificates                | 61,530,419                       | -                                |
| Long term investments  | (85,740,601)                     | 486,827,630                      |
| Short term investments   | 198,826,976                      | 134,112,814                      |
| Net cash used in investing activities                            | (373,736,729)                    | (11,294,818)                     |
| CASH FLOW FROM FINANCING ACTIVITIES                              |                                  |                                  |
| Redemption of term finance certificates                          | (198,506,673)                    | (33,178,734)                     |
| Repayment of long term finances                                  | (357,270,000)                    | 239,483,250                      |
| Repayment of liabilities against assets subject to finance lease | (10,964,804)                     | (13,009,130)                     |
| Borrowing from related parties                                   | 13,608,419                       | -                                |
| Net increase in short term borrowings                            | 1,231,041,330                    | 1,093,574,792                    |
| Proceeds from issue of ordinary shares net of transaction costs  | 1,003,256,252                    | -                                |
| Dividend paid  | (10,684,009)                     | (382,878,565)                    |
| Net cash flow from financing activities                          | 1,670,480,515                    | 903,991,613                      |
| Net increase in cash and cash equivalents                        | 191,024,432                      | 43,002,691                       |
| Cash and cash equivalents at the beginning of the year           | 82,073,810                       | 45,433,316                       |
| Cash and cash equivalents at the end of the year                 | 273,098,242                      | 88,436,007                       |

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

Lahore



Chief Executive



Director

## Condensed Interim Financial Information

Statement of changes in equity  
for the half year ended June 30, 2009

|  | Share capital   |                   | Reserves      |                  |                   |                                 | Revaluation of available for sale investments | Total reserves | Unappropriated profit | Total equity   | Surplus on revaluation of property, plant and equipment |
|--|-----------------|-------------------|---------------|------------------|-------------------|---------------------------------|---|----------------|-----------------------|----------------|---|
|  | Ordinary shares | Preference shares | Share premium | Cash flow hedges | Reserve on merger | Redemption of preference shares |   |                |                       |                |   |
| As at January 01, 2008   | 3,127,134,570   | 661,688,330       | 2,833,871,139 | 370,801,102      | 106,152,005       | 414,500,000                     | 6,786,876                                     | 3,330,426,122  | 2,400,665,174         | 9,720,684,196  | 239,973,077   |
| Conversion of preference shares                                  | 297,500         | (437,500)         | 140,000       | -                | -                 | -                               | -   | 140,000        | -                     | -              | -   |
| Conversion of redeemable capital                                 | 38,435,640      | -                 | 104,314,360   | -                | -                 | -                               | -   | 104,314,360    | -                     | 142,750,000    | -   |
| Profit for the half year ended June 30, 2008                     | -               | -                 | -             | -                | -                 | -                               | -   | -              | 308,075,892           | 308,075,892    | -   |
| Other comprehensive income for the half year ended June 30, 2008 | -               | -                 | -             | (50,991,213)     | -                 | -                               | 3,175,680                                     | (46,915,533)   | -                     | (46,915,533)   | -   |
| Ordinary dividend for the year ended December 31, 2008           | -               | -                 | -             | -                | -                 | -                               | -   | -              | (960,929,009)         | (960,929,009)  | -   |
| Incremental depreciation   | -               | -                 | -             | -                | -                 | -                               | -   | -              | 9,793,191             | 9,793,191      | (9,793,191)   |
| Profit transferred to preference shares redemption reserve       | -               | -                 | -             | -                | -                 | 51,500,000                      | -   | 51,500,000     | (51,500,000)          | -              | -   |
| As at June 30, 2008  | 3,165,867,710   | 661,250,830       | 2,937,118,540 | 320,709,889      | 106,152,005       | 466,000,000                     | 9,961,556                                     | 3,638,644,949  | 2,276,052,240         | 9,742,697,189  | 229,279,886   |
| As at January 01, 2009   | 3,165,867,710   | 661,250,830       | 2,737,841,499 | 152,635,940      | 106,152,005       | 517,500,000                     | 19,339,558                                    | 3,532,469,002  | 2,744,494,959         | 10,124,082,501 | 219,356,257   |
| Issue of bonus shares  | 633,173,530     | -                 | 633,173,530   | -                | -                 | -                               | -   | -              | (633,173,530)         | -              | -   |
| Issue of right shares  | 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                     | -               | -                 | -             | (70,746,867)     | -                 | -                               | (34,880)                                      | (70,781,747)   | -                     | (70,781,747)   | -   |
| Other comprehensive income for the half year ended June 30, 2009 | -               | -                 | -             | -                | -                 | -                               | -   | -              | 9,793,192             | 9,793,192      | (9,793,192)   |
| Incremental depreciation   | -               | -                 | -             | -                | -                 | 54,000,000                      | -   | 54,000,000     | (54,000,000)          | -              | -   |
| Profit transferred to preference shares redemption reserve       | -               | -                 | -             | -                | -                 | -                               | -   | -              | 2,217,261,250         | -              | -   |
| As at June 30, 2009  | 4,548,718,700   | 661,250,830       | 5,205,969,530 | 41,888,073       | 106,152,005       | 571,500,000                     | 19,304,678                                    | 3,769,266,047  | 2,217,261,250         | 11,196,096,927 | 209,583,065   |

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

Lahore

Chief Executive

Director

## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

## 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 information is not audited, however, a limited scope review has been carried out by the statutory auditors of the Company in accordance with clause xxi of the Code of Corporate Governance and they have issued their report thereon.

This interim financial information has been presented in condensed form in compliance with the requirements of "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the financial statements of the Company for the year ended December 31, 2008. Further, this condensed interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

The comparative interim balance sheet as at December 31, 2008 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 half year ended June 30, 2008 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, 2009 and June 30, 2008 are neither audited nor reviewed.

## 2.2 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 statement of cash flows, 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,

## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

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, 2008.

