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Beyond Boundaries

Condensed Interim
Financial Statements
for the quarter ended
31 March 2009
(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. Ali J. Siddiqui	
Mr. Khalid A.H. Al-Sagar	
Mr. Mohammed Khaishgi	Ceased to hold office w.e.f 06 April 2009
Mr. Ali Hussain	Appointed w.e.f 06 April 2009

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

LEGAL ADVISORS
Hamid Law Associates

FINANCE COMMITTEE

Mr. Ahmed H. Shaikh

Mr. Ali J. Siddiqui

Mr. Tariq Mohammad Khan

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

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

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

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

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

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
Pak American Fertilizers Ltd.
Iskanderabad,
District Mianwali.
Ph: +92 (0)459 392346-49

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

HUMAN RESOURCE COMMITTEE

Mr. Ahmed H. Shaikh

Mr. Tariq Mohammad Khan

Mr. Salim Khan

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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 31 March 2009.

PRINCIPAL ACTIVITIES

The Company's main business is that of manufacturing and marketing of denim textile and apparel products from raw cotton to retail ready goods. The company is the largest denim products manufacturing company by sales in Pakistan.

The Company's other principal activity (through its subsidiaries), is the manufacture and marketing of nitrogenous and phosphate fertilizers.

Textile and Apparel

The Company has managed to grow its sales significantly in spite of the very challenging trading conditions. However, the global financial crisis has impacted margins significantly. This coupled with the impact of very high domestic interest rates has affected the profitability of the business. The company maintains its position as the largest denim products company by sales in Pakistan and feels that it will be able to deliver topline growth during the year. However, it is foreseen that margins will remain under pressure for the foreseeable future.

The company is trying to add value to its products by improving service levels in order to increase customer satisfaction.

Fertilizers

The Company's wholly owned subsidiary, Pak American Fertilizers Limited ("PAFL"), operates the newest and most efficient urea plant in the country. PAFL through its wholly owned subsidiary Hazara Phosphate Fertilizers (Pvt.) Limited operates the largest manufacturer of single super phosphate fertilizer in Pakistan. The first quarter is typically a low season for fertilizer sales and PAFL also took its annual plant turnaround in this quarter. The Company is now a diversified fertilizer producer manufacturing both nitrogenous and phosphate fertilizers. The outlook for the sector is expected to remain stable.

Operating Financial Results of Azgard Nine Limited (Stand Alone)

	Quarter ended 31 March 2009	Quarter ended 31 March 2008	Change
Sales-Net	2,760,983,163	2,056,001,209	34 %
Operating Profit	595,828,378	484,661,557	23 %
Finance Cost	518,824,048	306,504,393	69 %
Profit before Tax	75,096,482	169,521,555	(56) %
Profit after Tax	47,310,352	148,627,639	(68) %
Earning per share	0.15	0.42	(64) %

Consolidated Results Including Subsidiaries

	Quarter ended 31 March 2009	Quarter ended 31 March 2008	Change
Sales-Net	5,500,725,148	3,059,082,500	80 %
Operating Profit	1,424,287,764	873,235,662	13 %
Finance Cost	1,062,903,121	608,398,011	75 %
Profit before Tax	362,281,468	812,516,111	(55) %
Profit after Tax	276,495,237	750,773,100	(63) %
Earning per share	0.87	2.32	(62) %

FUTURE MARKET OUTLOOK

Pakistan's textile sector is facing extreme challenges in the shape of high interest rates, increasing utilities and labor costs. Moreover, countries like China, India and Bangladesh, which compete with Pakistan in this sector, are getting increased government support in order to help the sector through these challenging times. The company is trying to reduce costs, maximize synergies and increase service levels. The objective is to create a highly integrated supply chain and to enhance the product value proposition.

The outlook for the fertilizer business, is expected to be positive. Agricultural production has been strong and support prices for the major crops are better than in previous year. This should lead to maintaining strong demand for fertilizers in the foreseeable future. The fertilizer sector supports the agriculture sector which is the back bone of the economy. The fertilizer market continues to be deficit in Urea and phosphates helping local producers to continue to retain a strong position.

