



AZGARD-9



Quarterly Report

Condensed Interim
Financial Information
*for the quarter ended
March 31, 2010
(Un-audited)*

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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. Khalid A.H. Al-Sagar
Mr. Irfan Nazir Ahmad
Mr. A. Jaudet Bilal

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Abid Amin

AUDIT COMMITTEE

Chief Justice (Retd.) Mian Mahboob Ahmad
Chairman
Mr. Mueen Afzal
Mr. Aehsun M.H. Shaikh
Mr. Khalid A.H. Al-Sagar
Mr. A. Jaudet Bilal

HUMAN RESOURCE COMMITTEE

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

LEGAL ADVISORS

Hamid Law Associates

AUDITORS

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

BANKERS

JS Bank Limited
MCB Bank Limited
Citibank N.A.
Royal Bank of Scotland
Faysal Bank Limited
Habib Bank Limited
HSBC Bank (Middle East) Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
My Bank Limited
KASB Bank Limited
Silk Bank Limited
Atlas Bank Limited
Emirates Global Islamic Bank Limited

REGISTERED OFFICE

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

PROJECT LOCATIONS

Textile & Apparel

Unit I

2.5 KM off Manga, Raiwind Road,
District Kasur.

Ph: +92 (0)42 5384081

Fax: +92 (0)42 5384093

Unit II

Alipur Road, Muzaffargarh.

Ph: +92 (0)661 422503, 422651

Fax: +92 (0)661 422652

Unit III

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

Ph: +92 (0)42 8460333, 8488862

Fertilizer

Unit I

Agritech Limited.

(formerly Pak American Fertilizers Ltd.)

Iskanderabad,

District Mainwali.

Ph: +92 (0)459 392346-49

Unit II

Hazara Phosphate Fertilizers (Pvt.) Ltd.

Hattar Road,

Hariapur.

Ph: +92 (0)995 616124-5

Directors' Review

The Directors of Azgard Nine Limited ("the Company") are pleased to present the quarterly management review along with the un-audited interim financial statements for the period ended March 31, 2010.

PRINCIPAL ACTIVITIES

The Company's principal business is the vertically integrated manufacture and marketing of Denim focused Textile and Apparel products from raw cotton to retail ready goods. The company maintains its position as the largest denim products company by sales, as well as one of the largest Garments manufacturing business in Pakistan.

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

Textile and Apparel

The textile sector has yet to completely emerge from a difficult environment which has included high financial costs resulting in increasing production costs. The lingering effects of the economic downturn in European markets are also keeping pressure on the overall trading environment. Your company has been largely able to counter these negative market trends by focusing on productivity enhancing efforts and increasing its service levels and product portfolio to keep production volume up at record levels. The management believes that it will achieve its goals through this process and increase business viability and profitability over the long term.

Fertilizers

The company's 100% owned subsidiary, Agritech Limited "AGL" (Formerly Pak American Fertilizers Limited), operates the newest and most efficient urea plant in the country. AGL through its 100% owned subsidiary Hazara Phosphate Fertilizers (Pvt.) Limited is the largest manufacturer of Single Super Phosphate (SSP) fertilizer in Pakistan. The first quarter is typically a low season for fertilizer sales and AGL also took its annual plant turnaround in this quarter. However, due to unscheduled gas load management plant was shutdown for more than scheduled period having a negative effect on the results..

The company is now a diversified fertilizer producer manufacturing both nitrogenous and phosphate fertilizers. The outlook for the sector is expected to remain stable.

IPO of Agritech Ltd. (formerly Pak American Fertilizers Ltd.)

The company has undertaken an IPO of its wholly owned subsidiary Agritech Limited. The Company has divested 20.13% of its shareholding comprising 79,006,816 shares of Agritech (formerly Pak American Fertilizers Ltd.) at a fixed price of Rs 30 per share for gross proceeds of PKR 2,370,204,480 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. Upon successful completion of this process, Agritech has become listed on the Karachi Stock Exchange as of April 12, 2010.

