



**AZGARD-9**

**AZGARD NINE LIMITED**



***Financial Statements***

***FOR THE FIRST QUARTER ENDED  
MARCH 31, 2007  
(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. Mohammed Khaishgi

Chairman  
Chief Executive

### COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

### CHIEF FINANCIAL OFFICER

Mr. Abid Amin

### AUDIT COMMITTEE

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

### MANAGEMENT TEAM

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

### FINANCE COMMITTEE

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

### HUMAN RESOURCE COMMITTEE

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

### BANKERS

JS Bank Limited  
MCB Bank Limited  
Citibank N.A.  
ABN Amro Bank  
Faysal Bank Limited  
Habib Bank Limited  
Saudi Pak Industrial & Agricultural  
Investment Company (Private) Limited  
PICIC Commercial Bank Limited  
The Hong Kong and Shanghai  
Banking Corporation  
United Bank Limited  
Standard Chartered Bank  
Habib Bank AG Zurich  
NIB Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
My Bank Limited  
KASB Bank Limited

### LEGAL ADVISORS

Hamid Law Associates  
Hassan & Hassan Advocates

### AUDITORS

Rahman Sarfaraz & 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

#### Unit III

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

It is a pleasure for the Board of Directors along with other members of the management of the Company to present the quarterly un-audited financial statements for the period ending March 31, 2007. Informatively, as required under the Code of Corporate Governance, these financial statements have been endorsed by the Chief Executive Officer and Chief Financial Officer of the Company, recommended for approval by the Audit Committee of the Board, and approved by the Board of Directors for presentation before you for your consideration.

By the Grace of God, M/s Azgard Nine Limited (the "Company") has completed another quarter of successful business operations. Following is the quarterly review of the Company's operations:

## GENERAL MARKET CONDITIONS

The Company, as a group, is involved in the two most strategic industrial sectors of Pakistan namely textiles and fertilizer. Textiles business of the Company can further be bifurcated into three distinct businesses i.e. spinning (yarn), weaving (Denim Fabric) and garments (Jeans). The prevalent market conditions for both sectors are discussed below:

### 1. TEXTILES

In Pakistan the Textile Industry is seen to be one of the prominent players post WTO regime.

The first quarter is typically the weakest quarter for the business. The sales have grown by 50%. This is particularly led by the growth in the garment business. The Company expects to improve operations by increasing capacity utilization into the year.

### 2. FERTILIZER

Fertilizers business, through Pak American Fertilizers Limited ("PAFL" a 100% owned subsidiary of the Company) has added a new dimension to our group and has helped in mitigating risks by creating a more diverse cash flow base. Market for fertilizers is rapidly progressing due to enhanced demand for its products. Therefore, considering the dependency of our national economy upon agriculture, this sector presents promising market conditions for carrying out business and has proved to be good for the Company's profitability.

Urea off-take declined during the first quarter which is the norm due to off season in the agriculture sector in particular the fertilizer industry. The major event of the quarter is the successful completion of 18 days annual turn around carried out in the month of January 2007 in turn decreasing sale by 26% in comparison with the corresponding quarter's turnover. However during the period under review the domestic Urea prices saw a modest increase due to higher feed and fuel gas prices. The Board of Directors is pleased to announce that PAFL has established its first letter of credit for import of Di- Ammonium Phosphate (DAP) which will further contribute significantly to the profitability of the Company.

## OPERATING RESULTS OF THE COMPANY

The Company commenced commercial operations of its new Spinning, Denim and Garments units on December 31, 2006 which, since then, are operating on a maximum capacity utilization basis keeping in view of the market condition. Figuratively speaking, the following are the results of the operations of the Company during the period under review.

	<b>(Rupees)</b>
Sales Net	1,517,099,655
Cost of Goods Sold	1,109,525,805
Gross Profit	407,573,850
Administrative and selling Expenses	81,034,665
	<u>326,539,185</u>
Other Income	38,141,852
	<u>364,681,037</u>
Finance Cost	276,931,937
Profit before tax	87,749,100
Provision for taxation	10,809,000
Net Profit after tax	<u>76,940,100</u>

Gross profit margins for the textile sector have generally remained declined over the period, but due to its smart business strategies, the Company was able to earn a pretax profit of Rs.87,749,100 and a post-tax profit of Rs.76,940,100.

This quarter, once again the Company experienced high acceptability of its premium products in the international markets leading to a higher demand and ultimately a better price. Kindly note, the Company has an edge over various other industries in terms of low power costs by means of its own in-house power generating units operating on gas and synergies due to vertical manufacturing. The management has always endeavored to manage lowest operating costs and shall continue this practice so as to procure maximum benefit for its shareholders.

