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## Company Information

### BOARD OF DIRECTORS

Mr. Mueen Afzal  
Chairman  
Mr. Ahmed H. Shaikh  
Chief Executive  
Mr. Aehsun M.H. Shaikh  
Mr. Khalid A.H. Al-Sagar  
Mr. Irfan Nazir Ahmad  
Mr. Aamer Ghias  
Mr. Usman Rasheed

### COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

### CHIEF FINANCIAL OFFICER

Mr. Abid Amin

### AUDIT COMMITTEE

Mr. Khalid A.H. Al-Sagar  
Chairman  
Mr. Mueen Afzal  
Mr. Aehsun M.H. Shaikh  
Mr. Aamer Ghias  
Mr. Usman Rasheed

### HUMAN RESOURCE COMMITTEE

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

### LEGAL ADVISORS

Hamid Law Associates

### AUDITORS

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

### BANKERS

JS Bank Limited  
MCB Bank Limited  
Citi Bank N.A.  
Royal Bank of Scotland  
Faysal Bank Limited  
Habib Bank Limited  
HSBC Bank (Middle East) Limited  
United Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
NIB Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
My Bank Limited  
KASB Bank Limited  
Silk Bank Limited  
AtlasBank Limited  
Emirates Global Islamic Bank Limited  
Pak Oman Investment Company  
Saudi Pak Industrial & Agricultural  
Investment Company

### 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,  
Haripur.  
Ph: +92 (0)995 616124-5

## Directors' Review

The Board of Directors of Azgard Nine Limited ("the Company") hereby presents the un-audited interim financial statements for the nine months ended September 30, 2010.

### Principal Activities

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

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

### Textile and Apparel

The global financial crisis still continues to leave its negative impacts on nearly all business sectors. Furthermore, high interest rates, persistent energy shortage, rising utility costs, high raw material costs of cotton and yarn, and a disturbed law & order situation created a difficult environment for the business.

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

The Company in line with its practice in the past is putting in all possible efforts to achieve maximum manufacturing and operational efficiencies that lead to increase in overall profit margins. The future results are very heavily dependent on the timely availability of working capital and cotton pledge facilities which are currently under negotiation with the lenders as part of the ongoing re-profiling exercise. The Company is hopeful that it would receive the required support from the financial institutions enabling the Company to run its operations smoothly and achieve its targeted results.

### Fertilizers

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

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

## Directors' Review

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

### Operating Financial Results of Azgard Nine Limited (Stand Alone)

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Sales - net	8,938,820,464	8,638,376,007
Operating profit	1,123,356,017	2,151,607,597
Finance cost	1,521,217,220	1,827,120,380
(Loss)/profit before tax	(397,861,203)	324,487,217
(Loss)/profit after tax	(488,179,679)	237,732,126

### Consolidated Results

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Sales - net	15,807,209,457	17,529,166,349
Operating profit	2,323,168,015	5,110,522,178
Finance cost	2,735,758,122	3,597,420,712
(Loss)/profit before tax	(412,590,107)	1,513,101,466
Profit after tax	150,764,326	1,393,448,314

### Earnings per share

	September 30, 2010	September 30, 2009
<b>Azgard Nine Limited</b>		
Quarter ended	(0.71)	0.20
Nine Months ended	(1.12)	0.46
<b>Consolidated including subsidiaries</b>		
Quarter ended	(0.21)	0.76
Nine Months ended	(0.19)	3.14

## Directors' Review

### Future Market Outlook

The textile sector as a whole continues to face difficult challenges and while it is too early to forecast exact consequences the Company's profitability in the coming few months is expected to remain under pressure due to inflating cotton and other raw material prices, high interest rates and increased cost of utilities. There are extended periods of load shedding for electricity and gas, and the situation is further deteriorating as a result of recent floods which are causing serious damage to the country's economy.

In the face of such adversities the Company has intensified its efforts to reduce costs, maximize synergies and increase service levels in an effort to increase manufacturing efficiencies, enhance the product value and exceed customer expectations. The management is hopeful that the Company would succeed in recovering from this depressed phase and there are positive indications for improvement in the demand of its products. However, this is dependent on the timely availability of working capital facilities by the lenders in order to be able to run the operations of the company at full capacity.

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

### Acknowledgment

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 has played a pivotal role in the growth of the Company. The board also wishes to place on record its appreciation for the hard work and commendable services rendered by the Company's staff and workers.