Directors' Review

Operating Financial Results of Azgard Nine Limited (Stand Alone)

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
Sales-Net	3,274,179,624	2,760,983,163
Operating Profit	470,946,996	593,920,530
Finance Cost	506,824,286	518,824,048
Profit before Tax	(35,877,290)	75,096,482
Profit/loss after Tax	(68,689,996)	47,310,352
Earning per share	(0.15)	0.12

Consolidated Results Including Subsidiaries

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
Sales-Net	5,688,090,323	5,500,725,148
Operating Profit	725,808,087	1,425,184,589
Finance Cost	1,058,363,758	1,062,903,121
Profit before Tax	(332,555,671)	362,281,468
Profit/loss after Tax	(409,802,376)	276,495,237
Earning per share	(0.90)	0.70

FUTURE MARKET OUTLOOK

The textile sector is continuing to face significant challenges in 2010. Following the events of 2009 which was characterized by many challenges and achievements, the Company has taken various bold initiatives to retain its market leadership and to achieve its ambitious annual goals. In 2010, the Company is focusing on a strategy to consolidate its customer base, rationalize production volume and pricing targets to increase its profitability. These steps have had some positive results as evident from improving quantitative performance recorded in the last quarter of 2009.

While the management is cautiously optimistic about 2010 in light of the aforementioned achievements, serious challenges remain on the horizon as pertaining to overall state of improvement in the EU and North American economies which affect our external demand. Domestically too, uncertainties and serious challenges remain in the shape of high interest rates, persisting energy crisis and rising utility costs, high cost of cotton, and deteriorating law and order conditions.

Therefore the company is continuing its emphasis on short and long term strategies to counter these challenges, in the form of cost cutting, post IPO debt reprofiling, and essentially looking again at its broader business model for denim and garments in the context of the changing global economic scenario.

The outlook for the Fertilizer business is expected to be positive. Agricultural demand and production is expected to be strong in the second quarter with good support prices anticipated for the major crops. Fertilizer market continues to be deficit in Urea and phosphates which should lead to maintaining a strong demand for fertilizers in the foreseeable future.

Acknowledgment

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

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

On behalf of the Board



Chief Executive

Lahore: **April 24, 2010**

Condensed
Interim
Financial
Information

Condensed Interim Balance Sheet

as at March 31, 2010

	Note	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital		4,879,343,880	4,879,343,880
Reserves		6,955,493,315	6,943,648,200
Accumulated profit		2,648,456,387	2,677,561,193
		14,483,293,582	14,500,553,273
Surplus on revaluation of property, plant and equipment		3,911,691,613	3,969,152,218
Non-current liabilities			
Redeemable capital - Secured	4	2,890,262,073	3,096,956,918
Long term finances - Secured	5	2,004,525,000	1,891,312,500
Liabilities against assets subject to finance lease - Secured	6	52,652,999	56,638,407
		4,947,440,072	5,044,907,825
Current liabilities			
Current portion of non-current liabilities		2,277,022,620	2,356,508,078
Short term borrowings	7	8,028,557,066	8,911,333,573
Trade and other payables	8	3,933,993,416	1,776,603,962
Due to related party		924,624,302	1,245,555,096
Interest/mark-up accrued on borrowings		903,254,636	657,422,644
Dividend payable		15,045,101	63,183,986
		16,082,497,141	15,010,607,339
Contingencies and commitments	9	-	-
		39,424,922,408	38,525,220,655
ASSETS			
Non-current assets			
Property, plant and equipment		13,885,586,187	14,054,500,286
Intangible assets		13,708,302	15,396,765
Long term investments		12,052,687,726	12,052,756,447
Derivative financial assets		28,471,148	45,298,097
Long term deposits - Unsecured, considered good		29,803,141	30,723,041
		26,010,256,504	26,198,674,636
Current assets			
Stores, spares and loose tools		390,792,887	404,451,110
Stock in trade		4,141,316,272	4,414,852,668
Trade receivables		3,685,219,097	3,126,881,285
Advances, deposits, prepayments and other receivables		1,801,026,197	1,163,125,222
Short term investments		2,942,047,710	2,942,047,710
Current taxation		57,728,334	70,842,910
Cash and bank balances		396,535,407	204,345,114
		13,414,665,904	12,326,546,019
		39,424,922,408	38,525,220,655

