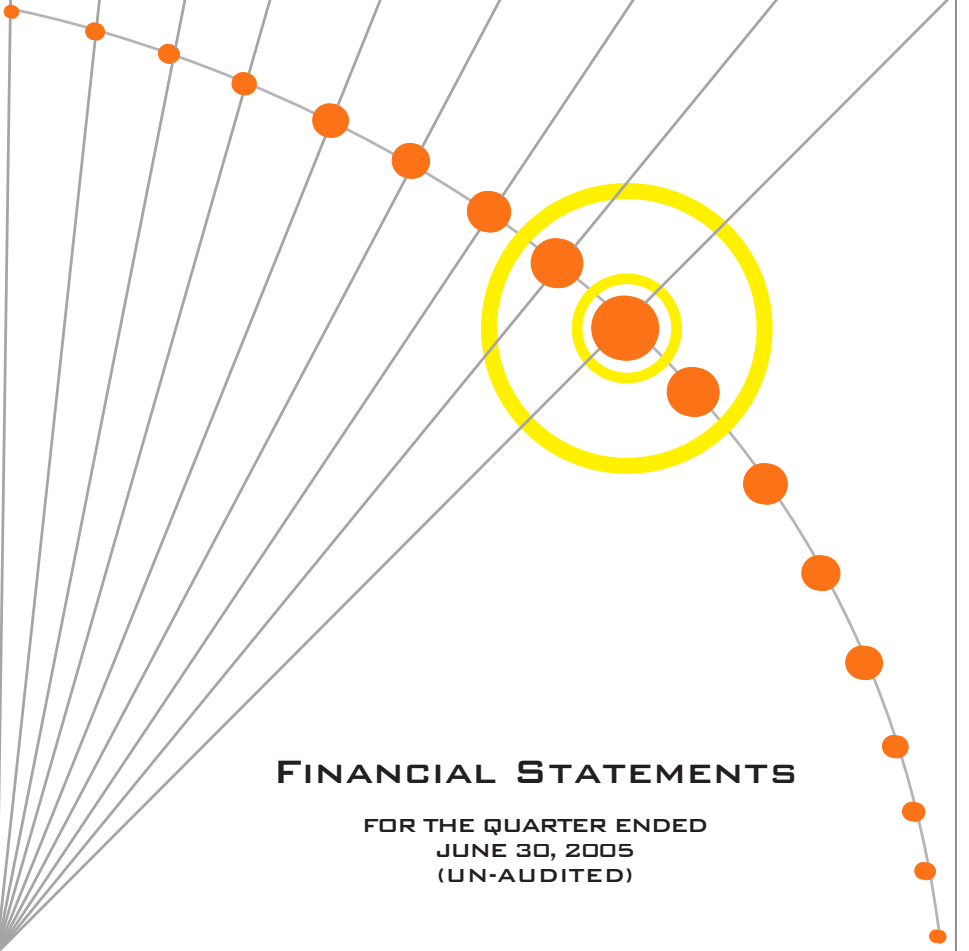




**AZGARD-9**

**AZGARD NINE LIMITED**



**FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED  
JUNE 30, 2005  
(UN-AUDITED)**

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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. Muhammad Mukarram

Chairman  
Chief Executive

### COMPANY 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. Ali Jehangir Siddiqui  
Mr. Khalid A.H. Al-Sagar

### 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  
Mr. Irfan Nazir  
Mr. Per Fredriksson

### FINANCE COMMITTEE

Mr. Ahmed H. Shaikh  
Mr. Ali Jehangir Siddiqui  
Ms. Bushra Naz Malik

### BANKERS

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

### LEGAL ADVISORS

Hamid Law Associates

Hassan & Hassan  
Advocates

### AUDITORS

Rahman Sarfaraz & Co.  
Chartered Accountants

### TAX ADVISORS

Ford Rhodes Sidat Hyder & 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

# DIRECTORS' REVIEW

By the Grace of God, your Board of Directors feels pleasure in presenting the 3rd quarter and nine monthly financial statements for the period ended June 30, 2005.

