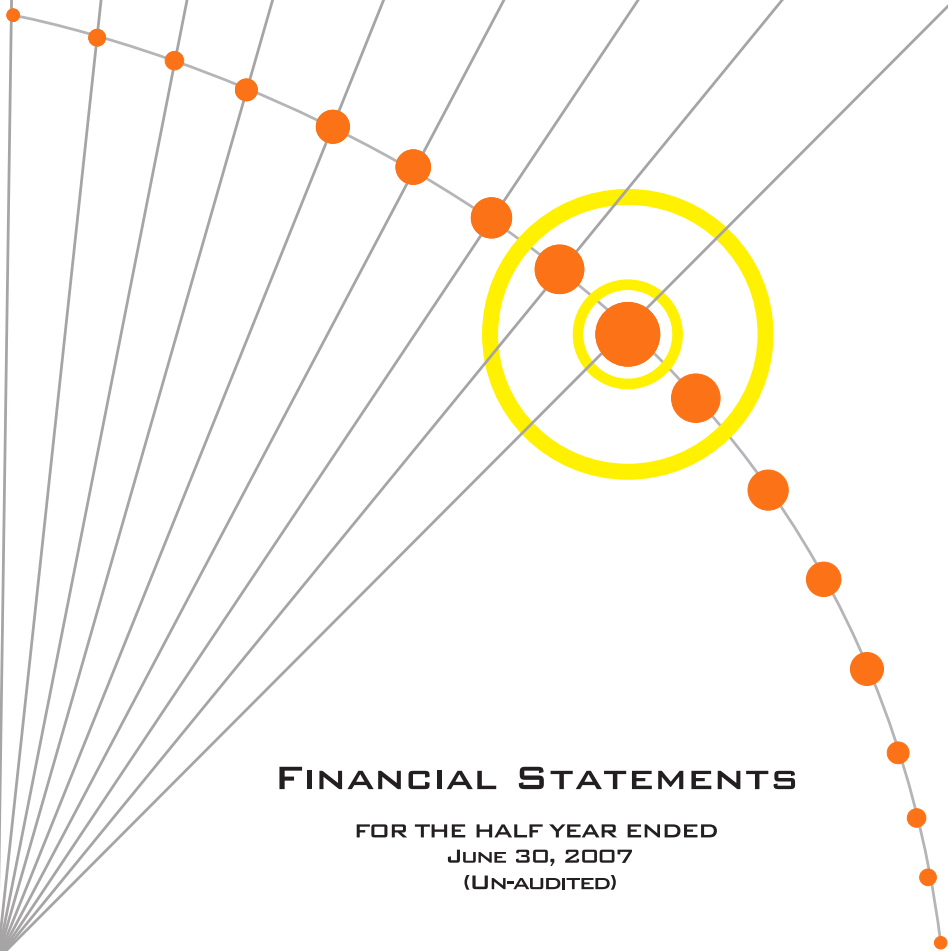




**AZGARD-9**

**AZGARD NINE LIMITED**



**FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED  
JUNE 30, 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 Rahim Iqbal Rafiq  
Chartered Accountants

### TAX ADVISORS

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

### REGISTERED OFFICE

Ismail Aiwan-e-Science  
Off Shahrarh-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

# DIRECTORS' REVIEW

It is with pleasure that the Board of Directors presents the half yearly financial statements for the period ending June 30, 2007. By the Grace of God, Azgard Nine Limited ("A9") has completed a period of successful business operations despite challenging market conditions.

Following is the half yearly review of the Company's operations:

## GENERAL MARKET CONDITIONS

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

### 1. Yarn

The Yarn market remains under pressure due to high cotton prices and intense competition that Pakistan faces from the markets of India, China & Bangladesh. The Pakistan Government estimates cotton production for the year 2007/08 at 14.1 million bales. Due to favorable weather conditions production is expected to be close to this target. However consumption is estimated at 15.5 million bales. Pakistan will therefore be facing a supply demand gap of 1.4 million bales. A9 has been planning strategies to mitigate these factors and has so far been able to cope.

### 2. Denim Fabric

Denim, being part of the fashion industry, has to compete with the rapidly changing trends. This places immense pressure upon Denim manufacturers in the global markets. Due to an increase in the global denim manufacturing capacity, Denim fabric remained oversupplied during this period. However, considering the market trends, it is foreseeable that 2007 could end up being a balanced year in terms of demand and supply and 2008 could bring in better market conditions for Denim fabric.

### 3. Garments

Irrespective of increased demand for garments globally, the local industry is only able to grow sales but its margins under pressure due to severe competition from neighboring countries in the South Asian region and countries in the China and the Pacific rim region.

### 4. Fertilizer

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

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

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

Manpower restructuring has reduced the head count by 326 people, resulting in significant cost savings. The production and sales stood at 176,641 MT and 187,569 MT respectively for the period under review capturing a market share of 8% of the Urea market.

Future market outlook for Fertilizers continues to be stable. The government policies continue to be aligned to support the fertilizer industry. Over – all Fertilizer business has performed positively during the period. Demand for urea is growing annually at 4% while demand growth for phosphates is almost 10% per annum.

## OPERATING RESULTS OF THE COMPANY

### Turnover

Despite the challenging trading conditions the aggressive sales efforts in both the local and international markets has resulted in a 45% growth in sales compared to the same period last year.