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

Condensed Interim Profit and loss account

for the quarter ended March 31, 2010

	Quarter ended March 31, 2010 <i>Rupees</i>	Quarter ended March 31, 2009 <i>Rupees</i>
Sales - Net	3,274,179,624	2,760,983,163
Cost of sales	(2,676,875,477)	(1,972,442,987)
Gross profit	597,304,147	788,540,176
Selling and distribution expenses	(128,737,447)	(125,461,790)
Administrative and general expenses	(120,345,805)	(67,250,008)
Net other income/(expense)	122,726,101	(1,907,848)
Operating profit	470,946,996	593,920,530
Finance cost	(506,824,286)	(518,824,048)
Profit before taxation	(35,877,290)	75,096,482
Taxation	(32,812,706)	(27,786,130)
Profit after taxation	(68,689,996)	47,310,352
Earnings per share - Basic and diluted	(0.15)	0.12

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

Condensed Interim Statement of other comprehensive income for the quarter ended March 31, 2010

	Quarter ended March 31, 2010 <i>Rupees</i>	Quarter ended March 31, 2009 <i>Rupees</i>
(Loss)/profit after taxation	(68,689,996)	47,310,352
Other comprehensive income/(loss):		
Changes in fair value of cash flow hedges	(6,081,579)	(72,813,397)
Changes in fair value of available for sale financial assets	51,279	(15,029)
Incremental depreciation	57,460,605	4,896,596
Taxation relating to components of other comprehensive income	-	-
	51,430,305	(67,931,830)
Total comprehensive income/(loss)	<u>(17,259,691)</u>	<u>(20,621,478)</u>

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

Condensed Interim Cash flow statement

for the quarter ended March 31, 2010

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(35,877,290)	75,096,482
Adjustments for non-cash and other items	<u>724,767,715</u>	<u>657,419,155</u>
Operating profit before changes in working capital	688,890,425	732,515,637
Changes in working capital	1,249,265,186	(1,735,200,008)
	<u>1,938,155,611</u>	<u>(1,002,684,371)</u>
Interest/markup paid	(260,992,294)	(530,091,281)
Taxes paid	(19,698,130)	(22,829,965)
Net cash flow from/(used in) operating activities	<u>1,657,465,187</u>	<u>(1,555,605,617)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(55,961,935)	(174,469,235)
Proceeds from disposal of property, plant and equipment	-	570,000
Long term investments	-	(87,482,500)
Net cash used in investing activities	(55,961,935)	(261,381,735)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances	(147,772,500)	-
Redeemable capital	-	(124,607,500)
Liabilities against assets subject to finance lease	(9,694,273)	(4,909,471)
Due to related party	(320,930,794)	234,000,000
Short term borrowings	(882,776,507)	1,879,964,381
Dividend paid	(48,138,885)	(166,790)
Net cash (used in)/flow from financing activities	<u>(1,409,312,959)</u>	<u>1,984,280,620</u>
Net increase in cash and cash equivalents	192,190,293	167,293,268
Cash and cash equivalents as at beginning of the period	204,345,114	82,073,811
Cash and cash equivalents as at end of the period	<u>396,535,407</u>	<u>249,367,079</u>

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

Condensed Interim Statement of changes in equity for the quarter ended March 31, 2010

	Share capital		Reserves						Total equity Rupees		
	Ordinary shares Rupees	Preference shares Rupees	Total Rupees	Share premium Rupees	Cash flow hedges Rupees	Reserve on merger Rupees	Preference shares redemption reserve			Available for sale financial assets Rupees	Total Rupees
							Rupees	Rupees			
As at January 01, 2009	3,165,867.70	661,250.830	3,827,118,540	2,737,841,499	152,655,940	105,152,005	517,500,000	19,339,458	3,532,469,002	2,764,494,959	10,124,082,501
Profit for the quarter ended March 31, 2009	-	-	-	-	-	-	-	-	-	47,310,352	47,310,352
Other comprehensive income/(loss) for the quarter ended March 31, 2009	-	-	-	-	(72,813,397)	-	-	(15,029)	(72,828,426)	4,896,596	(67,931,830)
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	27,000,000	-	27,000,000	(27,000,000)	-
As at March 31, 2009	3,165,867.70	661,250.830	3,827,118,540	2,737,841,499	79,822,543	105,152,005	544,500,000	19,324,429	3,486,640,576	2,789,701,907	10,103,461,023
As at January 01, 2010	4,548,718,700	330,625,180	4,879,343,880	2,338,246,761	70,743,356	105,152,005	625,500,000	3,784,006,078	6,943,648,200	2,677,561,193	14,500,553,273
Profit for the quarter ended March 31, 2010	-	-	-	-	(6,081,579)	-	-	51,279	(6,030,300)	(68,689,996)	(68,689,996)
Other comprehensive income/(loss) for the quarter ended March 31, 2010	-	-	-	-	-	-	-	-	-	57,460,605	57,460,605
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	17,875,415	-	17,875,415	(17,875,415)	-
As at March 31, 2010	4,548,718,700	330,625,180	4,879,343,880	2,338,246,761	64,661,777	105,152,005	643,375,415	3,784,057,357	6,955,493,315	2,648,564,387	14,483,293,592