## GENERAL MARKET CONDITIONS

Following conditions prevailed during the period:

- Sales Tax was eliminated and import duties on dyes and chemicals were reduced in the budget.
- Fuel prices are at an all time high.
- Interest rates have increased substantially over the last three months and it appears that they will continue to do so.

## OPERATING RESULTS OF THE COMPANY

### TURNOVER

- The Company's turnover increased by 10.2%. This sales growth is due to increase in garments production.

### PROFITABILITY

- The profitability of the Company remains on track having improved marginally.
- The un-diluted EPS has improved to Rs 4.93 for nine months from Rs. 3.16 for the comparable period last year. An improvement of 56%.

## FUTURE OUTLOOK

The company is in the process of implementing an extensive BMR program. In August earning from the new spinning unit should begin to add to the bottom line, while in December 05 / June 06 new Denim and Garments capacity should come on stream. These major expansions would be funded through TFC issue of Rs 2.0 billion plus a green shoe option. Rising interest rates and cotton prices are of concern. The challenge is to try and maintain margins in spite of these difficult conditions. However, the management feels that they should be able to maintain the current performance 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 to improve.

On behalf of the Board

Lahore: July 29, 2005

Chief Executive

# BALANCE SHEET (Unaudited)

as at June 30, 2005

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised Capital		3,000,000,000	3,000,000,000
Share Capital	4	1,737,308,680	1,737,308,680
Reserves		394,272,578	362,142,241
Unappropriated profit		726,942,188	410,657,982
		2,858,523,446	2,510,108,903
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
		295,752,059	306,564,511
<b>NON-CURRENT LIABILITIES</b>			
<b>LONG TERM FINANCES - Secured</b>			
	5	585,420,000	750,000,000
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
		84,629,016	116,503,819
<b>LONG TERM DEPOSITS</b>			
		7,205,781	1,147,729
<b>CURRENT LIABILITIES</b>			
Current portion of:			
Long term finances - secured		364,580,000	300,000,000
Liabilities against assets subject to finance lease		52,179,391	63,081,881
Short term finances	6	3,261,023,805	1,492,909,892
Creditors, accruals and other liabilities		1,340,547,338	691,981,192
Provision for taxation		84,127,539	64,824,871
Dividend	7	1,460,960	95,414
		5,103,919,033	2,612,893,250
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	8,935,449,335	6,297,218,212
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
Operating assets	10	3,064,850,782	2,847,936,402
Capital work in progress	11	401,578,301	84,292,338
		3,466,429,083	2,932,228,740
<b>INTANGIBLE ASSETS</b>			
		77,527,379	88,375,589
<b>LONG TERM INVESTMENTS</b>			
	12	4,666,096	2,666,296
<b>LONG TERM DEPOSITS</b>			
		43,922,246	18,517,830
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		67,537,721	72,608,693
Stock-in-trade		2,191,562,643	1,394,729,330
Trade debtors		1,355,075,157	945,111,856
Advances, deposits, prepayments and other receivables		1,009,989,041	712,923,170
Short term investment		672,330,195	109,148,931
Cash and bank balances		46,409,774	20,907,777
		5,342,904,531	3,255,429,757
		8,935,449,335	6,297,218,212

The annexed notes form an integral part of these accounts.