ACKNOWLEDGEMENT

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

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

On behalf of the Board

Lahore
29 April 2009



Chief Executive

Condensed Interim Financial Statements

Statement of Financial Position
as at 31 March 2009

	Note	31 March 2009 Rupees	31 December 2008 Rupees
EQUITY AND LIABILITIES			
Equity			
Authorized capital			
1,500,000,000 Ordinary and Preference shares of Rs. 10/- each		15,000,000,000	15,000,000,000
Share capital		3,827,118,540	3,827,118,540
Retained earnings		2,789,701,907	2,764,494,959
Other components of equity		3,701,100,237	3,751,825,259
		10,317,920,684	10,343,438,758
Non-Current Liabilities			
Redeemable capital - Secured	4	3,795,704,888	3,962,461,561
Long term finances - Secured	5	2,286,710,000	2,686,842,500
Liabilities against assets subject to finance lease	6	19,985,720	25,210,944
		6,102,400,608	6,674,515,005
Current liabilities			
Current portion of long-term liabilities			
Short term borrowings	7	1,913,518,920	1,470,921,493
Derivative financial liabilities		8,454,044,685	6,574,080,304
Trade and other payables		40,506,728	50,536,909
Due to related parties - Unsecured		1,599,909,167	1,350,500,115
Markup accrued on borrowings		660,768,193	426,768,193
Unclaimed dividend		496,435,013	466,226,443
		14,519,256	14,686,046
		13,179,701,962	10,353,719,503
Contingencies and commitments	8	-	-
		29,600,023,254	27,371,673,266
ASSETS			
Non-current assets			
Property, plant and equipment			
Capital work in progress	9	7,681,400,016	7,734,950,547
Intangible assets		1,016,431,390	918,670,893
Long term investments	10	29,478,662	33,536,216
Long term deposits		7,609,106,836	7,521,644,051
		19,777,502	19,777,502
		16,356,194,406	16,228,579,209
Current Assets			
Stores, spares and loose tools			
Stock in trade		196,578,567	201,693,270
Trade receivables		5,449,246,571	4,034,103,119
Derivative financial assets		2,300,336,109	1,777,232,612
Advances, deposits, prepayments and other receivables		91,832,326	175,673,993
Current tax asset		878,617,484	789,515,062
Short term investments	11	58,992,440	63,948,605
Cash and bank balances		4,018,858,272	4,018,853,586
		249,367,079	82,073,810
		13,243,828,848	11,143,094,057
		29,600,023,254	27,371,673,266

The annexed notes 1 to 14 form an integral part of these financial statements.

Lahore


Chief Executive


Director

Condensed Interim Financial Statements

Statement of Comprehensive Income
for the quarter ended 31 March 2009

	Quarter ended 31 March 2009 Rupees	Quarter ended 31 March 2008 Rupees
Sales - Net	2,760,983,163	2,056,001,209
Cost of sales	1,972,442,987	1,461,499,646
Gross profit	788,540,176	594,501,563
Administrative and selling expenses	192,711,798	109,840,006
	595,828,378	484,661,557
Other income- Net	(1,907,848)	(8,635,609)
Finance cost	518,824,048	306,504,393
Profit before taxation	75,096,482	169,521,555
Taxation	27,786,130	20,893,916
PROFIT AFTER TAXATION	47,310,352	148,627,639
OTHER COMPREHENSIVE INCOME AFTER TAXATION		
Changes in fair value of investments available for sale	(15,029)	4,396,446
Changes in fair value of cash flow hedges	(72,813,397)	197,459,480
Taxation relating to components of other comprehensive income	-	-
	(72,828,426)	201,855,926
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(25,518,074)	350,483,565
Earnings per share - Basic and Diluted	0.15	0.42

The annexed notes 1 to 14 form an integral part of these financial statements.

Lahore


Chief Executive


Director

Condensed Interim Financial Statements

Statement of Cash Flows
for the quarter ended 31 March 2009

	Quarter ended 31 March 2009 Rupees	Quarter ended 31 March 2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	75,096,482	169,521,555
Adjustment for non-cash items	655,368,736	431,906,736
Operating profit before changes in working capital	730,465,218	601,428,291
Changes in working capital	(1,735,200,008)	(42,906,482)
Cash generated from operations	(1,004,734,790)	558,521,809
Markup paid	(530,091,281)	(381,470,740)
Taxes paid	(22,829,965)	(18,044,854)
Net cash flow from operating activities	(1,557,656,036)	159,006,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(174,469,235)	(202,382,840)
Development expenditure	-	(2,847,611)
Proceeds from disposal of property, plant and equipment	570,000	-
Long term investments	(87,482,500)	383,217
Interest received	2,050,419	215,596
Dividend received	-	100,000
Short term investments	-	114,487,818
Net cash used in investing activities	(259,331,316)	(90,043,820)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital	-	(32,728,734)
Long term finances	(124,607,500)	(65,254,250)
Liabilities against assets subject to finance lease	(4,909,471)	(5,335,477)
Short term borrowings	1,879,964,381	66,839,426
Due to related party	234,000,000	-
Dividend paid	(166,790)	(4,446,528)
Net cash used in financing activities	1,984,280,620	(40,925,563)
Net increase in cash and cash equivalents	167,293,268	28,036,832
Cash and cash equivalents at beginning of the period	82,073,811	45,433,316
Cash and cash equivalents at end of the period	249,367,079	73,470,148

The annexed notes 1 to 14 form an integral part of these financial statements.