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



CHIEF EXECUTIVE



DIRECTOR

Lahore

Notes to the condensed interim financial information

for the quarter ended March 31, 2010

1 REPORTING ENTITY

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is not audited.

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, 2009.

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 cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgements, estimates and assumptions

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4 Functional currency

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

Notes to the condensed interim financial information for the quarter ended March 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES

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

	As at March 31, 2010	As at December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
4 REDEEMABLE CAPITAL - SECURED		
Term Finance Certificates	3,996,649,061	3,996,649,061
Transaction costs	(23,198,661)	(24,419,643)
	<hr/> 3,973,450,400	<hr/> 3,972,229,418
Current maturity presented under current liabilities	(1,083,188,327)	(875,272,500)
	<hr/> 2,890,262,073	<hr/> 3,096,956,918
5 LONG TERM FINANCES - SECURED		
From banking companies and financial institutions.	2,849,240,000	2,997,012,500
Current maturity presented under current liabilities	(844,715,000)	(1,105,700,000)
	<hr/> 2,004,525,000	<hr/> 1,891,312,500
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED		
Present value of minimum lease payments	77,381,112	87,075,385
Current maturity presented under current liabilities	(24,728,113)	(30,436,978)
	<hr/> 52,652,999	<hr/> 56,638,407
7 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. 9,744 million (December 31, 2009: Rs. 9,744 million) from various banking companies and financial institutions. Local currency finances carry markup at rates ranging from one to nine months KIBOR plus 1.75% to 5% per annum (December 31, 2009: one to nine months KIBOR plus 1.5% to 5% per annum). Foreign currency finances carry markup at LIBOR of matching tenor plus spread ranging from 1% to 2.5% per annum (December 31, 2009: LIBOR of matching tenor plus spread ranging from 1% to 2.5% per annum). Markup on pre / post shipment finances refinanced by State Bank of Pakistan ("SBP") is payable at SBP refinance rate of 6.5% plus banks' spread of 1% per annum.

Notes to the condensed interim financial information

for the quarter ended March 31, 2010

8 TRADE AND OTHER PAYABLES

These include Rs. 2,236.21 millions (December 31, 2009: Rs. 84.120 million) received upto the reporting date through public subscription and from Pre-IPO investors for the purchase of the shares of Agritech Limited (formerly Pak American Fertilizers Limited) offered for sale by the Company through a combination of public subscription and private placement.

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

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

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

	As at March 31, 2010 <i>Rupees</i>	As at December 31, 2009 <i>Rupees</i>
9.2 Commitments		
9.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	111,515,851	93,560,121
- purchase of raw material	418,853,811	811,185,420
	<u>530,369,662</u>	<u>904,745,541</u>
9.2.2 Commitments for capital expenditure	<u>3,503,908</u>	<u>3,503,908</u>

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

Notes to the condensed interim financial information for the quarter ended March 31, 2010

Nature of transaction	Pricing mechanism
Sales	Cost plus margin
Purchases	Comparable uncontrolled price method
Investments (<i>including loans and advances</i>)	Comparable uncontrolled price method (under section 208 of the Companies Ordinance, 1984).
Borrowings	Comparable uncontrolled price method.
Contribution to post employment benefit plan	As per terms of employment
Compensation of key management personnel	As per terms of employment

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

	Quarter ended March 31, 2010 Rupees	Quarter ended March 31, 2009 Rupees
10.1 Transactions with related parties		
10.1.1 Subsidiaries		
Sale of goods	492,993,292	245,599,711
Markup expense	55,327,458	18,661,871
Return on investment in TFCs	20,810,795	41,475,813
Purchases of goods and services	-	15,142,913
10.1.2 Associates		
Purchases of chemicals	536,800	753,960
10.1.3 Post-employment benefit plans		
Contribution to employees provident fund	23,535,988	15,361,525
10.1.4 Key management personnel		
Short-term employee benefits	19,423,367	19,423,367
	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees
10.2 Balances with related parties		
10.2.1 Subsidiaries		
Borrowings	924,624,302	1,245,555,096

Notes to the condensed interim financial information for the quarter ended March 31, 2010

	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees
Trade receivables	1,257,037,615	954,510,723
Markup payable	192,418,097	137,090,639
Investment in ordinary shares	10,612,790,135	10,612,790,135
Investment in term finance certificates	599,520,000	599,640,000
10.2.2 <i>Associates</i>		
Trade payables	1,608,739	1,877,139
10.2.3 <i>Post-employment benefit plans</i>		
Payable to provident fund	10,002,921	5,352,298
10.2.4 <i>Key Management Personnel</i>		
Short term employee benefits payable	1,517,000	1,517,000

11 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 24, 2010 by the Board of Directors of the Company.

12 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary for the purpose of comparison.

Condensed
Interim
Consolidated
Financial
Information


Condensed interim consolidated balance sheet

as at March 31, 2010

	Note	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital		4,879,343,880	4,879,343,880
Reserves		3,113,958,725	3,152,133,984
Accumulated profit		3,440,508,794	3,810,725,980
		11,433,811,399	11,842,203,844
Non-controlling interests			
		-	-
Surplus on revaluation of property, plant and equipment		7,538,357,282	3,969,152,218
Loan from associates - Unsecured, Subordinated		340,000,000	340,000,000
Non-current liabilities			
Redeemable capital - Secured	4	11,536,068,781	11,745,418,131
Long term finances - Secured	5	5,098,510,482	4,640,797,982
Liabilities against assets subject to finance lease - Secured	6	267,006,427	279,208,203
Long term payables		52,185,199	52,185,199
Deferred taxation		4,135,846,854	2,147,388,347
		21,089,617,743	18,864,997,862
Current liabilities			
Current maturity of non-current liabilities		3,573,780,423	3,651,689,218
Short term borrowings	7	13,129,528,026	12,891,613,075
Trade and other payables	8	7,527,125,156	5,871,461,238
Interest/mark-up accrued on borrowings		1,234,165,825	1,000,787,278
Dividend payable		15,045,101	63,183,986
		25,479,644,531	23,478,734,795
Contingencies and commitments	9	-	-
		<u>65,881,430,955</u>	<u>58,495,088,719</u>
ASSETS			
Non-current assets			
Property, plant and equipment		44,830,191,767	37,077,131,053
Intangible assets		5,643,108,320	5,645,095,896
Long term investments		36,767	36,767
Derivative financial assets		28,471,148	45,298,097
Long term deposits - Unsecured, considered good		61,270,613	56,988,258
Long term advances		30,973,570	32,496,935
		50,594,052,185	42,857,047,006
Current assets			
Stores, spares and loose tools		1,705,867,640	1,714,633,249
Stock in trade		4,923,331,254	5,985,036,223
Trade receivables		4,262,769,361	4,586,931,259
Advances, deposits, prepayments and other receivables		3,397,410,560	2,587,295,068
Current taxation		292,290,286	326,331,600
Cash and bank balances		705,709,669	437,814,314
		15,287,378,770	15,638,041,713
		<u>65,881,430,955</u>	<u>58,495,088,719</u>

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

Lahore



CHIEF EXECUTIVE



DIRECTOR

Condensed interim consolidated profit and loss accounts for the quarter ended March 31, 2010

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
Sales - Net	5,688,090,323	5,500,725,148
Cost of sales	(4,564,782,177)	(3,669,978,210)
Gross profit	1,123,308,146	1,830,746,938
Selling and distribution expenses	(206,816,645)	(174,285,427)
Administrative and general expenses	(296,314,887)	(229,135,592)
Net other income/(expense)	105,631,473	(2,141,330)
Operating profit	725,808,087	1,425,184,589
Finance cost	(1,058,363,758)	(1,062,903,121)
(Loss)/profit before taxation	(332,555,671)	362,281,468
Taxation	(77,246,705)	(85,786,231)
(Loss)/profit after taxation	(409,802,376)	276,495,237
(Loss)/profit after taxation attributable to:		
Equity holders of the parent	(409,802,376)	276,495,237
Non-controlling interests	-	-
	(409,802,376)	276,495,237
Earnings per share - Basic and diluted	(0.90)	0.70

