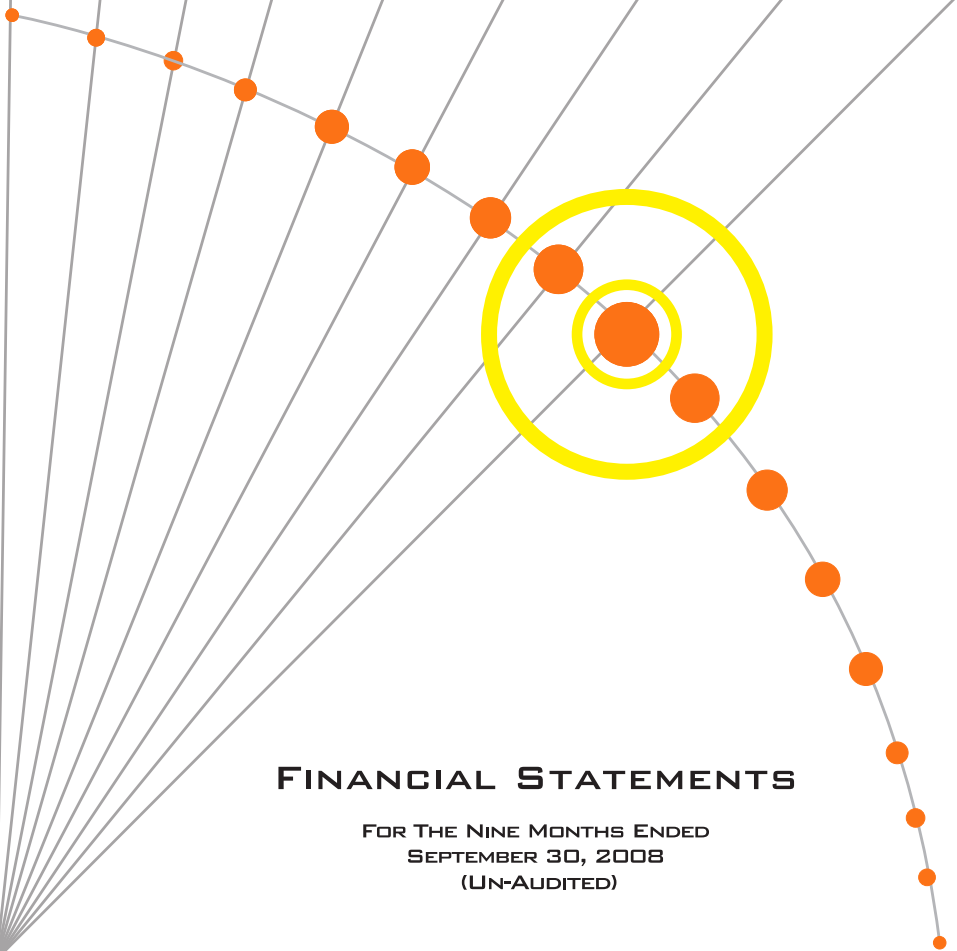




AZGARD-9
AZGARD NINE LIMITED



FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2008
(UN-AUDITED)

Azgard Nine Limited

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

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. Tariq Mohammad Khan
Mr. Abid Amin
Mr. Irfan Nazir
Mr. Tahir Munir
Mr. Atif Farooqi
Mr. Usman Rasheed

FINANCE COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

BANKERS

JS Bank Limited
MCB Bank Limited
Citibank N.A.
The Royal Bank of Scotland Limited
Faysal Bank Limited
Habib Bank Limited
Saudi Pak Industrial & Agricultural
Investment Company (Private) 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
Saudi Pak Commercial Bank Limited
Habib Metropolitan Bank Limited
Emirated Global Islamic Bank Limited
Atlas Bank Limited
Bank Alfalah Limited
The Bank of Punjab
Askari Bank Limited
Dubai Islamic Bank of Pakistan
Arif Habib Bank Limited

LEGAL ADVISORS

Hamid Law Associates

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)42 111-786-645
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

The Board of Directors of Azgard Nine Limited ("the Company") take pleasure in presenting the un-audited interim financial statements for the period ended September 30, 2008. The Company completed another quarter of successful business operations under continuingly challenging market conditions.

Following is the quarterly review of the Company's operations:

While the business tenor in the country remained unpredictable with regard to severe energy crisis, political upheavals and other inflationary forces, the Company managed its third quarter successfully by achieving 79% of growth in sales as compared to the same quarter last year.