The company's strategies are focused on:

- Its own foreign marketing & sales offices
- Strong emphasis on product development and design
- Vertical integration of the textile & apparel production chain

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

	AZGARD NINE LTD CONSOLIDATED (Rupees)	AZGARD NINE LTD (Rupees)
Sales Net	4,867,448,663	3,136,475,386
Cost of Goods Sold	3,096,364,916	2,350,526,902
Gross Profit	1,771,083,747	785,948,485
Administrative and selling Expenses	360,476,559	162,393,378
Other Operating Income	146,935,962	99,478,413
	1,557,543,150	723,034,519
Finance Cost	980,332,780	516,839,061
Workers (Profit) participation fund	32,999,099	5,335,852
Workers' welfare Fund	4,017,192	4,017,192
Profit before tax	540,194,079	196,842,414
Provision for taxation		
- Current	33,138,472	24,483,598
- Deferred	115,158,718	-
Net Profit after tax	391,896,889	172,358,816
Earnings per share for the quarter (Qtr. 2 / 2007)	1.08	0.26
Earnings per share for the period (H1 2007)	1.16	0.46

Note: The provision for deferred taxation as reflected in consolidated results may reduce in future periods due to change in temporary timing differences.

## DIRECTORS' REVIEW

It is significant to note that the Board of Directors of A9 and PAFL have approved the merger of both the companies. It is expected that this merger may be completed by year end. Post merger the operating results of A9 will be presented in the similar manner as in case of consolidated results.

Gross profit margins for the textile sector have generally declined over the period. However the Company was able to earn a pretax profit of Rs.198,005,303 and a post-tax profit of Rs.173,521,706. 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. It may be noted that the Company has an edge over its competitors in industries in terms of low power costs by means of its own in-house power generation units operating on gas and synergies due to vertical manufacturing. The management has always endeavored to lower operating costs and shall continue to do so in order to procure maximum benefit for its shareholders.

### INTERNATIONAL BONDS

The company conducted investor meetings in July to issue an International Bond in order to refinance the acquisition debt for its purchase of PAFL. The company met with over 50 individual investors and received an overwhelming response to the proposed issue. However, due to trouble in the Sub-Prime mortgage market in the USA the spreads for this type of risk became economically unattractive. The company has there fore delayed this issue until market conditions become more favourable.

### CREDIT RATING

The Directors are pleased to inform you that the PACRA has upgraded the long term rating of A9 to "A+ (Single A Plus) while maintaining the Short term rating at A1 (A One). Standard & Poor's the world leading international Credit Rating Agency has assigned a rating of B+ to Azgard9. This is the same rating as they have assigned to the Pakistan sovereign Bond.

### FUTURE MARKET OUTLOOK

The situation appears stable in the textile sector. Any decrease in input costs including raw material and utilities, relief measures expected to be taken by the Government, and with possible improvements in sales prices in international market, may improve the future outlook. In the mean time the company is striving to improve efficiency and the quality of its products.

In terms of the Fertilizer business, the outlook is positive as the farming community continues to increase its reliance on Fertilizers.

### FUTURE STRATEGIES

It is important to highlight that the Company, with a track record of resilience in difficult conditions, is well prepared to combat future challenges. The Company has managed to grow profits and sales during these challenging times, in which these has been increased competition in the textile sector and in which the very large acquisition of PAFL was successfully consummated.

In the textile business, the company has adopted certain strategies which have yielded encouraging results. First, the Company is operating in global markets through its own foreign sales offices facilitating fast access to international markets.

Secondly, the Company's policies are always proactively formulated with a view to changing trends and demands of the fashion industry. The company is better prepared to face and even predict such trends in advance through its foreign sales offices which allow it to be closer to the market and its customers. The Company's determine to diversify its business into other sectors like the recently acquired Fertilizer business which provides it greater stability and depth. It operates actually now in the two sectors that are most fundamental to Pakistan's economy: Textiles and Fertilizer.

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

On behalf of the Board

Lahore: AUGUST 28, 2007

Ahmed H. Shaikh  
Chief Executive

# REVIEW REPORT

We have reviewed the annexed condensed interim balance sheet of Azgard Nine Limited as at 30 June 2007, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “condensed interim financial statements”) for the half-year then ended. These condensed interim financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these condensed interim financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed condensed interim financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended 30 June 2007 in the condensed interim profit and loss account have not been reviewed and we do not express an opinion on them.

**Lahore: AUGUST 28, 2007**

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
**(Formerly: RAHMAN SARFARAZ & CO.)**  
**Chartered Accountants**

# BALANCE SHEET (Unaudited)

as at June 30, 2007

	Note	June 30, 2007 Rupees	December 31, 2006 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
1,500,000,000 Ordinary and Preference shares of Rs. 10/- each		15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital		3,788,838,900	3,788,838,900
Capital reserves		3,572,129,713	3,578,262,182
Unappropriated profits		1,594,088,701	1,807,067,052
		8,955,057,314	9,174,168,134
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		248,216,971	257,360,867
<b>NON CURRENT LIABILITIES</b>			
Redeemable Capital	4	2,235,276,330	2,266,955,064
Long-term financing - secured	5	3,210,550,729	3,519,216,988
Liabilities against assets subject to finance lease	6	10,486,437	9,622,618
Long-term deposits		1,643,889	1,643,889
		5,457,957,385	5,797,438,559
<b>CURRENT LIABILITIES</b>			
Current portion of long-term liabilities	5	580,363,716	450,047,125
Short-term financing	7	6,191,833,644	6,006,117,630
Fair value of obligation under swap contracts		20,591,820	32,021,607
Trade and other payables		1,274,401,228	961,345,530
Interest and mark-up accrued		385,491,855	297,242,537
Provision for taxation		219,732,615	195,249,017
Dividends		344,776,844	22,312,061
		9,017,191,722	7,964,335,507
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	23,678,423,392	23,193,303,067
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	9	7,748,149,161	7,601,895,866
Capital work in progress	10	191,780,287	150,650,477
Intangible assets		55,152,379	60,544,809
Long term investments	11	6,306,032,032	6,303,488,906
Long-term deposits		20,269,502	19,906,757
		14,321,383,361	14,136,486,815
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		91,530,041	101,762,486
Stock in trade		2,098,321,685	2,022,510,924
Trade debtors		1,383,868,244	1,134,897,149
Derivative financial instruments		485,074,862	555,680,244
Advances, deposits, prepayments and other receivables		1,353,745,506	872,744,304
Short term investments	12	3,820,868,271	3,788,315,521
Cash and bank balances		123,631,422	580,905,624
		9,357,040,031	9,056,816,252
		23,678,423,392	23,193,303,067