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

Condensed interim consolidated statement of other comprehensive income
for the quarter ended March 31, 2010

	Quarter ended March 31, 2010 <i>Rupees</i>	Quarter ended March 31, 2009 <i>Rupees</i>
Profit after taxation	(409,802,376)	276,495,237
Other comprehensive income/(loss):		
Changes in fair value of cash flow hedges	(6,081,579)	(72,813,398)
Changes in fair value of available for sale financial assets	-	(20,087)
Foreign exchange differences on translation of foreign subsidiaries	(49,969,095)	(58,836,103)
Incremental depreciation	57,460,605	4,896,596
Taxation relating to components of other comprehensive income	-	-
	1,409,931	(126,772,992)
Total comprehensive income/(loss)	<u>(408,392,445)</u>	<u>149,722,245</u>
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	(408,392,445)	149,722,245
Non-controlling interests	-	-
	<u>(408,392,445)</u>	<u>149,722,245</u>

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

Condensed interim consolidated cash flow statement for the quarter ended March 31, 2010

	Quarter ended March 31, 2010 Rupees	Quarter ended March 31, 2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(332,555,671)	362,281,468
Adjustments for non-cash and other items	1,182,742,283	1,281,068,708
Operating profit before changes in working capital	850,186,612	1,643,350,176
Changes in working capital	2,237,421,912	(2,599,952,197)
	3,087,608,524	(956,602,021)
Interest/markup paid	(824,985,211)	(1,467,387,175)
Taxes refund/(paid)	3,977,459	(51,093,738)
Net cash flow from/(used in) operating activities	2,266,600,772	(2,475,082,934)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(2,355,701,735)	(517,082,905)
Proceeds from disposal of property, plant and equipment	132,480	989,000
Short term investments	-	183,344,479
Net cash used in investing activities	(2,355,569,255)	(332,749,426)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances	196,727,500	(124,607,500)
Redeemable capital	(5,754,750)	(90,202,500)
Liabilities against assets subject to finance lease	(23,884,978)	(18,703,571)
Short term borrowings	237,914,951	3,130,255,544
Dividend paid	(48,138,885)	(166,790)
Net cash (used in)/flow from financing activities	356,863,838	2,896,575,183
Net increase in cash and cash equivalents	267,895,355	88,742,823
Cash and cash equivalents as at beginning of the period	437,814,314	428,860,804
Cash and cash equivalents as at end of the period	705,709,669	517,603,627

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

Condensed interim consolidated statement of changes in equity for the quarter ended March 31, 2010

	Share capital		Reserves				Available for sale financial assets	Total		
	Ordinary shares Rupees	Preference shares Rupees	Share premium Rupees	Cash flow hedges Rupees	Translation reserve Rupees	Reserve on merger Rupees			Preference shares redemption reserve Rupees	Total Rupees
As at January 01, 2009	3,106,867,710	661,250,830	3,827,118,540	2,737,841,699	152,635,940	(1,420,374)	105,152,005	517,500,000	49,074	3,511,738,144
Profit for the quarter ended March 31, 2009	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the quarter ended March 31, 2009	-	-	-	(72,813,398)	(58,836,103)	-	-	-	(20,087)	(131,669,588)
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	-	27,000,000	-	27,000,000
As at March 31, 2009	3,106,867,710	661,250,830	3,827,118,540	2,737,841,699	79,822,542	(60,256,677)	105,152,005	544,500,000	28,987	3,407,088,356
As at January 01, 2010	4,548,718,700	330,625,180	4,879,343,880	2,338,346,761	70,743,356	(7,526,241)	105,152,005	625,500,000	18,103	3,152,133,984
Profit for the quarter ended March 31, 2010	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the quarter ended March 31, 2010	-	-	-	(6,081,579)	(49,969,095)	-	-	-	-	(56,050,674)
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	-	17,875,415	-	17,875,415
As at March 31, 2010	4,548,718,700	330,625,180	4,879,343,880	2,338,346,761	64,661,777	(57,495,336)	105,152,005	643,375,415	18,103	3,113,884,225