On behalf of the Board



Chief Executive

Lahore: October 30, 2010

# Condensed Interim Financial Information

## Condensed Interim Balance Sheet as at September 30, 2010

	Note	September 30, 2010 Rupees	December 31, 2009 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital		4,548,718,700	4,879,343,880
Reserves		6,111,008,466	6,943,648,200
Accumulated profit		2,412,567,098	2,677,561,193
		13,072,294,264	14,500,553,273
<b>Surplus on revaluation of property, plant and equipment</b>			
		3,796,947,699	3,969,152,218
<b>Non-current liabilities</b>			
Redeemable capital - Secured	4	2,413,638,623	3,096,956,918
Long term finances - Secured	5	1,402,445,000	1,891,312,500
Liabilities against assets subject to finance lease - Secured	6	50,689,350	56,638,407
		3,866,772,973	5,044,907,825
<b>Current liabilities</b>			
Current portion of non-current liabilities		3,652,659,788	2,356,508,078
Short term borrowings		8,557,088,326	8,911,333,573
Trade and other payables		2,915,188,637	1,776,603,962
Due to related party		451,007,466	1,245,555,096
Interest/mark-up accrued on borrowings		1,073,797,392	657,422,644
Dividend payable		3,456,326	63,183,986
		16,653,197,935	15,010,607,339
<b>Contingencies and commitments</b>			
	7	-	-
		37,389,212,871	38,525,220,655
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		14,101,437,939	14,054,500,286
Intangible assets		11,520,421	15,396,765
Long term investments		3,221,504,740	12,052,756,447
Derivative financial assets		-	45,298,097
Long term deposits - Unsecured, considered good		29,059,941	30,723,041
		17,363,523,041	26,198,674,636
<b>Current assets</b>			
Stores, spares and loose tools		391,662,267	404,451,110
Stock in trade		4,181,861,819	4,414,852,668
Trade receivables		4,338,584,663	3,126,881,285
Advances, deposits, prepayments and other receivables		1,611,176,723	1,163,125,222
Short term investments		9,402,695,520	2,942,047,710
Current taxation		64,107,112	70,842,910
Cash and bank balances		35,601,726	204,345,114
		20,025,689,830	12,326,546,019
		37,389,212,871	38,525,220,655

The annexed notes 1 to 10 form an integral part of this interim financial information

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed Interim Profit and loss account for nine months ended September 30, 2010

	Nine months ended September 30, 2010 Rupees	Nine months ended September 30, 2009 Rupees	Quarter ended September 30, 2010 Rupees	Quarter ended September 30, 2009 Rupees
Sales - Net	8,938,820,464	8,638,376,007	2,746,154,769	2,828,817,873
Cost of sales	(7,919,265,722)	(5,952,599,476)	(2,469,704,563)	(1,889,096,406)
<b>Gross profit</b>	<b>1,019,554,742</b>	<b>2,685,776,531</b>	<b>276,450,206</b>	<b>939,721,467</b>
Selling and distribution expenses	(344,165,182)	(235,581,237)	(114,192,700)	(79,705,648)
Administrative and general expenses	(363,802,551)	(289,275,053)	(134,253,307)	(97,786,055)
Net other income/(expense)	811,769,008	(9,312,644)	168,940,725	(16,201,077)
<b>Operating profit</b>	<b>1,123,356,017</b>	<b>2,151,607,597</b>	<b>196,944,924</b>	<b>746,028,687</b>
Finance cost	(1,521,217,220)	(1,827,120,380)	(483,746,369)	(610,089,386)
Other charges	-	-	-	-
<b>(Loss)/profit before taxation</b>	<b>(397,861,203)</b>	<b>324,487,217</b>	<b>(286,801,445)</b>	<b>135,939,301</b>
Taxation	(90,318,476)	(86,755,091)	(27,624,130)	(28,353,804)
<b>(Loss)/profit after taxation</b>	<b>(488,179,679)</b>	<b>237,732,126</b>	<b>(314,425,575)</b>	<b>107,585,497</b>
<b>(Loss)/earnings per share - Basic and diluted</b>	<b>(1.12)</b>	<b>0.46</b>	<b>(0.71)</b>	<b>0.20</b>

The annexed notes 1 to 10 form an integral part of this interim financial information

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed Interim Statement of other comprehensive income for nine months ended September 30, 2010

