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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. Khalid A.H. Al-Sagar
Mr. Muhammad Mukarram
Mr. Abdul Rasheed Zahid Grewal

Chairman
Chief Executive

SECRETARY

Mr. Javaid Iqbal

CHIEF FINANCIAL OFFICER

Ms. Bushra Naz Malik

AUDIT COMMITTEE

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

BANKERS

Bank of Punjab
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
PICIC Commercial Bank Limited
Saudi Pak Commercial Bank Limited
Saudi Pak Industrial & Agricultural
Investment Company (Private) Limited
The Hong Kong and Shanghai
Banking Corporation
Union Bank Limited
United Bank Limited
Habib Bank AG Zurich
NDLC - IFIC Bank Limited

LEGAL ADVISORS

Hamid Law Associates
Advocates

Hassan & Hassan
Advocates

AUDITORS

M. Yousaf Adil Saleem & Co.
Chartered Accountants

TAX ADVISORS

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Hameed Chaudhri & Co.
Chartered Accountants

MANAGEMENT TEAM

Mr. Ahmed H. Shaikh
Mr. Aehsun M.H. Shaikh
Ms. Bushra Naz Malik
Mr. Muhammad Talib
Mr. Aamir Usman
Mr. Mazhar Hussain Mirza

REGISTERED OFFICE

Ismail Aiwana-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)4951 384081-2
Fax: +92 (0)4951 384093

Unit II

Alipur Road, Muzaffargarh.
Ph: +92 (0)661 422503, 422651
Fax: +92 (0)661 422652

DIRECTORS' REVIEW

By the Grace of God, your Board of Directors feel immense pleasure in presenting the 3rd quarter and nine months financial statements for the period ended June 30, 2004.

GENERAL MARKET CONDITIONS

Following conditions prevailed during the period:

- Substantial decline in cotton prices towards the end of the quarter throwing the industry into turmoil. In particular putting the yarn market into pressure.
- Pak Rupee started to depreciate against major currencies.
- Interest rates have started to rise.
- Anti-dumping duty imposed by European commission is affecting the textile industry.
- Oil prices have again climbed near to their peak levels.

OPERATING RESULTS OF THE COMPANY

Our company continued to perform well. The major highlights as compared to the last corresponding period are as follows:

TURNOVER

The company's turnover increased by 31%. This sales growth achieved due to following reasons:

- Improvement in the denim market resulted in better utilization of the production capacity.
- Sales prices of garments have improved.
- Over all production capacity of spinning, weaving & garment has increased due to heavy BMR during the period.

PROFITABILITY

The profitability of the company has increased. Net margin after tax has increased from 7.9% to 11%.

The major factors for this have been:

- Administrative & selling expenses have decreased from 9.31% to 5.38% of net sales.
- Financial charges have decreased from 6.13% to 4.43% of net sales.
- Tax rate has gone down from 1.23% to 0.58% of net sales.

Consequently the EPS has improved to Rs.3.16 from Rs.1.66 from the comparative nine months.



FUTURE OUTLOOK

Normally the financial performance in the second half of the year is better than the first half. The third quarter results are in line with this. However, the textile sector is in a crisis due to the sudden collapse of the cotton prices. Many buyers are demanding for reduction in prices. The textile producers are however, still holding cotton at high cost. The situation is expected to continue until October, 2004 when the mills should have lower cost raw material available. Financial charges have also started to rise which will increase financial costs in the future. The last quarter expectation under these circumstances is cautious. The management is making best efforts to mitigate as many of these variables as possible.

Preference shares

Right letters have been dispatched to the members on July 24, 2004. These funds will be utilized for the future expansion plans of the company.

We would like to place on record deep appreciation for the dedication of all the staff members of the company, shareholders, financial institutions, customers and suppliers whose worthy support has helped us in our pursuit for continuous improvement.