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

Lahore

Chief Executive

Director

# PROFIT AND LOSS ACCOUNT (Unaudited)

for the half year ended June 30, 2007

	Half Year Ended		Quarter Ended	
	June 30	June 30	June 30	June 30
	2007	2006	2007	2006
	Rupees		Rupees	
Sales – net	3,136,475,386	2,156,639,805	1,619,375,731	1,154,642,539
Cost of goods sold	2,350,525,902	1,550,097,462	1,241,000,097	847,692,242
<b>Gross profit</b>	<b>785,949,484</b>	<b>606,542,343</b>	<b>378,375,634</b>	<b>306,950,297</b>
Administrative and selling expenses	162,393,378	149,889,091	81,358,713	74,669,609
<b>Operating profit</b>	<b>623,556,106</b>	<b>456,653,252</b>	<b>297,016,921</b>	<b>232,280,688</b>
Other income	100,478,413	104,480,987	62,336,561	34,803,078
	724,034,519	561,134,239	359,353,482	267,083,766
<b>OTHER CHARGES</b>				
Finance cost	516,839,061	217,861,016	243,569,352	126,679,603
Workers' (Profit) Participation Fund	5,335,852	8,967,000	3,625,915	3,471,975
Workers' Welfare Fund	4,017,192	–	4,017,192	–
Other operating expenses	1,000,000	–	(952,291)	–
	527,192,105	226,828,016	250,260,168	130,151,578
	196,842,414	334,306,223	109,093,314	136,932,188
Provision for taxation	24,483,598	23,600,000	13,674,598	12,624,163
<b>Profit after taxation</b>	<b>172,358,816</b>	<b>310,706,223</b>	<b>95,418,716</b>	<b>124,308,025</b>
<b>Earnings per share</b>				
– Basic	0.46	1.77	0.26	0.69
– Diluted	–	1.68	–	0.67

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

Lahore

Chief Executive

Director



# CASH FLOW STATEMENT (Unaudited)

for the half year ended June 30, 2007

	Half Year Ended	
	June 30, 2007 Rupees	June 30, 2006 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	196,842,414	334,306,223
Items not involving movements of funds	706,230,754	227,329,215
	<u>903,073,168</u>	<u>561,635,438</u>
Changes in working capital	(451,108,629)	(260,560,971)
Operating profit after changes in working capital	451,964,539	301,074,467
Financial charges paid	(432,990,243)	(196,327,221)
Expenses on issue of Company's securities	–	(25,664,864)
Taxes paid	(31,386,286)	(15,041,532)
Long-term payable	–	(1,589,816)
Long term deposits	(362,745)	(2,422,964)
Net cash (used in) / from operating activities	<u>(12,774,735)</u>	<u>60,028,070</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(455,415,764)	(1,422,315,940)
Intangible assets	(2,056,744)	2,204,831
Sale proceeds of fixed assets	1,959,043	11,459,667
Long term investments	–	(1,247,895,472)
Interest received	231,456	65,968
Dividend received	–	2,633,388
Short term investments	55,747,390	(2,705,383,828)
Net cash used in investing activities	<u>(399,534,619)</u>	<u>(5,359,231,386)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Ordinary shares issued	–	4,648,446,653
Redeemable capital	(31,678,735)	(31,250,000)
Long term financing	(147,318,109)	472,826,667
Dividend paid	(21,516,279)	(143,870,220)
Short term finances-net	185,716,015	403,478,018
Finance lease liabilities paid / obtained	(30,167,740)	(22,201,783)
Net cash (outflow)/inflow from financing activities	<u>(44,964,848)</u>	<u>5,327,429,335</u>
Net (decrease)/increase in cash and cash equivalents	(457,274,202)	28,226,019
Cash and cash equivalents at beginning of the period	580,905,624	45,642,358
Cash and cash equivalents at end of the period	<u>123,631,422</u>	<u>73,868,377</u>