Lahore


Chief Executive


Director

Condensed Interim Financial Statements

Statement of Changes in Equity
for the quarter ended 31 March 2009

	Share capital		Other components of equity										Total equity Rupees	
	Ordinary shares Rupees	Preference shares Rupees	Share premium Rupees	Cash flow hedges Rupees	Reserve on merger Rupees	Preference shares redemption reserve Rupees	Investments available for sale Rupees	Surplus on revaluation of property, plant and equipment Rupees	Retained earnings Rupees	Incremental depreciation Rupees	Profit transferred to preference shares redemption reserve Rupees	Dividend on ordinary shares Rupees		
As at 01 January 2008	3,127,134,570	661,668,330	3,788,822,900	370,801,102	105,152,005	414,500,000	6,785,876	239,073,077	2,400,605,174	2,633,387,139	140,000	-	2,400,605,174	9,959,127,273
Conversion of preference shares into ordinary shares	297,500	(437,500)	(140,000)	-	-	-	-	-	-	140,000	-	-	-	-
Total comprehensive income for the quarter ended 31 March 2008	-	-	-	197,459,480	-	4,396,446	-	-	146,627,639	-	-	-	146,627,639	350,483,565
Incremental depreciation	-	-	-	-	-	-	-	(4,896,596)	4,896,596	-	-	-	(4,896,596)	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	25,750,000	-	-	(25,750,000)	-	-	-	25,750,000	-
Dividend on ordinary shares	-	-	-	-	-	-	-	-	(990,891,822)	-	-	-	(990,891,822)	-
As at 31 March 2008	3,127,432,070	661,250,830	3,788,682,900	566,260,582	105,152,005	440,250,000	11,182,322	234,176,481	2,137,487,587	2,633,527,139	140,000	-	2,137,487,587	9,919,719,016
As at 01 January 2009	3,165,867,710	661,250,830	3,827,118,540	152,635,940	105,152,005	517,500,000	19,339,558	219,356,257	2,764,494,959	2,737,841,499	-	-	2,764,494,959	10,343,438,758
Total comprehensive income for the quarter ended 31 March 2009	-	-	-	(72,813,397)	-	-	(15,029)	-	47,310,352	-	-	-	47,310,352	(25,518,074)
Incremental depreciation	-	-	-	-	-	-	-	-	4,896,596	-	-	-	4,896,596	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	27,000,000	-	-	(27,000,000)	-	-	-	27,000,000	-
As at 31 March 2009	3,165,867,710	661,250,830	3,827,118,540	79,822,543	105,152,005	544,500,000	19,324,529	214,459,661	2,789,701,907	2,737,841,499	-	-	2,789,701,907	10,317,920,684

The annexed notes 1 to 14 form an integral part of these financial statements.

Lahore


Chief Executive


Director

Condensed Interim Financial Statements

Notes to and forming part of Financial Statements
for the quarter ended 31 March 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. 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 Aiwan-e-Science, off Shahrah-e-Roomi, Lahore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

These condensed interim financial statements are neither audited nor reviewed.

The comparative statement of financial position as at 31 December 2008 and the related notes to the condensed interim consolidated financial statements are based on audited financial statements. The comparative statement of comprehensive income, statement of cash flows and statement of changes in equity for quarter ended 31 March 2008 are based on unaudited and unreviewed interim financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value, employees retirement benefits at present value and certain items of property, plant and equipment at revalued amounts. In these financial statements, 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 statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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

These financial statements are prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 31 December 2008.