On behalf of the Board

Lahore: July 29, 2004

Chief Executive

BALANCE SHEET (Unaudited)

for the quarter and nine months ended June 30, 2004

	Note	June 30, 2004 Rupees	September 30, 2003 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	4	868,654,340	868,654,340
Reserves		249,422,590	251,042,854
Accumulated profit		453,677,648	161,710,634
		1,571,754,578	1,281,407,828
SURPLUS ON REVALUATION OF FIXED ASSETS			
		312,485,764	330,249,524
REDEEMABLE CAPITAL - Secured			
	5	666,505,895	650,000,000
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
		106,116,489	153,859,601
DEFERRED LIABILITY - Staff Gratuity			
		27,328,074	25,512,837
LONG TERM DEPOSITS			
		6,831,547	6,388,502
CURRENT LIABILITIES			
Current portion of:			
Redeemable capital-Secured		100,000,000	100,000,000
Liabilities against assets subject to finance lease		59,000,106	60,798,533
Short term finances	6	1,850,143,794	1,428,656,101
Creditors, accruals and other payables		754,767,581	748,025,524
Taxation		58,324,871	44,824,871
		2,822,236,352	2,382,305,029
CONTINGENCIES AND COMMITMENTS			
	7	-	-
		<u>5,513,258,699</u>	<u>4,829,723,321</u>
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	8	2,605,523,137	2,251,337,991
Capital work in progress	9	129,908,378	82,415,024
RESEARCH AND DEVELOPMENT			
	10	20,586,007	-
LONG TERM INVESTMENTS			
	11	25,031,026	2,664,888
LONG TERM DEPOSITS AND DEFERRED COSTS			
	12	53,045,907	14,548,996
CURRENT ASSETS			
Stores, spares and loose tools		56,528,447	45,777,796
Stock-in-trade		1,319,342,160	1,265,777,101
Trade debtors		678,461,220	536,616,084
Advances, deposits, prepayments and other receivables		592,519,360	608,983,691
Cash and bank balances		32,313,057	21,601,750
		2,679,164,244	2,478,756,422
		<u>5,513,258,699</u>	<u>4,829,723,321</u>

The annexed notes form an integral part of these accounts.

Place: Lahore
Date: July 29, 2004

Chief Executive

Director

PROFIT AND LOSS ACCOUNT (Unaudited)

for the quarter and nine months ended June 30, 2004

	Quarter Ended June 30, 2004 Rupees	Nine Months Ended June 30, 2004 Rupees	Quarter Ended June 30, 2003 Rupees	Nine Months Ended June 30, 2003 Rupees
SALES - Net	854,902,629	2,222,998,928	650,778,932	1,774,230,226
COST OF SALES	657,903,322	1,704,589,999	487,656,292	1,306,315,305
GROSS PROFIT	196,999,307	518,408,929	163,122,640	467,914,921
ADMINISTRATIVE AND SELLING EXPENSES	46,063,220	127,397,801	60,613,329	149,931,128
OPERATING PROFIT	150,936,087	391,011,128	102,509,311	317,983,793
OTHER INCOME	180,607	531,851	1,347,919	4,118,016
	151,116,694	391,542,979	103,857,230	322,101,809
FINANCIAL AND OTHER CHARGES	45,967,244	103,839,725	43,052,292	160,118,373
PROFIT BEFORE TAXATION	105,149,450	287,703,254	60,804,938	161,983,436
TAXATION	5,000,000	13,500,000	7,976,901	17,805,570
PROFIT AFTER TAXATION	100,149,450	274,203,254	52,828,037	144,177,866
EARNINGS PER SHARE	1.15	3.16	0.61	1.66

The annexed notes form an integral part of these accounts.

Place: Lahore
Date: July 29, 2004

Chief Executive

Director

CASH FLOW STATEMENT (Unaudited)

for the period of nine months ended June 30, 2004

	Nine Months Ended June 30, 2004 Rupees	Nine Months Ended June 30, 2003 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	287,703,254	161,983,436
Items not involving movement of funds	221,151,568	256,855,046
Operating profit before changes in working capital	508,854,822	418,838,482
Changes in working capital	(187,588,102)	(466,041,674)
Operating profit after changes in working capital	321,266,720	(47,203,192)
Financial charges paid	(77,389,264)	(174,549,969)
Taxes paid	(20,001,311)	(24,871,435)
Dividend paid	(269)	(21,266)
NET CASH INFLOW/(OUT FLOW) FROM OPERATING ACTIVITIES	223,875,876	(246,645,862)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(519,266,823)	(299,976,122)
Research and development	(20,586,007)	-
Sale proceed of fixed assets	276,480	-
Purchase of investments	(23,986,402)	-
Long term deposits and deferred cost	(38,496,911)	-
NET CASH USED IN INVESTING ACTIVITIES	(602,059,663)	(299,976,122)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable capital -net	16,505,895	(4,042,187)
Long term loans-net	-	129,836,123
Finance lease liabilities-net	(49,541,539)	(7,639,314)
Long term deposits	443,045	3,047,365
Short term finances-net	421,487,693	450,950,441
NET CASH FLOW FROM FINANCING ACTIVITIES	388,895,094	572,152,428
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	10,711,307	25,530,444
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	21,601,750	23,476,815
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	32,313,057	49,007,259

The annexed notes form an integral part of these accounts.