Place: Lahore  
Date: July 29, 2005

Chief Executive

Director

# PROFIT AND LOSS ACCOUNT (Unaudited)

for the quarter and nine months ended June 30, 2005

	Quarter Ended June 30, 2005 Rupees	Nine Months Ended June 30, 2005 Rupees	Quarter Ended June 30, 2004 Rupees	Nine Months Ended June 30, 2004 Rupees
<b>SALES - Net</b>	951,745,551	2,457,744,979	854,902,629	2,222,998,928
<b>COST OF SALES</b>	669,043,959	1,711,653,922	657,903,322	1,704,589,999
<b>GROSS PROFIT</b>	282,701,592	746,091,057	196,999,307	518,408,929
<b>ADMINISTRATIVE AND</b>				
<b>SELLING EXPENSES</b>	62,329,174	203,317,802	46,063,220	127,397,801
<b>OPERATING PROFIT</b>	220,372,418	542,773,255	150,936,087	391,011,128
<b>OTHER INCOME</b>	3,391,092	77,798,515	180,607	531,851
	223,763,510	620,571,770	151,116,694	391,542,979
<b>OTHER CHARGES</b>	64,488,418	171,431,914	45,967,244	103,839,725
<b>PROFIT BEFORE TAXATION</b>	159,275,092	449,139,856	105,149,450	287,703,254
<b>PROVISION FOR TAXATION</b>				
Current	6,302,668	19,302,668	5,000,000	13,500,000
<b>PROFIT AFTER TAXATION</b>	152,972,424	429,837,188	100,149,450	274,203,254
<b>EARNINGS PER SHARE - BASIC</b>	1.54	4.28	1.15	3.16
<b>- DILUTED</b>	1.36	3.80		

The annexed notes form an integral part of these accounts.

Place: Lahore

Chief Executive

Director

Date: July 29, 2005

# CASH FLOW STATEMENT (Unaudited)

for the nine months ended June 30, 2005

	Nine Months Ended June 30, 2005 Rupees	Nine Months Ended June 30, 2004 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	449,139,856	287,703,254
Items not involving movement of funds	273,418,184	221,151,568
Operating profit before changes in working capital	<u>722,558,040</u>	<u>508,854,822</u>
Changes in working capital	(542,848,449)	(187,588,102)
Operating profit after changes in working capital	(179,709,591)	321,266,720
Financial charges paid	(102,789,125)	(77,389,264)
Taxes paid	(26,575,341)	(20,001,311)
Dividend paid	(85,490,888)	(269)
<b>NET CASH (OUT)/IN FLOW FROM OPERATING ACTIVITIES</b>	<u>(35,145,763)</u>	<u>223,875,876</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(1,014,745,697)	(519,266,823)
Intangible assets	(2,094,071)	(20,586,007)
Sale proceed of fixed assets	3,063,506	276,480
Interest received	6,394,863	-
Purchase of long term Investments	(1,999,800)	-
Short term Investments-Net	(535,961,297)	(23,986,402)
Long term deposits and deferred costs	(25,404,416)	(38,496,911)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,570,746,912)</u>	<u>(602,059,663)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Finance lease liabilities-net	(42,777,293)	(49,541,539)
Long term deposits	6,058,052	443,045
Short term finances-net	1,768,113,913	421,487,693
Long term loans	(100,000,000)	16,505,895
<b>NET CASH IN FLOW FROM FINANCING ACTIVITIES</b>	<u>1,631,394,672</u>	<u>388,895,094</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	25,501,997	10,711,307
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD</b>	20,907,777	21,601,750
<b>CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD</b>	<u>46,409,774</u>	<u>32,313,057</u>

The annexed notes form an integral part of these accounts.