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

Lahore

Chief Executive

Director

# STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the half year ended June 30, 2007

	R U P E E S									
	Share Capital Issued, subscribed and paid-up	Share premium	Hedging reserve	Reserve on merger	Preference share redemption reserve	Surplus on revaluation of investments	Total	Unappropriated Profit	Total equity	Surplus in revaluation of property, plant & equipment
<b>Balance as at January 1, 2006</b>	1,737,308,680	71,657,838	13,458,916	105,152,005	212,500,000	562,710	403,331,469	952,462,490	3,093,102,639	278,943,671
Further issued during the period	2,117,743,350	2,530,703,303	—	—	—	—	2,530,703,303	—	4,648,446,653	—
Conversion of preference shares	(66,213,130)	66,213,130	—	—	—	—	66,213,130	310,706,223	—	—
Profit for the period	—	—	—	—	—	—	—	—	—	—
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal	—	—	—	—	—	—	—	13,792,748	13,792,748	(13,792,748)
Preference shares redemption reserve	—	—	—	—	25,000,000	—	25,000,000	(25,000,000)	—	—
Expenses incurred on issue of company's securities	—	(25,664,864)	—	—	—	—	(25,664,864)	(151,267,383)	(25,664,864)	—
Ordinary shares dividend	—	—	—	—	—	—	—	—	—	—
Decrease in fair value of foreign currency interest rate swap contract	—	—	(13,458,916)	—	—	—	(13,458,916)	—	(13,458,916)	—
<b>Balance as at June 30, 2006</b>	<b>3,788,838,900</b>	<b>2,642,909,407</b>	<b>—</b>	<b>105,152,005</b>	<b>237,500,000</b>	<b>562,710</b>	<b>2,896,124,122</b>	<b>1,100,694,078</b>	<b>7,875,667,100</b>	<b>265,150,923</b>
<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	2,580,401	3,578,262,182	1,807,067,052	9,174,168,134	257,360,867
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal	—	—	—	—	—	—	—	172,366,816	172,366,816	—
Preference shares redemption reserve	—	—	—	—	50,500,000	—	50,500,000	(50,500,000)	9,143,896	(9,143,896)
Ordinary shares dividend	—	—	—	—	—	—	—	(343,981,063)	(343,981,063)	—
Decrease in fair value of foreign currency interest rate swap contract entered into by a joint cash flow hedge	—	—	(69,175,595)	—	—	—	(69,175,595)	—	(69,175,595)	—
Revaluation of long term investments	—	—	—	—	—	2,543,126	2,543,126	—	2,543,126	—
<b>Balance as at June 30, 2007</b>	<b>3,788,838,900</b>	<b>2,633,371,139</b>	<b>464,483,042</b>	<b>105,152,005</b>	<b>364,000,000</b>	<b>5,123,527</b>	<b>3,572,129,713</b>	<b>1,594,088,701</b>	<b>8,955,067,314</b>	<b>248,216,971</b>

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

Lahore

Chief Executive

Director

AZGARD NINE LIMITED

09

# NOTES TO THE ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

## 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. ANL is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the parent company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore.

## 2 BASIS OF PREPARATION

These interim financial statements are unaudited, reviewed. The comparative balance sheet as at 31 December 2006 and the related notes to the financial statements are based on audited financial statements. The comparative profit and loss account, cash flow statements and statement of changes in equity for six months period ended 30 June 2006 and the related notes are based on unaudited, reviewed interim financial statements.

The Board of Directors of the Company in their meeting recommended merger of Pak American Fertilizers Limited, a wholly owned subsidiary of the Company, into Azgard Nine Limited. Since the same is subject to the approval of the members in general meeting, the Honorable High Court and other functionaries, these financial statements have been prepared without reflecting the impact of the proposed merger.

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.

### 2.2 Basis of measurement

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

### 2.3 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

### 2.4 Functional currency

These financial statements are prepared in Pak Rupees which is the Company's functional currency.

## 3 SIGNIFICANT 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.

	Note	June 30 2007 Rupees	December 31 2006 Rupees
<b>4 REDEEMABLE CAPITAL</b>			
Term Finance Certificates (TFCs) - I	4.1	156,250,000	187,500,000
Term Finance Certificates (TFCs) - II	4.2	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>

**4.1** 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.

**4.2** 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 ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

	June 30, 2007 Rupees	December 31, 2006 Rupees
<b>5 LONG TERM FINANCING - SECURED</b>		
Banking companies and financial institutions	3,710,811,947	3,858,130,056
Less: Current portion	500,261,218	338,913,068
	3,210,550,729	3,519,216,988

<b>6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of Minimum lease payment	27,231,467	57,399,207
Less: Current portion	16,745,030	47,776,589
	10,486,437	9,622,618

## 7 SHORT TERM FINANCING – Secured

Short term finances include aggregate funded and unfunded facilities available of Rs.8,997 million (31 December, 2006:Rs. 6,972 million). These have been obtained from banking companies and financial institutions at the mark-up ranging between Re.0.18 to Re.0.40 per Rs. 1,000 per day.

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

## 8 CONTINGENCIES AND COMMITMENTS

**8.1** Commitments against irrevocable letters of credit outstanding as at June 30, 2007 were Rs.30.16 million (December 31, 2006: Rs. 193.94 million).

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

## 9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	9.1	7,748,149,161	7,601,895,866
<b>9.1</b> Opening balance		7,601,895,866	3,113,043,032
Addition during the period	9.2	414,285,953	4,754,563,183
W.D.V. of assets disposed off		(398,496)	(20,047,610)
Depreciation charged during the period		(267,634,162)	(245,662,739)
Balance as on 30 June/ 31 December		7,748,149,161	7,601,895,866

	June 30, 2007 Rupees		December 31, 2006 Rupees	
<b>9.2 ACQUISITIONS AND DISPOSALS – AT COST</b>				
	Additions	Disposal	Additions	Disposal
<b>Owned</b>				
Freehold land	3,300,000	-	148,184,868	-
Building on freehold land	68,790,553	-	1,124,124,020	-
Plant and Machinery:				
– additions	313,666,045	-	3,338,783,614	18,729,679
– transfers from leased assets	-	-	42,900,000	-
Furniture and fixtures	1,205,468	-	25,142,154	226,184
Vehicles:				
– additions	1,849,444	398,496	4,115,565	1,091,747
– transfers	-	-	2,550,000	-
Tools and equipment	5,857,269	-	52,865,647	-
Office equipments	5,255,095	-	19,495,901	-
Electric installation	3,095,079	-	38,762,454	-
<b>Leased</b>				
Plant and machinery				
– transfers to owned assets	-	-	(42,900,000)	-
Vehicles				
– additions	11,267,000	-	3,088,960	-
– transfers	-	-	(2,550,000)	-
	414,285,953	398,496	4,754,563,183	20,047,610