Place: Lahore
Date: July 29, 2004

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the period of nine months ended June 30, 2004

	Share Capital		Share Premium	Capital Reserve on Merger	Surplus on Revaluation of Investments	Accumulated Profit/(Loss)	Total Equity	Surplus on Revaluation of Fixed Assets
	Issued and paid-up	Shares under issue						
Balance as at September 30, 2002 restated	360,534,420	508,119,590	143,675,125	105,152,335	-	(92,057,197)	1,025,424,273	355,829,309
Profit for the period of nine months ended June 30, 2003	-	-	-	-	-	144,177,866	144,177,866	-
Issue of shares	508,119,920	(508,119,590)	-	(330)	-	-	-	-
Adjustment of depreciation on incremental value arising on revaluation	-	-	-	-	-	12,789,893	12,789,893	(12,789,893)
Balance as at June 30, 2003	868,654,340	-	143,675,125	105,152,005	-	64,910,562	1,182,392,032	343,039,416
Profit for the quarter ended September 30, 2003	-	-	-	-	-	84,010,180	84,010,180	-
Adjustment of depreciation on incremental value arising on revaluation	-	-	-	-	-	12,789,892	12,789,892	(12,789,892)
Revaluation of investments	-	-	-	-	2,215,724	-	2,215,724	-
Balance as at September 30, 2003	868,654,340	-	143,675,125	105,152,005	2,215,724	161,710,634	1,281,407,828	330,249,524
Profit for the period of nine months ended June 30, 2004	-	-	-	-	-	274,203,254	274,203,254	-
Surplus on revaluation of fixed assets transferred to retained earnings during the period	-	-	-	-	-	17,763,760	17,763,760	(17,763,760)
Diminution in the value of investments	-	-	-	-	(1,620,264)	-	(1,620,264)	-
Balance as at June 30, 2004	868,654,340	-	143,675,125	105,152,005	595,460	453,677,648	1,571,754,578	312,485,764

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

Place: Lahore
Date: July 29, 2004

CHIEF EXECUTIVE

DIRECTOR

AZGARD NINE LIMITED
(Formerly Legler Nafees Denim Mills Ltd.)

NOTES TO THE ACCOUNTS (Un-audited)

for the period of nine months ended June 30, 2004

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. The company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products.

2. BASIS OF PREPARATION

These financial statements have been prepared under "Historical Cost Convention" except certain fixed assets that have been included at revaluation, certain exchange differences which have been incorporated in the cost of relevant asset, staff retirement and are in compliance with the International Accounting Standard (IAS) 34 Interim Financial Reporting.

3. ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of these quarterly financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended September 30, 2003.

3.2 The company during the period has adopted following new policies as per requirements of IAS:

- Investment in subsidiary is recorded at cost.
- Research and development cost will be amortised over twenty years.

4. SHARE CAPITAL

4.1 Authorised Capital

	June 30, 2004 Rupees	September 30, 2003 Rupees
300,000,000 (2003: 117,380,000) ordinary shares of Rs.10/- each	3,000,000,000	1,173,800,000
Issued, subscribed and paid up capital 86,865,434 (2003: 86,865,434) ordinary shares of Rs.10/- each	868,654,340	868,654,340

4.2 Authorised capital of the company has been increased to Rs.3,000,000,000 divided into 213,000,000 ordinary shares of Rs.10/- each and 87,000,000 preference shares of Rs.10/- each.

5. REDEEMABLE CAPITAL - Secured

The company has entered into agreements of bridge finance facilities for Rs. 400 M with financial institutions which will be converted into privately placed term finance certificates. Mark-up is at the base rate (KIBOR) for last six months + margin and 3.5% on these facilities. It is secured against ranking charge on fixed assets of the company with a margin of 25%.

6. SHORT TERM FINANCES

At the end of the period company has aggregate funded and unfunded facilities available of Rs. 3,621.33 M. These have been obtained from banking companies and financial institutions at the mark-up rates ranging from 1.90% to 7.00% and are secured against first pari passu charge of current assets of the company and personal guarantees of the sponsoring directors.