Place: Lahore  
Date: July 29, 2005

Chief Executive

Director

# STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the nine months ended June 30, 2005

	Share Capital Issued, subscribed and paid-up	Share premium	Reserve on merger	Reserves			Unappropriated Profit	Total equity	Surplus on revaluation of fixed assets
				Preference share redemption reserve	Surplus on revaluation of investments	Total			
				R	U	P	E	E	S
<b>Balance as at September 30, 2003</b>	868,654,340	143,675,125	105,152,005	-	2,215,724	251,042,854	161,710,634	1,281,407,828	330,249,524
Profit for the period of nine months 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 value of investments	-	-	-	-	(1,620,264)	(1,620,264)	-	(1,620,264)	-
<b>Balance as at June 30, 2004</b>	868,654,340	143,675,125	105,152,005	-	595,460	249,422,590	453,677,648	1,571,754,578	312,485,764
Profit for the Quarter Ended September 30, 2004	-	-	-	-	-	-	101,059,081	101,059,081	-
Preference shares issued	868,654,340	-	-	-	-	-	-	868,654,340	-
Surplus on revaluation of fixed assets transferred to retained earnings during the period	-	-	-	-	-	-	5,921,253	5,921,253	(5,921,253)
Preference shares redemption reserve	-	-	-	150,000,000	-	150,000,000	(150,000,000)	-	-
Expenses incurred on issue of preference shares	-	(37,241,757)	-	-	-	(37,241,757)	-	(37,241,757)	-
Diminution in value of investments	-	-	-	-	(38,592)	(38,592)	-	(38,592)	-
<b>Balance as at September 30, 2004</b>	1,737,308,680	106,433,368	105,152,005	150,000,000	556,868	362,142,241	410,657,982	2,510,108,903	306,564,511
Profit for the period of Nine Months June 30, 2005	-	-	-	-	-	-	429,837,188	429,837,188	-
Surplus on revaluation of fixed assets transferred to retained earnings during the period	-	-	-	-	-	-	10,812,452	10,812,452	(10,812,452)
Preference shares redemption reserve	-	-	-	37,500,000	-	37,500,000	(37,500,000)	-	-
Expenses incurred on issue of preference shares	-	(5,369,663)	-	-	-	(5,369,663)	-	(5,369,663)	-
Dividend	-	-	-	-	-	-	(86,865,434)	(86,865,434)	-
<b>Balance as at June 30, 2005</b>	1,737,308,680	101,063,705	105,152,005	187,500,000	556,868	394,272,578	726,942,188	2,858,523,446	295,752,059

The annexed notes form an integral part of these accounts.

Place: Lahore  
Date: July 29, 2005

Chief Executive

Director



# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter and nine months ended June 30, 2005

## 1. STATUS AND ACTIVITIES

Azgard Nine Limited (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

2.1 These interim 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 assets, and staff retirement benefits and are in compliance with the International Accounting standard (IAS) 34, Interim Financial Reporting.

2.2 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 published financial statements of the company for the year ended September 30, 2004.

	June 30, 2005 Rupees	September 30, 2004 Rupees
<b>4. SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
300,000,000 (2004: 300,000,000) ordinary shares of Rs.10/- each	<u>3,000,000,000</u>	<u>3,000,000,000</u>
 Issued, subscribed and paid up capital		
86,865,434 (2004: 86,865,434) ordinary shares of Rs.10/- each	868,654,340	868,654,340
86,865,434 (2004: 86,865,434) preference shares of Rs. 10/- each.		
Fully paid in cash	<u>868,654,340</u>	<u>868,654,340</u>
	<u>1,737,308,680</u>	<u>1,737,308,680</u>

## 5. LONG TERM LOAN

The Company entered into bridge finance facility for Rs. 200m with financial institution, which will be converted into term finance certificates. Mark up rate is at the base rate (KIBOR) for last three months +margin 1.75% on the facility. It is secured against charge on fixed assets of the company with a margin of 25%.

## 6. SHORT TERM FINANCES

At the end of the period, the company has aggregate funded and unfunded facilities available of Rs. 4,261.44 million. These have been obtained from banking companies and financial institutions at the mark-up rates ranging from 2.55% to 11.33% and are secured against current assets of the company and personal guarantees of the directors.

## 7. DIVIDEND

The Company has paid 10% cash dividend i.e. Re.1 per ordinary share duly approved by the shareholders in last Annual General Meeting held on January 31, 2005. The outstanding amount has been accounted for as liability in these interim financial statements.

# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter and nine months ended June 30, 2005

## 8. CONTINGENCIES AND COMMITMENTS

- 8.1** The Company imported textile machinery and accessories availing exemption from customs duty and sales tax on importation thereof under various S.R.O.'s. The claim subject to fulfilment of certain conditions aggregated Rs. 164 million (2004:Rs.65 million).
- 8.2** Commitments against irrevocable letters of credit outstanding as at June 30, 2005 were Rs. 877 million (2004:Rs.300 million).
- 8.3** All other contingency and commitment status is same as disclosed in latest annual accounts.

## 9. DEFERRED TAXATION

The export sales (including indirect exports) during the nine months ending June 30, 2005 achieved the threshold of presumptive tax. Accordingly, no provision for deferred tax has been made.