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



CHIEF EXECUTIVE



DIRECTOR

Lahore

Notes to the condensed consolidated interim financial information for the quarter ended March 31, 2010

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

Agritech Limited ("AGL") (formerly Pak American Fertilizers Limited) is incorporated in Pakistan as an Unquoted Public Limited Company and is engaged in manufacture and sale of urea fertilizer. Proportion of interest held by ANL as at the reporting date is 100%. However, subsequent to the reporting period, ANL has divested 20.13% of its total holding through a combination of public subscription and private placement. AGL was acquired on July 01, 2006.

Hazara Phosphate Fertilizers (Private) Limited ("HPFL") is incorporated in Pakistan as a Private Limited Company and is engaged in manufacture and sale of granulated single super phosphate. HPFL was acquired on November 28, 2008 by AGL. Proportion of interest held by AGL is 100%.

Farital AB ("FAB") is incorporated in Sweden. Investment in FAB was made in order to acquire **Montebello SRL ("MSRL")** a Limited Liability Company incorporated in Italy and owner of an Italian fabric brand. MSRL is engaged in import, export, wholesale and retail marketing and manufacture of textile and apparel products and accessories. Effective control of FAB and MSRL was obtained on December 31, 2008 by ANL. Proportion of interest held by ANL is 100%.

Nafees International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI ("NIT") is incorporated in Turkey and is engaged in sale of denim and denim products. Proportion of interest held by ANL is 51%. NIT was acquired on 05 January 2004.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed consolidated interim financial information are unaudited

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, 2009. 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.

Notes to the condensed consolidated interim financial information for the quarter ended March 31, 2010

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, 2009.

	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees
4 REDEEMABLE CAPITAL - SECURED		
Term Finance Certificates	13,886,094,311	13,891,729,061
Transaction costs	(151,349,203)	(155,550,430)
	13,734,745,108	13,736,178,631
Current maturity presented under current liabilities	(2,198,676,327)	(1,990,760,500)
	11,536,068,781	11,745,418,131

Notes to the condensed consolidated interim financial information for the quarter ended March 31, 2010

	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees
5 LONG TERM FINANCES - SECURED		
From banking companies and financial institutions.	6,068,225,482	5,871,497,982
Current maturity presented under current liabilities	(969,715,000)	(1,230,700,000)
	<u>5,098,510,482</u>	<u>4,640,797,982</u>
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED		
Present value of minimum lease payments	348,004,343	364,338,321
Current maturity presented under current liabilities	(80,997,916)	(85,130,118)
	<u>267,006,427</u>	<u>279,208,203</u>
7 SHORT TERM BORROWINGS		
<p>These represent secured, as well as unsecured, local and foreign currency financing obtained against aggregate funded and unfunded facilities available of Rs. 14,797 million (December 31, 2009: Rs. 14,797 million) from various banking companies and financial institutions. Local currency finances carry markup at rates ranging from one to nine months KIBOR plus 1.75% to 5% per annum (December 31, 2009: one to nine months KIBOR plus 1.5% to 5% per annum). Foreign currency finances carry markup at LIBOR of matching tenor plus spread ranging from 1% to 2.5% per annum (December 31, 2009: LIBOR of matching tenor plus spread ranging from 1% to 2.5% per annum). Markup on pre / post shipment finances refinanced by State Bank of Pakistan ("SBP") is payable at SBP refinance rate of 6.5% plus banks' spread of 1% per annum.</p>		
8 TRADE AND OTHER PAYABLES		
<p>These include Rs. 2,236.21 millions (December 31, 2009: Rs. 84.120 million) received upto the reporting date through public subscription and from Pre-IPO investors for the purchase of the shares of Agritech Limited (formerly Pak American Fertilizers Limited) offered for sale by ANL through a combination of public subscription and private placement.</p>		
9 CONTINGENCIES AND COMMITMENTS		
9.1 Contingencies		
9.1.1	Counter guarantees given by the Group to its bankers as at the reporting date amount to Rs. 348.355 million (December 31, 2009: Rs. 258.205 million).	
9.1.2	There is no change in the status of other contingencies since December 31, 2009.	