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	Rupees	Rupees	Rupees	Rupees
Changes in fair value of cash flow hedges	(18,996,268)	(65,294,330)	(14,732,258)	5,452,537
Available for sale financial assets	-	-	-	-
Changes in fair value of available for sale financial assets	(256,340)	(24,043)	(75,384)	10,837
Surplus realized on derecognition.	(762,382,985)	-	-	-
Incremental depreciation	172,204,519	14,288,216	57,283,309	4,762,738
Other comprehensive income before taxation	(609,431,074)	(51,030,157)	42,475,667	10,226,112
Taxation	-	-	-	-
Other comprehensive income after taxation	(609,431,074)	(51,030,157)	42,475,667	10,226,112
Profit after taxation	(488,179,679)	237,732,126	(314,425,575)	107,585,497
<b>Total comprehensive (loss)/income</b>	<b>(1,097,610,753)</b>	<b>186,701,969</b>	<b>(271,949,908)</b>	<b>117,811,609</b>

The annexed notes 1 to 10 form an integral part of this interim financial information

## Condensed Interim Cash flow statement for nine months ended September 30, 2010

	Note	September 30, 2010	September 30, 2009
		Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before taxation		(397,861,203)	324,487,217
Adjustments for non-cash and other items		1,415,932,084	2,274,447,896
Operating profit before changes in working capital		1,018,070,881	2,598,935,113
Changes in working capital		(164,868,682)	(1,035,494,976)
		853,202,199	1,563,440,137
Interest/markup paid		(1,101,179,527)	(1,857,913,478)
Taxes paid		(83,582,678)	(92,709,342)
<b>Net cash flow from/(used in) operating activities</b>		<b>(331,560,006)</b>	<b>(387,182,683)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(731,246,688)	(1,218,475,813)
Proceeds from disposal of property, plant and equipment		6,773,582	3,212,018
Return on investments		1,423,151,911	309,995,314
<b>Net cash flow from/(used in) investing activities</b>		<b>698,678,805</b>	<b>(905,268,481)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term finances		(92,242,500)	(688,842,500)
Redeemable capital		-	(396,513,346)
Liabilities against assets subject to finance lease		(21,655,091)	(16,339,108)
Due to related party		(731,259,794)	113,979,410
Short term borrowings		455,754,753	1,387,457,938
Preference shares		(86,731,895)	-
Proceeds from issue of ordinary shares net of transaction costs		-	1,003,256,252
Dividend paid		(59,727,660)	(10,689,634)
<b>Net cash (used in)/flow from financing activities</b>		<b>(535,862,187)</b>	<b>1,392,309,012</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(168,743,388)</b>	<b>99,857,848</b>
<b>Cash and cash equivalents as at beginning of the period</b>		<b>204,345,114</b>	<b>82,073,810</b>
<b>Cash and cash equivalents as at end of the period</b>		<b>35,601,726</b>	<b>181,931,658</b>

The annexed notes 1 to 10 form an integral part of this interim financial information

Condensed Interim Statement of changes in equity  
for nine months ended September 30, 2010

	Share capital		Reserves					Total equity Rupees			
	Ordinary shares Rupees	Preference shares Rupees	Total Rupees	Share premium Rupees	Cash flow hedges Rupees	Reserve on merger Rupees	Preference shares redemption Rupees		Available for sale financial assets Rupees	Total Rupees	Accumulated profit Rupees
As at January 01, 2009	3,165,867,710	661,250,830	3,827,118,540	2,737,841,499	152,635,940	105,152,005	517,500,000	19,339,558	3,532,469,002	2,764,494,959	10,124,082,501
Issue of bonus shares	633,173,530	-	633,173,530	-	-	-	-	-	-	(633,173,530)	-
Issue of right shares	749,677,460	-	749,677,460	262,387,112	-	-	-	262,387,112	-	-	1,012,064,572
Transaction costs incurred on issue of right shares	-	-	-	(8,808,320)	-	-	-	-	(8,808,320)	-	(8,808,320)
Profit for the nine months ended September 30, 2009	-	-	-	-	-	-	-	-	-	237,732,126	237,732,126
Other comprehensive income for the nine months ended September 30, 2009	-	-	-	-	(65,294,330)	-	-	(24,043)	(65,318,373)	14,288,216	(51,030,157)
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	54,000,000	-	54,000,000	(54,000,000)	-
As at September 30, 2009	4,548,718,700	661,250,830	5,209,969,530	2,991,420,291	87,341,610	105,152,005	571,500,000	19,315,515	3,774,429,421	2,329,341,771	11,314,040,722
As at January 01, 2010	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	70,743,356	105,152,005	625,500,000	3,784,006,078	6,943,648,200	2,677,561,193	14,500,553,273
(Loss) for the nine months ended September 30, 2010	-	-	-	-	-	-	-	-	-	(488,179,679)	(488,179,679)
Other comprehensive income for the nine months ended September 30, 2010	-	-	-	-	(18,996,268)	-	-	(762,662,401)	(781,658,669)	172,204,519	(609,454,150)
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	-	(330,625,180)
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	35,750,830	-	35,750,830	(35,750,830)	-
Redemption of preference shares	-	-	-	-	-	-	(86,731,895)	-	(86,731,895)	86,731,895	-
As at September 30, 2010	4,548,718,700	-	4,548,718,700	2,358,246,761	51,747,088	105,152,005	574,518,935	3,021,343,677	6,111,008,466	2,412,567,098	13,072,294,264