## FUTURE MARKET OUTLOOK

In terms of Fertilizer business, the prevalent positive market conditions will bring good results in the next quarter as well. Fertilizer market is highly productive because of the national economy's dependency on agriculture and because of the easier availability of credit for marginal farmers.

In the following quarter, the performance of the textile business is also expected to improve on the back of better capacity utilization. Next year is anticipated to bring further improvement in view of international fashion trends moving more favorably towards denim. Further, in the year 2008, considering the highly positive response globally for its garments, the Company plans to convert more fabric into garments thereby adding more value by effectively using its vertical business chain.

## **FUTURE STRATEGIES**

The operations are expected to continue showing improved trends through the year due to planned enhancement in its capacity utilization. This will have some positive impact on margins as well. The expectations for 2008 are for further improvement.

We would like to record our deep appreciation for the dedication of all the officers of the Company, its customers and suppliers whose consistent support has helped us to make continued improvements in our business practices. We also highly appreciate the efforts of all our employees without whom it would not have been possible.

**On behalf of the Board**

**Chief Executive Officer**

Lahore: April 28, 2007

# BALANCE SHEET (Unaudited)

as at March 31, 2007 (Unaudited)

		March 31, 2007	December 31, 2006
Note	----- Rupees -----		
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
1,500,000,000 (2006: 1,500,000,000)			
Ordinary and Preference shares of Rs. 10/- each			
		15,000,000,000	15,000,000,000
		<u>3,788,838,900</u>	<u>3,788,838,900</u>
Issued, subscribed and paid up capital	4	3,788,838,900	3,788,838,900
Reserves		3,554,211,002	3,576,268,929
Unappropriated profits		1,863,329,100	1,807,067,052
		9,206,379,002	9,172,174,881
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		252,788,919	257,360,867
<b>NON CURRENT LIABILITIES</b>			
Redeemable Capital	5	2,235,276,330	2,266,955,064
Long-term financing - secured	6	3,410,883,655	3,519,216,988
Liabilities against assets subject to finance lease	7	9,441,320	9,622,618
Long-term deposits		1,643,889	1,643,889
		5,657,245,194	5,797,438,559
<b>CURRENT LIABILITIES</b>			
Current portion of redeemable capital	5	63,357,468	63,357,468
Current portion of long-term liabilities		382,747,627	386,689,657
Short-term financing	8	6,214,163,273	6,006,117,630
Obligations under swap contracts		5,111,669	32,021,607
Trade and other payables		1,568,216,326	962,209,529
Interest and mark-up accrued		280,254,380	296,378,538
Provision for taxation		206,058,017	195,249,017
Unclaimed dividend		16,553,326	22,312,061
		8,736,462,086	7,964,335,507
<b>CONTINGENCIES AND COMMITMENTS</b>	9	-	-
		<u>23,852,875,201</u>	<u>23,191,309,814</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
Property, plant & equipment	10	7,718,502,618	7,601,895,866
Capital work in progress	11	188,286,110	150,650,477
Intangible assets		58,029,903	60,544,809
		7,964,818,631	7,813,091,152
<b>LONG TERM INVESTMENTS</b>	12	6,302,308,819	6,302,308,819
<b>LONG-TERM DEPOSITS</b>		5,527,081	19,906,757
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		103,270,108	101,762,486
Stock in trade		2,603,565,084	2,022,510,924
Trade debtors		1,359,741,672	1,134,897,149
Derivative financial instruments		481,462,380	555,680,244
Advances, deposits, prepayments and other receivables		848,003,258	872,744,304
Short term investments	13	3,972,514,673	3,787,502,355
Cash and bank balances		211,663,495	580,905,624
		9,580,220,670	9,056,003,086
		<u>23,852,875,201</u>	<u>23,191,309,814</u>

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

Chief Executive

Director

# PROFIT AND LOSS ACCOUNT (Unaudited)

for the first quarter ended March 31, 2007

		March 31, 2007	March 31, 2006
	Note	Rupees	
Sales-net		1,517,099,655	1,001,997,266
Cost of goods sold		1,109,525,805	718,405,220
<b>Gross profit</b>		407,573,850	283,592,046
Administrative and selling expenses		81,034,665	59,219,482
<b>Operating profit</b>		326,539,185	224,372,564
Other income		38,141,852	69,677,909
		364,681,037	294,050,473
<b>OTHER CHARGES</b>			
Finance cost		273,269,709	91,181,413
Workers' (Profit) Participation Fund		1,709,937	5,495,025
Other operating expenses		1,952,291	-
		276,931,937	96,676,438
Profit before taxation		87,749,100	197,374,035
Provision for taxation		10,809,000	10,975,837
<b>Profit after taxation</b>		76,940,100	186,398,198
<b>Earnings per share</b>			
- Basic	14	0.20	1.92
- Diluted		-	1.57

