



**AZGARD-9**

**AZGARD NINE LIMITED**



*Financial Statements*

FOR THE QUARTER ENDED  
MARCH 31, 2006  
(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. Javid Iqbal

### CHIEF FINANCIAL OFFICER

Ms. Bushra Naz Malik

### AUDIT COMMITTEE

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

### MANAGEMENT TEAM

Mr. Ahmed H. Shaikh  
Mr. Aehsun M.H. Shaikh  
Ms. Bushra Naz Malik  
Mr. Muhammad Talib  
Mr. Umair Hameed  
Mr. Andrea Malfanti  
Mr. Aamir Usman  
Mr. Per Fredriksson

### FINANCE COMMITTEE

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

### HUMAN RESOURCE COMMITTEE

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

### BANKERS

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  
Union Bank Limited  
Habib Bank AG Zurich  
NIB Bank Limited  
National Bank of Pakistan  
Allied 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 Ferozpur Road,  
6 KM Badian Road on Ruhi Nala  
Der Khurd, Lahore.  
Ph: +92 (0)42 8460333, 8488862

By the grace of God, your Board of Directors feels pleasure in presenting the 1<sup>st</sup> quarter financial statements for the period ended March 31, 2006.

## GENERAL MARKET CONDITIONS

Following conditions prevailed during the period:

- Σ• The market for denim fabrics is now oversupplied. Thus market conditions are challenging.
- Σ• Market conditions for yarn are also some what soft.
- Σ• The demand for garments however remains robust.

## OPERATING RESULTS OF THE COMPANY

### TURNOVER

The company's turnover has increased by 21% over the corresponding quarter of the previous year. This is due to sales increases in yarn and garments.

### PROFITABILITY

- Σ• The pre tax profit has increased by 26% over the corresponding quarter of the previous year.
- Σ• The undiluted EPS is now Rs.1.92 for the first quarter. When compared to the same period last year this is an improvement of 28%.

## CORPORATE MANAGEMENT

The Company continues to strengthen its internal controls as well as its HR processes to ensure better governance.

## FUTURE OUTLOOK

There is pressure on margins. Interest rates and cotton prices are high. Further the denim fabrics market remains under pressure and this will affect earnings growth.

This is a very challenging situation. There is, however, scope in garments, to try to mitigate this, the management feels that the best course of action is to increase the conversion of fabric into garments. The company has therefore acquired another garment factory near Lahore. The company wants to accelerate the conversion of fabric into garments by using the extra capacity of this factory.

The company also plans to diversify its business in line with its vision and mission. To meet this objective the company had participated in bidding for the acquisition of Pak American fertilizers Limited (PAFL). The Privatisation Commission of Pakistan has issued letter of acceptance (LOA) in favour of the Company against its bid for PAFL.

Our team's key challenge is to now effectively and efficiently manage the growth.

We would like to place on record deep appreciation for the dedication of all the staff members of the Company, shareholders, financial institutions, customers and suppliers whose worthy support has helped us to improve.