7. CONTINGENCIES AND COMMITMENTS

7.1 Guarantees given by the commercial banks on behalf of the company as at period-end were outstanding for Rs. 0.10 Million. (2003: Rs. 0.10 Million).

7.2 Commitments against irrevocable letters of credit outstanding as at period ended were for Rs. 354.00 Million (2003: Rs. 334.77 Million).

NOTES TO THE ACCOUNTS (Un-audited)

for the period of nine months ended June 30, 2004

	June 30, 2004 Rupees	September 30, 2003 Rupees
8. OPERATING FIXED ASSETS - Tangible		
Book value as on 1st October,	2,251,337,988	1,938,067,505
Additions during the period		
Owned:		
Building	35,661,585	52,281,361
Plant and machinery	382,626,544	301,915,681
Electric installations	14,103,791	2,256,743
Tools and equipment	482,128	297,382
Furniture and fixtures	2,666,133	834,371
Office equipment	11,922,713	5,784,286
Vehicles	0	195,980
	447,462,894	363,565,804
Leased:		
Plant and machinery	31,254,008	88,490,278
Vehicles	455,000	11,607,050
	31,709,008	100,097,328
Book value of assets disposed-off during the period	(276,480)	(2,989,640)
Depreciation charge for the period	(117,311,843)	(147,403,006)
Capitalised during the period	(7,398,431)	-
	(124,710,274)	(147,403,006)
Book value as on	<u>2,605,523,137</u>	<u>2,251,337,991</u>
9. CAPITAL WORK IN PROGRESS		
Civil work	17,403,177	5,750,000
Plant & machinery	106,648,970	76,665,024
Intangible asset	5,856,231	-
	<u>129,908,378</u>	<u>82,415,024</u>
10. RESEARCH AND DEVELOPMENT		
The company has made significant investments into research and development in order to create proprietary knowledge and technologies. The objective of this research is to provide products and/or production costs that give the company a significant advantage over its competitors. The company plans to continue this policy and infact increase research and development spending in the times to come.		
11. LONG TERM INVESTMENT		
Included in long term investment is cost of investment of Rs. 22,821,657 as expenses for the incorporation of an off-shore company. The incorporation of the company was in process as at the balance sheet date.		
12. LONG TERM DEPOSITS AND DEFERRED COSTS		
During the period the company has incurred expenses of Rs. 32,071,149 in respect of increase in authorized capital and proposed issue of preference shares, which includes expenses for underwriting arrangements and fees paid to regulatory authorities. The preference shares are expected to be issued during the current calendar year.		

NOTES TO THE ACCOUNTS (Un-audited)

for the period of nine months ended June 30, 2004

13. BALANCES AND 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:

	2004 Rupees	2003 Rupees
TRANSACTIONS		
- Sale of goods	113,535,220	-
- Purchase of goods	398,700	-
- Payments made for placements of preference shares	13,475,633	-
- Financial charges	681,900	-

The company continues to have a policy whereby all transactions with related parties are entered into at arm's length price.

14. SUBSIDIARY COMPANY

The company during the period has incorporated its subsidiary company in Turkey "NAFEES INTERNATIONAL TEKSTIL SANAYI VE TICARET ANONIM SIRKETI" and the company has 51% ownership right in its subsidiary company.

15. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 29, 2004 by the Board of Directors of the company.

16. OTHERS

There are no other significant activities since September 30, 2003 affecting the financial statements other than disclosed in the financial statements.

17. FIGURES

Comparative figures relating to balance sheet are of previous year and those of profit and loss account and cash flow statement are of corresponding period of previous year.

Place: Lahore
Date: July 29, 2004

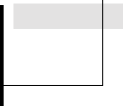
Chief Executive

Director





CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED BALANCE SHEET (Unaudited)