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

Chief Executive

Director



# CASH FLOW STATEMENT (Unaudited)

for the first quarter ended March 31, 2007

	March 31, 2007	March 31, 2006
Note	Rupees	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	87,749,100	197,374,035
Items not involving movements of funds	237,246,020	84,430,837
	324,995,120	281,804,872
Changes in working capital	(158,217,367)	236,911,104
Operating profit after changes in working capital	166,777,753	518,715,976
Financial charges paid	(153,082,619)	(113,535,302)
Taxes paid	(18,441,094)	(8,234,413)
Long-term payable	-	(784,848)
Long term deposits	14,379,676	-
<b>Net cash from operating activities</b>	<b>9,633,716</b>	<b>396,161,413</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(285,457,407)	(854,972,279)
Intangible assets	(1,209,681)	-
Sale proceeds of fixed assets	502,670	11,405,860
Long term investments	-	15,779,029
Interest received	167,409	4,459,093
Short term investments	(151,030,349)	391,856,265
<b>Net cash used in investing activities</b>	<b>(437,027,358)</b>	<b>(431,472,032)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redeemable capital	(31,678,735)	(31,250,000)
Repayment of long term loans	(108,333,333)	(33,333,333)
Dividend paid	(5,758,735)	-
Short term finances-net	208,045,644	118,060,960
Finance lease liabilities paid / obtained	(4,123,328)	(9,535,565)
<b>Net cash from financing activities</b>	<b>58,151,513</b>	<b>43,942,062</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(369,242,129)</b>	<b>8,631,443</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>580,905,624</b>	<b>45,642,358</b>
<b>Cash and cash equivalents at end of the period</b>	<b>211,663,495</b>	<b>54,273,801</b>

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

Chief Executive

Director

# STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the first quarter ended March 31, 2007

	Share Capital Issued, subscribed and paid-up	Share premium	Hedging reserve	Reserve on merger	R E S E R V E S			Total	Unappropriated Profit/ (Accumulated Loss)	Total equity	Surplus on revaluation fixed assets
					Preference share redemption reserve	Surplus on revaluation of investments					
<b>Balance as at January 1, 2006</b>	3,788,838,900	71,657,838	13,458,916	105,152,005	212,500,000	562,710	403,331,469	952,462,490	5,144,632,859	278,943,671	
Profit for the period											
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal								186,398,198	186,398,198		
Preference shares redemption reserve					12,500,000	-	12,500,000	5,291,844	5,291,844	(5,291,844)	
Loss arising on foreign currency interest rate swap contract								(12,500,000)			
								(13,458,916)	(13,458,916)		
<b>Balance as at March 31, 2006</b>	3,788,838,900	71,657,838	-	105,152,005	225,000,000	562,710	402,372,558	1,131,662,532	5,322,863,985	273,651,827	
<b>Balance as at January 1, 2007</b>	3,788,838,900	2,633,371,139	523,658,637	105,152,005	313,500,000	587,148	3,576,268,929	1,807,067,052	9,172,174,881	267,360,867	
Profit for the period								76,940,100	76,940,100		
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal											
Preference shares redemption reserve					25,250,000			25,250,000	4,571,948	(4,571,948)	
Gain arising on foreign currency interest rate swap contract entered into by a part cash flow hedge								(25,250,000)			
								(47,307,927)	(47,307,927)		
<b>Balance as at March 31, 2007</b>	3,788,838,900	2,633,371,139	476,350,710	105,152,005	338,750,000	587,148	3,554,211,002	1,863,329,100	9,206,379,002	262,786,919	

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

Chief Executive

Director

# NOTES TO THE FINANCIAL STATEMENTS (Un-audited)

for the first quarter ended March 31, 2007

## 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 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 "Historical Cost Convention" except certain fixed assets that have been included at revalued amount, certain exchange differences which have been incorporated in the cost of relevant assets, investment in subsidiaries at fair values and derivative financial instrument.

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, 2006.

		March 31 2007	December 31 2006
		Note	Rupees
<b>4 SHARE CAPITAL</b>			
Issued, subscribed and paid-up Number of Shares			
March 2007	December 2006		
249,621,992	249,621,992	Ordinary shares of Rs.10/- each fully paid in cash	2,496,219,920
12,276,073	12,276,073	Issued as consideration for machinery	122,760,730
50,811,992	50,811,992	Issued as consideration for merger	508,119,920
<u>312,710,057</u>	<u>312,710,057</u>		<u>3,127,100,570</u>
66,173,833	66,173,833	Preference shares of Rs.10/- each fully paid in cash	661,738,330
<u>378,883,890</u>	<u>378,883,890</u>		<u>3,788,838,900</u>

## 5 REDEEMABLE CAPITAL

Privately Placed TFCs	5.1	156,250,000	187,500,000
Term Finance Certificates (TFCs)	5.2	2,142,383,798	2,142,812,532
		<u>2,298,633,798</u>	<u>2,330,312,532</u>
Current maturity grouped under current liabilities		63,357,468	63,357,468
		<u>2,235,276,330</u>	<u>2,266,955,064</u>

**5.1** TFCs have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 250 TFCs having face value of Rs. 100,000 and 45,000 TFCs having face value of Rs. 5,000. This finance is secured by first pari passu charge over present and future fixed assets excluding immovable property and mortgage of immovable properties.