On behalf of the Board

Mr. Aehsun M.H. Shaikh  
Director

Lahore: April 29, 2006

# BALANCE SHEET (Unaudited)

as at March 31, 2006

	Note	March 31, 2006 Rupees	December 31, 2005 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised Capital	4	15,000,000,000	3,000,000,000
Share Capital	4	1,737,308,680	1,737,308,680
Reserves		402,372,553	403,331,469
Unappropriated profit		1,131,652,532	952,462,490
		<u>3,271,333,765</u>	<u>3,093,102,639</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
		273,651,827	278,943,671
<b>NON-CURRENT LIABILITIES</b>			
<b>LONG TERM FINANCES - Secured</b>		2,613,649,199	2,678,232,532
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
		33,361,391	40,173,972
<b>LONG TERM DEPOSITS</b>			
		2,122,795	2,907,643
<b>CURRENT LIABILITIES</b>			
Current portion of:			
Long term finances - secured		365,437,468	365,437,468
Liabilities against assets subject to finance lease		65,620,322	68,343,306
Short term finances		3,260,463,284	3,142,402,324
Creditors, accruals and other liabilities		834,830,498	791,641,172
Provision for taxation		90,655,772	79,679,935
Dividend		362,062	362,062
		<u>4,617,369,406</u>	<u>4,447,866,267</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5	<u>10,811,488,383</u>	<u>10,541,226,724</u>
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
OPERATING ASSETS	7	<u>3,072,226,962</u>	<u>3,113,043,032</u>
CAPITAL WORK IN PROGRESS	8	<u>3,285,113,558</u>	<u>2,459,655,906</u>
		6,357,340,520	5,572,698,938
<b>INTANGIBLE ASSETS</b>			
		70,212,689	73,937,276
<b>LONG TERM INVESTMENTS</b>			
		81,955,651	93,517,562
<b>LONG TERM DEPOSITS</b>			
		29,745,135	29,745,135
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		86,773,067	87,790,355
Stock-in-trade		1,808,806,549	2,034,180,550
Trade debtors		1,014,393,943	1,013,883,584
Derivative financial instrument		-	13,458,916
Advances, deposits, prepayments and other receivables		954,096,240	895,807,879
Current maturity of long term investments		5,420,003	9,637,121
Short term investment		348,470,785	670,927,050
Cash and bank balances		54,273,801	45,642,358
		<u>4,272,234,388</u>	<u>4,771,327,813</u>
		<u>10,811,488,383</u>	<u>10,541,226,724</u>

The annexed notes form an integral part of these financial statements

**Statement under section 241(2) of the Companies Ordinance, 1984**

These financial statements have been signed by two directors instead of Chief Executive and one director as the Chief Executive is not in Pakistan for the time being.

Director

Director

# PROFIT AND LOSS ACCOUNT (Unaudited)

for the quarter ended March 31, 2006

	Note	Quarter ended March 31, 2006 Rupees	Quarter ended March 31, 2005 Rupees
<b>SALES - Net</b>		1,001,997,266	828,095,245
<b>COST OF SALES</b>	9	718,405,220	576,645,594
<b>GROSS PROFIT</b>		283,592,046	251,449,651
<b>ADMINISTRATIVE AND SELLING EXPENSES</b>		59,219,482	82,079,983
<b>OPERATING PROFIT</b>		224,372,564	169,369,668
<b>OTHER INCOME</b>		69,677,909	49,057,455
<b>OTHER CHARGES</b>		294,050,473	218,427,123
Financial charges		91,181,413	53,476,939
Workers' (Profit) Participation Fund		5,495,025	8,247,509
Miscellaneous		—	340,000
		96,676,438	62,064,448
<b>PROFIT BEFORE TAXATION</b>		197,374,035	156,362,675
<b>PROVISION FOR TAXATION</b>			
Current		10,975,837	6,141,175
<b>PROFIT AFTER TAXATION</b>		186,398,198	150,221,500
<b>EARNINGS PER SHARE – BASIC</b>		1.92	1.50
<b>– DILUTED</b>		1.57	1.33

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Director

Director

# CASH FLOW STATEMENT (Unaudited)

for the quarter ended March 31, 2006

	Quarter ended March 31, 2006 Rupees	Quarter ended March 31, 2005 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	197,374,035	156,362,675
Items not involving movement of funds	84,430,837	66,837,255
Operating profit before changes in working capital	281,804,872	223,199,930
Changes in working capital	236,911,104	388,973,410
Operating profit after changes in working capital	518,715,976	612,173,340
Financial charges paid	(113,535,302)	(39,543,770)
Long term deposits	-	(8,579,317)
Long term deposits payable	(784,848)	(5,012,189)
Taxes paid	(8,234,413)	(7,891,686)
<b>NET CASH IN FLOW FROM OPERATING ACTIVITIES</b>	<b>396,161,413</b>	<b>551,146,378</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(854,972,279)	(412,065,833)
Intangible assets	-	(4,903,514)
Sale proceed of Fixed Assets	11,405,860	1,181,059
Long term investments	15,779,029	-
Interest received	4,459,093	(773,830)
Short term Investments-Net	391,856,265	(128,487,768)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(431,472,032)</b>	<b>(545,049,886)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redeemable capital	(31,250,000)	-
Repayment of Long Term Loans	(33,333,333)	-
Dividend paid	-	(36,142,447)
Short term finances-net	118,060,960	66,876,843
Finance lease liabilities-net	(9,535,565)	(24,187,946)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>43,942,062</b>	<b>6,546,450</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>8,631,443</b>	<b>12,642,942</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>45,642,358</b>	<b>78,997,980</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>54,273,801</b>	<b>91,640,922</b>