The annexed notes 1 to 10 form an integral part of this interim financial information

Lahore



CHIEF EXECUTIVE



DIRECTOR

Notes to the condensed interim financial information  
for nine months ended September 30, 2010

1 REPORTING ENTITY

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial report of the Company for the nine months period ended September 30, 2010 is not audited and has been prepared in accordance 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 nine months ended September 30, 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.

	September 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>4 REDEEMABLE CAPITAL - SECURED</b>		
Term finance certificates	3,996,649,061	3,996,649,061
Transaction costs	(20,756,697)	(24,419,643)
	<u>3,975,892,364</u>	<u>3,972,229,418</u>
Current maturity presented under current liabilities	(1,562,253,741)	(875,272,500)
	<u>2,413,638,623</u>	<u>3,096,956,918</u>
<b>5 LONG TERM FINANCES - SECURED</b>		
From banking companies and financial institutions	2,904,770,000	2,997,012,500
Current maturity presented under current liabilities	(1,502,325,000)	(1,105,700,000)
	<u>1,402,445,000</u>	<u>1,891,312,500</u>
<b>6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED</b>		
Present value of minimum lease payments	64,251,462	87,075,385
Current maturity presented under current liabilities	(13,562,112)	(30,436,978)
	<u>50,689,350</u>	<u>56,638,407</u>

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 567.79 million (December 31, 2009: Rs. 152.05 million).

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

Notes to the condensed interim financial information  
for nine months ended September 30, 2010

	September 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>7.2 Commitments</b>		
<b>7.2.1</b> Commitments under irrevocable letters of credit for:		
- purchase of machinery	15,500,224	-
- purchase of stores, spare and loose tools	242,648,763	93,560,121
- purchase of raw material	204,351,296	811,185,420
	<u>462,500,283</u>	<u>904,745,541</u>
<b>7.2.2</b> Commitments for capital expenditure	<u>1,251,206</u>	<u>3,503,908</u>

8 RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>8.1 Transactions with related parties</b>				
<b>8.1.1 Subsidiaries</b>				
Sale of goods	776,104,017	1,072,832,831	162,987,710	522,876,550
Return on investment in TFCs	63,167,836	97,540,041	21,235,068	22,982,800
Purchases of goods and services	-	15,142,913	-	-
<b>8.1.2 Associates</b>				
Purchases of chemicals	2,271,716	6,110,981	929,716	3,662,521
<b>8.1.3 Post-employment benefit plans</b>				
Contribution to employees provident fund	77,387,177	38,260,402	20,776,536	13,797,233
<b>8.1.4 Key management personnel</b>				
Short-term employee benefits	25,414,100	11,700,000	8,362,100	5,110,000

Notes to the condensed interim financial information  
for nine months ended September 30, 2010

	September 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>8.2 Balances with related parties</b>		
<b>8.2.1 Subsidiaries</b>		
Borrowings	451,007,466	1,245,555,096
Trade receivables	1,259,609,841	954,510,723
Markup payable	15,365,263	137,090,639
Investment in ordinary shares	9,004,968,640	10,612,790,135
Investment in term finance certificates	599,520,000	599,640,000
<b>8.2.2 Associates</b>		
Trade payables	810,936	1,877,139
<b>8.2.3 Post-employment benefit plans</b>		
Payable to employees provident fund	7,893,008	5,352,298
<b>8.2.4 Key Management Personnel</b>		
Short term employee benefits payable	2,334,900	1,517,000