for the quarter and nine months ended June 30, 2004

	Note	June 30, 2004 Rupees	September 30, 2003 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	5	868,654,340	868,654,340
Reserves		249,422,590	251,042,854
Accumulated profit		453,706,464	161,710,634
		1,571,783,394	1,281,407,828
MINORITY INTEREST		1,962,354	-
SURPLUS ON REVALUATION OF FIXED ASSETS		312,485,764	330,249,524
REDEEMABLE CAPITAL - Secured	6	666,505,895	650,000,000
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
		106,116,489	153,859,601
DEFERRED LIABILITY - Staff Gratuity		27,328,074	25,512,837
LONG TERM DEPOSITS		6,831,547	6,388,502
CURRENT LIABILITIES			
Current portion of:			
Redeemable capital-secured		100,000,000	100,000,000
Liabilities against assets subject to finance lease		59,000,106	60,798,533
Short term finances	7	1,850,143,794	1,428,656,101
Creditors, accruals and other payables		758,476,877	748,025,524
Taxation		58,324,871	44,824,871
		2,825,945,648	2,382,305,029
CONTINGENCIES AND COMMITMENTS	8	-	-
		<u>5,518,959,165</u>	<u>4,829,723,321</u>
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	9	2,605,523,137	2,251,337,991
Capital work in progress	10	134,868,128	82,415,024
RESEARCH AND DEVELOPMENT	11	20,586,007	-
LONG TERM INVESTMENTS	12	23,380,306	2,664,888
LONG TERM DEPOSITS AND DEFERRED COSTS	13	53,443,545	14,548,996
CURRENT ASSETS			
Stores, spares and loose tools		56,528,447	45,777,796
Stock-in-trade		1,333,308,619	1,265,777,101
Trade debtors		657,352,349	536,616,084
Advances, deposits, prepayments and other receivables		601,601,246	608,983,691
Cash and bank balances		32,367,381	21,601,750
		2,681,158,042	2,478,756,422
		<u>5,518,959,165</u>	<u>4,829,723,321</u>

The annexed notes form an integral part of these accounts.

Place: Lahore
Date: July 29, 2004

Chief Executive

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)

for the quarter and nine months ended June 30, 2004

	Quarter Ended June 30, 2004 Rupees	Nine Months Ended June 30, 2004 Rupees	Quarter Ended June 30, 2003 Rupees	Nine Months Ended June 30, 2003 Rupees
SALES - Net	902,745,545	2,270,841,844	650,778,932	1,774,230,226
COST OF SALES	703,999,995	1,750,686,672	487,656,292	1,306,315,305
GROSS PROFIT	198,745,550	520,155,172	163,122,640	467,914,921
ADMINISTRATIVE AND SELLING EXPENSES	46,869,460	128,204,041	60,613,329	149,931,128
OPERATING PROFIT	151,876,090	391,951,131	102,509,311	317,983,793
OTHER INCOME	180,607	531,851	1,347,919	4,118,016
	152,056,697	392,482,982	103,857,230	322,101,809
FINANCIAL AND OTHER CHARGES	45,967,244	103,839,725	43,052,292	160,118,373
PROFIT BEFORE TAXATION	106,089,453	288,643,257	60,804,938	161,983,436
TAXATION	5,000,000	13,500,000	7,976,901	17,805,570
PROFIT AFTER TAXATION	101,089,453	275,143,257	52,828,037	144,177,866
MINORITY INTEREST	911,187	911,187	-	-
PROFIT AFTER TAX AND MINORITY INTEREST	100,178,266	274,232,070	52,828,037	144,177,866
COMBINED EARNINGS PER SHARE	1.15	3.16	0.61	1.66

The annexed notes form an integral part of these accounts.

Place: Lahore
Date: July 29, 2004

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

for the period of nine months ended June 30, 2004

	Nine Months Ended June 30, 2004 Rupees	Nine Months Ended June 30, 2003 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	288,643,257	161,983,436
Items not involving movement of funds	<u>221,151,568</u>	<u>256,855,046</u>
Operating profit before changes in working capital	509,794,825	418,838,482
Changes in working capital	<u>(176,119,569)</u>	<u>(466,041,674)</u>
Operating profit after changes in working capital	333,675,256	(47,203,192)
Financial charges paid	(87,087,977)	(174,549,969)
Taxes paid	(20,001,311)	(24,871,435)
Dividend paid	(269)	(21,266)
NET CASH INFLOW/(OUT FLOW) FROM OPERATING ACTIVITIES	<u>226,585,699</u>	<u>(246,645,862)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(523,175,405)	(299,976,122)
Research and development	(20,586,007)	-
Sale proceed of fixed assets	276,480	-
Purchase of investments	(22,335,682)	-
Long term deposits and deferred cost	(38,894,549)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(604,715,163)</u>	<u>(299,976,122)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable capital -net	16,505,895	(4,042,187)
Long term loans-net	-	129,836,123
Finance lease liabilities-net	(49,541,539)	(7,639,314)
Long term deposits	443,045	3,047,365
Short term finances-net	421,487,693	450,950,441
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>388,895,094</u>	<u>572,152,428</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	10,765,631	25,530,444
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	<u>21,601,750</u>	<u>23,476,815</u>
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u>32,367,381</u>	<u>49,007,259</u>

The annexed notes form an integral part of these accounts.