**5.2** These have been issued by way of private placement and public subscription and are listed on the Karachi Stock Exchange. Total issue comprises of 428,734 certificates of Rs. 5,000 each. First pari passu charge on the present and future fixed assets of the company (excluding land and building) with 25 % margin in favor of the trustee.

# NOTES TO THE FINANCIAL STATEMENTS (Un-audited)

for the first quarter ended March 31, 2007

		March 31, 2007	December 31, 2006
	Note	Rupees	
<b>6</b>	<b>LONG TERM FINANCING - SECURED</b>		
	Financial institutions	3,749,796,723	3,858,130,056
	Less: Current portion	338,913,068	338,913,068
		<u>3,410,883,655</u>	<u>3,519,216,988</u>
<b>7</b>	<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
	Present value of Minimum lease payment	53,275,879	57,399,207
	Less: Current portion	43,834,559	47,776,589
		<u>9,441,320</u>	<u>9,622,618</u>
<b>8</b>	<b>SHORT TERM FINANCING - Secured</b>		
	Short term finances include aggregate funded and unfunded facilities available of Rs. 5,776 million (31 Decemeber, 2006:Rs. 5,776 million). These have been obtained from banking companies and financial institutions at the mark-up ranging between Re.0.14 to Re.0.39 per Rs. 1,000 per day.		
<b>9</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>9.1</b>	Commitments against irrevocable letters of credit outstanding as at March 31, 2007 were nil (December 31, 2006: Rs. 193.94 million).	
	<b>9.2</b>	All other contingencies and commitments status is same as disclosed in latest annual financial statements.	
<b>10</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Property, plant and equipment	10.1 <u>7,718,502,618</u>	<u>7,601,895,866</u>
	<b>10.1 Opening balance</b>	7,601,895,866	3,113,043,032
	Addition during the period	10.2 247,821,774	4,754,563,183
	W.D.V. of assets disposed off	(502,670)	(20,047,610)
	Depreciation charged during the period	<u>(130,712,352)</u>	<u>(245,662,739)</u>
	Balance as on 31 March/ 31 December	<u>7,718,502,618</u>	<u>7,601,895,866</u>

# NOTES TO THE FINANCIAL STATEMENTS (Un-audited)

for the first quarter ended March 31, 2007

	March 31, 2007 Rupees		December 31, 2006 Rupees	
<b>10.2 ACQUISITIONS AND DISPOSALS - AT COST</b>				
	Acquisition	Disposal	Acquisition	Disposal
<b>Owned</b>				
Freehold land	-	-	148,184,868	-
Building on freehold land	15,213,338		1,124,124,020	-
Plant and Machinery:	-			
- additions	226,626,008		3,338,783,614	18,729,679
- transfers from leased assets	-	-	42,900,000	-
Furniture and fixtures	1,113,368	-	25,142,154	226,184
Vehicles:				
- additions	66,640	-	4,115,565	1,091,747
- transfers from leased assets	-	-	2,550,000	-
Tools and equipment	-	502,670	52,865,647	-
Office equipments	3,521,013	-	19,495,901	-
Electric installation	1,281,407	-	38,762,454	-
<b>Leased</b>				
Plant and machinery				
- transfers to owned assets	-		(42,900,000)	
Vehicles				
- additions	-	-	3,088,960	-
- transfers to owned assets	-		(2,550,000)	
	<b>247,821,774</b>	<b>502,670</b>	<b>4,754,563,183</b>	<b>20,047,610</b>

<b>March 31,</b>	<b>December 31,</b>
<b>2007</b>	<b>2006</b>
Rupees	

## 11 CAPITAL WORK IN PROGRESS

Civil Work	140,380,782	112,534,012
Plant and machinery	47,905,328	38,116,465
	<b>188,286,110</b>	<b>150,650,477</b>