Condensed Interim Financial Statements

Notes to and forming part of Financial Statements
for the quarter ended 31 March 2009

	As at 31 March 2009 Rupees	As at 31 December 2008 Rupees
4 REDEEMABLE CAPITAL - SECURED		
Term Finance Certificates	4,359,474,907	4,359,474,907
Less: Current maturity grouped under current liabilities	563,770,019	397,013,346
	<u>3,795,704,888</u>	<u>3,962,461,561</u>
5 LONG TERM FINANCING - SECURED		
Banking companies and financial institutions	3,617,815,000	3,742,422,500
Less: Current maturity grouped under current liabilities	1,331,105,000	1,055,580,000
	<u>2,286,710,000</u>	<u>2,686,842,500</u>
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	38,629,621	43,539,091
Less: Current maturity grouped under current liabilities	18,643,901	18,328,147
	<u>19,985,720</u>	<u>25,210,944</u>
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. 12,692.5 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 1.5% 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 3% per annum (31 December 2008: LIBOR of matching tenor plus spread ranging from 1% to 3% per annum).		
8 CONTINGENCIES AND COMMITMENTS		
There is no change in status of contingencies and commitments		
	Note	As at 31 March 2009 Rupees
		As at 31 December 2008 Rupees
9 PROPERTY, PLANT AND EQUIPMENT		
Net book value as at the beginning of the period	7,734,950,547	7,643,649,558
Additions during the period	9.1 77,127,721	633,497,161
Net book value of assets disposed during the period	9.2 (118,272)	(6,806,843)
Depreciation charged during the period	(130,559,980)	(535,389,329)
Net book value as at the end of the period	<u>7,681,400,016</u>	<u>7,734,950,547</u>

Condensed Interim Financial Statements

Notes to and forming part of Financial Statements
for the quarter ended 31 March 2009

	As at 31 March 2009 Rupees	As at 31 December 2008 Rupees
9.1 Additions - Cost		
Assets owned by the Company		
Freehold land	260,000	45,241,916
Building on freehold land	5,018,379	248,604,207
Plant and Machinery	28,642,086	160,776,451
Furniture and fixtures	1,662,789	10,068,871
Vehicles		
- additions	3,490,268	16,851,922
- transfers from leased assets	-	-
Tools and equipment	25,408,014	93,828,836
Office equipments	5,271,686	14,294,571
Electric installation	7,374,499	9,549,496
Assets subject to finance lease		
Plant and machinery	-	2,578,500
Vehicles		
- additions	-	31,689,323
- transfers from owned assets	-	13,068
	<u>77,127,721</u>	<u>633,497,161</u>
9.2 Disposals - Net Book Value		
Assets owned by the Company		
Furniture and fixtures	-	-
Vehicles		
- disposals	-	5,451,558
- transfers to leased assets	-	13,068
Office equipments	-	87,500
Assets subject to finance lease		
Vehicles	118,272	1,254,717
	<u>118,272</u>	<u>6,806,843</u>
10 LONG TERM INVESTMENTS		
Investments available for sale		
Cost	7,601,371,642	7,513,889,142
Accumulated impairment loss	(2,647,488)	(2,647,488)
Fair value adjustment	10,382,682	10,402,397
	<u>7,609,106,836</u>	<u>7,521,644,051</u>
11 SHORT TERM INVESTMENTS		
These represent investments in ordinary shares and term finance certificates of related parties		
Investments available for sale - unquoted		
Cost	4,009,916,425	4,009,916,425
Fair value adjustment	8,941,847	8,937,161
	<u>4,018,858,272</u>	<u>4,018,853,586</u>
12 RELATED PARTY TRANSACTIONS AND BALANCES		

Related parties comprise holding company, subsidiaries and associated undertakings, other related group 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.

Condensed Interim Financial Statements

Notes to and forming part of Financial Statements
for the quarter ended 31 March 2009

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

	Quarter ended 31 March 2009 Rupees	Quarter ended 31 March 2008 Rupees
12.1 Transactions with related parties		
12.1.1 Subsidiaries		
Sale of goods	245,599,711	-
Markup income	-	60,075,914
Markup expense	18,661,871	-
Return on investment in TFCs	41,475,813	-
Purchases of goods and services	15,142,913	-
Dividend income	-	-
12.1.2 Associates		
Purchases of chemicals	753,960	3,148,954
12.1.3 Post-employment benefit plans		
Contribution to employees provident fund	15,361,525	8,146,881
12.1.4 Key management personnel		
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. The Company's key management personnel comprise the Chief Executive, Directors and Executives. Total compensation for key management personnel was as follows:		
	Quarter ended 31 March 2009 Rupees	Quarter ended 31 March 2008 Rupees
Short-term employee benefits	46,917,334	23,767,634
Post employment benefits	2,165,508	1,382,653
Additionally, the Chief Executive is provided with free use of employer maintained car.		
12.2 Balances with related parties		
12.2.1 Subsidiaries		
Borrowings	660,768,193	426,768,193
Trade receivables		76,773,293
Markup payable	29,641,343	10,979,472
Payable against purchases	42,920,394	27,272,991
Return on investments in TFCs receivable	128,695,611	87,219,798
Investment in ordinary shares	10,630,434,957	8,005,403,850
Investment in term finance certificates	997,482,500	910,000,000
12.2.2 Post-employment benefit plans		
Payable to provident fund	5,122,891	5,120,350
12.2.3 Key Management Personnel		
Short term employee benefits payable	13,158,435	13,157,448