**9 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on October 30, 2010 by the Board of Directors of the Company.

**10 GENERAL**

Figures have been rounded off to the nearest rupee

## Condensed Interim Consolidated Financial Information

## Condensed interim consolidated balance sheet as at September 30, 2010

<i>Note</i>	September 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
Issued, subscribed and paid-up capital	4,548,718,700	4,879,343,880
Reserves	3,039,023,904	3,152,133,984
Accumulated profit	3,806,871,762	3,810,725,980
	<u>11,394,614,366</u>	<u>11,842,203,844</u>
<b>Non-controlling interests</b>	2,659,867,237	-
<b>Surplus on revaluation of property, plant and equipment</b>	7,184,921,175	3,969,152,218
<b>Loan from associates - Unsecured, Subordinated</b>	340,000,000	340,000,000
<b>Non-current liabilities</b>		
Redeemable capital - Secured	9,847,079,169	11,745,418,131
Long term finances - Secured	4,303,607,793	4,640,797,982
Liabilities against assets subject to finance lease - Secured	215,242,467	279,208,203
Long term payables	31,135,199	52,185,199
Deferred taxation	3,709,649,212	2,147,388,347
	<u>18,106,713,840</u>	<u>18,864,997,862</u>
<b>Current liabilities</b>		
Current maturity of non-current liabilities	6,925,707,610	3,651,689,218
Short term borrowings	13,534,386,681	12,891,613,075
Trade and other payables	6,541,690,619	5,871,461,238
Interest/mark-up accrued on borrowings	2,915,258,092	1,000,787,278
Dividend payable	3,456,326	63,183,986
	<u>29,920,499,328</u>	<u>23,478,734,795</u>
<b>Contingencies and commitments</b>	-	-
	<u>69,606,615,946</u>	<u>58,495,088,719</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	48,146,713,227	37,077,131,053
Intangible assets	5,410,532,871	5,645,095,896
Long term investments	13,690	36,767
Derivative financial assets	-	45,298,097
Long term deposits - Unsecured, considered good	61,016,832	56,988,258
Long term advances	29,896,192	32,496,935
	<u>53,648,172,812</u>	<u>42,857,047,006</u>
<b>Current assets</b>		
Stores, spares and loose tools	1,628,318,851	1,714,632,249
Stock in trade	4,766,259,029	5,985,036,223
Trade receivables	4,595,131,272	4,586,931,259
Advances, deposits, prepayments and other receivables	4,656,545,206	2,587,295,068
Current taxation	162,269,057	326,331,600
Cash and bank balances	149,919,719	437,814,314
	<u>15,958,443,134</u>	<u>15,638,041,713</u>
	<u>69,606,615,946</u>	<u>58,495,088,719</u>

The annexed notes 1 to 11 form an integral part of this interim financial information.

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed interim consolidated profit and loss accounts for nine months ended September 30, 2010

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Sales - Net	15,807,209,457	17,529,166,349	4,089,434,570	4,943,331,430
Cost of sales	(12,825,471,700)	(11,015,055,127)	(3,249,760,390)	(2,848,014,375)
<b>Gross profit</b>	<u>2,981,737,757</u>	<u>6,514,111,222</u>	<u>839,674,180</u>	<u>2,095,317,055</u>
Selling and distribution expenses	(459,564,800)	(464,784,143)	(118,397,519)	(171,272,772)
Administrative and general expenses	(834,384,917)	(862,457,370)	(242,594,174)	(317,815,198)
Net other income/(expense)	635,379,975	(76,347,531)	7,750,948	3,583,769
<b>Operating profit</b>	<u>2,323,168,015</u>	<u>5,110,522,178</u>	<u>486,433,435</u>	<u>1,609,812,854</u>
Finance cost	(2,735,758,122)	(3,597,420,712)	(762,362,263)	(1,194,228,608)
Other charges	-	-	-	-
<b>(Loss)/profit before taxation</b>	<u>(412,590,107)</u>	<u>1,513,101,466</u>	<u>(275,928,828)</u>	<u>415,584,246</u>
Taxation	563,354,433	(119,653,152)	271,788,236	(46,016,047)
<b>Profit/(loss) after taxation</b>	<u>150,764,326</u>	<u>1,393,448,314</u>	<u>(4,140,592)</u>	<u>369,568,199</u>
<b>Profit/(loss) after taxation attributable to:</b>				
equity holders of the parent	(63,842,566)	1,393,448,314	(88,996,917)	369,568,199
non-controlling interests	214,606,892	-	84,856,325	-
	<u>150,764,326</u>	<u>1,393,448,314</u>	<u>(4,140,592)</u>	<u>369,568,199</u>
<b>(Loss)/earnings per share - Basic and diluted</b>	<u>(0.19)</u>	<u>3.14</u>	<u>(0.21)</u>	<u>0.76</u>

The annexed notes 1 to 11 form an integral part of this interim financial information.