# NOTES TO THE FINANCIAL STATEMENTS (Un-audited)

for the first quarter ended March 31, 2007

	March 31, 2007	December 31, 2006
----- Rupees -----		
<b>12 LONG TERM INVESTMENTS</b>		
<b>Investment in Equity Securities</b>		
<b>Related parties</b>		
Investment in foreign subsidiaries		
- Nafees International Tekstil Sanays ve Ticaret ANONIM SIRKET - Equity held 51%	1,650,720	1,650,720
Investment in local subsidiaries		
- Azsoft (Private) Ltd. - Equity held 99.98%	1,998,000	1,998,000
- Pak-American Fertilizers Ltd. Equity held 100%	7,986,113,366	7,986,113,366
Held for sale portion classified under short term investments	(3,700,001,655)	(3,700,001,655)
	4,286,111,711	4,286,111,711
<b>Others</b>		
Colony Textile Mills Ltd.	37,688	37,688
BSJS Balanced Fund Ltd.	11,400	11,400
National Security Insurance Co. Ltd.		
Cost	996,768	996,768
Provision for impairment	(996,768)	(996,768)
	-	-
<b>Investment in Term Finance Certificates</b>		
<b>Held to maturity investment</b>		
- Pak-American Fertilizers Ltd. Current maturity grouped under current assets	2,100,000,000	2,100,000,000
	(87,500,700)	(87,500,700)
	2,012,499,300	2,012,499,300
	6,302,308,819	6,302,308,819
<b>13 SHORT TERM INVESTMENTS</b>		
<b>Available for sale</b>		
Pak-American Fertilizers Limited	3,700,001,655	3,700,001,655
<b>Held to maturity</b>		
Term Finance Certificates	87,500,700	87,500,700
<b>Held for trading</b>		
National Bank of Pakistan	182,710,167	-
Adamjee Insurance Co. Ltd.	2,302,152	-
	3,972,514,673	3,787,502,355
	March 31, 2007	March 31, 2006
----- Rupees -----		
<b>14 EARNING PER SHARE</b>		
<b>Basic</b>		
Net profit after tax attributable to ordinary shareholders	62,133,705	166,962,057
	- No. of shares -	
Weighted average number of ordinary shares	312,710,057	86,865,434
	----- Rupees -----	
<b>EPS</b>	0.20	1.92

# NOTES TO THE FINANCIAL STATEMENTS (Un-audited)

for the first quarter ended March 31, 2007

		March 31, 2007	March 31, 2006
<b>Diluted</b>	<b>Note</b>	<b>Rupees</b>	
Net profit after tax attributable to ordinary shareholders		62,133,705	166,962,057
Impact of conversion of preference shares and Term finance certificates		15,316,316	19,369,002
		<u>77,450,021</u>	<u>186,331,059</u>
		<b>- No. of shares -</b>	
Number of ordinary shares		312,710,057	86,865,434
Number of potential ordinary shares		27,086,152	32,043,639
Total number of ordinary shares		<u>399,796,209</u>	<u>118,909,073</u>
		<b>Rupees</b>	
EPS	14.1	<u>0.23</u>	<u>1.57</u>

**14.1** The effect of conversion of preference shares and term finance certificates is anti dilutive.

## 15 TRANSACTIONS WITH RELATED PARTIES

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

### Subsidiaries

Sales	-	1,450,506
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### Associates

Brokerage	-	1,069,221
Mark-up	-	5,473,120
Purchases	165,600	13,291,893

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

## 16 DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue/circulation on 28 April, 2007 by the Board of Directors of the Company.

## 17 OTHERS

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

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

## 18 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.

**Chief Executive**

**Director**

# CONSOLIDATED FINANCIAL STATEMENTS





# CONSOLIDATED BALANCE SHEET (Unaudited)

as at March 31, 2007

		March 31, 2007	December 31, 2006
	Note	Rupees	
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
1,500,000,000 (2006: 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	5	3,788,838,900	3,788,838,900
Reserves		4,042,465,315	3,576,296,807
Unappropriated profits		525,629,274	586,923,340
		8,356,933,489	7,952,059,047
<b>MINORITY INTEREST</b>		1,759,518	1,759,518
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		252,788,919	257,360,867
<b>NON CURRENT LIABILITIES</b>			
Redeemable Capital	6	7,558,274,730	7,712,953,464
Long-term financing – secured	7	3,410,883,655	3,519,216,988
Liabilities against assets subject to finance lease	8	24,849,424	17,084,358
Long-term deposits		1,643,889	1,643,889
		10,995,651,698	11,250,898,699
<b>DEFERRED TAX LIABILITY</b>		1,441,805,765	1,451,288,758
<b>CURRENT LIABILITIES</b>			
Current portion of long-term liabilities		1,488,263,823	1,491,041,799
Short-term financing	9	6,404,163,273	6,456,117,630
Fair value of Obligation under swap contracts		5,111,669	32,021,607
Trade and other payables		1,856,321,534	1,164,867,598
Interest and mark-up accrued		530,458,573	572,606,066
Provision for taxation		206,072,888	195,263,888
Dividend		16,553,326	22,312,061
		10,506,945,086	9,934,230,649
<b>CONTINGENCIES AND COMMITMENTS</b>	10		
		31,555,884,475	30,847,597,538
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
Property, plant & equipment	11	19,820,477,938	19,835,155,084
Capital work in progress	12	458,383,496	178,722,973
Intangible assets		3,768,552,851	3,771,067,757
		24,047,414,285	23,784,945,814
<b>LONG TERM INVESTMENTS</b>	13	49,088	49,088
<b>LONG-TERM DEPOSITS</b>		21,455,350	33,156,512
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		757,096,934	786,465,317
Stock in trade		2,734,882,818	2,117,533,945
Trade debtors		1,652,200,868	1,520,389,291
Derivative financial instruments		969,688,815	555,680,244
Advances, deposits, prepayments and other receivables		916,135,699	916,419,027
Short term investments	14	185,012,318	-
Cash and bank balances		271,948,300	1,132,958,300
		7,486,965,752	7,029,446,124
		31,555,884,475	30,847,597,538