Azgard Nine Limited

Condensed Interim Financial Statements

Notes to and forming part of Financial Statements
for the quarter ended 31 March 2009

13 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 29 April 2009 by the Board of Directors of the Company.

14 GENERAL

Figures have been rounded off to the nearest rupee.



Condensed Consolidated Interim Financial Statements


Chief Executive


Director

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Financial Position
as at 31 March 2009

	Note	As at 31 March 2009 Rupees	As at 31 December 2008 Rupees
EQUITY AND LIABILITIES			
Equity			
Authorized share capital 1,500,000,000 ordinary and preference shares of Rs. 10 each		15,000,000,000	15,000,000,000
Share capital		3,827,118,540	3,827,118,540
Retained earnings		2,674,654,368	2,420,262,535
Other components of equity		3,621,548,216	3,731,114,400
		10,123,321,124	9,978,495,475
Minority interest		-	-
Loan from sponsors		340,000,000	340,000,000
Non-Current Liabilities			
Redeemable capital - Secured	4	13,247,610,621	13,504,569,794
Long term finances - Secured	5	2,686,710,000	3,086,842,500
Liabilities against assets subject to finance lease	6	95,162,186	106,664,196
Long term payables		31,135,199	31,135,199
Deferred taxation		2,448,508,652	2,479,374,862
		18,509,126,658	19,208,586,551
Current liabilities			
Current portion of long term liabilities		1,934,517,466	1,491,427,018
Short term borrowings	7	11,568,143,129	8,437,887,588
Derivative financial liabilities		40,506,728	50,536,909
Trade and other payables		4,822,248,510	5,265,762,759
Markup accrued on borrowings		569,623,477	974,107,530
Unclaimed dividend		14,519,256	14,686,046
		18,949,558,566	16,234,407,850
Contingencies and commitments	8	-	-
		47,922,006,348	45,761,489,876
ASSETS			
Non-current assets			
Property, plant and equipment	9	21,975,562,134	22,111,795,518
Capital work in progress		3,941,724,418	3,519,734,342
Intangible assets		5,569,908,458	5,663,896,463
Long term investments	10	47,651	67,738
Long term deposits		59,921,841	38,178,881
Long term advances		-	34,806,883
		31,547,164,502	31,368,479,825
Current Assets			
Stores, spares and loose tools		866,927,948	861,061,558
Stock in trade		9,073,310,558	6,622,242,027
Trade receivables		2,927,496,594	2,556,062,590
Derivative financial assets		91,832,326	175,673,993
Advances, deposits, prepayments and other receivables		2,707,271,758	3,311,084,769
Current taxation		168,624,035	231,472,831
Short term investments	11	21,775,000	206,551,479
Cash and bank balances		517,603,627	428,860,804
		16,374,841,846	14,393,010,051
		47,922,006,348	45,761,489,876

The annexed notes 1 to 15 form an integral part of these financial statements.

Lahore


Chief Executive


Director

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income
for the quarter ended 31 March 2009

	Quarter ended 31 March 2009 Rupees	Quarter ended 31 March 2008 Rupees
Sales - Net	5,500,725,148	3,059,082,500
Cost of sales	3,669,978,210	2,003,122,060
Gross profit	1,830,746,938	1,055,960,440
Administrative and selling expenses	406,459,174	182,724,778
	1,424,287,764	873,235,662
Other income - Net	896,825	547,678,460
Finance cost	1,062,903,121	608,398,011
Profit before taxation	362,281,468	812,516,111
Taxation		
- Current	85,786,231	25,909,322
- Deferred	-	35,833,689
	85,786,231	61,743,011
PROFIT AFTER TAXATION	276,495,237	750,773,100
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign subsidiaries	(58,836,103)	-
Surplus on revaluation of investments available for sale	(20,087)	-
Unrealised gain on derivative financial instruments	(72,813,398)	296,103,805
Taxation relating to components of other comprehensive income	-	-
	(131,669,588)	296,103,805
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	144,825,648	1,046,876,905
Profit after taxation attributable to		
Ordinary shareholders of the Group	276,495,237	750,773,100
Non-controlling interests	-	-
	276,495,237	750,773,100
Total comprehensive income attributable to		
Ordinary shareholders of the Group	144,825,648	1,046,876,905
Non-controlling interests	-	-
	144,825,648	1,046,876,905
Earnings per share - Basic and Diluted	0.87	2.32

The annexed notes 1 to 15 form an integral part of these financial statements.

Lahore


Chief Executive


Director

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Cash Flows
for the quarter ended 31 March 2009

	Quarter ended 31 March 2009	Quarter ended 31 March 2008
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	362,281,468	812,516,111
Adjustment for non-cash items	1,278,833,488	273,624,070
Operating profit before changes in working capital	1,641,114,956	1,086,140,181
Changes in working capital	(2,587,926,327)	(879,559,392)
Cash generated from operations	(946,811,371)	206,580,789
Markup paid	(1,467,387,175)	(683,364,358)
Taxes paid	(51,093,738)	(36,230,977)
Long term advances and deposits	13,063,923	(10,399,196)
Contribution to Workers' Profit Participation Fund	(25,089,793)	-
Net cash flow from operating activities	(2,477,318,154)	(523,413,742)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(517,082,905)	(536,802,142)
Development expenditure	-	(2,847,611)
Proceeds from disposal of property, plant and equipment	989,000	-
Interest received	2,235,220	215,596
Dividend received	-	100,000
Short term investments	183,344,479	216,533,617
Net cash used in investing activities	(330,514,207)	(322,800,540)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital	(90,202,500)	276,122,741
Long term finances	(124,607,500)	(59,009,031)
Liabilities against assets subject to finance lease	(18,703,571)	6,943,866
Short term borrowings	3,130,255,545	89,063,167
Dividend paid	(166,790)	(4,446,528)
Net cash flow from financing activities	2,896,575,184	308,674,215
Net decrease in cash and cash equivalents	88,742,823	(537,540,067)
Cash and cash equivalents at beginning of the period	428,860,804	630,082,198
Cash and cash equivalents at end of the period	517,603,627	92,542,131

The annexed notes 1 to 15 form an integral part of these financial statements.


Chief Executive


Director

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Changes in Equity
for the quarter ended 31 March 2009

	Share capital		Other components of equity							Minority interest	Total equity	
	Ordinary shares	Preference shares	Retained earnings	Share premium	Cash flow hedges	Translation of foreign subsidiaries	Reserve on merger	Preferential shares redemption reserve	Surplus on revaluation of property, plant and equipment			Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 January 2008	3,127,432,070	661,250,830	3,892,291,407	2,633,527,139	1,127,164,839	33,041	105,152,005	414,500,000	239,070,077	4,222,388,555	9,548,374,988	1,793
Conversion of preference shares into ordinary shares	297,150	(437,500)	-	140,000	-	-	-	-	-	140,000	-	-
Total comprehensive income for the quarter ended 31 March 2008	-	-	750,771,100	2,643,667,139	1,127,164,839	33,041	105,152,005	414,500,000	239,070,077	4,222,388,555	9,548,374,988	1,793
Incremental depreciation	-	-	(4,896,516)	-	-	-	-	-	-	(4,896,516)	-	-
Profit transferred to preference shares redemption reserve	-	-	(25,750,000)	-	-	-	-	25,750,000	-	-	-	-
Dividend on ordinary shares	-	-	(90,891,822)	-	-	-	-	-	-	-	-	-
As at 31 March 2008	3,127,432,070	661,250,830	3,788,682,900	2,633,527,139	1,127,164,839	33,041	105,152,005	414,500,000	239,070,077	4,222,388,555	9,548,374,988	1,793
As at 01 January 2009	3,165,867,710	661,250,830	2,470,262,535	2,737,841,499	152,635,940	(1,420,374)	105,152,005	517,500,000	49,074	(4,896,516)	1,046,876,905	-
Total comprehensive income for the quarter ended 31 March 2009	-	-	276,492,237	(7,281,398)	(7,281,398)	(58,636,103)	-	-	(20,887)	(4,896,516)	(131,669,588)	144,825,649
Incremental depreciation	-	-	(4,896,516)	-	-	-	-	-	-	(4,896,516)	-	-
Profit transferred to preference shares redemption reserve	-	-	(7,000,000)	-	-	-	-	27,000,000	-	-	-	-
As at 31 March 2009	3,165,867,710	661,250,830	2,461,666,266	2,730,560,101	145,354,542	(1,478,980)	105,152,005	544,500,000	28,187	(9,793,032)	10,122,321,124	-

The annexed notes 1 to 15 form an integral part of these financial statements.