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed interim consolidated statement of other comprehensive income for nine months ended September 30, 2010

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	Rupees	Rupees	Rupees	Rupees
Changes in fair value of cash flow hedges	(18,996,268)	(65,294,330)	(14,732,258)	5,452,538
Changes in fair value of available for sale financial assets	(23,076)	(39,939)	(23,076)	-
Foreign exchange differences on translation of foreign subsidiaries	(43,109,671)	19,563,870	42,035,727	(2,009,456)
Incremental depreciation	249,697,806	14,288,216	64,223,441	4,762,738
<b>Other comprehensive income/(loss) before taxation</b>	<b>187,568,791</b>	<b>(31,482,183)</b>	<b>91,503,834</b>	<b>8,205,820</b>
Taxation	(27,122,650)	-	(2,429,046)	-
<b>Other comprehensive income/(loss) after taxation</b>	<b>160,446,141</b>	<b>(31,482,183)</b>	<b>89,074,788</b>	<b>8,205,820</b>
<b>Profit after taxation</b>	<b>150,764,326</b>	<b>1,393,448,314</b>	<b>(4,140,592)</b>	<b>369,568,199</b>
<b>Total comprehensive income</b>	<b>311,210,467</b>	<b>1,361,966,131</b>	<b>84,934,196</b>	<b>377,774,019</b>
<b>Total comprehensive income attributable to:</b>				
equity holders of the parent	307,421,530	1,361,966,131	81,145,259	377,774,019
non-controlling interests	3,788,937	-	3,788,937	-
	<b>311,210,467</b>	<b>1,361,966,131</b>	<b>84,934,196</b>	<b>377,774,019</b>

The annexed notes 1 to 11 form an integral part of this interim financial information.

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

## Condensed interim consolidated cash flow statement for nine months ended September 30, 2010

	September 30, 2010	September 30, 2009
	Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	(412,590,107)	1,513,101,466
Adjustments for non-cash and other items	4,913,599,156	3,520,972,420
Operating profit before changes in working capital	4,501,009,049	5,034,073,886
Changes in working capital	(103,557,009)	(1,167,118,983)
	4,397,452,040	3,866,954,903
Payments for		
Interest/markup paid	(800,060,062)	(4,113,453,123)
Taxes refund/(paid)	41,025,651	(151,418,181)
<b>Net cash flow from/(used in) operating activities</b>	<b>3,638,417,629</b>	<b>(397,916,401)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(5,684,302,111)	(4,077,399,946)
Proceeds from disposal of property, plant and equipment	45,382,577	359,234,400
Return on investments	1,423,151,911	108,761,692
<b>Net cash used in investing activities</b>	<b>(4,215,767,623)</b>	<b>(3,609,403,854)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finances	(65,565,189)	767,555,802
Redeemable capital	9,040,279	(189,913,346)
Liabilities against assets subject to finance lease	(135,533,742)	190,240,250
Short term borrowings	642,773,606	2,247,958,686
Proceeds from issue of share capital net of transaction costs	-	1,003,256,252
Transaction costs on issue of term finance certificates	(14,800,000)	-
Preference shares	(86,731,895)	-
Dividend paid	(59,727,660)	(10,689,634)
<b>Net cash flow from financing activities</b>	<b>289,455,399</b>	<b>4,008,408,010</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(287,894,595)</b>	<b>1,087,755</b>
<b>Cash and cash equivalents as at beginning of the period</b>	<b>437,814,314</b>	<b>428,860,804</b>
<b>Cash and cash equivalents as at end of the period</b>	<b>149,919,719</b>	<b>429,948,559</b>

The annexed notes 1 to 11 form an integral part of this interim financial information.

Lahore

  
 CHIEF EXECUTIVE

  
 DIRECTOR

Condensed interim consolidated statement of changes in equity  
for nine months ended September 30, 2010