Notes to the condensed consolidated interim financial information
for the quarter ended March 31, 2010

	As at March 31, 2010 <i>Rupees</i>	As at December 31, 2009 <i>Rupees</i>
9.2 Commitments		
9.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	111,515,851	394,771,631
- purchase of machinery	-	1,781,959,711
- purchase of raw material	418,853,811	811,185,420
	<u>530,369,662</u>	<u>2,987,916,762</u>
9.2.2 Commitments for capital expenditure	<u>493,252,947</u>	<u>3,503,908</u>

Notes to the condensed consolidated interim financial information for the quarter ended March 31, 2010

10 SEGMENT INFORMATION

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

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

Information about operating segments as at March 31, 2010 and for the quarter then ended is as follows:

	Textile		Fertilizer		Total	
	Quarter ended March 31, 2010 Rupees	Quarter ended March 31, 2009 Rupees	Quarter ended March 31, 2010 Rupees	Quarter ended March 31, 2009 Rupees	Quarter ended March 31, 2010 Rupees	Quarter ended March 31, 2009 Rupees
Revenue from external customers	<u>3,928,997,175</u>	<u>2,943,483,262</u>	<u>1,759,093,148</u>	<u>2,557,241,886</u>	<u>5,688,090,323</u>	<u>5,500,725,148</u>
Inter-segment revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segment profit / (loss)	<u>(135,215,493)</u>	<u>(54,143,783)</u>	<u>(274,586,883)</u>	<u>330,639,020</u>	<u>(409,802,376)</u>	<u>276,495,237</u>
	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees	As at March 31, 2010 Rupees	As at December 31, 2009 Rupees
Segment assets	<u>39,851,118,895</u>	<u>39,589,251,358</u>	<u>38,376,562,339</u>	<u>31,517,810,976</u>	<u>78,227,681,234</u>	<u>71,107,062,334</u>

Segment assets		Segment profit	
As at March 31, 2010 Rupees	As at December 31, 2009 Rupees	Quarter ended March 31, 2010 Rupees	Quarter ended March 31, 2009 Rupees

10.1 Reconciliation of reportable segment assets and segment profit

Total for reportable segments	<u>78,227,681,234</u>	<u>71,107,062,334</u>	<u>(409,802,376)</u>	<u>276,495,237</u>
Elimination of				
Investments in other segments	<u>(12,372,420,000)</u>	<u>(12,372,540,000)</u>	<u>-</u>	<u>-</u>
Inter-segment balances	<u>(1,117,042,399)</u>	<u>(1,382,645,735)</u>	<u>-</u>	<u>-</u>
Inter-segment profits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Goodwill acquired in business combination	<u>1,143,212,120</u>	<u>1,143,212,120</u>	<u>-</u>	<u>-</u>
Consolidated total	<u>65,881,430,955</u>	<u>58,495,088,719</u>	<u>(409,802,376)</u>	<u>276,495,237</u>

Notes to the condensed consolidated interim financial information for the quarter ended March 31, 2010

11 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

	Quarter ended March 31, 2010 Rupees	Quarter ended March 31, 2009 Rupees
11.1 Transactions with related parties		
11.1.1 Associates		
Purchases of chemicals	536,800	753,960
Mark-up expense	13,128,657	15,844,931
11.1.2 Post-employment benefit plans		
Contribution to employees provident fund	27,330,035	18,327,246
Contribution to gratuity trust	2,100,000	2,154,000
11.1.3 Key management personnel		
Short-term employee benefits	19,423,367	19,423,367
Post employment benefits	4,551,000	4,551,000

Notes to the condensed consolidated interim financial information for the quarter ended March 31, 2010

	As at March 31, 2010	As at December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
11.2 Balances with related parties		
11.2.1 Associates		
Trade payables	1,608,739	1,877,139
Borrowings	340,000,000	340,000,000
Mark-up payable	47,280,772	4,959,715
11.2.2 Post-employment benefit plans		
Payable to provident fund	23,620,491	11,834,856
Payable to gratuity trust	16,956,572	16,413,301
11.2.3 Key Management Personnel		
Short term employee benefits payable	1,517,000	1,517,000

12 DATE OF AUTHORIZATION FOR ISSUE

This condensed consolidated interim financial information was authorized for issue on April 24, 2010 by the Board of Directors of the Parent Company.

13 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary for the purpose of comparison.

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