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

Chief Executive

Director

# CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)

for the first quarter ended March 31, 2007

	March 31, 2007	March 31, 2006
Note	Rupees	
Sales-net	2,177,254,869	1,001,997,266
Cost of goods sold	1,508,935,556	718,405,220
<b>Gross profit</b>	668,319,313	283,592,046
Administrative and selling expenses	175,785,070	59,797,333
<b>Operating profit</b>	492,534,243	223,794,713
Other income	38,293,884	69,677,909
	530,828,127	293,472,622
<b>OTHER CHARGES</b>		
Finance cost	563,501,159	91,181,413
Workers' (Profit) Participation Fund	1,363,908	5,495,025
Other operating expenses	1,952,291	-
	566,817,358	96,676,438
<b>(Loss) / Profit before taxation</b>	(35,989,231)	196,796,184
Provision for taxation	4,626,783	10,975,837
<b>(Loss) / Profit after taxation</b>	(40,616,014)	185,820,347
Minority Interest	-	(283,147)
<b>(Loss) / Profit attributable to Group</b>	(40,616,014)	186,103,494
<b>Earnings per share</b>		
- Basic	15 (0.18)	1.92
- Diluted	-	1.57

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

Chief Executive

Director

# CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

for the first quarter ended March 31, 2007

	March 31, 2007	March 31, 2006
Note	----- Rupees -----	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(35,989,231)	196,796,184
Items not involving movements of funds	833,676,701	84,430,837
	<u>797,687,470</u>	<u>281,227,021</u>
Changes in working capital	(12,060,773)	237,488,955
Operating profit after changes in working capital	785,626,697	518,715,976
Financial charges paid	(611,116,060)	(113,535,302)
Taxes paid	(19,294,807)	(8,234,413)
Long-term payable	-	(784,848)
Long term deposits	11,701,162	-
	<u>166,916,992</u>	<u>396,161,413</u>
<b>Net cash from operating activities</b>		
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(565,918,972)	(854,972,279)
Intangible assets	(1,209,681)	-
Sale proceeds of fixed assets	502,670	11,405,860
Long term investments	-	15,779,029
Interest received	5,467,409	4,459,093
Short term investments	(151,030,349)	391,856,265
	<u>(712,188,923)</u>	<u>(431,472,032)</u>
<b>Net cash used in investing activities</b>		
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redeemable capital	(154,678,735)	(31,250,000)
Long term loans	(108,333,333)	(33,333,333)
Dividend paid	(5,758,735)	-
Short term finances-net	(51,954,356)	118,060,960
Finance lease liabilities paid / obtained	4,987,090	(9,535,565)
	<u>(315,738,069)</u>	<u>43,942,062</u>
<b>Net cash from financing activities</b>		
<b>Net decrease in cash and cash equivalents</b>	(861,010,000)	8,631,443
<b>Cash and cash equivalents at beginning of the period</b>	1,132,958,300	46,282,661
<b>Cash and cash equivalents at end of the period</b>	<u>271,948,300</u>	<u>54,914,104</u>

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

Chief Executive

Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the first quarter ended March 31, 2007

	Reserves						Unappropriated Profit / (Accumulated Loss)	Total equity	Surplus on revaluation of fixed assets		
	Share Capital 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
	<b>R U P E E S</b>										
<b>Balance as at January 1, 2006</b>	1,737,308,680	71,657,838	13,458,916	27,878	105,152,005	212,500,000	562,710	403,359,347	953,107,592	3,093,775,619	278,943,671
Profit for the period											
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal						12,500,000		12,500,000	5,291,844	186,103,494	5,291,844
Preference shares redemption reserve									(12,500,000)		(5,291,844)
Loss arising on foreign currency/interest rate swap contract				(13,458,916)				(13,458,916)			
<b>Balance as at March 31, 2006</b>	<b>1,737,308,680</b>	<b>71,657,838</b>	<b>-</b>	<b>27,878</b>	<b>105,152,005</b>	<b>225,000,000</b>	<b>562,710</b>	<b>402,400,431</b>	<b>1,132,002,930</b>	<b>3,271,712,041</b>	<b>273,651,827</b>
<b>Balance as at January 1, 2007</b>	<b>3,788,838,900</b>	<b>2,633,371,139</b>	<b>523,658,637</b>	<b>27,878</b>	<b>105,152,005</b>	<b>313,500,000</b>	<b>587,148</b>	<b>3,576,296,807</b>	<b>586,923,340</b>	<b>7,952,059,047</b>	<b>257,360,867</b>
Profit for the period											
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal						25,250,000		25,250,000	4,571,948	4,571,948	(4,571,948)
Preference shares redemption reserve									(25,250,000)		
Gain arising on foreign currency/interest rate swap contract entered into by a part cash flow hedge			440,918,508					440,918,508		440,918,508	
<b>Balance as at March 31, 2007</b>	<b>3,788,838,900</b>	<b>2,633,371,139</b>	<b>964,577,145</b>	<b>27,878</b>	<b>105,152,005</b>	<b>338,750,000</b>	<b>587,148</b>	<b>4,042,465,315</b>	<b>525,629,274</b>	<b>8,356,933,489</b>	<b>252,788,919</b>

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

Chief Executive

Director

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (Un-audited)

for the first quarter ended March 31, 2007

## 1 STATUS AND ACTIVITIES

The Holding Company was incorporated in Pakistan as a public limited company and its shares are quoted at Karachi Stock Exchange (Guarantee) Limited. The holding company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The subsidiaries are engaged in manufacturing and sale of urea, trading of denim products and development & sale of softwares.

## 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 "Historical Cost Convention" except certain fixed assets that have been included at revalued amount, certain exchange differences which have been incorporated in the cost of relevant assets, investments in subsidiaries at fair values and derivative financial instruments.

These interim financial statements are unaudited.

## 3 ACCOUNTING POLICIES

3.1 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 Group for the year ended December 31, 2006.

3.2 All material intra group balances, transactions and resulting unrealized gains have been eliminated.

## 4 PRINCIPLES OF CONSOLIDATION

These interim consolidated financial statements include Azgard Nine Limited (The Holding Company), Pak American Fertilizers Limited (PAFL), Nafees International Takstil Sanays Ve Ticaret Anonim Sirket (NIT) and Azsoft (Pvt.) Ltd (APL).

	March 31, 2007	December 31, 2006
----- Rupees -----		

## 5 SHARE CAPITAL

### Issued, subscribed and paid-up Number of Shares

March 2007	December 2006		March 31, 2007	December 31, 2006
249,621,992	249,621,992	Ordinary shares of Rs.10/- each fully paid in cash	2,496,219,920	2,496,219,920
12,276,073	12,276,073	Issued as consideration for machinery	122,760,730	122,760,730
50,811,992	50,811,992	Issued as consideration for merger	508,119,920	508,119,920
<u>312,710,057</u>	<u>312,710,057</u>		<u>3,127,100,570</u>	<u>3,127,100,570</u>
66,173,833	66,173,833	Preference shares of Rs.10/- each fully paid in cash	661,738,330	661,738,330
<u>378,883,890</u>	<u>378,883,890</u>		<u>3,788,838,900</u>	<u>3,788,838,900</u>

## 6 REDEEMABLE CAPITAL

Holding company		
– Privately Placed TFCs	156,250,000	187,500,000
– Term Finance Certificates (TFCs)	2,142,383,798	2,142,812,532
Subsidiary company – PAFL		
– Privately Placed term finance certificates	4,800,000,000	4,800,000,000
– Privately Placed term finance certificates	1,563,000,000	1,686,000,000
	<u>8,661,633,798</u>	<u>8,816,312,532</u>
Current maturity grouped under current liabilities	1,103,359,068	1,103,359,068
	<u>7,558,274,730</u>	<u>7,712,953,464</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the first quarter ended March 31, 2007