	Share capital		Reserves						Available for sale financial assets	Total	Accumulated profit	Total equity	Non-controlling interests
	Ordinary shares	Preference shares	Share premium	Cash flow hedges	Translation reserve	Reserve on merger	Preference redemption reserve	Share redemption reserve					
As at January 01, 2009	3,165,867,710	661,250,830	3,827,118,540	3,827,841,499	152,635,940	(1,420,374)	106,152,003	512,500,000	49,074	3,511,758,144	2,420,262,535	9,759,139,219	-
Issue of bonus shares	633,173,530	-	633,173,530	-	-	-	-	-	-	-	(633,173,530)	-	-
Issue of right shares	749,677,460	-	749,677,460	262,387,112	-	-	-	-	262,387,112	-	-	1,012,064,572	-
Transaction costs incurred on issue of right shares	-	-	-	(8,808,320)	-	-	-	-	-	(8,808,320)	-	(8,808,320)	-
Profit for nine months ended September 30, 2009	-	-	-	-	-	-	-	-	-	-	1,393,448,314	1,393,448,314	-
Other comprehensive income (loss) for nine months ended September 30, 2009	-	-	-	-	15,563,370	-	-	-	(39,939)	(45,770,399)	14,286,216	(31,483,183)	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	-	81,000,000	-	81,000,000	(81,000,000)	-	-
As at September 30, 2009	4,548,718,700	661,250,830	5,209,969,530	2,991,420,391	87,341,610	18,143,496	106,152,003	598,500,000	9,135	3,800,566,537	3,113,825,532	12,124,361,602	-
As at January 01, 2010	4,548,718,700	330,623,180	4,879,341,880	2,378,246,781	70,743,336	(7,236,541)	106,152,003	625,500,000	18,103	3,152,133,984	3,810,225,980	11,842,203,844	-
Non-controlling interests arising on divestment	-	-	-	-	-	-	-	-	-	-	(209,778,936)	(209,778,936)	2,441,471,408
Profit for nine months ended September 30, 2010	-	-	-	-	-	-	-	-	-	-	(63,842,566)	(63,842,566)	214,606,892
Other comprehensive income (loss) for nine months ended September 30, 2010	-	-	-	-	(18,996,268)	(43,109,671)	-	-	(23,076)	(62,129,015)	216,786,219	156,657,204	3,786,937
Preference shares classified as current liability	-	(330,623,180)	(330,623,180)	-	-	-	-	-	-	-	-	(330,623,180)	-
Profit transferred to preference shares redemption reserve	-	-	-	-	-	-	-	(86,731,895)	-	(86,731,895)	86,731,895	-	-
Redemption of preference shares	-	-	-	-	-	-	-	35,760,830	-	35,760,830	(35,760,830)	-	-
As at September 30, 2010	4,548,718,700	-	4,548,718,700	2,382,246,781	81,747,088	(50,635,012)	106,152,003	574,818,035	(4,073)	3,039,023,904	3,806,871,762	11,394,614,366	2,659,867,237

The annexed notes 1 to 11 form an integral part of this interim financial information.

Lahore

CHIEF EXECUTIVE

DIRECTOR

Notes to the condensed consolidated interim financial information  
for nine months ended September 30, 2010

## 1 REPORTING ENTITY

### Parent Company

**Azgard Nine Limited ("ANL")** is incorporated in Pakistan as a Public Limited Company and is currently listed on Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-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, during the period, ANL has divested 20.13% of its total holding through a combination of public subscription and private placement. Further, the shareholders of ANL, in the extraordinary general meeting held on July 23, 2010, approved the divestment of remaining shares held in AGL. The sale and bidding aspect of the same is in process and is expected to be concluded in the near future. AGL was acquired on July 01, 2006.

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

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

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim financial report of the Group for the nine months period ended September 30, 2010 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

## Notes to the condensed consolidated interim financial information for nine months ended September 30, 2010

This interim financial information report is not audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2009.

### 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 Group'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 Group for the year ended December 31, 2009.

## Notes to the condensed consolidated interim financial information for nine months ended September 30, 2010

	September 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>4 REDEEMABLE CAPITAL - SECURED</b>		
Term Finance Certificates	12,286,574,311	12,291,729,061
Sukuks	1,600,000,000	1,600,000,000
	<u>13,886,574,311</u>	<u>13,891,729,061</u>
Transaction costs	(141,355,401)	(155,550,430)
	<u>13,745,218,910</u>	<u>13,736,178,631</u>
Current maturity presented under current liabilities	(3,898,139,741)	(1,990,760,500)
	<u>9,847,079,169</u>	<u>11,745,418,131</u>
<b>5 LONG TERM FINANCES - SECURED</b>		
These represent long term finances utilized under interest/markup arrangements		
From banking companies and financial institutions	6,674,682,793	5,871,497,982
Current maturity presented under current liabilities	(2,371,075,000)	(1,230,700,000)
	<u>4,303,607,793</u>	<u>4,640,797,982</u>
<b>6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED</b>		
Present value of minimum lease payments	297,216,401	364,338,321
Current maturity presented under current liabilities	(81,973,934)	(85,130,118)
	<u>215,242,467</u>	<u>279,208,203</u>
<b>7 CONTINGENCIES AND COMMITMENTS</b>		
<b>7.1 Contingencies</b>		
<b>7.1.1</b> Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 764 million (December 31, 2009: Rs. 348.350 million).		
<b>7.1.2</b> There is no change in the status of other contingencies since December 31, 2009.		