FINANCIAL PERFORMANCE HIGHLIGHTS OF AZGARD NINE LIMITED

The following are the stand alone and consolidated results of the operations of the Company

STAND ALONE RESULTS

Financial Results	September 30, 2008 Rupees	September 30, 2007 Rupees
Sales-Net	7,683,589,955	4,849,325,655
Operating Profit	2,110,394,198	1,075,981,208
Finance Cost	1,615,901,768	777,110,264
Profit before Tax	481,978,108	360,357,570
Profit after Tax	404,078,150	322,602,575

CONSOLIDATED RESULTS

Financial Results	September 30, 2008 Rupees	September 30, 2007 Rupees
Sales-Net	13,067,518,297	7,362,973,701
Operating Profit	4,768,330,269	2,792,455,689
Finance Cost	2,777,877,106	1,516,664,634
Profit before Tax	1,252,703,914	791,902,841
Profit after Tax	1,085,093,014	626,420,881

EARNING PER SHARE

AZGARD NINE LIMITED [Stand Alone]

Earnings per share for the quarter (Qtr. 3)	0.26	0.43
Earnings per share for the period (9 Months)	1.14	0.89

CONSOLIDATED WITH SUBSIDIARIES

Earnings per share for the quarter (Qtr 3)	0.72	0.61
Earnings per share for the period (9 Months)	3.30	1.86

THE COMPANY BUSINESSES

THE TEXTILE APPAREL CHAIN

In spite of the challenging environment the Company's management was able to continue to grow its Denim Products Business.

This is a vertical textile apparel chain spanning from yarn to garments. The uplift from the Denim Business acquisition in Italy as well as growth in the garments out put will start to show a visible impact in the coming quarters.

The balancing modernization and rehabilitation (BMR) plan of the Company continues with great focus being placed on quality and service by training of the workforce to achieve the required skill levels and better machine efficiencies. A dual fuel generator imported by the Company is due to arrive in upcoming month which will improve its operational efficiencies, and provide for more economical consumption of energy, cutting the costs significantly.

DIRECTORS' REVIEW

THE AGRICHEMICAL BUSINESS

The Company's Agrichemicals Business, through its 100% owned subsidiary Pak American Fertilizers Limited "PAFL", holds its position as the fifth largest urea manufacturer in the country with a urea and DAP market share of 8% each respectively.

The Subsidiary, being the successful bidder, is in the process of acquiring Hazara Phosphate Fertilizers (Pvt) Limited through the Privatization Commission. This acquisition should be completed by the end of this year. The acquisition provides the Subsidiary with an excellent opportunity to enhance production of SSP currently being produced by the said company and increases its market share in Phosphatic fertilizer market which is in very short supply.

The Subsidiary's balancing modernizing and rehabilitation (BMR) of its ammonia and urea plants is proceeding forward smoothly and is expected to enhance its urea and ammonia capacity to 135% of name plate capacity. The revamp is expected to be completed by mid of 2009 with an estimated cost of USD 55 Million. Its Tara Brand, launched in January last year, retains its status as the premium quality urea product in the country and further promotion of the brand continues with holding of farm workshops and improvement programs seeking to educate the farmers about its potential benefits.

FUTURE MARKET OUTLOOK

The fast changing global dynamics of the financial and textile sectors on account of the free trade regime and the consequent tough competition from other countries such as China, India Bangladesh and Vietnam, the Company's investments and acquisition in the European market become all the more timely and valuable, providing an excellent opportunity for growth and profits. The growth of the Company's Textile Apparel business through the international acquisition along with the continued growth of the Garments business will become more visible by the upcoming quarters.

In view of the above, the management continues to strive for the value addition to product range by investing in human resources, achieving cost reduction and optimizing capacity utilization.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank the Company's valued customers and the financial institutions whose faith and support over the years has fostered a mutually beneficial relationship which has played a pivotal role in the growth of the Company's businesses.

The board also wishes to place on record its appreciation for the employees of the Company whose hard work and commitment makes all this possible.

On behalf of the Board

Lahore: 31 October, 2008

Chief Executive

CONDENSED INTERIM BALANCE SHEET (Unaudited)

as at September 30, 2008

	Note	September 30, 2008 Rupees	December 31, 2007 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		3,827,118,540	3,788,822,900
Reserves		3,630,421,109	3,530,626,122
Unappropriated profits		2,351,194,093	2,400,605,174
		9,808,733,742	9,720,054,196
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
		224,383,299	239,073,077
NON CURRENT LIABILITIES			
Redeemable capital – secured	4	3,962,961,561	4,491,185,372
Long-term financing – secured	5	2,868,575,000	2,973,551,252
Liabilities against assets subject to finance lease	6	30,188,484	14,357,005
		6,861,725,045	7,479,093,629
CURRENT LIABILITIES			
Current portion of non-current liabilities		1,247,585,144	981,049,256
Short-term borrowings – secured		5,402,212,438	3,820,688,516
Derivative financial liabilities		74,754,224	34,369,582
Trade and other payables		797,287,236	1,030,875,769
Mark-up accrued on borrowings		258,376,143	317,690,929
Dividends		15,164,735	9,694,014
		7,795,379,920	6,194,368,066
CONTINGENCIES AND COMMITMENTS			
	7	–	–
		24,690,222,006	23,632,588,968
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	8	7,792,682,676	7,643,649,558
Capital work in progress		806,227,570	167,987,854
Intangible assets		44,268,898	51,142,669
Long term investments	9	6,131,816,154	6,391,905,201
Long term deposits		19,777,502	20,239,502
		14,794,772,800	14,274,924,784
CURRENT ASSETS			
Stores, spares and loose tools		268,580,986	125,468,877
Stock in trade		2,481,996,499	2,246,132,173
Trade debts		2,365,843,208	1,657,196,735
Derivative financial assets		316,035,357	388,993,278
Advances, deposits, prepayments and other receivables		582,181,895	1,004,944,292
Current tax asset		71,957,803	51,050,683
Short term investments		3,705,033,082	3,838,444,830
Cash and bank balances		103,820,376	45,433,316
		9,895,449,206	9,357,664,184
		24,690,222,006	23,632,588,968

The annexed notes 1 to 13 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, 2008

	Nine Months Ended		Quarter Ended	
	September 30	September 30	September 30	September 30
	2008	2007	2008	2007
	Rupees		Rupees	
Sales - net	7,683,589,955	4,849,325,655	3,060,848,071	1,712,850,270
Cost of sales	5,125,374,737	3,502,228,698	1,948,524,120	1,151,702,797
Gross profit	2,558,215,218	1,347,096,957	1,112,323,951	561,147,473
Administrative and selling expenses	447,821,020	271,115,749	194,664,402	108,722,371
Operating profit	2,110,394,198	1,075,981,208	917,659,549	452,425,102
Other income- Net	(12,514,322)	61,486,626	9,801,749	(28,638,744)
	2,097,879,876	1,137,467,834	927,461,298	423,786,358
Finance cost	1,615,901,768	777,110,264	800,129,615	260,271,203
Profit before taxation	481,978,108	360,357,570	127,331,683	163,515,155
Taxation	77,899,958	37,754,995	31,329,427	13,271,397
Profit after taxation	404,078,150	322,602,575	96,002,256	150,243,758
Earning per share- basic and diluted	1.14	0.89	0.26	0.43

The annexed notes 1 to 13 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, 2008

	Nine Months Ended	
	September 30, 2008	September 30, 2007
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	481,978,108	360,357,570
Adjustment for non-cash items	2,186,127,198	1,120,909,848
Operating profit before changes in working capital	2,668,105,306	1,481,267,418
Changes in working capital	(948,805,747)	(886,170,763)
	1,719,299,559	595,096,655
Financial charges paid	(1,626,034,658)	(723,856,284)
Taxes paid	(98,807,078)	(44,206,078)
Long term deposits	462,000	(362,745)
Net cash used in operating activities	(5,080,177)	(173,328,452)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,166,956,441)	(551,637,384)
Intangible assets	(5,299,818)	(2,709,728)
Proceeds from disposal of property, plant and equipment	3,116,902	2,634,043
Long term investments-net	261,625,567	-
Interest received	1,174,815	345,674
Dividend received	1,730,500	-
Short term investments	153,601,322	34,208,360
Net cash used in investing activities	(751,007,153)	(517,159,035)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital	(231,042,657)	(63,307,469)
Long term financing- net	(132,300,084)	(180,651,442)
Dividend paid	(385,458,288)	(207,210,327)
Short term borrowings	1,581,523,923	712,362,276
Liabilities against assets subject to finance lease	(18,248,504)	(30,905,436)
Net cash inflow from financing activities	814,474,390	230,287,602
Net increase/ (decrease) in cash and cash equivalents	58,387,060	(460,199,885)
Cash and cash equivalents at beginning of the period	45,433,316	580,905,624
Cash and cash equivalents at end of the period	103,820,376	120,705,739

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the nine months ended September 30, 2008

	Share Capital		Reserves					Total	Unappropriated Profit	Total equity	Surplus on revaluation of property, plant & equipment
	Issued subscribed and paid-up	Share premium	Hedging reserve	Reserve on merger	Preference share redemption reserve	Surplus on revaluation of investments	Total				
	R U P E S										
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	9,174,188,134	257,360,867	
Surplus on revaluation of property, plant & equipment transferred to retained earnings during the period relating to incremental depreciation and disposal	-	-	-	-	-	-	-	-	-	-	
Profit transferred to preference shares redemption reserve	-	-	-	-	50,500,000	-	50,500,000	13,715,843	13,715,843	(13,715,843)	
Ordinary shares dividend	-	-	-	-	-	-	-	(50,500,000)	(50,500,000)	-	
Net decrease in fair value of derivative financial instruments	-	-	(59,173,595)	-	-	-	(59,173,595)	-	(59,173,595)	-	
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	
Balance as at January 1, 2008	3,788,822,900	2,633,387,139	370,801,102	105,152,005	414,500,000	6,785,876	3,530,626,122	2,400,605,174	9,720,054,196	239,073,077	
Conversion of preference shares	(140,000)	140,000	-	-	-	-	140,000	-	-	-	
Conversion of redeemable capital	38,435,640	104,314,360	-	-	-	-	104,314,360	404,078,150	404,078,150	-	
Surplus on revaluation of property, plant & equipment transferred to retained earnings during the period relating to incremental depreciation and disposal	-	-	-	-	-	-	-	-	-	-	
Profit transferred to preference shares redemption reserve	-	-	-	-	77,250,000	-	77,250,000	14,689,778	14,689,778	(14,689,778)	
Final dividend on ordinary shares for the year ended 31 December 2007	-	-	-	-	-	-	-	(77,250,000)	-	-	
Net decrease in fair value of derivative financial instruments	-	-	(85,085,053)	-	-	-	-	(85,085,053)	(85,085,053)	-	
Surplus on revaluation of long term investments	-	-	-	-	-	3,175,680	3,175,680	-	3,175,680	-	
Balance as at September 30, 2008	3,827,118,540	2,737,841,499	285,716,049	105,152,005	491,750,000	9,961,556	3,630,421,109	2,351,194,093	9,806,733,742	224,383,299	

The annexed notes 1 to 13 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, 2008

1 STATUS AND ACTIVITIES

The Company 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.

2 BASIS OF PREPARATION

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" and being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.

These financial statements have been prepared under the historical cost convention except for certain financial assets at fair value and employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all transactions have been accounted for on accrual basis.

These interim financial statements are unaudited.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these 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, 2007.

	September 30, 2008 Rupees	December 31, 2007 Rupees
4 REDEEMABLE CAPITAL -SECURED		
Term finance certificates	4,359,974,907	4,733,767,564
Current maturity grouped under current liabilities	<u>397,013,346</u>	<u>242,582,192</u>
	<u>3,962,961,561</u>	<u>4,491,185,372</u>
5 LONG TERM FINANCING -SECURED		
Financial institutions	3,700,525,000	3,687,725,085
Less: Current portion	<u>831,950,000</u>	<u>714,173,833</u>
	<u>2,868,575,000</u>	<u>2,973,551,252</u>
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payment	48,810,282	38,650,236
Less: Current portion	<u>18,621,798</u>	<u>24,293,231</u>
	<u>30,188,484</u>	<u>14,357,005</u>
7 CONTINGENCIES AND COMMITMENTS		
7.1 Commitments against irrevocable letters of credit outstanding as at September 30, 2008 were Rs.1,069 million (December 31, 2007: Rs. 708.07 million).		
7.2 All other contingencies and commitments status is same as disclosed in latest annual financial statements.		

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

for the nine months ended September 30, 2008

	Note	September 30, 2008 Rupees	December 31, 2007 Rupees
8 PROPERTY, PLANT AND EQUIPMENT			
Net book value as at beginning of the period		7,643,649,558	7,601,895,866
Addition during the period	8.1	557,125,276	579,606,001
Net book value of assets disposed / transferred during the period		(2,239,142)	(1,564,525)
Depreciation charged during the period		(405,853,016)	(536,287,784)
Net book value as at end of the period		<u>7,792,682,676</u>	<u>7,643,649,558</u>
8.1 Additions and Disposals- Cost			
Assets owned by the Company			
Freehold land		45,241,916	3,311,000
Building on freehold land		255,353,378	90,353,682
Plant and machinery		107,553,784	392,795,740
Furniture and fixtures		9,654,273	5,757,818
Vehicles:			
– additions		15,054,740	7,768,920
– transfers		(1,695,800)	2,376,166
Tools and equipment		71,877,536	31,938,813
Office equipments		11,968,294	8,067,309
Electric installation		9,434,305	6,826,736
Assets subject to finance lease			
Plant and machinery		2,578,500	–
Vehicles:			
– additions		28,408,550	32,785,983
– transfers		1,695,800	(2,376,166)
		<u>557,125,276</u>	<u>579,606,001</u>
Disposals – Cost			
Assets owned by the Company			
Vehicles		3,279,826	3,080,687
Office equipments		87,500	103,000
Assets subject to finance lease			
Vehicles		1,334,851	–
		<u>4,702,177</u>	<u>3,183,687</u>

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

for the nine months ended September 30, 2008

	September 30, 2008 Rupees	December 31, 2007 Rupees
9 LONG TERM INVESTMENTS		
Investments available for sale		
Cost	5,529,593,999	4,290,861,093
Accumulated impairment loss	(2,647,488)	(2,647,488)
Fair value adjustment	4,869,643	3,691,596
	5,531,816,154	4,291,905,201
Investment held to maturity	600,000,000	2,100,000,000
	6,131,816,154	6,391,905,201

9.1 The Company is in the process of acquiring 100% stake in Montebello SRL (owner of an Italian fabric brand) through Farital AB, a special purpose vehicle incorporated in Sweden. Out of the total consideration of Euro 23.758 million the Company has made a payment of Euro 11.5 million upto the reporting date.

9.2 Azsoft (Private) Limited has been wound up during the period under the Easy Exit Scheme ("EES") of the Securities and Exchange Commission of Pakistan. The loss being the difference between the book value of investment in and the Company's share in net assets of Azsoft (Private) Limited at the time of winding up has been charged to profit or loss.

10 TRANSACTIONS WITH RELATED PARTIES OTHER THAN KEY MANAGEMENT PERSONNEL

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, 2008 Rupees	September 30, 2007 Rupees
Subsidiaries		
Sales	76,538,179	-
Return on investment in TFC's	55,716,721	209,923,642
Mark-up expense	-	41,729,341
Associates		
Purchases	1,870,506	1,541,630
Others		
Sales	1,045,975,416	-
Purchases	30,589,960	-

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

Transactions with Key management personnel

Key management personnel receive an amount of Rs 107.913 million (30 September 2007: Rs 77.390 million) out of which Rs 6.004 million (30 September 2007: Rs 5.530 million) relates to post employment benefits.

11 DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue/circulation on 31 October 2008 by the Board of Directors of the Company.

12 OTHERS

There are no other significant activities since December 31, 2007 affecting the financial statements other than disclosed in these financial statements.

13 FIGURES

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



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Unaudited)

as at September 30, 2008

	Note	September 30, 2008 Rupees	December 31, 2007 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		3,827,118,540	3,788,822,900
Reserves		3,716,983,683	3,984,215,478
Unappropriated profits		2,187,867,317	1,556,263,534
		9,731,969,540	9,329,301,912
MINORITY INTEREST			
		-	1,793
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
		224,383,299	239,073,077
NON CURRENT LIABILITIES			
Redeemable capital – secured	5	13,279,180,650	10,404,259,542
Long-term financing – secured	6	2,868,575,000	2,973,551,252
Liabilities against assets subject to finance lease	7	80,695,636	32,507,391
Long-term payables		228,305,470	31,135,199
Deferred taxation		1,887,948,850	1,811,694,727
		18,344,705,606	15,253,148,111
CURRENT LIABILITIES			
Current portion of non-current liabilities		1,262,205,801	986,968,631
Short-term borrowings – secured		8,168,506,057	4,442,219,557
Derivative financial liabilities		74,754,224	34,369,582
Trade and other payables		4,528,753,826	2,928,160,558
Mark-up accrued on borrowings		647,149,317	473,174,881
Unclaimed dividend		15,164,735	9,694,014
		14,696,533,960	8,874,587,223
CONTINGENCIES AND COMMITMENTS			
	8	-	-
		42,997,592,405	33,696,112,116
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	9	20,085,702,768	20,081,750,375
Capital work in progress		3,268,168,885	401,285,046
Intangible assets		3,755,329,754	3,762,203,525
Long term investments	10	1,240,862,920	100,923
Long term deposits		63,838,959	44,060,692
		28,413,903,286	24,289,400,561
CURRENT ASSETS			
Stores, spares and loose tools		1,242,790,185	782,565,098
Stock in trade		6,571,750,854	2,532,099,663
Trade debts		2,497,572,565	2,366,279,392
Derivative financial assets		413,546,651	849,253,210
Advances, deposits, prepayments and other receivables		3,351,788,182	1,283,185,773
Current tax asset		142,664,244	80,352,096
Short term investments		221,776,000	882,894,125
Cash and bank balances		141,800,438	630,082,198
		14,583,689,119	9,406,711,555
		42,997,592,405	33,696,112,116

The annexed notes 1 to 15 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, 2008

	Nine Months Ended		Quarter Ended	
	September 30 2008	September 30 2007	September 30 2008	September 30 2007
	Rupees		Rupees	
Sales – Net	13,067,518,297	7,362,973,701	6,210,521,040	2,495,525,039
Cost of sales	8,299,188,028	4,570,518,012	4,067,815,266	1,474,153,097
Gross profit	4,768,330,269	2,792,455,689	2,142,705,774	1,021,371,942
Administrative and selling expenses	786,119,034	559,879,366	317,601,617	199,402,807
	3,982,211,235	2,232,576,323	1,825,104,157	821,969,135
Other income- Net	48,369,785	75,991,152	(138,453,356)	(33,928,518)
Finance cost	2,777,877,106	1,516,664,634	1,364,442,633	536,331,855
Profit before taxation	1,252,703,914	791,902,841	322,208,168	251,708,762
Taxation				
– Current	91,356,777	50,323,242	31,329,427	17,184,770
– Deferred	76,254,123	115,158,718	49,717,373	–
	167,610,900	165,481,960	81,046,800	17,184,770
Profit after taxation attributable to Group	1,085,093,014	626,420,881	241,161,368	234,523,992
Earnings per share – Basic & diluted	3.30	1.86	0.72	0.61

The annexed notes 1 to 15 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, 2008

	Nine Months Ended	
	September 30, 2008	September 30, 2007
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,252,703,914	791,902,841
Adjustment for non-cash items	3,585,601,955	2,118,074,617
Operating profit before changes in working capital	4,838,305,869	2,909,977,458
Changes in working capital	(5,098,538,774)	(530,623,942)
	(260,232,905)	2,379,353,516
Financial charges paid	(2,604,196,945)	(1,504,138,549)
Taxes paid	(153,831,491)	(59,212,230)
Long term deposits and payables	197,170,271	248,539,792
Long term deposits and receivables	(22,911,707)	(3,494,540)
Net cash used in / from operating activities	<u>(2,844,002,777)</u>	<u>1,061,047,989</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(3,513,320,596)	(972,051,183)
Development costs	(5,299,818)	(2,709,728)
Proceeds from disposal of property, plant and equipment	5,999,649	5,533,116
Proceeds from disposal of subsidiary	1,773,857	-
Long term investments	(1,240,755,650)	-
Interest received	1,174,815	8,783,993
Dividend received	1,730,500	-
Short term investments	724,586,827	34,208,360
Net cash used in investing activities	<u>(4,024,110,416)</u>	<u>(926,235,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital	3,546,574,919	(1,229,307,469)
Long term financing	(505,392,742)	(180,651,442)
Dividend paid	(385,458,288)	(207,210,327)
Short term finances-net	3,726,286,500	617,296,877
Finance lease liabilities paid	(2,178,956)	(44,833,212)
Net cash flow from / used in financing activities	<u>6,379,831,433</u>	<u>(1,044,705,573)</u>
Net (decrease) in cash and cash equivalents	(488,281,760)	(909,893,026)
Cash and cash equivalents at beginning of the period	630,082,198	1,132,966,961
Cash and cash equivalents at end of the period	<u>141,800,438</u>	<u>223,073,935</u>

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

Chief Executive

Director

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the nine months ended September 30, 2008

	Share Capital		Reserves						Unappropriated Profit	Total equity	Surplus on revaluation of property, plant & equipment
	Issued, subscribed and paid-up	Share premium	Hedging reserve	Exchange gain on translation of foreign subsidiary	Reserve on merger	Preference share redemption reserve	Surplus on revaluation of investments	Total			
	R U P E S										
Balance as at January 1, 2007	3,788,838,900	2,633,371,139	523,658,637	27,878	105,152,005	319,500,000	587,148	3,576,296,807	586,927,934	7,952,063,641	257,360,867
Prior period adjustments											
- Depreciation	-	-	-	-	-	-	-	-	144,526,888	144,526,888	-
- Deferred tax	-	-	-	-	-	-	-	-	(79,943,579)	(79,943,579)	-
Balance as at 01 January 2007 - restated	3,788,838,900	2,633,371,139	523,658,637	27,878	105,152,005	319,500,000	587,148	3,576,296,807	851,511,243	8,016,646,950	257,360,867
Profit for the period	-	-	-	-	-	-	-	-	626,420,881	626,420,881	-
Surplus on revaluation of Property, Plant & Equipment relating to retained earnings during the period	-	-	-	-	-	-	-	-	-	-	-
transferred to incremental depreciation and disposal	-	-	-	-	-	-	-	-	-	-	-
Preference shares dividend	-	-	-	-	-	50,500,000	-	50,500,000	(50,500,000)	-	-
Ordinary shares dividend	-	-	-	-	-	-	-	-	(943,981,063)	(943,981,063)	-
Net increase in fair value of derivative financial instruments	-	-	368,927,898	-	-	-	-	368,927,898	-	-	-
Balance as at September 30, 2007	3,788,838,900	2,633,371,139	892,586,535	27,878	105,152,005	364,000,000	587,148	3,996,724,705	887,166,904	8,681,730,509	249,645,024
Balance as at January 1, 2008	3,788,832,900	2,633,387,139	831,061,034	33,041	105,152,005	414,500,000	82,259	3,984,215,478	1,556,263,534	9,329,301,912	239,073,077
Conversion of preference shares (140,000)	-	140,000	-	-	-	-	-	140,000	-	-	-
Conversion of redeemable capital (38,438,640)	-	104,314,360	-	-	-	-	-	104,314,360	-	142,750,000	-
Profit for the period	-	-	-	-	-	-	-	-	1,085,093,014	1,085,093,014	-
Surplus on revaluation of Property, Plant & Equipment relating to retained earnings during the period	-	-	-	-	-	-	-	-	-	-	-
transferred to incremental depreciation and disposal	-	-	-	-	-	-	-	-	-	-	-
Preference shares redemption reserve	-	-	-	-	-	77,250,000	-	77,250,000	14,689,778	14,689,778	(14,689,778)
Preference shares dividend	-	-	-	-	-	-	-	-	(77,250,000)	(77,250,000)	-
Ordinary shares dividend	-	-	-	-	-	-	-	-	(390,929,009)	(390,929,009)	-
Net decrease in fair value of derivative financial instruments	-	-	(447,833,688)	-	-	-	-	(447,833,688)	(390,929,009)	(447,833,688)	-
Exchange difference on translation of foreign subsidiary	-	-	-	(1,108,814)	-	-	-	(1,108,814)	-	(1,108,814)	-
Revaluation of long term investments	-	-	-	-	-	-	6,347	6,347	-	6,347	-
Balance as at September 30, 2008	3,827,118,540	2,737,841,499	383,227,346	(1,075,773)	105,152,005	491,750,000	88,606	3,716,983,883	2,187,867,317	9,731,969,540	224,383,299

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

Cheif Executive

Director

FOR THE NINE MONTHS ENDED 30 SEPTEMBER, 2008

1 REPORTING ENTITY

Azgard Nine Limited ("the Company") was 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 manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore.

ANL has 100% equity interest in Pak American Fertilizers Limited (PAFL) and 51% equity interest in Nafees International Tekstil Snayi Ve Ticaret Anonim Sirketi (NIT). ANL had 99.90% equity interest in Azsoft (Private) Limited (APL) which is being wound up under Easy exit scheme announced by SECP.

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 uptill 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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".

These interim financial statements are unaudited.

2.2 Basis of preparation

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

3 SIGNIFICANT 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 published financial statements of the Company for the year ended 31 December 2007.

4 PRINCIPLES OF CONSOLIDATION

The condensed interim consolidated financial statements include the financial statements of ANL and its subsidiaries for the period ended 30 September 2008.

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.

for the nine months ended September 30, 2008

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

	September 30, 2008 Rupees	December 31, 2007 Rupees
5 REDEEMABLE CAPITAL - SECURED		
Term Finance Certificates:		
Holding Company	4,359,974,907	2,330,312,532
Subsidiary – PAFL	9,319,579,089	6,486,000,000
	<u>13,679,553,996</u>	<u>10,648,821,734</u>
Less: Current portion shown under current liabilities	400,373,346	244,562,192
	<u>13,279,180,650</u>	<u>10,404,259,542</u>
6 LONG TERM FINANCING - SECURED		
These represent long term finances utilized under markup arrangements		
Financial institutions	3,700,525,000	3,687,725,085
Less: Current portion shown under current liabilities	831,950,000	714,173,833
	<u>2,868,575,000</u>	<u>2,973,551,252</u>
7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of Minimum lease payment	110,578,091	60,739,997
Less: Current portion shown under current liabilities	29,882,455	28,232,606
	<u>80,695,636</u>	<u>32,507,391</u>
8 CONTINGENCIES AND COMMITMENTS		
Contingencies		
There is no change in contingencies since December 31, 2007.		
Commitments		
Commitments against irrevocable letters of credit outstanding as at September 30, 2008 amount to Rs. 6,170 million (December 31, 2007: Rs. 708.07 million). There were no other significant commitments as at the reporting date.		
	September 30, 2008 Rupees	December 31, 2007 Rupees
9 PROPERTY, PLANT AND EQUIPMENT		
Net book value as at the beginning of the period	20,081,750,375	19,835,155,084
Additions during the period	9.1 698,453,807	977,832,707
Net book value of assets disposed during the period	(4,187,140)	(1,647,428)
Depreciation charged during the period	(690,314,274)	(729,589,988)
Net book value as at the end of the period	<u>20,085,702,768</u>	<u>20,081,750,375</u>