The Company during the period has adopted International Accounting Standard - 1 "Presentation of Financial Statements" (*Revised-2007*) to the extent the standard is consistent with the requirements of Companies Ordinance, 1984 and the Rules and Regulations made thereunder. Requirements of the standard that are in conflict with the Companies Ordinance, 1984 and the Rules and Regulations made thereunder have not been applied in preparing and presenting this financial information.

| Note | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|------|----------------------------------|--------------------------------------|
|------|----------------------------------|--------------------------------------|

## 4 SHARE CAPITAL

## Authorized share capital

## Ordinary shares of Rs. 10 each

900,000,000 voting shares

300,000,000 non-voting shares

|                                  |                |                |
|----------------------------------|----------------|----------------|
|                                  | 9,000,000,000  | 9,000,000,000  |
|                                  | 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 non-voting shares    | 3,000,000,000  | 3,000,000,000  |
|                                  | 15,000,000,000 | 15,000,000,000 |

## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

| Note  | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|---|----------------------------------|--------------------------------------|
| Issued, subscribed and paid-up capital              |                                  |                                      |
| Voting ordinary shares of Rs. 10 each:              |                                  |                                      |
| 323,712,733 (December 31, 2008: 249,655,142)        |                                  |                                      |
|   |                                  |                                      |
| shares fully paid in cash                           | 4.1 3,237,127,330                | 2,496,551,420                        |
| 62,548,641 shares issued as fully paid bonus shares | 4.1 625,486,410                  | -                                    |
| 12,276,073 (December 31, 2008: 12,276,073)          |                                  |                                      |
| shares issued as consideration for machinery        | 122,760,730                      | 122,760,730                          |
| 50,811,992 (December 31, 2008: 50,811,992)          |                                  |                                      |
| shares issued as consideration for merger           | 508,119,920                      | 508,119,920                          |
|   | 4,493,494,390                    | 3,127,432,070                        |
| Non-voting ordinary shares of Rs. 10 each           |                                  |                                      |
| 4,753,719 (December 31, 2008: 3,843,564)            |                                  |                                      |
|   |                                  |                                      |
| shares fully paid in cash                           | 4.2 47,537,190                   | 38,435,640                           |
| 768,712 shares issued as fully paid bonus shares    | 4.2 7,687,120                    | -                                    |
|   | 55,224,310                       | 38,435,640                           |
| Preference shares of Rs. 10 each                    |                                  |                                      |
| 66,125,083 (December 31, 2008: 66,125,083)          |                                  |                                      |
|   |                                  |                                      |
| shares fully paid in cash                           | 661,250,830                      | 661,250,830                          |
|   | 5,209,969,530                    | 3,827,118,540                        |

## 4.1 Movement in number of voting ordinary shares in issue during the year was as follows:

| Note  | As at<br>June 30, 2009<br>No. of shares | As at<br>December 31, 2008<br>No. of shares |
|---|---|---|
|   |   |   |
| As at beginning of the year                             | 312,743,207                             | 312,713,457                                 |
| Conversion of preference shares<br>into ordinary shares | -                                       | 29,750                                      |
| Issue of bonus shares                                   | 4.1.1 62,548,641                        | -   |
| Issue of right shares                                   | 4.1.1 74,057,591                        | -   |
| As at end of the year                                   | 449,349,439                             | 312,743,207                                 |



## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

4.1.1 During the period, the Company increased its ordinary share capital through issue of bonus shares at 20 ordinary shares for every 100 ordinary shares held and issue of right shares, at 23.68 ordinary shares for every 100 ordinary shares held (without giving consideration to issue of bonus shares), at a price of Rs. 13.50 per ordinary right share.

4.2 Movement in number of non-voting ordinary shares in issue during the year was as follows:

|   | Note  | As at<br>June 30, 2009<br>No. of shares | As at<br>December 31, 2008<br>No. of shares |
|---|-------|---|---|
| As at beginning of the year                                     |       | 3,843,564                               | -   |
| Conversion of term finance certificates<br>into ordinary shares |       | -                                       | 3,843,564                                   |
| Issue of bonus shares   | 4.1.1 | 768,712                                 | -   |
| Issue of right shares   | 4.1.1 | 910,155                                 | -   |
| As at end of the year   |       | <u>5,522,431</u>                        | <u>3,843,564</u>                            |

## 5 REDEEMABLE CAPITAL - SECURED

|  |                      |                      |
|--|----------------------|----------------------|
| Term finance certificates                                  | 4,160,968,234        | 4,359,474,907        |
| Less: current maturity presented under current liabilities | 615,063,346          | 397,013,346          |
|  | <u>3,545,904,888</u> | <u>3,962,461,561</u> |

## 6 LONG TERM FINANCES - SECURED

|   |                      |                      |
|---|----------------------|----------------------|
| Utilized under markup arrangements from banking companies<br>and financial institutions | 3,385,152,500        | 3,742,422,500        |
| Less: current maturity presented under current liabilities                              | 925,480,000          | 1,055,580,000        |
|   | <u>2,459,672,500</u> | <u>2,686,842,500</u> |

## 7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|  |                   |                   |
|--|-------------------|-------------------|
| Present value of minimum lease payments                    | 42,488,822        | 43,539,091        |
| Less: current maturity presented under current liabilities | 20,567,127        | 18,328,147        |
|  | <u>21,921,695</u> | <u>25,210,944</u> |

## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

## 8 SHORT TERM BORROWINGS

These represent secured, as well as unsecured, local and foreign currency financing obtained against aggregate funded and unfunded facilities available of Rs. 12,770 million (31 December 2008: Rs. 11,257 million) from various banking companies and financial institutions. Local currency finances carry markup at rates ranging from one to nine months KIBOR plus 2% to 5% per annum (31 December 2008: 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 4% per annum (31 December 2008: LIBOR of matching tenor plus spread ranging from 1% to 4% per annum). Markup on pre / post shipment finances refinanced by State Bank of Pakistan ("SBP") is payable at SBP refinance rate of 6.5% plus banks' spread ranging from 1% to 1.5% per annum.

## 9 CONTINGENCIES AND COMMITMENTS

## Contingencies

Guarantees given by banks on behalf of the Company as at the reporting date amount to Rs. 150.55 million (December 31, 2008: Rs. 123.205 million).

The status of all other contingencies is unchanged since December 31, 2008.

## Commitments

Commitments under irrevocable letters of credit as at the reporting date amount to Rs. 2,083 million (December 31, 2008: Rs. 1,226 million).

Commitments for fixed capital expenditure as at the reporting date amount to Rs. 56.638 million (December 31, 2008: Rs. 128.470 million).

|   | Note | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|---|------|----------------------------------|--------------------------------------|
| 10 PROPERTY, PLANT AND EQUIPMENT                    |      |                                  |                                      |
| Net book value as at beginning of the period        |      | 7,734,950,547                    | 7,643,649,558                        |
| Additions during the period                         | 10.1 | 233,405,870                      | 633,484,093                          |
| Net book value of assets disposed during the period | 10.2 | (1,060,195)                      | (3,676,967)                          |
| Depreciation charged during the period              |      | (285,445,036)                    | (538,506,137)                        |
| Net book value as at end of the period              |      | <u>7,681,851,186</u>             | <u>7,734,950,547</u>                 |

## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

|  | Note | As at              | As at              |
|--|------|--------------------|--------------------|
|  |      | June 30, 2009      | December 31, 2008  |
|  |      | Rupees             | Rupees             |
| 10.1 Additions - Cost                  |      |                    |                    |
| <i>Assets owned by the Company</i>     |      |                    |                    |
| Freehold land                          |      | 260,000            | 45,241,916         |
| Building on freehold land              |      | 32,282,513         | 248,604,207        |
| Plant and Machinery                    |      | 126,489,381        | 160,776,451        |
| Furniture and fixtures                 |      | 1,807,189          | 10,068,871         |
| Vehicles                               |      |                    | -                  |
| - additions                            |      | 3,490,268          | 16,851,922         |
| - transfers from/(to) leased assets    |      | 969,000            | (13,068)           |
| Tools and equipment                    |      | 45,299,600         | 93,828,836         |
| Office equipment                       |      | 6,495,215          | 14,294,571         |
| Electric installation                  |      | 7,367,170          | 9,549,496          |
| <i>Assets subject to finance lease</i> |      |                    |                    |
| Plant and machinery                    |      | -                  | 2,578,500          |
| Vehicles                               |      |                    |                    |
| - additions                            |      | 9,914,534          | 31,689,323         |
| - transfers (to)/from owned assets     |      | (969,000)          | 13,068             |
|  |      | <u>233,405,870</u> | <u>633,484,093</u> |
| 10.2 Disposals - Net book value        |      |                    |                    |
| <i>Assets owned by the Company</i>     |      |                    |                    |
| Vehicles                               |      | 638,254            | 2,499,331          |
| Office equipment                       |      | -                  | 57,881             |
| <i>Assets subject to finance lease</i> |      |                    |                    |
| Vehicles                               |      | 421,941            | 1,119,755          |
|  |      | <u>1,060,195</u>   | <u>3,676,967</u>   |

## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

|                                       | As at   | As at                |
|---------------------------------------|---|----------------------|
|                                       | June 30, 2009   | December 31, 2008    |
|                                       | Rupees  | Rupees               |
| 11 LONG TERM INVESTMENTS              |   |                      |
| <i>Investments available for sale</i> |   |                      |
| <i>Investments in related parties</i> |   |                      |
| Cost                                  | 7,598,618,997   | 7,512,873,710        |
| Accumulated impairment loss           | (1,650,720)   | (1,650,720)          |
| Fair value adjustment                 | 10,355,954  | 10,353,323           |
|                                       | <u>7,607,324,231</u>  | <u>7,521,576,313</u> |
| <i>Other investments</i>              |   |                      |
| Cost                                  | 1,015,432   | 1,015,432            |
| Accumulated impairment loss           | (996,768)   | (996,768)            |
| Fair value adjustment                 | 9,135   | 49,074               |
|                                       | <u>27,799</u>   | <u>67,738</u>        |
|                                       | <u>7,607,352,030</u>  | <u>7,521,644,051</u> |
| 11.1                                  | Subsequent to the reporting period, the Company announced its decision of disinvesting upto 24.99% of its shareholding in its wholly owned subsidiary Pak American Fertilizers Limited ("PAFL"), by way of an offer for sale through a combination of private placement and/or offer for sale through the domestic stock exchange(s) in Pakistan. |                      |
|                                       | As at   | As at                |
|                                       | June 30, 2009   | December 31, 2008    |
|                                       | Rupees  | Rupees               |
| 12 SHORT TERM INVESTMENTS             |   |                      |
| <i>Investments available for sale</i> |   |                      |
| <i>Investments in related parties</i> |   |                      |
| Cost                                  | 3,811,084,763   | 4,009,916,425        |
| Fair value adjustment                 | 8,939,590   | 8,937,161            |
|                                       | <u>3,820,024,353</u>  | <u>4,018,853,586</u> |

## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

## 13 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties, from the Company's perspective comprise subsidiaries, associated undertakings and other related companies, key management personnel including chief executive, directors and executives and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties.

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

|  | Half year ended<br>June 30, 2009<br>Rupees | Half year ended<br>June 30, 2008<br>Rupees |
|--|--|--|
| 13.1 Transactions with related parties   |  |  |
| 13.1.1 <i>Subsidiaries</i>   |  |  |
| Sales of goods   | 549,956,281                                | 387,405,231                                |
| Markup income  |  |  |
| Markup on borrowings   | 38,356,240                                 | -  |
| Return on investment in TFCs   | 74,557,241                                 | 35,168,197                                 |
| 13.1.2 <i>Associates</i>   |  |  |
| Purchase of chemicals  | 2,448,460                                  | -  |
| 13.1.3 <i>Post employment benefit plans</i>  |  |  |
| Contribution to employees provident fund   | 24,463,169                                 | 16,703,118                                 |
| 13.1.4 <i>Key management personnel (including chief executive, directors and executives)</i>   |  |  |
| Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. Total compensation for key management personnel (including chief executive, directors and executives) was as follows: |  |  |
| Short term employee benefits   | 68,904,879                                 | 81,601,301                                 |
| Post employment benefits   | 5,792,390                                  | 4,058,044                                  |

Additionally, the Chief Executive is provided with free use of Company maintained car.

## Condensed Interim Financial Information

Notes to and forming part of interim financial information  
for the half year ended June 30, 2009

|   | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|---|----------------------------------|--------------------------------------|
| 13.2 Balances with related parties          |                                  |                                      |
| 13.2.1 <i>Subsidiaries</i>                  |                                  |                                      |
| Borrowings                                  | 440,376,612                      | 426,768,193                          |
| Trade receivables                           | 495,768,221                      | 76,773,293                           |
| Markup payable on borrowings                | 49,335,712                       | 10,979,472                           |
| Payable against purchases                   | -                                | 27,272,991                           |
| Return on investment in TFCs receivable     | 106,206,149                      | 87,219,798                           |
| Investment in ordinary shares               | 10,612,790,135                   | 10,612,790,135                       |
| Investment in term finance certificates     | 796,913,625                      | 910,000,000                          |
| 13.2.2 <i>Post employment benefit plans</i> |                                  |                                      |
| Payable to employees provident fund         | 4,386,092                        | 5,120,350                            |
| 13.2.3 <i>Key management personnel</i>      |                                  |                                      |
| Short term employee benefits payable        | 12,737,245                       | 13,157,448                           |

## 14 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 22, 2009 by the Board of Directors of the Company.

## 15 GENERAL

Figures have been rounded off to the nearest rupee.

Earnings per share of the Company for the half year and quarter ended June 30, 2008 have been restated to reflect the change in number of ordinary shares following the issue of bonus and right shares during the period.