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Director

Director

# STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the quarter ended March 31, 2006

	Share Capital Issued, subscribed and paid-up	Share premium	Hedging reserve	Reserve on merger	Reserves			Total	Unappropriated Profit/ (Accumulated Loss)	Total equity	Surplus on revaluation fixed assets
					Preference share redemption reserve	Surplus on revaluation of investments	R U P E S				
<b>Balance as at January 01, 2005</b>	1,737,308,680	101,063,705	-	105,152,005	162,500,000	556,868	369,272,578	530,284,041	2,636,865,299	301,081,720	
Profit for the period											
Surplus on revaluation of fixed assets transferred to retained earnings during the period								150,221,500	150,221,500		
— relating to incremental depreciation								(12,500,000)		(1,791,573)	
Preference Shares Redemption reserve					12,500,000		12,500,000	(86,865,434)		(86,865,434)	
Ordinary Share Dividend											
<b>Balance as at March 31, 2005</b>	1,737,308,680	101,063,705	-	105,152,005	175,000,000	556,868	381,772,578	582,931,680	2,702,012,938	299,290,147	
<b>Balance as at January 01, 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	
Profit for the period								186,398,198	186,398,198		
Surplus on revaluation of fixed assets transferred to retained earnings during the period											
— relating to incremental depreciation											
Preference Shares redemption reserve					12,500,000		12,500,000	(12,500,000)		(5,291,844)	
Loss arising on foreign currency/ interest rate swap contract entered into by as part cash flow hedge.			(13,458,916)				(13,458,916)				
<b>Balance as at March 31, 2006</b>	1,737,308,680	71,657,838	-	105,152,005	225,000,000	562,710	402,372,553	1,131,652,532	3,271,333,765	273,651,827	

The annexed notes form an integral part of these financial statements

## Statement under section 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two directors instead of Chief Executive and one director as the Chief Executive is not in Pakistan for the time being.

Director

Director



# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter ended March 31, 2006

## 1 STATUS AND ACTIVITIES

Azgard Nine Limited (the Company) was incorporated in Pakistan as a public limited Company and its shares are quoted at Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products.

## 2 BASIS OF PREPARATION

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

2.2 These interim financial statements are unaudited.

## 3 ACCOUNTING POLICIES

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 published financial statements of the company for the fifteen months ended December 31, 2005.

	March 31, 2006 Rupees	December 31, 2005 R u p e e s
<b>4 SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
1,500,000,000 (2004: 300,000,000)		
Ordinary and preference shares of Rs.10/- each	<u>15,000,000,000</u>	<u>3,000,000,000</u>
 Issued, Subscribed and paid up capital		
86,865,434 (2004:86,865,434)		
ordinary shares of Rs.10/- each.	868,654,340	868,654,340
 Preference Shares 86,865,434 (2004:86,865,434) of Rs.10/- each.		
Fully paid in Cash.	868,654,340	868,654,340
	<u>1,737,308,680</u>	<u>1,737,308,680</u>

## 5 CONTINGENCIES AND COMMITMENTS

5.1 The Company imported textile machinery and accessories availing exemption from customs duty and sales tax on importation thereof under various S.R.O.'s. The claim subject to fulfilment of certain conditions aggregated Rs.68.156 million (December 31, 2005:Rs.68.156 million).