for the nine months ended September 30, 2008

	September 30, 2008 Rupees	December 31, 2007 Rupees
9.1 Additions – Cost		
Assets owned by the Company		
Freehold land	45,241,916	3,311,000
Building on freehold land	282,172,215	94,308,667
Plant and Machinery:	114,379,155	736,350,715
Joint residential colony assets	679,261	286,496
Furniture and fixtures	13,724,348	9,829,230
Vehicles	13,358,940	10,210,962
Sui gas installations	27,144	757,637
Tools and equipment	73,805,579	32,432,512
Office equipments	11,968,294	8,067,309
Electric installation	9,434,305	6,826,736
Books and literature	318,170	–
Catalysts	79,345,654	27,167,876
Plantation	285,976	–
Assets subject to finance lease		
Plant and machinery	2,578,500	–
Vehicles	51,134,350	48,283,567
	<u>698,453,807</u>	<u>977,832,707</u>
9.2 Disposals – Cost		
Assets owned by the Company		
Building on freehold land	62,018	–
Furniture and fixtures	508,295	25,104
Vehicles	3,279,826	11,336,260
Road, rail transport	431,871	
Tools and equipment	–	15,515
Office equipments	622,970	103,000
Electric installation	721,400	
Assets subject to finance lease		
Vehicles	2,213,851	–
	<u>7,840,231</u>	<u>11,479,879</u>
10 LONG TERM INVESTMENTS		
Investments available for sale		
Cost	1,241,771,083	1,015,432
Accumulated impairment loss	(996,768)	(996,768)
Fair value adjustment	88,606	82,259
	<u>1,240,862,920</u>	<u>100,923</u>

- 10.1** The Company has acquired 100% stake of Montebello SRL (owner of an Italian fabric brand) through Farital AB, a special purpose vehicle incorporated in Sweden. Out of the total consideration of Euro 23.758 million the Company has made an advance of Euro. 11.5 million upto the reporting date.

for the nine months ended September 30, 2008

11 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, 2008	September 30, 2007
	Rupees	Rupees
Associates		
Purchases	1,870,506	1,541,630
Other		
Sales	1,045,975,416	-
Purchases	30,589,960	-

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

Transactions with Key management personnel

Key management personnel receive an amount of Rs 228.843 million (30 September 2007: Rs 117.222 million) out of which Rs 11.644 million (30 September 2007: Rs 5.669 million) relates to post employment benefits.

12 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

Segment results for the nine months ended 30 September 2008 are as follows:

	Textile Rupees	Fertilizer Rupees	Group Rupees
Revenue	7,683,505,879	5,384,012,418	13,067,518,297
Group revenue			
Operating profit	2,107,696,694	1,874,514,541	3,982,211,235
Other income	(12,301,829)	60,671,614	48,369,785
Finance cost	(1,615,901,769)	(1,161,975,337)	(2,777,877,106)
Profit before tax	479,493,095	773,210,819	1,252,703,914
Income tax expense	(77,899,958)	(89,710,942)	(167,610,900)
Profit for the period	401,593,137	683,499,877	1,085,093,014

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

	Textile Rupees	Fertilizer Rupees	Group Rupees
Depreciation	405,853,016	284,461,258	690,314,274
Amortization	12,173,589	-	12,173,589

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).

for the nine months ended September 30, 2008

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 30 September 2008 and capital expenditure for the period then ended are as follows:

	Textile Rupees	Fertilizer Rupees	Group Rupees
Assets	17,360,810,120	25,636,782,285	42,997,592,405
Liabilities	14,192,900,258	18,848,339,308	33,041,239,566
Capital expenditure	1,166,956,442	2,346,364,154	3,513,320,596

Other segment information

The group has closed its software segment during the period by opting for winding up under easy exit scheme announced by Securities and Exchange Commission of Pakistan.

13 DIVIDEND PAID DURING THE PERIOD

During the period, the Company paid 12.5% (Rs. 1.25 per share) dividend on ordinary shares for the year ended 31 December 2007.

14 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 October 2008 by the Board of Directors of the Company.

15 FIGURES

Figures have been rounded off to the nearest rupee.

Chief Executive

Director

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