# NOTES TO THE ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

	June 30, 2007	December 31, 2006
Note	Rupees	Rupees
<b>10 CAPITAL WORK IN PROGRESS</b>		
Civil Work	126,774,096	112,534,012
Plant and machinery	65,006,191	38,116,465
	191,780,287	150,650,477
<b>11 LONG TERM INVESTMENTS</b>		
<b>Investment in Equity Securities</b>		
<b>Related parties</b>		
Investment in foreign subsidiary:		
– Nafees International Tekstil Sanays ve Ticaret ANONIM SIRKET – Equity held 51%	1,852,455	1,852,455
Investment in local subsidiaries:		
– Azsoft (Private) Ltd. – Equity held 99.98%	2,053,916	2,053,916
– Pak-American Fertilizers Ltd. – Equity held 100%	7,990,392,094	7,987,848,968
Held for sale portion classified under short term investments	(3,700,814,821)	(3,700,814,821)
	4,293,483,644	4,290,940,518
<b>Investments in other equity securities:</b>		
Colony Mills Ltd.	37,688	37,688
BSJS Balanced Fund Ltd.	11,400	11,400
National Security Insurance Co. Ltd.		
Cost	996,768	996,768
Provision for impairment	(996,768)	(996,768)
	–	–
<b>Investment held to maturity</b>		
<b>Investment in term finance certificate</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
	6,306,032,032	6,303,488,906
<b>12 SHORT TERM INVESTMENTS</b>		
<b>Available for sale</b>		
Pak-American Fertilizers Limited	3,700,814,821	3,700,814,821
<b>Held to maturity</b>		
Term Finance Certificates	87,500,700	87,500,700
<b>Held for trading</b>		
Bank of Punjab	11,650,000	–
Muslim Commercial Bank Ltd.	3,832,500	–
Faysal Bank Ltd	2,960,000	–
Pakistan State Oil Company Ltd.	3,914,500	–
TRG Pakistan Ltd	820,000	–
Fauji Cement Company Ltd	1,970,000	–
Nishat Mills Ltd.	1,304,500	–
Dewan Salman Fibres Ltd.	527,500	–
Pakistan Reinsurance Company Ltd.	5,573,750	–
	3,820,868,271	3,788,315,521

# NOTES TO THE ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

## 13 RELATED PARTY TRANSACTIONS

Related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including chief executive, directors and executives and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Details of related party transactions other than those with the key management personnel are as follows:

	Half Year Ended	
	June 30, 2007	June 30, 2006
	Rupees	Rupees
<b>Subsidiaries</b>		
Mark-up income	143,152,850	–
Mark-up expense	20,925,534	–
<b>Associates</b>		
Brokerage	–	12,664,624
Mark-up expense	–	7,373,333
Purchases	662,400	20,365,013

## 14 DATE OF AUTHORIZATION FOR ISSUE

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

## 15 GENERAL

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

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.

have been rounded off to the nearest rupee.

have been re-arranged and re-classified to facilitate comparison.



# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED BALANCE SHEET (Unaudited)

as at June 30, 2007

	Note	June 30, 2007 Rupees	December 31, 2006 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
1,500,000,000 Ordinary and Preference shares of Rs. 10/- each		15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital		3,788,838,900	3,788,838,900
Capital reserves		3,995,724,705	3,576,296,807
Unappropriated profits		658,070,965	651,511,243
		8,442,634,570	8,016,646,950
<b>MINORITY INTEREST</b>		1,763,586	1,763,586
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		248,216,971	257,360,867
<b>NON CURRENT LIABILITIES</b>			
Redeemable Capital	4	7,178,270,130	7,712,953,464
Long-term financing – secured	5	3,210,550,729	3,519,216,988
Liabilities against assets subject to finance lease	6	26,965,538	17,084,358
Long term deposits and payables		299,068,367	1,643,889
Deferred taxation		1,676,477,179	1,531,232,337
		12,356,945,221	12,782,131,036
<b>CURRENT LIABILITIES</b>			
Current portion of long-term liabilities		2,003,012,613	1,491,041,799
Short-term financing	7	6,341,833,644	6,456,117,630
Fair value of obligation under swap contracts		20,591,820	32,021,607
Trade and other payables		1,669,981,676	1,164,003,600
Interest and mark-up accrued		525,207,747	468,744,586
Provision for taxation		219,747,486	195,263,888
Dividends		344,776,844	22,312,061
		11,125,151,830	9,829,505,171
<b>CONTINGENCIES AND COMMITMENTS</b>	8	32,174,712,178	30,887,407,610
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	9	20,005,650,506	19,979,681,972
Capital work in progress	10	473,868,541	178,722,973
Intangible assets		3,765,675,327	3,771,067,757
Long term investments	11	49,088	49,088
Long term deposits		34,744,626	33,156,512
		24,282,276,188	23,962,678,302
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		735,917,898	786,465,317
Stock in trade		2,142,810,553	2,117,533,944
Trade debtors		2,179,370,783	1,520,389,291
Derivative financial instruments		913,178,355	555,680,244
Advances, deposits, prepayments and other receivables		1,696,135,379	811,693,551
Short term investments	12	32,552,750	–
Cash and bank balances		192,470,272	1,132,966,961
		7,892,435,990	6,924,729,308
		32,174,712,178	30,887,407,610