	June 30, 2005 Rupees	September 30, 2004 Rupees
<b>10. OPERATING FIXED ASSETS- Tangible</b>		
Book Value as on October 1st, 2004	2,847,936,402	2,251,337,991
Additions during the period / year:		
Freehold land	22,383,500	68,470,000
Building	32,040,783	54,213,418
Plant and machinery	289,050,770	599,608,268
Electric installations	11,992,003	25,253,657
Tools and equipment	7,100,724	986,319
Furniture and fixtures	4,150,474	2,945,141
Office Equipment	6,200,409	19,439,325
Vehicles	1,638,265	4,599,307
	374,556,928	775,515,435
Book values of assets disposed-off during the period / year	(2,300,656)	(1,012,800)
Depreciation charge for the period / year	(155,341,892)	(170,505,791)
Capitalized during the period / year	-	(7,398,433)
Closing book value	<u>3,064,850,782</u>	<u>2,847,936,402</u>

## 11. CAPITAL WORK IN PROGRESS

Civil Work	169,778,353	22,060,697
Plant & machinery	223,760,201	62,231,641
Others	8,039,747	-
	<u>401,578,301</u>	<u>84,292,338</u>

# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter and nine months ended June 30, 2005

## 12. LONG TERM INVESTMENT

The Company during the period has incorporated its subsidiary company in Pakistan "Azsoft (Pvt) Limited" and the company has 99.99% ownership rights in its subsidiary company.

## 13. BALANCES AND TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

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:

	June 30, 2005 Rupees	September 30, 2004 Rupees
<b>TRANSACTIONS</b>		
- Payments made for Placements of Preference shares	-	11,398,925
- Mark-up paid	-	1,485,066
- Sales	73,731,222	-
- Purchase	986,521	-

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

## 14. DATE OF AUTHORISATION FOR ISSUE

These interim financial statements were authorised for issue on July 29, 2005 by the Board of Directors of the Company.

## 15. 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 quarter of previous year.
- have been rearranged to facilitate comparison, however no material re-arrangement has been made in these accounts.
- in the accounts have been rounded off nearest to rupee.

Place: Lahore

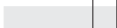
Chief Executive

Director

Date: July 29, 2005



# CONSOLIDATED FINANCIAL STATEMENTS



# CONSOLIDATED BALANCE SHEET (Unaudited)

as at June 30, 2005

	Note	June 30, 2005 Rupees	September 30, 2004 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised Capital		3,000,000,000	3,000,000,000
Share Capital	5	1,737,308,680	1,737,308,680
Reserves		394,272,578	362,142,241
Unappropriated profit		728,172,287	412,399,663
		2,859,753,545	2,511,850,584
<b>MINORITY INTEREST</b>			
		2,251,253	2,742,560
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
		295,752,059	306,564,511
<b>NON-CURRENT LIABILITIES</b>			
<b>LONG TERM FINANCES - Secured</b>			
	6	585,420,000	750,000,000
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
		84,629,016	116,503,819
<b>LONG TERM DEPOSITS</b>			
		7,205,781	1,147,729
<b>CURRENT LIABILITIES</b>			
Current portion of:			
Long term finances - secured		364,580,000	300,000,000
Liabilities against assets subject to finance lease		52,179,391	63,081,881
Short term finances	7	3,261,023,805	1,492,909,892
Creditors, accruals and other liabilities		1,464,486,064	701,845,741
Provision for taxation		84,127,539	64,824,871
Dividend	8	1,460,960	95,414
		5,227,857,759	2,622,757,799
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9	9,062,869,413	6,311,567,002
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
Operating assets	11	3,086,242,715	2,847,936,402
Capital work in progress	12	401,578,301	89,759,126
		3,487,821,016	2,937,695,528
<b>INTANGIBLE ASSETS</b>			
		77,864,962	88,375,589
<b>LONG TERM INVESTMENTS</b>			
		1,015,576	1,015,576
<b>LONG TERM DEPOSITS</b>			
		43,922,246	18,517,830
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		67,537,721	72,608,693
Stock-in-trade		2,201,330,657	1,425,586,819
Trade debtors		1,452,882,094	924,208,356
Advances, deposits, prepayments and other receivables		1,010,871,644	713,461,070
Short term investment		672,330,195	109,148,931
Cash and bank balances		47,293,302	20,948,610
		5,452,245,613	3,265,962,479
		9,062,869,413	6,311,567,002

The annexed notes form an integral part of these accounts.