Place: Lahore
Date: July 29, 2004

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the period of nine months ended June 30, 2004

	Share Capital		Share Premium	Capital Reserve on Merger	Surplus on Revaluation of Investments	Accumulated Profit/(Loss)	Total Equity	Surplus on Revaluation of Fixed Assets
	Issued and paid-up	Shares under issue						
Balance as at September 30, 2002 restated	360,534,420	508,119,590	143,675,125	105,152,335	-	(92,057,197)	1,025,424,273	355,829,309
Profit for the period of nine months ended June 30, 2003	-	-	-	-	-	144,177,866	144,177,866	-
Issue of shares	508,119,920	(508,119,590)	-	(330)	-	-	-	-
Adjustment of depreciation on incremental value arising on revaluation	-	-	-	-	-	12,789,893	12,789,893	(12,789,893)
Balance as at June 30, 2003	868,654,340	-	143,675,125	105,152,005	-	64,910,562	1,182,392,032	343,039,416
Profit for the quarter ended September 30, 2003	-	-	-	-	-	84,010,180	84,010,180	-
Adjustment of depreciation on incremental value arising on revaluation	-	-	-	-	-	12,789,892	12,789,892	(12,789,892)
Revaluation of investment	-	-	-	-	2,215,724	-	2,215,724	-
Balance as at September 30, 2003	868,654,340	-	143,675,125	105,152,005	2,215,724	161,710,634	1,281,407,828	330,249,524
Profit for the period of nine months ended June 30, 2004	-	-	-	-	-	274,232,070	274,232,070	-
Surplus on revaluation of fixed assets transferred to retained earnings during the period	-	-	-	-	-	17,763,760	17,763,760	(17,763,760)
Diminution in the value of investments	-	-	-	-	(1,620,264)	-	(1,620,264)	-
Balance as at June 30, 2004	868,654,340	-	143,675,125	105,152,005	595,460	453,706,464	1,571,783,394	312,485,764

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

Place: Lahore
Date: July 29, 2004

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE CONSOLIDATED ACCOUNTS (Un-audited)

for the period of nine months ended June 30, 2004

1. NATURE OF BUSINESS

The Group comprises the following business:

Azgard Nine Limited (Formerly Legler Nafees Denim Mills Ltd) : Representing composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products.

Nafees International Tekstil: Representing sale of denim and denim products.

2. BASIS OF PREPARATION

These financial statements have been prepared under "Historical Cost Convention" except certain fixed assets that have been included at revaluation, certain exchange differences which have been incorporated in the cost of relevant asset, staff retirement and are in compliance with the International Accounting Standard (IAS) 34 Interim Financial Reporting.

3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include Azgard Nine Ltd (Formerly Legler Nafees Denim Mills Ltd) (the company) and Nafees International in which the company holds 51% of voting rights. Companies are consolidated as from the date of establishment.

4. ACCOUNTING POLICIES

4.1 The accounting policies adopted for the preparation of these quarterly financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended September 30, 2003.

4.2 The Group during the period has adopted following new policy as per requirements of IAS:

- Research and development cost will be amortised over twenty years.

	June 30, 2004 Rupees	September 30, 2003 Rupees
5. SHARE CAPITAL		
5.1 Authorised Capital		
300,000,000 (2003: 117,380,000) ordinary shares of Rs.10/- each	<u>3,000,000,000</u>	<u>1,173,800,000</u>
Issued, subscribed and paid up capital 86,865,434 (2003: 86,865,434) ordinary shares of Rs.10/- each	<u>868,654,340</u>	<u>868,654,340</u>

5.2 Authorised capital of the company has been increased to Rs.3,000,000,000 divided into 213,000,000 ordinary shares of Rs.10/- each and 87,000,000 preference shares of Rs.10/- each.