Lahore

  
Chief Executive

  
Director

# Condensed Consolidated Interim Financial Information

## Condensed Consolidated Interim Financial Information

### Consolidated balance sheet as at June 30, 2009

|   | Note | June 30, 2009<br>Rupees | December 31, 2008<br>Rupees |
|---|------|-------------------------|-----------------------------|
| <b>EQUITY AND LIABILITIES</b>                           |      |                         |                             |
| Share capital and reserves                              |      |                         |                             |
| Issued, subscribed and paid-up capital                  | 4    | 5,209,949,530           | 3,827,118,540               |
| Reserves  |      | 3,770,123,455           | 3,511,758,144               |
| Unappropriated profit                                   |      | 2,766,762,311           | 2,420,262,535               |
|   |      | 11,746,855,296          | 9,759,139,219               |
| Minority interest                                       |      | -                       | -                           |
| Surplus on revaluation of property, plant and equipment |      | 209,563,065             | 219,356,256                 |
| Loan from sponsors - Unsecured                          |      | 340,000,000             | 340,000,000                 |
| <b>Non-current liabilities</b>                          |      |                         |                             |
| Redeemable capital - Secured                            | 5    | 12,886,849,496          | 13,504,569,794              |
| Long term finances - Secured                            | 6    | 3,880,854,195           | 3,086,842,500               |
| Liabilities against assets subject to finance lease     | 7    | 255,460,364             | 106,664,196                 |
| Long term payables                                      |      | 31,135,199              | 31,135,199                  |
| Deferred taxation                                       |      | 2,495,162,975           | 2,479,374,862               |
|   |      | 19,549,462,229          | 19,208,586,551              |
| <b>Current liabilities</b>                              |      |                         |                             |
| Current portion of non-current liabilities              |      | 1,885,633,789           | 1,491,427,018               |
| Short term borrowings                                   | 8    | 10,599,235,583          | 8,437,887,588               |
| Derivative financial liabilities                        |      | 31,594,489              | 50,536,909                  |
| Trade and other payables                                |      | 3,866,706,140           | 5,265,762,759               |
| Markup accrued on borrowings                            |      | 270,899,330             | 974,107,530                 |
| Unclaimed dividend                                      |      | 4,002,037               | 14,686,046                  |
|   |      | 16,658,071,368          | 16,234,407,850              |
| Contingencies and commitments                           | 9    | -                       | -                           |
|   |      | 48,503,951,958          | 45,761,489,876              |
| <b>ASSETS</b>   |      |                         |                             |
| <b>Non-current assets</b>                               |      |                         |                             |
| Property, plant and equipment                           | 10   | 21,922,709,634          | 22,111,795,518              |
| Capital work in progress                                |      | 5,160,662,482           | 3,519,734,342               |
| Intangible assets                                       |      | 5,658,053,947           | 5,663,896,463               |
| Long term investments                                   | 11   | 27,799                  | 67,738                      |
| Long term deposits                                      |      | 41,009,434              | 38,178,881                  |
| Long term advances                                      |      | 29,389,657              | 34,806,883                  |
|   |      | 32,811,852,953          | 31,368,479,825              |
| <b>Current assets</b>                                   |      |                         |                             |
| Stores, spares and loose tools                          |      | 1,031,184,454           | 861,061,558                 |
| Stock in trade  |      | 8,080,083,787           | 6,622,242,027               |
| Trade receivables                                       |      | 3,444,332,043           | 2,556,062,590               |
| Derivative financial assets                             |      | 94,317,973              | 175,673,993                 |
| Advances, deposits, prepayments and other receivables   |      | 2,146,133,614           | 3,311,084,769               |
| Current taxation  |      | 258,132,646             | 231,472,831                 |
| Short term investments                                  |      | -                       | 206,551,479                 |
| Cash and bank balances                                  |      | 617,914,488             | 428,860,804                 |
|   |      | 15,692,099,005          | 14,393,010,051              |
|   |      | 48,503,951,958          | 45,761,489,876              |

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

Lahore

  
Chief Executive

  
Director

## Condensed Consolidated Interim Financial Information

Consolidated profit and loss account  
for the half year ended June 30, 2009

|   | Half year ended         |                         | Quarter ended           |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | June 30, 2009<br>Rupees | June 30, 2008<br>Rupees | June 30, 2009<br>Rupees | June 30, 2008<br>Rupees |
| Sales - Net                             | 12,585,834,919          | 6,856,997,257           | 7,085,109,771           | 3,797,914,757           |
| Cost of sales                           | (8,167,040,752)         | (4,231,372,762)         | (4,497,062,542)         | (2,228,250,701)         |
| Gross Profit                            | 4,418,794,167           | 2,625,624,495           | 2,588,047,229           | 1,569,664,056           |
| Administrative and selling expenses     | (838,153,543)           | (468,517,417)           | (431,694,369)           | (285,792,640)           |
| Net other operating income / (expenses) | (79,931,300)            | 186,823,142             | (80,828,125)            | (360,855,318)           |
| Results from operating activities       | 3,500,709,324           | 2,343,930,220           | 2,075,524,735           | 923,016,098             |
| Finance cost                            | (2,403,192,104)         | (1,413,434,474)         | (1,340,288,983)         | (805,036,463)           |
| Profit before taxation                  | 1,097,517,220           | 930,495,746             | 735,235,752             | 117,979,635             |
| Taxation                                | (73,637,105)            | (86,564,100)            | 12,149,126              | (24,821,089)            |
| Profit after taxation                   | 1,023,880,115           | 843,931,646             | 747,384,878             | 93,158,546              |
| Profit after taxation attributable to:  |                         |                         |                         |                         |
| Equity holders of the Parent            | 1,023,880,115           | 843,931,646             | 747,384,878             | 93,158,546              |
| Minority interest                       | -                       | -                       | -                       | -                       |
|   | 1,023,880,115           | 843,931,646             | 747,384,878             | 93,158,546              |
| Earning per share - basic and diluted   | 2.51                    | 2.07                    | 1.84                    | 0.20                    |

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

Lahore

  
 Chief Executive

  
 Director

Lahore

  
 Chief Executive

  
 Director

## Condensed Consolidated Interim Financial Information

Consolidated statement of other comprehensive income  
for the half year ended June 30, 2009

|   | Half year ended         |                         | Quarter ended           |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | June 30, 2009<br>Rupees | June 30, 2008<br>Rupees | June 30, 2009<br>Rupees | June 30, 2008<br>Rupees |
| Exchange differences on translation of foreign subsidiaries   | 21,573,326              | (295,043)               | 80,409,429              | -                       |
| Surplus on revaluation of investments available for sale      | (39,939)                | 6,347                   | (19,852)                | -                       |
| Unrealised gain on derivative financial instruments           | (70,746,868)            | (215,633,791)           | 2,066,530               | 80,470,014              |
| Other comprehensive income before taxation                    | (49,213,481)            | (215,922,487)           | 82,456,107              | 80,470,014              |
| Taxation relating to components of other comprehensive income | -                       | -                       | -                       | -                       |
| Other comprehensive income after taxation                     | (49,213,481)            | (215,922,487)           | 82,456,107              | 80,470,014              |
| Profit for the year   | 1,023,880,115           | 843,931,646             | -                       | -                       |
| Total comprehensive income                                    | 974,666,634             | 628,009,159             | 82,456,107              | 80,470,014              |
| Total comprehensive income attributable to:                   |                         |                         |                         |                         |
| Equity holders of the Parent                                  | 974,666,634             | 628,009,159             | 82,456,107              | 80,470,014              |
| Minority interest   | -                       | -                       | -                       | -                       |
|   | 974,666,634             | 628,009,159             | 82,456,107              | 80,470,014              |