	March 31, 2007	December 31, 2006
Note	Rupees	
<b>7 LONG TERM FINANCING -SECURED</b>		
Financial institutions	3,749,796,723	3,858,130,056
Less: Current portion	338,913,068	338,913,068
	<u>3,410,883,655</u>	<u>3,519,216,988</u>
<b>8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of Minimum lease payment	70,841,111	65,854,021
Less: Current portion	45,991,687	48,769,663
	<u>24,849,424</u>	<u>17,084,358</u>
<b>9 SHORT TERM FINANCING</b>		
<p>Short term finances include aggregate funded and unfunded facilities available of Rs.5,776 million (31 Decemeber, 2006:Rs. 5,776 million). These have been obtained from banking companies and financial institutions at the mark-up ranging between Re.0.14 to Re.0.39 per Rs. 1,000 per day.</p>		
<b>10 CONTINGENCIES AND COMMITMENTS</b>		
<b>10.1</b> Commitments against irrevocable letters of credit outstanding as at March 31, 2007 were nil (December 31, 2006: Rs. 193.94 million).		
<b>10.2</b> All other contingencies and commitments status is same as disclosed in latest annual financial statements.		
<b>11 PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment	11.1 <u>19,820,477,938</u>	<u>19,835,155,084</u>
<b>11.1</b> Opening balance	19,835,155,084	3,114,554,527
Addition during the period	11.2 286,258,449	4,767,560,830
Acquisition through privatisation process	-	12,508,712,133
W.D.V. of assets disposed off	(502,670)	(20,444,843)
Depreciation charged during the period/year	(300,432,925)	(535,227,563)
Balance as on 31 March/ 31 December	<u>19,820,477,938</u>	<u>19,835,155,084</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the first quarter ended March 31, 2007

## 11.2 ACQUISITIONS AND DISPOSALS – AT COST

	March 31, 2007		December 31, 2006	
	Acquisition	Disposal	Acquisition	Disposal
<b>Owned</b>				
Freehold land	-	-	148,184,868	-
Building on freehold land	15,213,337	-	1,126,472,095	10
Plant and Machinery:				
- additions	226,626,008	-	3,338,783,615	18,729,679
- transfers from leased assets	-	-	42,900,000	-
Joint residential colony assets			61,116	
Furniture and fixtures	1,468,768	-	25,664,609	228,192
Vehicles:				
- additions	66,640	-	4,115,565	1,486,962
- transfers from leased assets	-	-	2,550,000	-
Tools and equipment	105,050	502,670	53,240,647	-
Office equipments	3,521,013	-	19,495,901	-
Electric installation	1,281,407	-	38,762,454	-
Catalysts	27,167,876	-		
<b>Leased</b>				
Plant and machinery				
- transfers to owned assets	-		(42,900,000)	
Vehicles				
- additions	10,808,350	-	12,779,960	-
- transfers to owned assets	-		(2,550,000)	
	<u>286,258,449</u>	<u>502,670</u>	<u>4,767,560,830</u>	<u>20,444,843</u>

**March 31, 2007**      **December 31, 2006**

----- Rupees -----

## 12 CAPITAL WORK IN PROGRESS

Civil Work	166,016,925	134,667,619
Plant and machinery	292,366,571	44,055,354
	<u>458,383,496</u>	<u>178,722,973</u>

## 13 LONG TERM INVESTMENTS

### Investment in Equity Securities

Colony Textile Mills Ltd.	37,688	37,688
BSJS Balanced Fund Ltd.	11,400	11,400
National Security Insurance Co. Ltd.		
Cost	996,768	996,768
Provision for impairment	(996,768)	(996,768)
	-	-
	<u>49,088</u>	<u>49,088</u>

## 14 SHORT TERM INVESTMENTS

### Held for trading

National Bank of Pakistan	182,710,167	-
Adamjee Insurance Co. Ltd.	2,302,152	-
	<u>185,012,318</u>	<u>-</u>



# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the first quarter ended March 31, 2007

		March 31, 2007	March 31, 2006
	Note	Rupees	
<b>15 EARNING PER SHARE</b>			
<b>Basic</b>			
(Loss) / profit after tax attributable to ordinary shareholders		(55,422,410)	166,667,353
		- No. of shares -	
Weighted average number of ordinary shares		312,710,057	86,865,434
		Rupees	
<b>Basic earning per share</b>		(0.18)	1.92
<b>Diluted</b>			
(Loss) / profit after tax attributable to ordinary shareholders		(55,422,410)	166,667,353
Impact of conversion of preference shares and Term finance certificates		15,316,316	19,369,002
		(40,106,094)	186,036,355
		- No. of shares -	
Number of ordinary shares		312,710,057	86,865,434
Number of potential ordinary shares		27,086,152	32,043,639
Total number of ordinary shares		399,796,209	118,909,073
		Rupees	
Diluted earning per share	15.1	(0.11)	1.57

**15.1** The effect of conversion of preference shares and term finance certificates is anti dilutive.

## 16 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.

### Associates

Brokerage	-	1,069,221
Mark-up	-	5,473,120
Purchases	165,600	13,291,893

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

## 17 DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements were authorized for issue on 28 April, 2007 by the Board of Directors of the Holding Company.

## 18 OTHERS

**18.1** There are no other significant activities since December 31, 2006 affecting the financial statements.

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

## 19 FIGURES

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

Chief Executive

Director

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