Director


Chief Executive

Condensed Consolidated Interim Financial Statements

Notes to and forming part of Consolidated Financial Statements
for the quarter ended 31 March 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 Shahr-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. Proportion of interest held by ANL is 100%. PAFL was acquired on 01 July 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 28 November 2008 by PAFL. Proportion of interest held by PAFL is 100%. The amounts reflected in consolidated statement of comprehensive income, consolidated statement of cash flows and related notes to the consolidated financial statements for the quarter ended 31 March 2008 do not include results of HPFL.

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. Effective control of MSRL was obtained on 31 December 2008 by ANL through Farital AB, a holding company incorporated in Sweden. Proportion of interest held by ANL is 100%. The amounts reflected in consolidated statement of comprehensive income, consolidated statement of cash flows and related notes to the consolidated financial statements for the quarter ended 31 March 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. Proportion of interest held by ANL is 51%. NIT was acquired on 05 January 2004.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim consolidated financial statements are neither audited nor reviewed.

These financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The comparative statement of financial position as at 31 December 2008 and the related notes to the condensed interim consolidated financial statements are based on audited financial statements. The comparative statement of comprehensive income, statement of cash flows and statement of changes in equity for quarter ended 31 March 2008 are based on unaudited and unreviewed interim financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value, employees retirement benefits at present value and certain items of property, plant and equipment at revalued amounts. In these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

Condensed Consolidated Interim Financial Statements

Notes to and forming part of Consolidated Financial Statements
for the quarter ended 31 March 2009

2.3 Judgements, estimates and assumptions

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

These financial statements are prepared in Pak Rupees which is the Company's functional currency

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Group for the year ended 31 December 2008.

	As at 31 March 2009	As at 31 December 2008
4 REDEEMABLE CAPITAL - SECURED		
Term Finance Certificates:		
Parent company	4,359,474,907	4,359,474,907
Subsidiary companies	9,455,265,733	9,545,468,233
	<u>13,814,740,640</u>	<u>13,904,943,140</u>
Less: Current portion grouped under current liabilities	567,130,019	400,373,346
	<u>13,247,610,621</u>	<u>13,504,569,794</u>
5 LONG TERM FINANCING - SECURED		
These represent long term finances utilized under markup arrangements		
Parent company	3,617,815,000	3,742,422,500
Subsidiary companies	400,000,000	400,000,000
	4,017,815,000	4,142,422,500
Less: Current portion grouped under current liabilities	1,331,105,000	1,055,580,000
	<u>2,686,710,000</u>	<u>3,086,842,500</u>
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	131,444,633	142,137,868
Less: Current portion grouped under current liabilities	36,282,447	35,473,672
	<u>95,162,186</u>	<u>106,664,196</u>
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. 28,695 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 1.5% 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 3% per annum (31 December 2008: LIBOR of matching tenor plus spread ranging from 1% to 3% per annum).		

Condensed Consolidated Interim Financial Statements

Notes to and forming part of Consolidated Financial Statements
for the quarter ended 31 March 2009

8 CONTINGENCIES AND COMMITMENTS

There is no change in status of contingencies and commitments since 31 December 2008.

	Note	As at 31 March 2009 Rupees	As at 31 December 2008 Rupees
9 PROPERTY, PLANT AND EQUIPMENT			
Net book value as at the beginning of the period		22,111,795,518	20,081,750,375
Additions during the period	9.1	104,263,022	2,954,474,333
Net book value of assets disposed during the period	9.2	(448,272)	(9,980,829)
Depreciation charged during the period		(240,048,134)	(914,448,361)
Net book value as at the end of the period		<u>21,975,562,134</u>	<u>22,111,795,518</u>
9.1 Additions - Cost			
Assets owned by the Company			
Freehold land		260,000	480,272,666
Building on freehold land		5,809,595	655,237,050
Plant and Machinery		44,716,669	1,441,876,353
Furniture and fixtures		2,478,135	42,751,658
Vehicles and rail transport			
- additions		3,490,268	19,110,549
- transfers to leased assets		-	(13,068)
Sui gas installations		-	27,144
Tools and equipment		25,414,450	103,329,264
Office equipments		6,709,071	18,286,526
Electric installation		7,374,499	18,931,523
Books and literature		-	309,172
Catalysts		-	80,032,605
Assets subject to finance lease			
Plant and machinery		-	2,578,500
Vehicles and rail transport			
- additions		8,010,335	51,731,323
- transfers from owned assets		-	40,013,068
		<u>104,263,022</u>	<u>2,954,474,333</u>
9.2 Disposals - Net Book Value			
Assets owned by the Company			
Building on freehold land		-	(72,018)
Furniture and fixtures		(330,000)	(508,295)
Vehicles and rail transport		-	(2,133,717)
Tools and equipment		-	(5,922,429)
Office equipments		-	(622,970)
Electric installation		-	(721,400)
Assets subject to finance lease			
Vehicles and rail transport		(118,272)	-
		<u>(448,272)</u>	<u>(9,980,829)</u>
10 LONG TERM INVESTMENTS			
Investments available for sale			
Cost		18,664	1,015,432
Accumulated impairment loss		-	(996,768)
Fair value adjustment		28,987	49,074
		<u>47,651</u>	<u>67,738</u>

Condensed Consolidated Interim Financial Statements

Notes to and forming part of Consolidated Financial Statements
for the quarter ended 31 March 2009

	As at 31 March 2009 Rupees	As at 31 December 2008 Rupees
11 SHORT TERM INVESTMENTS		
Investments at fair value through profit or loss		
Cost	21,775,000	206,458,964
Fair value adjustment	-	92,515
	<u>21,775,000</u>	<u>206,551,479</u>
12 RELATED PARTY TRANSACTIONS AND BALANCES		
Related parties, from the Group's perspective comprises associated undertakings, 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 and balances with related parties are as follows:		
	Quarter ended 31 March 2009 Rupees	Quarter ended 31 March 2008 Rupees
12.1 Transactions with related parties		
12.1.1 Associates		
Purchases of chemicals	753,960	3,148,954
Investment in ordinary shares	-	-
12.1.2 Post-employment benefit plans		
Contribution to employees provident fund	18,271,487	7,635,577
Contribution to gratuity trust	2,154,000	1,937,528
12.1.3 Key management personnel		
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. The Group's key management personnel comprise the Chief Executive, Directors and Executives. Total compensation for key management personnel was as follows:		
	Quarter ended 31 March 2009 Rupees	Quarter ended 31 March 2008 Rupees
Short-term employee benefits	70,790,505	36,540,533
Post employment benefits	3,814,905	1,889,807
Additionally, the Chief Executive is provided with free use of employer maintained car.		
	As at 31 March 2009 Rupees	As at 31 December 2008 Rupees
12.2 Balances with related parties		
12.2.1 Associates		
Investment in ordinary shares	21,775,000	206,546,529
12.2.2 Post-employment benefit plans		
Payable to provident fund	5,123,958	2,124,985
Payable to gratuity trust	14,770,399	12,616,399
12.2.3 Key Management Personnel		
Short term employee benefits payable	13,158,435	13,157,448

SEGMENT INFORMATION

Condensed Consolidated Interim Financial Statements

Notes to and forming part of Consolidated Financial Statements
for the quarter ended 31 March 2009

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

Information about operating segments as at 31 March 2009 and for the quarter then ended is as follows:

	Textile		Fertilizer		Software		Total	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended	Quarter ended	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2008	
Revenue from external customers	2,943,483,262	2,056,001,209	2,557,241,886	1,003,081,291	-	-	5,500,725,148	3,059,082,500
Inter-segment revenues	-	-	-	-	-	-	-	-
Segment profit / (loss)	(54,143,783)	148,627,639	330,639,020	602,145,461	-	-	276,495,237	750,773,100
Segment assets	20,953,344,120	20,352,256,255	26,968,662,229	25,409,233,621	-	-	47,922,006,349	45,761,489,876

Condensed Consolidated Interim Financial Statements

Notes to and forming part of Consolidated Financial Statements
for the quarter ended 31 March 2009

13.1 The software segment of the Group was discontinued subsequent to the quarter ended 31 March 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	As at	Quarter ended	Quarter ended
	31 March 2009	31 December 2008	31 March 2009	31 March 2008
Total for reportable segments	59,316,381,362	-	276,495,237	750,773,100
Elimination of				
Investments in other segments	(10,484,167,429)	-	-	-
Inter-segment balances	(910,207,584)	-	-	-
Inter-segment profits	-	-	-	-
Consolidated total	47,922,006,349	-	276,495,237	750,773,100