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

## Condensed Consolidated Interim Financial Information

Consolidated cash flow statement  
for the half year ended June 30, 2009

|  | Half year ended<br>June 30, 2009<br>Rupees | Half year ended<br>June 30, 2008<br>Rupees |
|--|--|--|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                       |  |  |
| Profit before tax  | 1,097,517,220                              | 930,495,746                                |
| Adjustments for non-cash items                                   | 2,951,778,387                              | 1,693,012,158                              |
| Operating profit before changes in working capital               | 4,049,295,607                              | 2,623,507,904                              |
| Changes in working capital                                       | (2,767,752,900)                            | (1,390,572,282)                            |
| Cash generated from operations                                   | 1,281,542,707                              | 1,232,935,622                              |
| Markup paid  | (3,106,400,304)                            | (1,276,979,086)                            |
| Taxes paid   | (84,508,807)                               | (97,467,911)                               |
| Net cash used in from operating activities                       | (1,909,366,404)                            | (141,511,375)                              |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                       |  |  |
| Capital expenditure  | (1,898,840,495)                            | (888,491,409)                              |
| Development costs  | -  | (5,299,818)                                |
| Proceeds from disposal of property, plant and equipment          | 219,823,186                                | 4,042,749                                  |
| Proceeds from disposal of subsidiary                             | -  | 1,773,857                                  |
| Dividend received  | -  | 1,730,500                                  |
| Long term investments  | -  | (1,015,553,588)                            |
| Short term investments   | 108,761,692                                | (823,388,686)                              |
| Net cash used in investing activities                            | (1,570,255,617)                            | (2,725,186,395)                            |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                       |  |  |
| (Redemption) / issue of term finance certificates - net          | (187,440,298)                              | 1,773,252,585                              |
| Net increase in long term finances                               | 726,411,695                                | 241,975,640                                |
| Repayment of liabilities against assets subject to finance lease | (24,215,930)                               | (2,377,649)                                |
| Net increase in short term borrowings                            | 2,161,347,995                              | 2,061,222,129                              |
| Proceeds from issue of ordinary shares net of transaction costs  | 1,003,256,252                              | -  |
| Dividend paid  | (10,684,009)                               | (382,878,565)                              |
| Net cash flow from financing activities                          | 3,668,675,705                              | 3,691,194,140                              |
| Net increase in cash and cash equivalents                        | 189,053,684                                | 824,496,370                                |
| Cash and cash equivalents at the beginning of the year           | 428,860,804                                | 630,082,198                                |
| Cash and cash equivalents at the end of the year                 | 617,914,488                                | 1,454,578,568                              |

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

Lahore

  
 Chief Executive

  
 Director

## Condensed Consolidated Interim Financial Information

Consolidated statement of changes in equity  
for the half year ended June 30, 2009

|  | Share capital   |                   | Reserves      |                  | Revaluation of available for sale investments |                   | Total reserves                  |   | Total equity  |                | Surplus on revaluation of property, plant and equipment |
|--|-----------------|-------------------|---------------|------------------|---|-------------------|---------------------------------|---|---------------|----------------|---|
|  | Ordinary shares | Preference shares | Share premium | Cash flow hedges | Transitions of                                | Reserve on merger | Redemption of preference shares | Revaluation of available for sale investments | Reserves      | Rupees         |   |
| As at January 01, 2008   | 3,165,867,710   | 661,250,830       | 3,627,118,540 | 2,737,811,699    | 615,427,242                                   | (262,002)         | 106,152,005                     | 88,646  | 3,924,247,511 | 9,718,905,205  | 279,719,866   |
| Conversion of preference shares                                  | 297,500         | (437,500)         | (140,000)     | -                | -   | -                 | -                               | -   | 140,000       | -              | -   |
| Conversion of non-cumulative capital                             | 384,656,660     | -                 | 38,465,660    | -                | -   | -                 | -                               | -   | 10,311,560    | -              | -   |
| Profit for the half year ended June 30, 2008                     | -               | -                 | -             | -                | -   | -                 | -                               | -   | -             | 142,700,000    | -   |
| Other comprehensive income for the half year ended June 30, 2008 | -               | -                 | -             | -                | (215,633,191)                                 | (996,043)         | 6,347                           | (215,922,487)                                 | 843,931,646   | (215,922,487)  | -   |
| Ordinary dividend for the year ended December 31, 2008           | -               | -                 | -             | -                | -   | -                 | -                               | -   | (910,929,009) | (910,929,009)  | -   |
| Incremental Application  | -               | -                 | -             | -                | -   | -                 | -                               | -   | 9,793,191     | 9,793,191      | (9,793,191)   |
| Profit transferred to preference shares redemption reserve       | -               | -                 | -             | -                | -   | -                 | -                               | -   | 51,500,000    | 51,500,000     | -   |
| As at June 30, 2008  | 3,165,867,710   | 661,250,830       | 3,627,118,540 | 2,737,811,699    | 615,427,242                                   | (262,002)         | 106,152,005                     | 88,646  | 3,924,247,511 | 9,718,905,205  | 279,719,866   |
| As at January 01, 2009   | 3,165,867,710   | 661,250,830       | 3,627,118,540 | 2,737,811,699    | 152,655,940                                   | (1,400,374)       | 106,152,005                     | 49,074  | 3,517,956,144 | 9,729,139,219  | 219,262,256   |
| Issue of bonus shares  | 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  | -   |
| Transactions in issue of right shares                            | -               | -                 | (8,088,320)   | (8,088,320)      | -   | -                 | -                               | -   | (8,088,320)   | 8,088,320      | -   |
| Profit for the half year ended June 30, 2009                     | -               | -                 | -             | -                | -   | -                 | -                               | -   | -             | 1,023,880,115  | -   |
| Other comprehensive income for the half year ended June 30, 2009 | -               | -                 | -             | -                | (70,746,868)                                  | 21,573,326        | -                               | (9,959)                                       | (49,214,481)  | (49,214,481)   | -   |
| Incremental Application  | -               | -                 | -             | -                | -   | -                 | -                               | -   | 9,793,191     | 9,793,191      | (9,793,191)   |
| Profit transferred to preference shares redemption reserve       | -               | -                 | -             | -                | -   | -                 | -                               | -   | 51,000,000    | 51,000,000     | -   |
| As at June 30, 2009  | 4,548,118,700   | 661,250,830       | 5,209,369,530 | 2,997,402,291    | 81,890,072                                    | 20,152,962        | 106,152,005                     | 9,138   | 3,701,224,645 | 11,746,652,206 | 209,53,005  |

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

Lahore

  
 Chief Executive

  
 Director

## Condensed Consolidated Interim Financial Information

### Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

#### 1 REPORTING ENTITY

The Group consists of the following companies:

##### Parent Company

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

##### Subsidiary Companies

Pak American Fertilizers Limited ("PAFL") is incorporated in Pakistan as an Unquoted Public Limited Company and is engaged in manufacture and sale of urea fertilizer.