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

Lahore

Chief Executive

Director



# CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)

for the half year ended June 30, 2007

	Half Year ended		Quarter ended	
	June 30	June 30	June 30	June 30
	2007	2006	2007	2006
	Rupees		Rupees	
Sales	4,867,448,663	2,156,639,805	2,690,193,794	1,154,642,540
Cost of goods sold	3,096,364,916	1,549,219,111	1,663,635,718	846,813,891
<b>Gross profit</b>	<b>1,771,083,747</b>	<b>607,420,694</b>	<b>1,026,558,076</b>	<b>307,828,649</b>
Administrative and selling expenses	359,476,559	150,832,010	183,691,489	75,034,677
<b>Operating profit</b>	<b>1,411,607,188</b>	<b>456,588,684</b>	<b>842,866,587</b>	<b>232,793,972</b>
Other income	146,935,962	104,480,987	108,642,078	34,803,078
	1,558,543,150	561,069,671	951,508,665	267,597,050
<b>OTHER CHARGES</b>				
Finance cost	980,332,780	217,861,016	416,831,621	126,679,603
Workers' (Profit) Participation Fund	32,999,099	8,967,000	31,635,191	3,471,975
Workers' Welfare Fund	4,017,192	–	4,017,192	–
Other operating expenses	1,000,000	–	(952,291)	–
	1,018,349,071	226,828,016	451,531,713	130,151,578
Profit before taxation	540,194,079	334,241,655	499,976,952	137,445,472
Provision for taxation				
– Current	33,138,472	23,604,468	19,028,695	12,628,631
– Deferred	115,158,718	–	128,455,504	–
	148,297,190	23,604,468	147,484,199	12,628,631
<b>Profit after taxation</b>	<b>391,896,889</b>	<b>310,637,187</b>	<b>352,492,753</b>	<b>124,816,841</b>
Minority Interest	–	(69)	–	(35)
<b>Profit attributable to Group</b>	<b>391,896,889</b>	<b>310,637,256</b>	<b>352,492,753</b>	<b>124,816,876</b>
Earnings per share – Basic	1.16	1.77	1.08	0.69
– Diluted	–	1.68	–	0.67

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

Lahore

Chief Executive

Director

# CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

for the half year ended June 30, 2007

	Half Year Ended	
	June 30, 2007 Rupees	June 30, 2006 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	540,194,079	334,241,655
Items not involving movements of funds	1,330,521,144	227,408,918
	1,870,715,223	561,650,573
Changes in working capital	(977,582,010)	(260,566,661)
Operating profit after changes in working capital	893,133,213	301,083,912
Financial charges paid	(930,393,865)	(196,327,371)
Expenses incurred on issue of company's securities	-	(25,664,864)
Taxes paid	(46,186,024)	(15,041,532)
Long term deposits and payable	293,295,983	(1,589,816)
Long term deposits	(3,397,693)	(2,422,964)
Net cash from operating activities	206,451,615	60,037,365
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(733,967,519)	(1,422,315,940)
Intangible assets	(2,056,744)	2,204,831
Sale proceeds of fixed assets	4,858,116	11,459,667
Long term investments	-	(1,247,895,472)
Interest received	6,524,245	65,968
Dividend received	-	2,633,388
Short term investments	57,006,912	(2,705,383,828)
Net cash used in investing activities	(667,634,989)	(5,359,231,386)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Ordinary shares issued	-	4,648,446,653
Redeemable capital	(154,678,735)	(31,250,000)
Long term financing	(147,318,109)	472,826,667
Dividend paid	(21,516,279)	(143,870,220)
Short term finances-net	(114,283,985)	403,478,018
Finance lease liabilities paid / obtained	(41,516,206)	(22,201,783)
Net cash (outflow)/inflow from financing activities	(479,313,314)	5,327,429,335
Net (decrease)/increase in cash and cash equivalents	(940,496,689)	28,235,314
Cash and cash equivalents at beginning of the period	1,132,966,961	45,675,706
Cash and cash equivalents at end of the period	192,470,272	73,911,020

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

Lahore

Chief Executive

Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the half year ended June 30, 2007

	Share Capital		Reserves					Total	Profit	Total equity	Surplus in revaluation of property, plant & equipment
	Issued, subscribed and paid-up	Share premium	Hedging reserve	Exchange gain on translation of foreign subsidiary	Reserve on merger	Preference share redemption reserve	Surplus on revaluation of investments				
<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	408,359,347	953,107,592	3,093,775,519	278,943,671
Further issued during the period	2,177,743,350	2,530,703,303					2,530,703,303	2,530,703,303	310,637,296	4,648,446,653	
Conversion of preference shares	(66,213,130)	66,213,130					66,213,130	66,213,130			
Profit for the period									310,637,296		
Surplus on revaluation of fixed assets transferred to incremental depreciation and disposal										13,792,748	(13,792,748)
Preference shares redemption reserve						25,000,000	25,000,000	(25,000,000)	(25,000,000)		
Ordinary shares dividend		(25,664,864)					(25,664,864)	(25,664,864)	(25,664,864)	(151,267,383)	(151,267,383)
Decrease in fair value of foreign currency/ interest rate swap contract				(27,878)			(27,878)	(27,878)	(716,507)	(744,385)	
										(13,458,916)	(13,458,916)
<b>Balance as at June 30, 2006</b>	<b>3,788,838,900</b>	<b>2,642,909,407</b>	<b>-</b>	<b>-</b>	<b>105,152,005</b>	<b>237,500,000</b>	<b>562,710</b>	<b>2,986,124,122</b>	<b>1,100,553,706</b>	<b>7,875,516,728</b>	<b>265,150,623</b>
Balance as at January 1, 2007	3,788,838,900	2,633,371,139	523,658,637	27,878	105,152,005	313,500,000	587,148	3,576,236,807	586,927,934	7,952,063,641	257,360,667
Prior period adjustments note 2.6											
- Depreciation									144,526,888	144,526,888	
- Deferred tax									(79,943,579)	(79,943,579)	
Balance as at January 1, 2007 restated	3,788,838,900	2,633,371,139	523,658,637	27,878	105,152,005	313,500,000	587,148	3,576,236,807	651,511,248	8,016,646,950	257,360,667
Loss for the period									391,896,889	391,896,889	
Surplus on revaluation of fixed assets transferred to retained earnings during the period relating to incremental depreciation and disposal										50,500,000	(9,143,896)
Preference shares redemption reserve						50,500,000	50,500,000		(50,500,000)		
Ordinary shares dividend									(343,381,003)	(343,381,003)	
Increase in fair value of foreign currency/ interest rate swap contract entered into by a part cash flow hedge			368,927,898				368,927,898	368,927,898	368,927,898		
<b>Balance as at June 30, 2007</b>	<b>3,788,838,900</b>	<b>2,633,371,139</b>	<b>892,586,535</b>	<b>27,878</b>	<b>105,152,005</b>	<b>364,000,000</b>	<b>587,148</b>	<b>3,995,124,705</b>	<b>658,070,965</b>	<b>8,442,654,570</b>	<b>249,216,971</b>

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

**Lahore**

**Chief Executive**

**Director**

HALF YEARLY FINANCIAL STATEMENTS

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

## 1 REPORTING ENTITY

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

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

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

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

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

## 2 BASIS OF PREPARATION

These interim financial statements are unaudited, reviewed. The comparative balance sheet as at 31 December 2006 and the related notes to the financial statements are based on audited financial statements (unaudited, reviewed in case of PAFL only). The comparative profit and loss account, cash flow statements and statement of changes in equity for six months period ended 30 June 2006 and the related notes are based on unaudited interim financial statements.

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.

### 2.2 Basis of measurement

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

### 2.3 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

### 2.4 Functional currency

These financial statements are prepared in Pak Rupees which is the Company's functional currency.

### 2.5 Principles of consolidation

The interim consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to hereinafter as "the Group") for the six months period ended 30 June 2007. The comparative figures for profit and loss account do not include the results of PAFL as the subsidiary was acquired in July 2006.

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

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

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

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

### 2.6 Change in accounting estimate

Certain figures have been restated keeping in view the change in estimated useful lives of property, plant and equipment of PAFL, a subsidiary company. PAFL's accounting year ended on 30 June 2007 and it revised its estimate regarding useful life of its assets used till preparation of its half yearly financial statements as on 31 December 2006. Effect of change in useful life relating to half year ended 31 December 2006 amounting to Rs.144,526,888 and its resulting effect on deferred tax amounting to Rs.79,943,579 have been adjusted in opening retained earnings in consolidated financial statements.

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

## 3 SIGNIFICANT 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 31 December 2006.

	Note	June 30, 2007 Rupees	December 31, 2006 Rupees
<b>4 REDEEMABLE CAPITAL</b>			
Holding Company:			
Term Finance Certificates (TFCs) – I	4.1	156,250,000	187,500,000
Term Finance Certificates (TFCs) – II	4.2	2,142,383,798	2,142,812,532
Subsidiary – PAFL:			
Term Finance Certificates (TFCs) – III	4.3	4,800,000,000	4,800,000,000
Term Finance Certificates (TFCs) – IV	4.4	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		1,483,363,668	1,103,359,068
		<u>7,178,270,130</u>	<u>7,712,953,464</u>
<b>4.1</b>	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.		
<b>4.2</b>	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. This finance is secured by 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.		
<b>4.3</b>	These have been issued by way of private placements with a consortium of investors. The total issue comprises of 6,900 (including 2100 TFCs held by holding company eliminated in consolidation) TFCs having face value of Rs. 1,000,000. This finance is secured by first pari passu charge over present and future fixed assets.		
<b>4.4</b>	These have been issued by way of private placements with a consortium of investors. The total issue comprises of 1,686 TFCs having face value of Rs. 1,000,000. This finance is secured by first pari passu charge over present and future fixed assets.		
<b>5 LONG TERM FINANCING -SECURED</b>			
Banking companies and financial institutions		3,710,811,947	3,858,130,056
Less: Current portion		500,261,218	338,913,068
		<u>3,210,550,729</u>	<u>3,519,216,988</u>
<b>6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Present value of Minimum lease payment		48,641,365	65,854,021
Less: Current portion		19,387,727	48,769,663
		<u>26,253,638</u>	<u>17,084,358</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

## 7 SHORT TERM FINANCING

Short term finances include aggregate funded and unfunded facilities available of Rs.8,997 million (31 December, 2006:Rs. 7,210 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. Short term finance include privately placed term finance certificates amounting Rs. 2.5 billion.

## 8 CONTINGENCIES AND COMMITMENTS

**8.1** Commitments against irrevocable letters of credit outstanding as at 30 June 2007 were Rs.37.06 million (December 31, 2006: Rs. 193.94 million).

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

	Note	June 30, 2007 Rupees	December 31, 2006 Rupees
<b>9 PROPERTY, PLANT AND EQUIPMENT</b>			
Property, plant and equipment	9.1	20,005,650,506	19,979,681,972
<b>9.1</b> Opening balance		19,979,681,972	3,114,554,527
Addition during the period	9.2	463,125,503	4,767,560,830
Acquisition through privatisation process		—	12,508,712,133
W.D.V. of assets disposed off		(320,568)	(20,444,843)
Depreciation charged during the period		(436,836,401)	(390,700,675)
Balance as on 30 June/ 31 December		20,005,650,506	19,979,681,972

	June 30, 2007 Rupees		December 31, 2006 Rupees	
<b>9.2 ACQUISITIONS AND DISPOSALS – AT COST</b>				
	Additions	Disposal	Additions	Disposal
<b>Owned</b>				
Freehold land	3,300,000	—	148,184,868	—
Building on freehold land	72,228,159	—	1,126,472,095	10
Plant and Machinery:				
– additions	316,879,125	—	3,338,783,615	18,729,679
– transfers from leased assets	—	—	42,900,000	—
Joint residential colony assets	239,586	—	61,116	—
Furniture and fixtures	2,470,621	(2,933)	25,664,609	228,192
Vehicles:				
– additions	1,849,444	398,496	4,115,565	1,486,962
– transfers from leased assets	—	—	2,550,000	—
Road, rail transport	—	(74,995)	—	—
Tools and equipment	6,336,968	—	53,240,647	—
Office equipments	5,255,095	—	19,495,901	—
Electric installation	3,095,079	—	38,762,454	—
Catalysts	27,167,876	—	—	—
<b>Leased</b>				
Plant and machinery				
– additions	—	—	—	—
– transfers to owned assets	—	—	(42,900,000)	—
<b>Vehicles</b>				
– additions	24,303,550	—	12,779,960	—
– transfers to owned assets	—	—	(2,550,000)	—
	463,125,503	320,568	4,767,560,830	20,444,843

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

	June 30, 2007 Rupees	December 31, 2006 Rupees
<b>10 CAPITAL WORK IN PROGRESS</b>		
Civil Work	151,082,450	134,667,619
Plant and machinery	322,786,091	44,055,354
	473,868,541	178,722,973
<b>11 LONG TERM INVESTMENTS</b>		
<b>Investments available for sale</b>		
Colony Mills Ltd.	37,688	37,688
BSJS Balanced Fund Ltd.	11,400	11,400
National Security Insurance Co. Ltd.		
Cost	996,768	996,768
Provision for impairment	(996,768)	(996,768)
	-	-
	49,088	49,088
<b>12 SHORT TERM INVESTMENTS</b>		
<b>Fair value through profit and loss</b>		
Bank of Punjab	11,650,000	-
Muslim Commercial Bank Ltd.	3,832,500	-
Faysal Bank Ltd	2,960,000	
Pakistan State Oil Company Ltd.	3,914,500	
TRG Pakistan Ltd	820,000	
Fauji Cement Company Ltd	1,970,000	
Nishat Mills Ltd.	1,304,500	
Dewan Salman Fibres Ltd.	527,500	
Pakistan Reinsurance Company Ltd.	5,573,750	
	32,552,750	-

## 13 RELATED PARTY TRANSACTIONS

Related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including chief executive, directors and executives and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Details of related party transactions other than those with the key management personnel are as follows:

	Half Year Ended	
	June 30, 2007 Rupees	June 30, 2006 Rupees
<b>Associates:</b>		
Brokerage	-	12,664,624
Mark-up	-	7,373,333
Purchases	662,400	20,365,013

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

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the half year ended June 30, 2007

## 14 SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organized into three main business segments:

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

Segment results for the half year ended 30 June 2007 are as follows:

	Textile	Fertilizer	Software	Group
	Rupees	Rupees	Rupees	Rupees
Revenue	3,136,475,386	1,730,973,277	–	4,867,448,663
Group revenue				
Operating profit	623,556,106	788,051,082	–	1,411,607,188
Other income	100,478,413	46,457,549	–	146,935,962
Finance cost	(516,839,061)	(463,493,719)	–	(980,332,780)
Workers' Profit Participation Fund	(5,335,852)	(27,663,247)	–	(32,999,099)
Workers' Welfare Fund	(4,017,192)	–	–	(4,017,192)
Others	(1,000,000)	–	–	(1,000,000)
Profit before tax	196,842,414	343,351,665	–	540,194,079
Income tax expense	(24,483,598)	(123,813,592)	–	(148,297,190)
Profit for the period	172,358,816	219,538,073	–	391,896,889

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

	Textile	Fertilizer	Software	Group
	Rupees	Rupees	Rupees	Rupees
Depreciation	267,634,162	169,202,239	–	436,836,401
Amortization	7,449,174	–	–	7,449,174

### Segment assets

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

### Segment liabilities

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

### Capital expenditure

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

### Inter segment pricing

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

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

	Textile	Fertilizer	Software	Group
	Rupees	Rupees	Rupees	Rupees
Assets	14,640,883,090	17,531,913,566	1,915,522	32,174,712,178
Liabilities	14,760,233,754	8,969,917,234	163,035	23,730,314,023
Capital expenditure	455,415,763	278,551,756	–	733,967,519



**CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)**  
for the half year ended June 30, 2007

**15 DATE OF AUTHORIZATION FOR ISSUE**

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

**16 GENERAL**

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

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.

have been rounded off to the nearest rupee.

have been re-arranged and re-classified to facilitate comparison.

Lahore

Chief Executive

Director

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