6. REDEEMABLE CAPITAL - Secured

The company has entered into agreements of bridge finance facilities for Rs.400 M with financial institutions which will be converted into privately placed term finance certificates. Mark-up is at the base rate (KIBOR) for last six months + margin and 3.5 % on these facilities. It is secured against ranking charge on fixed assets of the company with a margin of 25%.

7. SHORT TERM FINANCES

At the end of the period the company has aggregate funded and unfunded facilities available of Rs. 3,621.33 M. These have been obtained from banking companies and financial institutions at the mark-up rates ranging from 1.90% to 7.00% and are secured against first pari passu charge of current assets of the company and personal guarantees of the sponsoring directors.

8. CONTINGENCIES AND COMMITMENTS

8.1 Guarantees given by the commercial banks on behalf of the company as at period-end were outstanding for Rs. 0.10 Million. (2003: Rs. 0.10 Million).

8.2 Commitments against irrevocable letters of credit outstanding as at period ended were for Rs. 354.00 Million (2003: Rs. 334.77 Million).

NOTES TO THE CONSOLIDATED ACCOUNTS (Un-audited)

for the period of nine months ended June 30, 2004

	June 30, 2004 Rupees	September 30, 2003 Rupees
9. OPERATING FIXED ASSETS - Tangible		
Book value as on 1st October,	2,251,337,988	1,938,067,505
Additions during the period		
Owned:		
Building	35,661,585	52,281,361
Plant and machinery	382,626,545	301,915,681
Electric installations	14,103,791	2,256,743
Tools and equipment	482,128	297,382
Furniture and fixtures	2,666,133	834,371
Office equipment	11,922,713	5,784,286
Vehicles	-	195,980
	447,462,895	363,565,804
Leased:		
Plant and machinery	31,254,008	88,490,278
Vehicles	455,000	11,607,050
	31,709,008	100,097,328
Book value of assets disposed-off during the period	(276,480)	(2,989,640)
Depreciation charge for the period	(117,311,843)	(147,403,006)
Capitalised during the period	(7,398,431)	-
	(124,710,274)	(147,403,006)
Book value as on	2,605,523,137	2,251,337,991
10. CAPITAL WORK IN PROGRESS		
Civil work	22,362,927	5,750,000
Plant & machinery	106,648,970	76,665,024
Intangible Asset	5,856,231	-
	134,868,128	82,415,024
11. RESEARCH AND DEVELOPMENT		
The Group has made significant investments into research and development in order to create proprietary knowledge and technologies. The objective of this research is to provide products and/or production costs that give the Group a significant advantage in its sector. The Group plans to continue this policy and infact increase research and development spending in the times to come.		
12. LONG TERM INVESTMENT		
Included in long term investment is cost of investment of Rs. 22,821,657 as expenses for the incorporation of an off-shore company. The incorporation of the company was in process as at the balance sheet date.		
13. LONG TERM DEPOSITS AND DEFERRED COSTS		
During the period Group has incurred expenses of Rs. 32,071,149 in respect of increase in authorized capital and proposed issue of preference shares, which includes expenses for underwriting arrangements and fees paid to regulatory authorities.		

NOTES TO THE CONSOLIDATED ACCOUNTS (Un-audited)

for the period of nine months ended June 30, 2004

14. BALANCES AND 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:

	2004	2003
	Rupees	Rupees
TRANSACTIONS		
- Purchase of goods	398,700	-
- Payments made for placements of preference shares	13,475,633	-
- Financial charges	682,900	-

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

15. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 29, 2004 by the Board of Directors of the company.

16. OTHERS

There are no other significant activities since September 30, 2003 affecting the financial statements other than disclosed in the financial statements.

17. FIGURES

Comparative figures relating to balance sheet are of previous year and those of profit and loss account and cash flow statement are of corresponding period of previous year of the company only as Nafees International has been incorporated during the reporting period.

Place: Lahore
Date: July 29, 2004

Chief Executive

Director



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AZGARD NINE LIMITED

(FORMERLY: LEGLER-NAFEES DENIM MILLS LIMITED)

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(FORMERLY: LEGLER-NAFEES DENIM MILLS LIMITED)

ISMAIL AIWAN-E-SCIENCE, SHAHRAH-E-ROOMI,
LAHORE-54600, TEL: +92 (0)42 111-786-645

WWW.AZGARD9.COM

FINANCIAL STATEMENTS

FOR THE QUARTER &
NINE MONTHS ENDED JUNE 30, 2004
(UN-AUDITED)