Notes to the condensed consolidated interim financial information  
for nine months ended September 30, 2010

	June 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>7.2 Commitments</b>		
<b>7.2.1</b> Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	15,500,224	394,771,631
- purchase of machinery	242,648,763	1,781,959,711
- purchase of raw material	299,597,519	811,185,420
	<u>557,746,506</u>	<u>2,987,916,762</u>
<b>7.2.2</b> Commitments for capital expenditure	<u>1,251,206</u>	<u>3,503,908</u>

**8 RELATED PARTY TRANSACTIONS AND BALANCES**

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

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

	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>8.1 Transactions with related parties</b>				
<b>8.1.1 Associates</b>				
Purchases of chemicals	2,271,716	6,110,981	929,716	3,662,521
Mark-up expense	39,799,841	40,687,940	13,513,397	14,577,337
<b>8.1.2 Post-employment benefit plans</b>				
Contribution to employees provident fund	91,261,344	46,265,970	27,627,341	19,090,133
Contribution to employees gratuity fund	3,988,064	2,592,582	2,400,000	877,366
<b>8.1.3 Key management personnel</b>				
Short term employee benefits	47,628,173	21,870,000	15,788,975	9,013,441
Post employment benefits	3,455,191	1,317,281	689,181	438,780

Notes to the condensed consolidated interim financial information  
for nine months ended September 30, 2010

	September 30, 2010	December 31, 2009
	<i>Rupees</i>	<i>Rupees</i>
<b>8.2 Balances with related parties</b>		
<b>8.2.1 Associates</b>		
Trade payables	810,936	1,877,139
Borrowings	340,000,000	340,000,000
Markup payable	73,896,158	-
<b>8.2.2 Post-employment benefit plans</b>		
Payable to employees provident fund	99,020,180	11,723,338
Payable to gratuity trust	25,356,572	16,413,300
<b>8.2.3 Key Management Personnel</b>		
Short term employee benefits payable	2,334,900	1,517,000

## Notes to the condensed consolidated interim financial information for nine months ended September 30, 2010

### 9 SEGMENT INFORMATION

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

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

Information about operating segments as at September 30, 2010 is as follows:

	Textile		Fertilizer		Total	
	Nine months ended September 30, 2010 Rupees	Nine months ended September 30, 2009 Rupees	Nine months ended September 30, 2010 Rupees	Nine months ended September 30, 2009 Rupees	Nine months ended September 30, 2010 Rupees	Nine months ended September 30, 2009 Rupees
Revenue from external customers	9,395,519,913	9,200,207,964	6,411,689,544	8,328,958,385	15,807,209,457	17,529,166,349
Inter-segment revenues	-	-	-	-	-	-
Segment profit / (loss)	(788,160,500)	184,927,620	938,924,826	1,208,520,694	150,764,326	1,393,448,314
	As at September 30, 2010 Rupees	As at December 31, 2009 Rupees	As at September 30, 2010 Rupees	As at December 31, 2009 Rupees	As at September 30, 2010 Rupees	As at December 31, 2009 Rupees
Segment assets	37,404,130,114	39,589,251,358	41,820,021,607	31,517,810,976	79,224,151,721	71,107,062,334
	Segment assets		Segment profit			
	As at September 30, 2010 Rupees	As at December 31, 2009 Rupees	As at September 30, 2010 Rupees	As at December 31, 2009 Rupees	Half year ended September 30, 2010 Rupees	Half year ended June 30, 2009 Rupees
<b>9.1 Reconciliation of reportable segment assets and segment profit</b>						
Total for reportable segments	79,224,151,721	71,107,062,334	150,764,326	1,393,448,314		
Elimination of						
Investments in other segments	(10,002,215,520)	(12,372,540,000)	-	-	-	-
Inter-segment balances	(528,372,729)	(1,382,645,735)	-	-	-	-
Inter-segment profits	913,052,474	1,143,212,120	-	-	-	-
Goodwill acquired in business combination	69,606,615,946	58,495,088,719	-	-	-	-
Consolidated total			150,764,326	1,393,448,314		

## Notes to the condensed consolidated interim financial information for nine months ended September 30, 2010

### 10 DATE OF AUTHORIZATION FOR ISSUE

This condensed consolidated financial information was authorized for issue on October 30, 2010 by the Board of Directors of ANL.

### 11 GENERAL

Figures have been rounded off to the nearest rupee

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR