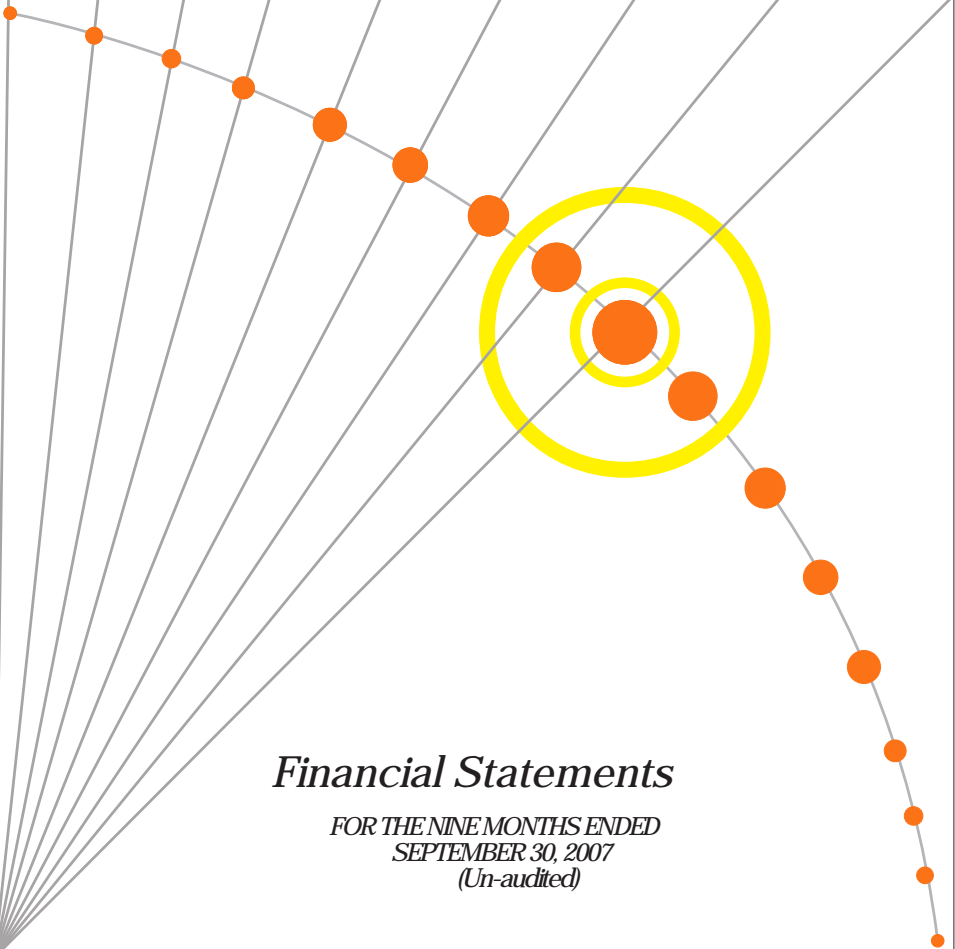




AZGARD-9
Azgard Nine Limited



Financial Statements

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2007
(Un-audited)

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Azgard Nine Limited

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Mueen Afzal
Mr. Ahmed H. Shaikh
Chief Justice (Retd.) Mian Mahboob Ahmad
Mr. Aehsun M.H. Shaikh
Mr. Ali Jehangir Siddiqui
Mr. Khalid A.H. Al-Sagar
Mr. Mohammed Khaishgi

Chairman
Chief Executive

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 Jehangir Siddiqui
Mr. Khalid A.H. Al-Sagar

MANAGEMENT TEAM

Mr. Ahmed H. Shaikh
Mr. Aehsun M.H. Shaikh
Mr. Abid Amin
Mr. Irfan Nazir
Mr. Tahir Munir
Mr. Atif Farooqi
Mr. Per Fredriksson

FINANCE COMMITTEE

Mr. Ahmed H. Shaikh
Mr. Ali Jehangir Siddiqui
Mr. Tariq Mohammad Khan

HUMAN RESOURCE COMMITTEE

Mr. Ahmed H. Shaikh
Mr. Aehsun M.H. Shaikh
Mr. Salim Khan

BANKERS

JS Bank Limited
MCB Bank Limited
Citibank N.A.
ABN Amro Bank
Faysal Bank Limited
Habib Bank Limited
Saudi Pak Commercial Bank Limited
PICIC Commercial Bank Limited
The Hong Kong and Shanghai
Banking Corporation
United Bank Limited
Standard Chartered Bank
Habib Metropolitan Bank Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
My Bank Limited
KASB Bank Limited

LEGAL ADVISORS

Hamid Law Associates
Hassan & Hassan Advocates

AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

TAX ADVISORS

Faruq Ali & Co.
Chartered Accountants

REGISTERED OFFICE

Ismail Aiwan-e-Science
Off Shahrah-e-Roomi
Lahore, 54600
Ph: +92 (0)42 111-786-6457
Fax: +92 (0)42 5761791

PROJECT LOCATIONS

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 Ferozpur Road,
6 KM Badian Road on Ruhi Nala
Der Khurd, Lahore.
Ph: +92 (0)42 8460333, 8488862

DIRECTORS' REVIEW

It is a pleasure for the Board of Directors to present the un-audited condensed interim financial statements for the period ended September 30, 2007. By the Grace of God, M/s Azgard Nine Limited (the "Company") has completed another quarter of successful business operations under challenging market conditions. Following is the quarterly review of the Company's operations:

GENERAL MARKET CONDITIONS

The Company, as a group, is involved in a number of businesses. The prevalent market condition of each is discussed below:

1. Yarn

Market conditions remained challenging during the period. There are now some signs of improving trading conditions, particularly in the Far East markets.

2. Denim Fabric

Textiles, being part of fashion industry, have to compete with the rapidly and unpredictably changing fashion trends hence putting immense pressure upon Denim manufacturers globally. Denim fabric has remained oversupplied during this period due to supply side dynamics. It is foreseen that in the coming year this demand supply balance will be improving resulting in better trading conditions.

3. Garments

The trend for garments is that there is considerable demand therefore volumes are growing. However, due to the high degree of competition regionally margins remain under pressure. It is foreseen that trading conditions will also improve next year.

4. Fertilizer

The Fertilizer business has added diversity to our group's operations and has helped provide stability to the overall portfolio.

Azgard Nine Limited is now a largely diversified multi product company operating in the business of manufacturing and marketing of chemical fertilizers through its 100% owned subsidiary Pak American Fertilizers Limited "PAFL". PAFL is the fifth largest urea manufacturer in the country with a Urea market share of 8%. PAFL's plant is the newest, most efficient and lowest cost urea manufacturing plant in the country. The company also started a Fertilizer trading business by way of importing and selling Phosphatic fertilizers in the country during the period under review.

Post acquisition of PAFL in July 2006, the company has restructured the front end of the business by going into direct marketing and selling of newly launched TARA brand.

OPERATING RESULTS OF THE COMPANY

Turnover

The aggressive exploration of both local and international markets and successful sales has earned the Company an increased turnover of 38% over last year's corresponding period. Even with the current denim market slump, Company's stabilized existence in the top line can be attributed to the following:

- Well prepared sales network with foreign marketing offices;
- Continued market exploration;
- Vertical integration of the textile production chain.

DIRECTORS' REVIEW

The following are the consolidated and stand alone results of the operations of the Company during the period under review

	Azgard Nine Ltd Consolidated (Rupees)	Azgard Nine Ltd (Rupees)
Sales Net	7,362,973,701	4,849,325,655
Cost of Goods Sold	4,570,518,012	3,502,228,698
Gross Profit	2,792,455,689	1,347,096,957
Administrative and selling Expenses	558,879,366	271,115,749
Operating Profit	2,233,576,323	1,075,981,208
Other Income	131,241,957	84,784,409
	<u>2,364,818,280</u>	<u>1,160,765,617</u>
Finance & other charges	1,572,915,439	800,408,047
Profit before tax	791,902,841	360,357,570
Provision for taxation		
– Current	50,323,242	37,754,995
– Deferred	115,158,718	–
Net Profit after tax	<u>626,420,881</u>	<u>322,602,575</u>
Earnings per share for the quarter (Qtr. 3 / 2007)	0.61	0.43
Earnings per share for the period (9-Months 2007)	1.86	0.89

FUTURE MARKET OUTLOOK

In terms of Fertilizer business, the prevalent positive market conditions are expected to bring good results in the next quarter as well. The Textile trading conditions will be similar to this quarter with some marginal improvement expected.

However, next quarter we expect issues and market challenges for the Textile business. This concern is attributed to various factors including high interest rates, rigorous competition and reduced prices. While demand in international Denim market continues to grow, the coming on stream of additional production capacity in competitor countries has lowered margins in the business.

However, next year is anticipated to bring a more balanced year for demand and supply with a view of international fashion trends moving more forwards Denim. Moreover, the Company has focused on garments production capacities keeping in view the very positive and encouraging response for its garments from the global market. Our key challenge is to effectively manage growth and to face competition with better efficiency.

We would like to record our deep appreciation for the dedication of all the officers of the Company, its customers and suppliers whose consistent support has helped us to make continued improvements in our business practices.

On behalf of the Board



Chief Executive

Lahore: October 26, 2007

CONDENSED INTERIM BALANCE SHEET (Unaudited)

as at September 30, 2007

		September 30, 2007	December 31, 2006
	Note	Rupees	Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
1,500,000,000 Ordinary and Preference shares of Rs. 10/- each		15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital		3,788,838,900	3,788,838,900
Capital reserves		3,572,129,713	3,578,262,182
Unappropriated profit		1,748,904,407	1,807,067,052
		9,109,873,020	9,174,168,134
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT		243,645,024	257,360,867
NON CURRENT LIABILITIES			
Redeemable Capital	4	2,025,437,163	2,266,955,064
Long-term financing - secured	5	2,891,115,005	3,519,216,988
Liabilities against assets subject to finance lease	6	9,748,741	9,622,618
Long-term deposits and payables		1,643,889	1,643,889
		4,927,944,798	5,797,438,559
CURRENT LIABILITIES			
Current portion of long-term liabilities		1,044,676,540	450,047,125
Short-term financing	7	6,718,479,905	6,006,117,630
Fair value of obligation under swap contracts		20,591,820	32,021,607
Trade and other payables		825,930,860	961,345,530
Interest and mark-up accrued		350,842,190	297,242,537
Dividends		159,082,797	22,312,061
		9,119,604,112	7,769,086,490
CONTINGENCIES AND COMMITMENTS	8	23,401,066,954	22,998,054,050
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	9	7,693,806,719	7,601,895,866
Capital work in progress	10	203,720,938	150,650,477
Intangible assets		52,080,776	60,544,809
Long term investments	11	6,043,529,932	6,303,488,906
Long term deposits		20,269,502	19,906,757
		14,013,407,867	14,136,486,815
CURRENT ASSETS			
Stores, spares and loose tools		88,683,942	101,762,486
Stock in trade		2,159,264,559	2,022,510,924
Trade debtors		1,513,994,905	1,134,897,149
Derivative financial instruments		485,074,862	555,680,244
Advances, deposits, prepayments and other receivables		931,054,109	677,495,287
Short term investments	12	4,088,880,971	3,788,315,521
Cash and bank balances		120,705,739	580,905,624
		9,387,659,087	8,861,567,235
		23,401,066,954	22,998,054,050

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Executive



Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited)

for the nine months ended September 30, 2007

	Nine Months Ended		Quarter Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	Rupees		Rupees	
Sales – net	4,849,325,655	3,395,858,402	1,712,850,270	1,239,218,597
Cost of goods sold	3,502,228,698	2,640,965,688	1,151,702,797	1,038,034,834
Gross profit	1,347,096,957	754,892,714	561,147,473	201,183,763
Administrative and selling expenses	271,115,749	153,781,060	108,722,371	56,725,361
Operating profit	1,075,981,208	601,111,654	452,425,102	144,458,402
Other income	84,784,409	698,199,492	(15,694,005)	593,718,505
	1,160,765,617	1,299,311,146	436,731,097	738,176,907
OTHER CHARGES				
Finance cost	777,110,264	333,678,025	260,271,203	115,817,009
Workers' Profit Participation Fund	14,943,547	8,967,000	9,607,695	–
Workers' Welfare Fund	7,354,236	–	3,337,044	–
Other expenses	1,000,000	517,007	–	517,007
	800,408,047	343,162,032	273,215,942	116,334,016
	360,357,570	956,149,114	163,515,155	621,842,891
Provision for taxation	37,754,995	40,318,000	13,271,397	16,718,000
Profit after taxation	322,602,575	915,831,114	150,243,758	605,124,891
Earnings per share				
– Basic	0.89	5.05	0.43	3.28
– Diluted	–	4.59	–	3.06

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT (Unaudited)

for the nine months ended September 30, 2007

	Nine Months Ended	
	September 30, 2007	September 30, 2006
	Rupees	Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	360,357,570	956,149,114
Items not involving movements of funds	1,120,909,848	(198,936,979)
	1,481,267,418	757,212,135
Changes in working capital	(886,170,763)	619,073,450
Operating profit after changes in working capital	595,096,655	1,376,285,585
Financial charges paid	(723,856,284)	(350,581,970)
Taxes paid	(44,206,078)	(27,297,516)
Long-term deposits and payable	-	(1,589,816)
Long term deposits	(362,745)	(2,898,965)
Net cash (used in) / from operating activities	(173,328,452)	993,917,318
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(551,637,384)	(2,255,926,532)
Intangible assets	(2,709,728)	(274,633)
Sale proceeds of fixed assets	2,634,043	42,369,883
Long term investments	-	(10,128,195,289)
Interest received	345,674	4,206,768
Dividend received	-	606,166,382
Short term investments	34,208,360	728,093,505
Net cash (used in) investing activities	(517,159,035)	(11,003,559,916)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Ordinary shares issued	-	4,648,446,653
Redeemable capital	(63,307,469)	(31,250,000)
Long term financing	(180,651,442)	3,085,888,824
Dividend paid	(207,210,327)	(150,726,593)
Short term finances-net	712,362,276	2,522,104,004
Finance lease liabilities paid / obtained	(30,905,436)	(24,502,228)
Net cash from financing activities	230,287,602	10,049,960,660
Net (decrease)/increase in cash and cash equivalents	(460,199,885)	40,318,062
Cash and cash equivalents at beginning of the period	580,905,624	45,642,358
Cash and cash equivalents at end of the period	120,705,739	85,960,420

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

	Share Capital Issued, Subscribed and Paid-up	Share Premium	Hedging Reserve	Reserves					Unappropriated Profit	Total Equity	Surplus on Revaluation of Property, Plant & Equipment
				Reserve on Merger	Preference Share Redemption Reserve	Surplus on Revaluation of Investments	Total				
R U P E S											
Balance as at January 1, 2006	1,737,308,680	71,657,838	13,458,916	105,152,005	212,500,000	562,710	403,331,469	952,462,490	3,093,102,639	278,943,671	
Further issued during the period	2,117,743,350	2,530,703,303				2,530,703,303			4,648,446,653		
Conversion of preference shares	(66,213,130)	66,213,130				66,213,130					
Profit for the period								915,831,114	915,831,114		
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal								18,689,344	18,689,344	(18,689,344)	
Preference shares redemption reserve					37,500,000		37,500,000	(37,500,000)			
Ordinary shares dividend								(151,267,383)	(151,267,383)		
Decrease in fair value of foreign currency interest rate swap contract entered into by a part cash flow hedge			(13,458,916)				(13,458,916)		(13,458,916)		
Balance as at September 30, 2006	3,788,838,900	2,668,574,271	-	105,152,005	250,000,000	562,710	3,024,288,966	1,698,215,565	8,511,343,451	260,254,327	
Balance as at January 1, 2007	3,788,838,900	2,633,371,139	523,658,637	105,152,005	313,500,000	2,580,401	3,578,262,182	1,807,067,052	9,174,168,134	257,360,867	
Profit for the period								322,602,575	322,602,575		
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal								13,715,843	13,715,843	(13,715,843)	
Preference shares redemption reserve					50,500,000		50,500,000	(50,500,000)			
Ordinary shares dividend								(343,981,063)	(343,981,063)		
Decrease in fair value of foreign currency interest rate swap contract entered into by a part cash flow hedge			(69,175,595)				(69,175,595)		(69,175,595)		
Revaluation of long term investments						2,543,126	2,543,126		2,543,126		
Balance as at September 30, 2007	3,788,838,900	2,633,371,139	464,483,042	105,152,005	364,000,000	5,123,527	3,572,129,713	1,748,904,407	9,109,873,020	243,645,024	

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chief Executive

Director

AZGARD NINE LIMITED

09

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

for the nine months ended September 30, 2007

1 STATUS AND ACTIVITIES

Azgard Nine Limited was incorporated in Pakistan as a public limited company and its shares are quoted at Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the company is situated at Ismail Aiwana-e-Science, off Shahrah-e-Roomi, Lahore.

2 BASIS OF PREPARATION

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" and being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984. These condensed interim statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2006.

These condensed interim financial statements have been prepared under "Historical Cost Convention" except certain fixed assets that have been included at revalued amount, certain exchange differences which have been incorporated in the cost of relevant assets, staff retirement benefits, investments and derivative financial instrument.

These condensed interim financial statements are unaudited.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the preceding annual financial statements of the Company for the year ended December 31, 2006.

	September 30, 2007 Rupees	December 31, 2006 Rupees
4 REDEEMABLE CAPITAL		
Term Finance Certificates	2,267,005,064	2,330,312,532
Current maturity grouped under current liabilities	241,567,901	63,357,468
	<u>2,025,437,163</u>	<u>2,266,955,064</u>
5 LONG TERM FINANCING -SECURED		
Financial Institutions	3,677,478,614	3,858,130,056
Less: Current portion	786,363,609	338,913,068
	<u>2,891,115,005</u>	<u>3,519,216,988</u>
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of Minimum lease payment	26,493,771	57,399,207
Less: Current portion	16,745,030	47,776,589
	<u>9,748,741</u>	<u>9,622,618</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

for the nine months ended September 30, 2007

7 SHORT TERM FINANCING – Secured

Short term finances include aggregate funded and unfunded facilities available of Rs.10,174 million (December 31, 2006:Rs. 6,972 million). These have been obtained from banking companies and financial institutions at the mark-up ranging between Re.0.18 to Re.0.40 per Rs. 1,000 per day.

Short term finances include TFCs issued by way of private placement with the consortium of institutional investors. The total issue comprises of 500,000 TFCs having face value of Rs.5,000 each.

8 CONTINGENCIES AND COMMITMENTS

8.1 Commitments against irrevocable letters of credit outstanding as at September 30, 2007 were Rs.35.54 million (December 31, 2006: Rs. 193.94 million).

8.2 All other contingencies and commitments status is same as disclosed in latest annual financial statements.

	Note	September 30, 2007 Rupees	December 31, 2006 Rupees
9. PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	9.1	7,693,806,719	7,601,895,866
9.1 Opening balance		7,601,895,866	3,113,043,032
Addition during the period	9.2	498,566,923	4,754,563,183
W.D.V. of assets disposed off		(398,496)	(20,047,610)
Depreciation charged during the period		(406,257,574)	(245,662,739)
Balance as on 30 September/ 31 December		<u>7,693,806,719</u>	<u>7,601,895,866</u>

September 30, 2007 Rupees	December 31, 2006 Rupees
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9.2 ACQUISITIONS AND DISPOSALS – AT COST

	Additions	Disposal	Additions	Disposal
Owned				
Freehold land	3,300,000	-	148,184,868	-
Building on freehold land	93,235,024	-	1,124,124,020	-
Plant and Machinery:	-	-	-	-
- additions	356,316,181	-	3,338,783,614	18,729,679
- transfers from leased assets	-	-	42,900,000	-
Furniture and fixtures	2,959,005	-	25,142,154	226,184
Vehicles:	-	-	-	-
- additions	2,636,810	398,496	4,115,565	1,091,747
- transfers	-	-	2,550,000	-
Tools and equipment	18,939,234	-	52,865,647	-
Office equipments	3,798,622	-	19,495,901	-
Electric installation	4,214,145	-	38,762,454	-
Leased				
Plant and machinery	-	-	-	-
- transfers to owned assets	-	-	(42,900,000)	-
Vehicles	-	-	-	-
- additions	13,167,902	-	3,088,960	-
- transfers	-	-	(2,550,000)	-
	<u>498,566,923</u>	<u>398,496</u>	<u>4,754,563,183</u>	<u>20,047,610</u>

	September 30, 2007 Rupees	December 31, 2006 Rupees
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10 CAPITAL WORK IN PROGRESS

Civil Work	144,663,670	112,534,012
Plant and machinery	59,057,268	38,116,465
	<u>203,720,938</u>	<u>150,650,477</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

for the nine months ended September 30, 2007

	Note	September 30, 2007 Rupees	December 31, 2006 Rupees
11. LONG TERM INVESTMENTS			
Investment in Equity Securities			
Related parties			
Investment in foreign associate			
– Nafees International Tekstil Sanays ve Ticaret ANONIM SIRKET – Equity held 51%		1,852,455	1,852,455
Investment in local subsidiaries			
– Azsoft (Private) Ltd. – Equity held 99.98%		2,053,916	2,053,916
– Pak-American Fertilizers Ltd.		7,990,392,094	7,987,848,968
– Equity held 100%			
Held for sale portion classified under short term investments		(3,700,814,821)	(3,700,814,821)
		4,289,577,273	4,287,034,147
Others			
Colony Mills Ltd.		37,688	37,688
BSJS Balanced Fund Ltd.		11,400	11,400
National Security Insurance Co. Ltd.			
Cost		996,768	996,768
Provision for impairment		(996,768)	(996,768)
		-	-
Investment in Term Finance Certificates			
Held to maturity investment			
– Pak-American Fertilizers Ltd.		2,100,000,000	2,100,000,000
Current maturity grouped under current assets		(350,002,800)	(87,500,700)
		1,749,997,200	2,012,499,300
		<u>6,043,529,932</u>	<u>6,303,488,906</u>
12. SHORT TERM INVESTMENTS			
Available for sale			
Pak-American Fertilizers Limited	11	3,700,814,821	3,700,814,821
Held to maturity			
Term Finance Certificates	11	350,002,800	87,500,700
Held for trading			
Bank of Punjab		7,752,000	-
National Bank of Pakistan		21,716,000	-
Adamjee Insurance Co. Ltd.		2,730,000	-
Pakistan Oil Fields		4,023,500	-
Engro Chemicals		649,750	-
Askari Commercial Bank Limited		1,192,100	-
		<u>4,088,880,971</u>	<u>3,788,315,521</u>

13 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, staff retirement funds, directors and key management personnel. Transactions with related parties other than remuneration, gratuity and other benefits to key management personnel under the term of their employment are as under.

	Nine Months Ended	
	September 30, 2007	September 30, 2006
	Rupees	Rupees
Subsidiaries		
Mark-up income	209,923,642	56,080,570
Mark-up expense	41,729,341	-
Dividend income	-	597,473,684
Associates		
Brokerage	-	12,664,624
Mark-up expense	-	12,155,374
Purchases	1,541,630	60,153,227

The Company continues to have a policy whereby all transactions with related parties and associated undertakings are entered into at arm's length transactions.

14 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue/circulation on October 26, 2007 by the Board of Directors of the Company.

15 OTHERS

15.1 There are no other significant activities since December 31, 2006 affecting the condensed interim financial statements other than disclosed in these condensed interim financial statements.

15.2 Deferred tax provision has not been recognized, as the Company is being assessed under the final tax regime and the Company's export sales for the foreseeable future is likely to remain above the present threshold point.

16 FIGURES

- have been rearranged to facilitate comparison, however no material re-arrangement has been made in these condensed interim financial statements.
- have been rounded off to the nearest rupee.


Chief Executive


Director



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Unaudited)

as at September 30, 2007

	Note	September 30, 2007 Rupees	December 31, 2006 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 1,500,000,000 Ordinary and Preference shares of Rs. 10/- each		15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital		3,788,838,900	3,788,838,900
Capital reserves		3,995,724,705	3,576,296,807
Unappropriated profit		897,166,904	651,511,243
		8,681,730,509	8,016,646,950
		1,763,586	1,763,586
MINORITY INTEREST			
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
		243,645,024	257,360,867
NON CURRENT LIABILITIES			
Redeemable Capital	6	6,545,430,763	7,712,953,464
Long-term financing – secured	7	2,891,115,005	3,519,216,988
Liabilities against assets subject to finance lease	8	30,647,749	17,084,358
Long-term deposits and payables		250,183,681	1,643,889
Deferred taxation		1,643,930,852	1,531,232,337
		11,361,308,050	12,782,131,036
CURRENT LIABILITIES			
Current portion of long-term liabilities		1,848,068,622	1,491,041,799
Short-term financing	9	7,073,414,506	6,456,117,630
Fair value of obligation under swap contracts		20,591,820	32,021,607
Trade and other payables		1,182,387,182	1,164,003,600
Interest and mark-up accrued		490,054,664	468,744,586
Dividends		159,082,797	22,312,061
		10,773,599,591	9,634,241,283
CONTINGENCIES AND COMMITMENTS			
	10	31,062,046,760	30,692,143,722
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	11	19,865,193,516	19,979,681,972
Capital work in progress	12	627,854,722	178,722,973
Intangible assets		3,762,603,724	3,771,067,757
Long term investments	13	49,088	49,088
Long term deposits and receivables		37,262,819	33,156,512
		24,292,963,869	23,962,678,302
CURRENT ASSETS			
Stores, spares and loose tools		732,849,418	786,465,317
Stock in trade		2,253,255,670	2,117,533,944
Trade debtors		1,771,685,595	1,520,389,291
Derivative financial instruments		913,178,355	555,680,244
Advances, deposits, prepayments and other receivables		836,976,568	616,429,663
Short term investments	14	38,063,350	-
Cash and bank balances		223,073,935	1,132,966,961
		6,769,082,891	6,729,465,420
		31,062,046,760	30,692,143,722

The annexed notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.


Chief Executive


Director

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited)

for the nine months ended September 30, 2007

	Nine Months Ended		Quarter Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	Rupees		Rupees	
Sales	7,362,973,701	4,079,755,708	2,495,525,039	1,923,115,903
Cost of goods sold	4,570,518,012	3,007,729,568	1,474,153,097	1,404,798,714
Gross profit	2,792,455,689	1,072,026,140	1,021,371,942	518,317,189
Administrative and selling expenses	558,879,366	241,054,645	199,402,807	143,998,946
Operating profit	2,233,576,323	830,971,495	821,969,135	374,318,243
Other income	131,241,957	109,269,899	(15,694,005)	4,788,912
	2,364,818,280	940,241,394	806,275,130	379,107,155
OTHER CHARGES				
Finance cost	1,516,664,634	587,132,054	536,331,854	369,271,038
Workers' Profit Participation Fund	47,896,569	8,967,000	14,897,470	-
Workers' Welfare Fund	7,354,236	-	3,337,044	-
Other expenses	1,000,000	517,006	-	517,006
	1,572,915,439	596,616,060	554,566,368	369,788,044
Profit before taxation	791,902,841	343,625,334	251,708,762	9,319,111
Provision for taxation				
– Current	50,323,242	131,471,034	17,184,770	107,871,034
– Deferred	115,158,718	-	-	-
	165,481,960	131,471,034	17,184,770	107,871,034
Profit after taxation	626,420,881	212,154,300	234,523,992	(98,551,923)
Minority Interest	-	(159)	-	(159)
Profit attributable to Group	626,420,881	212,154,459	234,523,992	(98,551,764)
Earnings per share – Basic	1.86	0.97	0.61	(0.80)
– Diluted	-	0.97	-	(0.80)

The annexed notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.


Chief Executive


Director

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (Unaudited)

for the nine months ended September 30, 2007

	Nine Months Ended	
	September 30, 2007	September 30, 2006
	Rupees	Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	791,902,842	343,625,334
Items not involving movements of funds	2,118,074,616	533,234,252
	<u>2,909,977,458</u>	<u>876,859,586</u>
Changes in working capital	(530,623,942)	577,443,793
Operating profit after changes in working capital	2,379,353,516	1,454,303,379
Financial charges paid	(1,504,138,549)	(118,541,568)
Taxes paid	(59,212,230)	(27,150,614)
Long-term deposits and payables	248,539,792	(1,589,816)
Long term deposits and receivables	(3,494,540)	30,849,757
Net cash from operating activities	<u>1,061,047,989</u>	<u>1,337,871,138</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(972,051,183)	(2,260,647,738)
Acquisition of subsidiary net of cash acquired	-	(15,558,459,688)
Intangible assets	(2,709,728)	(240,955,449)
Sale proceeds of fixed assets	5,533,116	42,369,893
Long term investments	-	(1,650,720)
Interest received	8,783,993	4,206,768
Dividend received	-	8,692,698
Short term investments	34,208,360	728,093,502
Net cash (used in) investing activities	<u>(926,235,442)</u>	<u>(17,278,350,734)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Ordinary shares issued	-	4,648,446,653
Redeemable capital	(1,229,307,469)	(31,250,000)
Long term financing	(180,651,442)	9,776,313,824
Dividend paid	(207,210,327)	(150,726,593)
Short term finances-net	617,296,877	2,817,679,004
Finance lease liabilities paid / obtained	(44,833,212)	(21,284,454)
Net cash (used in) / from financing activities	<u>(1,044,705,573)</u>	<u>17,039,178,434</u>
Net (decrease)/increase in cash and cash equivalents	(909,893,026)	1,098,698,838
Cash and cash equivalents at beginning of the period	1,132,966,961	46,282,661
Cash and cash equivalents on discontinuance of consolidation of foreign subsidiary	-	(606,955)
Cash and cash equivalents at end of the period	<u>223,073,935</u>	<u>1,144,374,544</u>

The annexed notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.


Chief Executive


Director

for the nine months ended September 30, 2007

1 STATUS AND ACTIVITIES

Azgard Nine Limited (ANL) was incorporated in Pakistan as a public limited company and its shares are quoted at Karachi Stock Exchange (Guarantee) Limited. ANL is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the parent company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore.

ANL has 100% equity interest in Pak American Fertilizers Limited (PAFL), 51% equity interest in Nafees International Tekstil Snayi Ve Ticaret Anonim Sirketi (NIT) and 99.90% equity interest in Azsoft (Private) Limited (APL).

PAFL was incorporated on 15 December 1959 as an unquoted public limited company, which was wholly owned subsidiary of National Fertilizer Corporation of Pakistan (Private) Limited (NFC), a Government owned Corporation until 15 July 2006. Subsequent to that date 100% shares of the company have been sold to ANL, as a part of privatization process of the Government of Pakistan as stipulated in the Share Purchase Agreement dated 15 July 2006. The factory and registered office of the company is situated at Iskanderabad (Daud Khel), District Mianwali. The principal business of the company is the production and sale of Urea fertilizer.

NIT was incorporated in Turkey and principal activity of the company is sale of denim and allied products.

APL was incorporated in Pakistan and principal activity of the company is development, implementation and sale of software products and providing related services.

2 BASIS OF PREPARATION

These condensed consolidated 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" and being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984. These condensed consolidated interim statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2006.

These condensed consolidated interim financial statements have been prepared under "Historical Cost Convention" except certain fixed assets that have been included at revalued amount, certain exchange differences which have been incorporated in the cost of relevant assets, staff retirement benefits, investments and derivative financial instruments.

These condensed consolidated interim financial statements are unaudited.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the preceding annual financial statements of the Group for the year ended December 31, 2006.

4 CHANGE IN ACCOUNTING ESTIMATE

Comparative figures have been restated keeping in view the year to date estimates of the subsidiary company PAFL regarding depreciation and deferred taxes thereby decreasing depreciation by Rs.317,433,358 and increasing deferred tax liability by Rs.111,101,710 respectively. PAFL's accounting year ended on June 30, 2007 and it revised its estimate regarding useful life of its assets used till preparation of its half yearly financial statements as on December 31, 2006. Effect of change in useful life relating to half year ended December 31, 2006 amounting Rs.144,526,888 and its resulting effect on deferred tax amounting Rs.79,943,579 have been adjusted in opening retained earnings in consolidated financial statements.

5 PRINCIPLES OF CONSOLIDATION

The condensed interim consolidated financial statements include the financial statements of ANL and its subsidiaries for the period ended September 30, 2007.

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the Group or power to control the company is established until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line-by-line basis and the carrying value of investment held by the parent company is eliminated in the consolidated financial statements against the subsidiaries' share capital and pre-acquisition reserves of the subsidiary companies.

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, have been eliminated in preparing the condensed consolidated interim financial statements.

Minority interests are that part of net results of operations and of net assets of subsidiary companies attributable to interest which are not owned by the parent company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Un-audited)

for the nine months ended September 30, 2007

	September 30, 2007	December 31, 2006
	Rupees	Rupees
6 REDEEMABLE CAPITAL		
Term Finance Certificates	7,587,005,064	8,816,312,532
Current maturity grouped under current liabilities	<u>1,041,574,301</u>	<u>1,103,359,068</u>
	<u>6,545,430,763</u>	<u>7,712,953,464</u>
7 LONG TERM FINANCING -SECURED		
Financial institutions	3,677,478,614	3,858,130,056
Less: Current portion	<u>786,363,609</u>	<u>338,913,068</u>
	<u>2,891,115,005</u>	<u>3,519,216,988</u>
8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of Minimum lease payment	50,778,461	65,854,021
Less: Current portion	<u>20,130,712</u>	<u>48,769,663</u>
	<u>30,647,749</u>	<u>17,084,358</u>
9 SHORT TERM FINANCING		
Short term finances include aggregate funded and unfunded facilities available of Rs.11,589 million (Decemeber 31, 2006:Rs. 7,272 million). These have been obtained from banking companies and financial institutions at the mark-up ranging between Re.0.14 to Re.0.39 per Rs. 1,000 per day.		
10 CONTINGENCIES AND COMMITMENTS		
10.1	Commitments against irrevocable letters of credit outstanding as at September 30, 2007 were Rs. 2,063.54 million (December 31, 2006: Rs. 193.94 million).	
10.2	All other contingencies and commitments status is same as disclosed in latest annual financial statements.	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Un-audited)

for the nine months ended September 30, 2007

		September 30, 2007	December 31, 2006
	Note	Rupees	Rupees
11 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	11.1	19,865,193,516	19,979,681,972
11.1			
Opening balance		19,979,681,972	3,114,554,527
Addition during the period	11.2	552,677,086	4,767,560,830
Acquisition through privatisation process		-	12,508,712,133
W.D.V. of assets disposed off		(320,568)	(20,444,843)
Depreciation charged during the period		(666,844,974)	(390,700,675)
Balance as on September 30/December 31		19,865,193,516	19,979,681,972

September 30, 2007 Rupees
--

December 31, 2006 Rupees

11.2 ACQUISITIONS AND DISPOSALS – AT COST

	Additions	Disposal	Additions	Disposal
Owned				
Freehold land	3,300,000	-	148,184,868	-
Building on freehold land	96,672,630	-	1,126,472,095	10
Plant and Machinery:	-			
- additions	360,272,261	-	3,338,783,615	18,729,679
- transfers from leased assets	-	-	42,900,000	-
Joint residential colony assets	239,586	-	61,116	-
Furniture and fixtures	5,128,710	(2,933)	25,664,609	228,192
Vehicles:				
-additions	2,636,810	398,496	4,115,565	1,486,962
-transfers from leased assets	-	-	2,550,000	-
Sui gas installations	8,500	-	-	-
Road, rail transport	61,361	(74,995)	-	-
Tools and equipment	19,418,933	-	53,240,647	-
Office equipments	3,798,622	-	19,495,901	-
Electric installation	4,214,145	-	38,762,454	-
Catalysts	27,167,876	-	-	-
Leased				
Plant and machinery				
- transfers to owned assets	-	-	(42,900,000)	-
Vehicles				
- additions	29,757,652	-	12,779,960	-
- transfers to owned assets	-	-	(2,550,000)	-
	<u>552,677,086</u>	<u>320,568</u>	<u>4,767,560,830</u>	<u>20,444,843</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Un-audited)

for the nine months ended September 30, 2007

	September 30, 2007	December 31, 2006
	Rupees	Rupees
12 CAPITAL WORK IN PROGRESS		
Civil Work	252,465,175	134,667,619
Plant and machinery	375,389,547	44,055,354
	<u>627,854,722</u>	<u>178,722,973</u>
13 LONG TERM INVESTMENTS		
Investments available for sale		
Colony Mills Ltd.	37,688	37,688
BSJS Balanced Fund Ltd.	11,400	11,400
National Security Insurance Co. Ltd.		
Cost	996,768	996,768
Provision for impairment	(996,768)	(996,768)
	<u>—</u>	<u>—</u>
	<u>49,088</u>	<u>49,088</u>
14 SHORT TERM INVESTMENTS		
Fair value through profit and loss		
Held for trading		
Bank of Punjab	7,752,000	—
National Bank of Pakistan	21,716,000	—
Adamjee Insurance Co. Limited	2,730,000	—
Pakistan Oil Fields	4,023,500	—
Engro Chemicals Limited	649,750	—
Askari Commercial Bank Limited	1,192,100	—
	<u>38,063,350</u>	<u>—</u>

15 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, staff retirement funds, directors and key management personnel. Transactions with related parties other than remuneration, gratuity and other benefits to key management personnel under the term of their employment are as under.

	Nine Months Ended	
	September 30, 2007	September 30, 2006
	Rupees	Rupees
Associates:		
Brokerage	—	12,664,624
Mark-up	—	12,155,374
Purchases	1,541,630	60,153,227

The Group continues to have a policy whereby all transactions with related parties and associated undertakings are entered into at arm's length basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)

for the nine months ended September 30, 2007

16 SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organized into three main business segments:

- Manufacture and sale of textile products;
- Manufacture and sale of fertilizer; and
- Development, implementation and sale of software products and providing related services.

Segment results for the nine months ended September 30, 2007 are as follows:

	Textile	Fertilizer	Software	Group
	Rupees	Rupees	Rupees	Rupees
Revenue	4,849,325,655	2,513,648,046	–	7,362,973,701
Group revenue				
Operating profit	1,075,981,208	1,157,595,115	–	2,233,576,323
Other income	84,784,409	46,457,548	–	131,241,957
Finance cost	(777,110,264)	(739,554,370)	–	(1,516,664,634)
Workers' Profit Participation Fund	(14,943,547)	(32,953,022)	–	(47,896,569)
Workers' Welfare Fund	(7,354,236)	–	–	(7,354,236)
Others	(1,000,000)	–	–	(1,000,000)
Profit before tax	360,357,570	431,545,271	–	791,902,841
Income tax expense	(37,754,995)	(127,726,965)	–	(165,481,960)
Profit for the period	322,602,575	303,818,306	–	626,420,881

Other segment items included in the income statement are as follows:

	Textile	Fertilizer	Software	Group
	Rupees	Rupees	Rupees	Rupees
Depreciation	406,257,574	260,587,400	–	666,844,974
Amortization	11,173,761	–	–	11,173,761

Segment assets

Segment assets consist primarily of property, plant and equipment, capital work in progress, derivatives designated as hedges of future cash flows, intangible and other current assets.

Segment liabilities

Segment liabilities comprise of operating liabilities (including derivatives designated as hedges of future commercial transactions).

Capital expenditure

Capital expenditure comprises additions to property, plant and equipment, intangible assets and capital work in progress.

Inter segment pricing

Inter segment pricing is determined on an arm's length basis.

The segment assets and liabilities at September 30, 2007 and capital expenditure for the period then ended are as follows:

	Textile	Fertilizer	Software	Group
	Rupees	Rupees	Rupees	Rupees
Assets	14,291,355,861	16,768,790,248	1,900,651	31,062,046,760
Liabilities	14,328,061,609	8,050,342,891	148,164	22,378,552,665
Capital expenditure	551,637,384	420,413,799	–	972,051,183

17 DATE OF AUTHORIZATION FOR ISSUE

These condensed consolidated interim financial statements were authorized for issue on October 26, 2007 by the Board of Directors of the Holding Company.

18 OTHERS

18.1 There condensed consolidated interim are no other significant activities since December 31, 2006 affecting the financial statements other than disclosed in these condensed consolidated interim financial statements.

18.2 Deferred tax provision relates to a subsidiary company however Holding company's profits are subject to final taxation and hence no provision has been made in these accounts.

19 FIGURES

- have been rearranged to facilitate comparison, however no material re-arrangement has been made in these condensed consolidated interim financial statements.
- have been rounded off to the nearest rupee.



Chief Executive



Director

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