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.

Montebello SRL ("MSRL") is incorporated in Italy as a Limited Liability Company and is engaged in import, export, wholesale and retail marketing and manufacture of textile and apparel products and accessories. The amounts reflected in consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flow statement and related notes to the consolidated financial statements for the periods ended June 30, 2008 do not include results of MSRL.

Nafees International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI ("NIT") is incorporated in Turkey and is engaged in sale of denim and denim products.

#### 2 BASIS OF PREPARATION

##### 2.1 Statement of compliance

This condensed consolidated interim financial information are neither audited nor reviewed.

This consolidated interim financial information has been presented in condensed form in compliance with the requirements of "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed consolidated interim financial information should be read in conjunction with the financial statements of the Group for the year ended December 31, 2008. Further, this condensed consolidated interim financial information is being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

## Condensed Consolidated Interim Financial Information

### Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

The comparative consolidated interim balance sheet as at December 31, 2008 and the related notes to the condensed consolidated interim financial information are based on audited financial statements. The comparative consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and related notes to the condensed consolidated interim financial information for the half year and the quarter ended June 30, 2008 are neither audited nor reviewed.

#### 2.2 Basis of measurement

This condensed consolidated interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value or amortized cost, employees retirement benefits at present value and certain items of property, plant and equipment at revalued amounts. In this financial information, except for the amounts reflected in the statement of cash flows, 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 Group's functional currency.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed consolidated 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, 2008.

The Group during the period has adopted International Accounting Standard - 1 "Presentation of Financial Statements" (*Revised-2007*) to the extent the standard is consistent with the requirements of Companies Ordinance, 1984 and the Rules and Regulations made thereunder. Requirements of the standard that are in

## Condensed Consolidated Interim Financial Information

## Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

conflict with the Companies Ordinance, 1984 and the Rules and Regulations made thereunder have not been applied in preparing and presenting this financial information.

|   | Note | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|---|------|----------------------------------|--------------------------------------|
| 4 SHARE CAPITAL                                     |      |                                  |                                      |
| Authorized share capital                            |      |                                  |                                      |
| Ordinary shares of Rs. 10 each                      |      |                                  |                                      |
| 900,000,000 voting shares                           |      | 9,000,000,000                    | 9,000,000,000                        |
| 300,000,000 non-voting shares                       |      | 3,000,000,000                    | 3,000,000,000                        |
|   |      | 12,000,000,000                   | 12,000,000,000                       |
| Preference shares of Rs. 10 each                    |      |                                  |                                      |
| 300,000,000 non-voting shares                       |      | 3,000,000,000                    | 3,000,000,000                        |
|   |      | <u>15,000,000,000</u>            | <u>15,000,000,000</u>                |
| Issued, subscribed and paid-up capital              |      |                                  |                                      |
| Voting ordinary shares of Rs. 10 each:              |      |                                  |                                      |
| 323,712,733 (December 31, 2008: 249,655,142)        |      |                                  |                                      |
| shares fully paid in cash                           | 4.1  | 3,237,127,330                    | 2,496,551,420                        |
| 62,548,641 shares issued as fully paid bonus shares | 4.1  | 625,486,410                      | -                                    |
| 12,276,073 (December 31, 2008: 12,276,073)          |      |                                  |                                      |
| shares issued as consideration for machinery        |      | 122,760,730                      | 122,760,730                          |
| 50,811,992 (December 31, 2008: 50,811,992)          |      |                                  |                                      |
| shares issued as consideration for merger           |      | 508,119,920                      | 508,119,920                          |
|   |      | 4,493,494,390                    | 3,127,432,070                        |
| Non-voting ordinary shares of Rs. 10 each:          |      |                                  |                                      |
| 4,753,719 (December 31, 2008: 3,843,564)            |      |                                  |                                      |
| shares fully paid in cash                           | 4.2  | 47,537,190                       | 38,435,640                           |
| 768,712 shares issued as fully paid bonus shares    | 4.2  | 7,687,120                        | -                                    |
|   |      | 55,224,310                       | 38,435,640                           |
| Preference shares of Rs. 10 each                    |      |                                  |                                      |
| 66,125,083 (December 31, 2008: 66,125,083)          |      |                                  |                                      |
| shares fully paid in cash                           |      | 661,250,830                      | 661,250,830                          |
|   |      | <u>5,209,969,530</u>             | <u>3,827,118,540</u>                 |

## Condensed Consolidated Interim Financial Information

## Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

4.1 Movement in number of voting ordinary shares in issue during the year was as follows:

|   | Note  | As at<br>June 30, 2009<br>No. of shares | As at<br>December 31, 2008<br>No. of shares |
|---|-------|---|---|
| As at beginning of the year                             |       | 312,743,207                             | 312,713,457                                 |
| Conversion of preference shares<br>into ordinary shares |       | -                                       | 29,750                                      |
| Issue of bonus shares                                   | 4.1.1 | 62,548,641                              | -   |
| Issue of right shares                                   | 4.1.1 | 74,057,591                              | -   |
| As at end of the year                                   |       | <u>449,349,439</u>                      | <u>312,743,207</u>                          |

4.1.1 During the period, ANL increased its ordinary share capital through issue of bonus shares at 20 ordinary shares for every 100 ordinary shares held and issue of right shares, at 23.68 ordinary shares for every 100 ordinary shares held (without giving consideration to issue of bonus shares), at a price of Rs. 13.50 per ordinary right share.