Place: Lahore  
Date: July 29, 2005

Chief Executive

Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)**

for the quarter and nine months ended June 30, 2005

	Quarter Ended June 30, 2005 Rupees	Nine Months Ended June 30, 2005 Rupees	Quarter Ended June 30, 2004 Rupees	Nine Months Ended June 30, 2004 Rupees
<b>SALES - Net</b>	977,356,990	2,501,523,672	902,745,545	2,270,841,844
<b>COST OF SALES</b>	695,266,415	1,754,411,626	703,999,995	1,750,686,672
<b>GROSS PROFIT</b>	282,090,575	747,112,046	198,745,550	520,155,172
<b>ADMINISTRATIVE AND</b>				
<b>SELLING EXPENSES</b>	62,981,425	205,341,893	46,869,460	128,204,041
<b>OPERATING PROFIT</b>	219,109,150	541,770,153	151,876,090	391,951,131
<b>OTHER INCOME</b>	3,391,092	77,798,515	180,607	531,851
	222,500,242	619,568,668	152,056,697	392,482,982
<b>OTHER CHARGES</b>	64,488,421	171,431,914	45,967,244	103,839,725
<b>PROFIT BEFORE TAXATION</b>	158,011,821	448,136,754	106,089,453	288,643,257
<b>PROVISION FOR TAXATION</b>				
Current	6,302,668	19,302,668	5,000,000	13,500,000
<b>PROFIT AFTER TAXATION</b>	151,709,153	428,834,086	101,089,453	275,143,257
Minority Interest	(601,325)	(491,520)	911,187	911,187
<b>PROFIT ATTRIBUTABLE TO HOLDING COMPANY</b>	152,310,478	429,325,606	100,178,266	274,232,070
<b>EARNING PER SHARE - BASIC</b>	1.54	4.27	1.15	3.16
<b>- DILUTED</b>	1.36	3.79		

The annexed notes form an integral part of these accounts.

Place: Lahore

Chief Executive

Director

Date: July 29, 2005

## CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

for the nine months ended June 30, 2005

	Nine Months Ended June 30, 2005 Rupees	Nine Months Ended June 30, 2004 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	448,136,754	288,643,257
Items not involving movement of funds	273,649,666	221,151,568
Operating profit before changes in working capital	721,786,420	509,794,825
Changes in working capital	(527,077,507)	(176,119,569)
Operating profit after changes in working capital	194,708,913	333,675,256
Financial charges paid	(102,789,125)	(87,087,977)
Taxes paid	(26,575,341)	(20,001,311)
Dividend paid	(85,490,888)	(269)
<b>NET CASH (OUT)/IN FLOWS FROM OPERATING ACTIVITIES</b>	<u>(20,146,441)</u>	<u>226,585,699</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(1,030,902,124)	(523,175,405)
Intangible assets	(2,094,071)	(20,586,007)
Sale Proceed of fixed assets	3,063,506	276,480
Interest received	6,394,863	-
Purchase of short term Investments-Net	(535,961,297)	(22,335,682)
Long term deposits and deferred cost	(25,404,416)	(38,894,549)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,584,903,539)</u>	<u>(604,715,163)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Finance lease liabilities-net	(42,777,293)	(49,541,539)
Long term deposits	6,058,052	443,045
Short term finances-net	1,768,113,913	421,487,693
Long term loans	(100,000,000)	16,505,895
<b>NET CASH IN FLOWS FROM FINANCING ACTIVITIES</b>	<u>1,631,394,672</u>	<u>388,895,094</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	26,344,692	10,765,631
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD</b>	20,948,610	21,601,750
<b>CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD</b>	<u>47,293,302</u>	<u>32,367,381</u>

The annexed notes form an integral part of these accounts.

Place: Lahore  
Date: July 29, 2005

Chief Executive

Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the nine months ended June 30, 2005

	Share Capital Issued, subscribed and paid-up	Share premium	Reserve on merger	Preference share redemption reserve	Reserves				Unappropriated Profit	Total equity	Surplus on revaluation of fixed assets
					R	U	P	E			
<b>Balance as at September 30, 2003</b>	868,654,340	143,675,125	105,152,005	-	2,215,724	251,042,854	161,710,634	1,281,407,828	330,249,524		
Profit for the period of nine months ended June 30, 2004	-	-	-	-	-	-	-	274,232,070	-		
Surplus on revaluation of fixed assets transferred to retained earnings during the period	-	-	-	-	-	-	-	17,763,760	(17,763,760)		
Diminution in Value of investments	-	-	-	-	(1,620,264)	(1,620,264)	-	-	(1,620,264)		
<b>Balance as at June 30, 2004</b>	868,654,340	143,675,125	105,152,005	-	595,460	249,422,590	453,706,464	1,571,783,394	312,485,764		
Profit for the Quarter ended September 30, 2004	-	-	-	-	-	-	-	102,771,946	-		
Preference shares issued	868,654,340	-	-	-	-	-	-	868,654,340	-		
Surplus on revaluation of fixed assets transferred to retained earnings during the period	-	-	-	-	-	-	-	5,921,253	(5,921,253)		
Preference shares redemption reserve	-	-	-	150,000,000	-	150,000,000	(150,000,000)	-	-		
Expenses incurred on issue of preference shares	-	(37,241,757)	-	-	(37,241,757)	(37,241,757)	-	(37,241,757)	-		
Diminution in Value of investments	-	-	-	-	(38,592)	(38,592)	-	-	(38,592)		
<b>Balance as at September 30, 2004</b>	1,737,308,680	106,433,368	105,152,005	150,000,000	556,868	362,142,241	412,399,663	2,511,850,584	306,564,511		
Profit for the period of nine months ended June 30, 2005	-	-	-	-	-	-	429,325,606	429,325,606	-		
Surplus on revaluation of fixed assets transferred to retained earnings during the period	-	-	-	-	-	-	10,812,452	10,812,452	(10,812,452)		
Preference shares redemption reserve	-	-	-	37,500,000	-	37,500,000	(37,500,000)	-	-		
Expenses incurred on issue of preference shares	-	(5,369,663)	-	-	-	(5,369,663)	-	(5,369,663)	-		
Dividend	-	-	-	-	-	-	(86,865,434)	(86,865,434)	-		
<b>Balance as at June 30, 2005</b>	1,737,308,680	101,063,705	105,152,005	187,500,000	556,868	394,272,578	728,172,287	2,859,753,545	295,752,059		

The annexed notes form an integral part of these accounts.

Place: Lahore  
Date: July 29, 2005

Chief Executive

Director



# NOTES TO THE CONSOLIDATED ACCOUNTS (Un-audited)

for the quarter and nine months ended June 30, 2005

## 1. STATUS AND ACTIVITIES

Azgard Nine Limited (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.

Nafees International Tekstil Sanayi Ve Ticaret Anonim Sirketi: Representing sale of denim and denim products. The Company was incorporated in Turkey and its principal activity is sale of denim and denim products.

Azsoft (Pvt) Limited representing development of computer software and implementation of packaged softwares for its clients. The company was incorporated in Pakistan during the period.

## 2. BASIS OF PREPARATION

2.1 These interim 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 assets, and staff retirement benefits and are in compliance with the International Accounting standard (IAS) 34, Interim Financial Reporting.

2.2 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 published financial statements of the company for the year ended September 30, 2004.

## 4. PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include Azgard Nine Ltd. (the company) , Nafees international and Azsoft (Pvt.) Ltd. in which the company holds 51% and 99.99% of voting rights respectively. Companies are consolidated as from the date of establishment.