5.2 Commitments against irrevocable letters of credit outstanding as at March 31, 2005 were Rs.170.95 million (December 31, 2005:Rs.126.89 million).

5.3 All other contingency and commitment status is same as disclosed in latest annual financial statements.

## 6 DEFERRED TAXATION

The export sales (including indirect exports) during the 3 months ending March 31, 2006 achieved the threshold of presumptive tax. Accordingly, no provision for deferred tax has been made.

# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter ended March 31, 2006

	March 31, 2006 Rupees	December 31, 2005 Rupees
<b>7 OPERATING FIXED ASSETS- Tangible</b>		
Book Value as at beginning of the period	3,113,043,032	2,847,936,401
Additions during the period:		
Freehold land	16,000	23,374,593
Building	7,722,915	76,827,978
Plant and machinery	13,147,817	376,853,599
Furniture and fixtures	1,563,179	10,382,028
Vehicles	125,200	2,282,865
Tools and equipment	255,202	4,756,781
Office equipment	5,663,529	31,383,917
Electrical installations	1,020,786	15,589,838
	29,514,628	541,451,599
Book values of assets disposed-off during the period	(11,405,860)	(12,314,603)
Depreciation charge for the period	(58,924,838)	(264,030,365)
Closing book value	<u>3,072,226,962</u>	<u>3,113,043,032</u>
<b>8 CAPITAL WORK IN PROGRESS</b>		
Civil Work	670,751,570	468,326,483
Plant & machinery	2,582,640,069	1,975,292,610
Others	31,721,919	16,036,813
	<u>3,285,113,558</u>	<u>2,459,655,906</u>
	<b>Quarter ended March 31, 2006 Rupees</b>	<b>Quarter ended March 31, 2005 Rupees</b>
<b>9 COST OF SALES</b>		
Raw materials and other direct materials consumed	379,128,021	270,552,574
Salaries, wages and benefits	93,126,490	79,849,022
Fuel and power	98,646,576	68,226,265
Stores and spares consumed	32,579,365	37,217,097
Travelling, conveyance and entertainment	10,125,293	3,302,441
Rent, rates and taxes	2,110,127	285,583
Insurance	1,971,213	3,897,610
Repair and maintenance	5,769,152	10,881,387
Processing charges	4,329,917	389,484
Depreciation	57,165,478	56,641,554
R & D Amortization	3,724,587	-
Printing & stationery	858,400	2,456,114
Communications	487,094	405,257
Others	7,838,651	823,894
	697,860,364	534,928,282
Adjustment of work in process	12,300,561	(6,132,320)
	710,160,925	528,795,962
Adjustment of finished goods	8,244,295	47,849,632
	<u>718,405,220</u>	<u>576,645,594</u>

# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter ended March 31, 2006

## 10 GOVERNMENT GRANTS

The company during the period received Rs.23.911 million as research and development rebate which has been treated as as government grant in accordance with IAS-20, "Government Grants" and it has been deducted in reporting the related expenses.

## 11 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	Quarter ended March 31, 2006 Rupees	Quarter ended March 31, 2005 Rupees
<b>TRANSACTIONS</b>		
<b>Subsidiaries:</b>		
Sales	1,450,506	8,103,013
<b>Associates:</b>		
Brokerage	1,069,221	—
Mark-up paid	5,473,120	—
Purchases	13,291,893	986,521

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

## 12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 29, 2006 by the Board of Directors of the Company.

## 13 FIGURES

- Comparative figures relating to balance sheet are of previous year and those of profit and loss account and cash flow statement are of corresponding quarter of previous year.
- have been rearranged to facilitate comparison, however no material re-arrangement has been made in these financial statements.
- in the financial statements have been rounded off nearest to rupee