4.2 Movement in number of non-voting ordinary shares in issue during the year was as follows:

|   | Note  | As at<br>June 30, 2009<br>No. of shares | As at<br>December 31, 2008<br>No. of shares |
|---|-------|---|---|
| As at beginning of the year                                     |       | 3,843,564                               | -   |
| Conversion of term finance certificates<br>into ordinary shares |       | -                                       | 3,843,564                                   |
| Issue of bonus shares   | 4.1.1 | 768,712                                 | -   |
| Issue of right shares   | 4.1.1 | 910,155                                 | -   |
| As at end of the year   |       | <u>5,522,431</u>                        | <u>3,843,564</u>                            |



## Condensed Consolidated Interim Financial Information

Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

|  | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|--|----------------------------------|--------------------------------------|
| <b>5 REDEEMABLE CAPITAL - SECURED</b>  |                                  |                                      |
| Term Finance Certificates - net of transaction costs                                 | 12,117,502,842                   | 12,304,943,140                       |
| Sukuks   | 1,600,000,000                    | 1,600,000,000                        |
|  | 13,717,502,842                   | 13,904,943,140                       |
| Less: current maturity presented under current liabilities                           | 830,653,346                      | 400,373,346                          |
|  | <u>12,886,849,496</u>            | <u>13,504,569,794</u>                |
| <b>6 LONG TERM FINANCES - SECURED</b>  |                                  |                                      |
| Utilized under markup arrangements from banking companies and financial institutions | 4,868,834,195                    | 4,142,422,500                        |
| Less: current maturity grouped under current liabilities                             | 987,980,000                      | 1,055,580,000                        |
|  | <u>3,880,854,195</u>             | <u>3,086,842,500</u>                 |
| <b>7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>                         |                                  |                                      |
| Present value of minimum lease payments  | 322,460,807                      | 142,137,868                          |
| Less: current maturity grouped under current liabilities                             | 67,000,443                       | 35,473,672                           |
|  | <u>255,460,364</u>               | <u>106,664,196</u>                   |
| <b>8 SHORT TERM BORROWINGS</b>   |                                  |                                      |

These represent secured, as well as unsecured, local and foreign currency financing obtained against aggregate funded and unfunded facilities available of Rs. 32,395 million (31 December 2008: Rs. 28,485 million) from various banking companies and financial institutions. Local currency finances carry markup at rates ranging from one to nine months KIBOR plus 2% to 5% per annum (31 December 2008: 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 4% per annum (31 December 2008: LIBOR of matching tenor plus spread ranging from 1% to 4% per annum). Markup on pre / post shipment finances refinanced by State Bank of Pakistan ("SBP") is payable at SBP refinance rate of 6.5% plus banks' spread ranging from 1% to 1.5% per annum.

## Condensed Consolidated Interim Financial Information

Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

|   | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|---|----------------------------------|--------------------------------------|
| <b>9 CONTINGENCIES AND COMMITMENTS</b>  |                                  |                                      |
| Contingencies   |                                  |                                      |
| Guarantees given by banks on behalf of the Company as at the reporting date amount to Rs. 150.55 million (31 December 2008: Rs. 123.205 million). |                                  |                                      |
| The status of all other contingencies is unchanged since 31 December 2008.  |                                  |                                      |
| Commitments   |                                  |                                      |
| Commitments under irrevocable letters of credit as at the reporting date amount to Rs. 3,048 million (December 31, 2008: Rs. 3,223 million).      |                                  |                                      |
| Commitments for fixed capital expenditure as at the reporting date amount to Rs. 56.638 million (December 31, 2008: Rs. 128.470 million).         |                                  |                                      |
|   | <u>21,922,709,634</u>            | <u>22,111,795,518</u>                |
| <b>10 PROPERTY, PLANT AND EQUIPMENT</b>   |                                  |                                      |
| Net book value as at beginning of the period  | 22,111,803,926                   | 20,081,750,375                       |
| Additions during the period   | 10.1 482,104,704                 | 2,954,386,383                        |
| Exchange difference on translation of foreign subsidiaries  | 1,911,438                        | (124,447)                            |
| Net book value of assets disposed during the period   | 10.2 (167,093,695)               | (5,532,174)                          |
| Depreciation charged during the period  | (506,016,739)                    | (918,684,619)                        |
| Net book value as at end of the period  | <u>21,922,709,634</u>            | <u>22,111,795,518</u>                |
| <b>10.1 Additions - Cost</b>  |                                  |                                      |
| <i>Assets owned by the Company</i>  |                                  |                                      |
| Freehold land   | 260,000                          | 480,272,666                          |
| Building on freehold land   | 32,402,734                       | 655,237,050                          |
| Plant and Machinery   | 170,201,246                      | 1,441,821,970                        |
| Furniture and fixtures  | 7,431,991                        | 42,751,658                           |

## Condensed Consolidated Interim Financial Information

Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

|  | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|--|----------------------------------|--------------------------------------|
| Vehicles and rail transport            |                                  |                                      |
| - additions                            | 3,490,268                        | 59,110,549                           |
| - transfers from/(to) leased assets    | 969,000                          | (40,013,068)                         |
| Sui gas installations                  | -                                | 27,144                               |
| Tools and equipment                    | 48,498,673                       | 103,295,697                          |
| Office equipments                      | 6,742,794                        | 18,286,526                           |
| Electric installation                  | 8,538,129                        | 18,931,523                           |
| Books and literature                   | -                                | 309,172                              |
| Catalysts                              | -                                | 80,032,605                           |
| <i>Assets subject to finance lease</i> |                                  |                                      |
| Plant and machinery                    | 165,000,000                      | 2,578,500                            |
| Vehicles and rail transport            |                                  |                                      |
| - additions                            | 39,538,869                       | 51,731,323                           |
| - transfers (to)/from owned assets     | (969,000)                        | 40,013,068                           |
|  | <u>482,104,704</u>               | <u>2,954,386,383</u>                 |
| 10.2 Disposals - Net book value        |                                  |                                      |
| <i>Assets owned by the Company</i>     |                                  |                                      |
| Plant and machinery                    |                                  |                                      |
| Furniture and fixtures                 | 165,000,000                      | 333,492                              |
| Vehicles and rail transport            | -                                | 3,095,240                            |
| Tools and equipment                    | 968,254                          | 36,075                               |
| Office equipments                      | -                                | 409,647                              |
| Electric installation                  | -                                | 474,614                              |
| <i>Assets subject to finance lease</i> |                                  |                                      |
| Vehicles and rail transport            | 1,125,441                        | 1,183,106                            |
|  | <u>167,093,695</u>               | <u>5,532,174</u>                     |

## Condensed Consolidated Interim Financial Information

Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

|                                | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|--------------------------------|----------------------------------|--------------------------------------|
| 11 LONG TERM INVESTMENTS       |                                  |                                      |
| Investments available for sale |                                  |                                      |
| Cost                           | 1,015,432                        | 1,015,432                            |
| Accumulated impairment loss    | (996,768)                        | (996,768)                            |
| Fair value adjustment          | 9,135                            | 49,074                               |
|                                | <u>27,799</u>                    | <u>67,738</u>                        |

## 12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties, from the Group's perspective comprise associated undertakings and other related group companies, key management personnel including chief executive, directors and executives and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties.

Details of transactions balances with related parties are as follows:

|   | Half year ended<br>June 30, 2009<br>Rupees | Half year ended<br>June 30, 2008<br>Rupees |
|---|--|--|
| 12.1 Transactions with related parties  |  |  |
| 12.1.1 Associates   |  |  |
| Purchase of chemicals   | 2,448,460                                  | -  |
| 12.1.2 Post employment benefit plans  |  |  |
| Contribution to employees provident fund  | 30,843,980                                 | 22,607,690                                 |
| Contribution to gratuity trust  | 492,582                                    | 4,465,400                                  |
| 12.1.3 Key management personnel (including chief executive, directors and executives) |  |  |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. Total

## Condensed Consolidated Interim Financial Information

Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

compensation for key management personnel (including chief executive, directors and executives) was as follows:

|                              | Half year ended<br>June 30, 2009<br>Rupees | Half year ended<br>June 30, 2008<br>Rupees |
|------------------------------|--|--|
| Short term employee benefits | 121,407,036                                | 128,361,197                                |
| Post employment benefits     | 8,351,012                                  | 6,379,956                                  |

Additionally, the Chief Executives of the Parent and Subsidiary Companies are provided with free use of employer maintained car.

|  | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees |
|--|----------------------------------|--------------------------------------|
|--|----------------------------------|--------------------------------------|

## 12.2 Balances with related parties

## 12.2.1 Associates

|                               |   |             |
|-------------------------------|---|-------------|
| Investment in ordinary shares | - | 206,546,529 |
|-------------------------------|---|-------------|

## 12.2.2 Post employment benefit plans

|                                     |            |            |
|-------------------------------------|------------|------------|
| Payable to employees provident fund | 8,579,322  | 2,124,985  |
| Payable to gratuity trust           | 13,105,672 | 12,616,399 |

## 12.2.3 Key management personnel

|                                      |            |            |
|--------------------------------------|------------|------------|
| Short term employee benefits payable | 12,737,245 | 13,157,448 |
|--------------------------------------|------------|------------|

## 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.
- Includes manufacture and sale of textile and apparel products
- Manufacture and sale of nitrogenous and phosphatic fertilizers

Information about operating segments as at June 30, 2009 and for the half year then ended is as follows:

|                                 | Textile                                    |  | Fertilizer                                 |  | Software                                   |  | Total                                      |  |
|---------------------------------|--|--|--|--|--|--|--|--|
|                                 | Half year ended<br>June 30, 2009<br>Rupees | Half year ended<br>June 30, 2008<br>Rupees | Half year ended<br>June 30, 2009<br>Rupees | Half year ended<br>June 30, 2008<br>Rupees | Half year ended<br>June 30, 2009<br>Rupees | Half year ended<br>June 30, 2008<br>Rupees | Half year ended<br>June 30, 2009<br>Rupees | Half year ended<br>June 30, 2008<br>Rupees |
| Revenue from external customers | 6,380,005,461                              | 4,636,734,499                              | 6,204,929,458                              | 2,245,714,356                              | -  | -  | 12,585,834,919                             | 6,882,448,855                              |
| Inter-segment revenues          | -  | -  | -  | -  | -  | -  | -  | -  |
| Segment profit / (loss)         | 106,911,978                                | 308,893,432                                | 916,909,327                                | 534,944,277                                | -  | 93,937                                     | 1,023,880,115                              | 843,931,646                                |
| Segment assets                  | As at<br>June 30, 2009<br>Rupees           | As at<br>December 31, 2008<br>Rupees       | As at<br>June 30, 2009<br>Rupees           | As at<br>December 31, 2008<br>Rupees       | As at<br>June 30, 2009<br>Rupees           | As at<br>December 31, 2008<br>Rupees       | As at<br>June 30, 2009<br>Rupees           | As at<br>December 31, 2008<br>Rupees       |
|                                 | 30,175,544,051                             | 28,211,472,529                             | 26,583,434,795                             | 25,847,176,540                             | -  | -  | 56,758,980,846                             | 54,058,649,069                             |

13.1 The software segment of the Group has been discontinued since June 2008 due to winding up of the Company managing the segment under the easy exit scheme of the Securities and Exchange Commission of Pakistan.

13.2 The changes in disclosure and presentation of segment information in comparison with the latest annual financial statements are due to adoption of IFRS 8 - Operating Segments, which is effective for the periods beginning on or after 01 January 2009. However, there is no change in basis of segmentation and measurement of segment profit or loss, since the Group's segmentation in previous periods was based on the management approach to segment reporting.

13.3 Reconciliation of reportable segment assets and segment profit

|   | Segment assets                   |                                      | Segment profit                   |                                  |
|---|----------------------------------|--------------------------------------|----------------------------------|----------------------------------|
|   | As at<br>June 30, 2009<br>Rupees | As at<br>December 31, 2008<br>Rupees | As at<br>June 30, 2009<br>Rupees | As at<br>June 30, 2008<br>Rupees |
| Total for reportable segments             | 56,758,980,846                   | 54,058,649,069                       | 1,023,880,115                    | 843,931,646                      |
| Elimination of                            |                                  |                                      |                                  |                                  |
| Investments in other segments             | (8,915,403,850)                  | (8,915,403,850)                      | -                                | -                                |
| Inter-segment balances                    | (596,918,413)                    | (524,967,463)                        | -                                | -                                |
| Inter-segment profits                     | -                                | -                                    | -                                | -                                |
| Goodwill acquired in business combination | 1,143,212,120                    | 1,143,212,120                        | -                                | -                                |
| Consolidated total                        | 46,500,951,958                   | 45,765,489,876                       | 1,023,880,115                    | 843,931,646                      |

Condensed Consolidated Interim Financial Information

Notes

Notes to and forming part of consolidated interim financial information for the half year ended June 30, 2009

14 DATE OF AUTHORISATION FOR ISSUE

This condensed consolidated interim financial information was authorised for issue on August 22, 2009 by the Board of Directors of the Parent Company.

15 GENERAL

Figures have been rounded off to the nearest rupee.

Subsequent to the reporting period, the Company announced its decision of disinvesting upto 24.99% of its shareholding in its wholly owned subsidiary Pak American Fertilizers Limited ("PAFL"), by way of an offer for sale through a combination of private placement and/or offer for sale through the domestic stock exchange(s) in Pakistan.

Earnings per share of the Company for the half year and quarter ended June 30, 2008 have been restated to reflect the change in number of ordinary shares following the issue of bonus and right shares during the period.

Lahore

  
Chief Executive  
Director