	June 30, 2005 Rupees	September 30, 2004 Rupees
<b>5. SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
300,000,000 (2004: 300,000,000) ordinary shares of Rs.10/- each	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid up capital		
86,865,434 (2004: 86,865,434) ordinary shares of Rs.10/- each	868,654,340	868,654,340
86,865,434 (2004:86,865,434) preference shares of Rs. 10/- each		
Fully paid in cash	<u>868,654,340</u>	<u>868,654,340</u>
	<u>1,737,308,680</u>	<u>1,737,308,680</u>

## 6. LONG TERM LOAN

The Company entered into bridge finance facility for Rs. 200m with financial institution, which will be converted into term finance certificates. Mark up rate is at the base rate (KIBOR) for last three months +margin 1.75% on the facility. It is secured against charge on fixed assets of the company with a margin of 25%.

# NOTES TO THE CONSOLIDATED ACCOUNTS (Un-audited)

for the quarter and nine months ended June 30, 2005

## 7. SHORT TERM FINANCES

At the end of the period, the company has aggregate funded and unfunded facilities available of Rs.4,261.44 million. These have been obtained from banking companies and financial institutions at the mark-up rates ranging from 2.55% to 11.33% and are secured against current assets of the company and personal guarantees of the directors.

## 8. DIVIDEND

The Company has paid 10% cash dividend i.e. Re.1 per ordinary share duly approved by the shareholders in last Annual General Meeting held on January 31, 2005. The outstanding amount has been accounted for as liability in these interim financial statements.

## 9. CONTINGENCIES AND COMMITMENTS

9.1 The Company imported textile machinery and accessories availing exemption from customs duty and sales tax on importation thereof under various S.R.O.'s. The claim subject to fulfilment of certain conditions aggregated Rs.164 million (2004:Rs.68 million).

9.2 Commitments against irrevocable letters of credit outstanding as at June 30, 2005 were Rs. 877 million (2004:Rs.300 million).

9.3 All other contingency and commitment status is same as disclosed in latest annual accounts.

## 10. DEFERRED TAXATION

The export sales (including indirect exports) during the nine months ending June 30, 2005 achieved the threshold of presumptive tax. Accordingly, no provision for deferred tax has been made.

	June 30, 2005 Rupees	September 30, 2004 Rupees
<b>11. OPERATING FIXED ASSETS - Tangible</b>		
Book Value as on October 1st, 2004	2,847,936,402	2,251,337,991
Additions during the period / year:		
Freehold land	22,383,500	68,470,000
Building	51,923,033	54,213,418
Plant and machinery	289,050,770	599,608,268
Electric installations	11,992,003	25,253,657
Tools and equipment	7,100,724	986,319
Furniture and fixtures	4,585,765	2,945,141
Office Equipment	7,506,283	19,439,325
Vehicles	1,638,265	4,599,307
	396,180,343	775,515,435
Book values of assets disposed-off during the period / year	(2,300,656)	(1,012,800)
Depreciation charge for the period / year	(155,573,374)	(170,505,791)
Capitalized during the period / year	-	(7,398,433)
Closing book value	<u>3,086,242,715</u>	<u>2,847,936,402</u>
<b>12. CAPITAL WORK IN PROGRESS</b>		
Civil Work	169,778,353	27,527,485
Plant & machinery	223,760,201	62,231,641
Others	8,039,747	-
	<u>401,578,301</u>	<u>89,759,126</u>

## NOTES TO THE CONSOLIDATED ACCOUNTS (Un-audited)

for the quarter and nine months ended June 30, 2005

### 13. BALANCES AND TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

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:

	June 30, 2005 Rupees	September 30, 2004 Rupees
<b>TRANSACTIONS</b>		
- Payments made for Placements of Preference shares	-	11,398,925
- Mark-up paid	-	1,485,066
- Sales	73,731,222	-
- Purchase	986,521	-

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

### 14. DATE OF AUTHORISATION FOR ISSUE

These interim financial statements were authorised for issue on 29 July 2005 by the Board of Directors of the Company.

### 15. 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 quarter of previous year.
- have been rearranged to facilitate comparison, however no material re-arrangement has been made in these accounts.
- in the accounts have been rounded off nearest to rupee.

Place: Lahore  
Date: July 29, 2005

Chief Executive

Director

IF UNDELIVERED, PLEASE RETURN TO:



**AZGARD-9**

**AZGARD NINE LIMITED**

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