### Statement under section 241(2) of the Companies Ordinance, 1984

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Director

Director



# CONSOLIDATED FINANCIAL STATEMENTS



# CONSOLIDATED BALANCE SHEET (Unaudited)

as at March 31, 2006

	Note	March 31, 2006 Rupees	December 31, 2005 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised Capital	5	15,000,000,000	3,000,000,000
Share Capital	5	1,737,308,680	1,737,308,680
Reserves		402,400,431	403,359,347
Unappropriated profit		1,132,002,930	953,107,592
		3,271,712,041	3,093,775,619
<b>MINORITY INTEREST</b>		1,476,371	1,759,518
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		273,651,827	278,943,671
<b>NON-CURRENT LIABILITIES</b>			
<b>LONG TERM FINANCES - Secured</b>		2,613,649,199	2,678,232,532
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
		33,361,391	40,173,972
<b>LONG TERM DEPOSITS</b>		2,122,795	2,907,643
<b>CURRENT LIABILITIES</b>			
Current portion of:			
Long term finances - secured		365,437,468	365,437,468
Liabilities against assets subject to finance lease		65,620,322	68,343,306
Short term finances		3,260,463,284	3,142,402,324
Creditors, accruals and other liabilities		876,969,559	831,880,184
Provision for taxation		90,660,272	79,684,435
Dividend		362,062	362,062
		4,659,512,967	4,488,109,779
<b>CONTINGENCIES AND COMMITMENTS</b>	6	10,855,486,591	10,583,902,734
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>OPERATING ASSETS</b>			
<b>CAPITAL WORK IN PROGRESS</b>	9	3,073,738,457	3,114,554,527
		3,305,361,312	2,479,903,660
		6,379,099,769	5,594,458,187
<b>INTANGIBLE ASSETS</b>		70,212,689	73,937,276
<b>LONG TERM INVESTMENTS</b>		78,306,931	89,868,842
<b>LONG TERM DEPOSITS</b>		29,745,135	29,745,135
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		86,773,067	87,790,355
Stock-in-trade		1,810,501,068	2,035,875,069
Trade debtors		1,035,975,412	1,034,669,395
Derivative financial instrument		-	13,458,916
Advances, deposits, prepayments and other receivables		956,067,628	897,252,727
Current maturity of long term investments		5,420,003	9,637,121
Short term investment		348,470,785	670,927,050
Cash and bank balances		54,914,104	46,282,661
		4,298,122,067	4,795,893,294
		10,855,486,591	10,583,902,734

The annexed notes form an integral part of these financial statements

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Director

Director

# CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)

for the quarter ended March 31, 2006

	Note	Quarter ended March 31, 2006 Rupees	Quarter ended March 31, 2005 Rupees
<b>SALES - Net</b>		1,001,997,266	831,154,236
<b>COST OF SALES</b>	10	718,405,220	579,297,965
<b>GROSS PROFIT</b>		283,592,046	251,856,271
<b>ADMINISTRATIVE AND SELLING EXPENSES</b>		59,797,333	83,171,988
<b>OPERATING PROFIT</b>		223,794,713	168,684,283
<b>OTHER INCOME</b>		69,677,909	49,057,455
<b>OTHER CHARGES</b>		293,472,622	217,741,738
Financial charges		91,181,413	53,476,939
Workers' (Profit) Participation Fund		5,495,025	8,247,509
Miscellaneous		–	340,000
		96,676,438	62,064,448
<b>PROFIT BEFORE TAXATION</b>		196,796,184	155,677,290
<b>PROVISION FOR TAXATION</b>			
Current		10,975,837	6,141,175
<b>PROFIT AFTER TAXATION</b>		185,820,347	149,536,115
Minority Interest		(283,147)	(353,515)
<b>PROFIT ATTRIBUTABLE TO HOLDING COMPANY</b>		186,103,494	149,889,630
<b>EARNINGS PER SHARE – BASIC</b>		1.91	1.50
<b>– DILUTED</b>		1.57	1.33

The annexed notes form an integral part of these financial statements

**Statement under section 241(2) of the Companies Ordinance, 1984**

These financial statements have been signed by two directors instead of Chief Executive and one director as the Chief Executive is not in Pakistan for the time being.

Director

Director

# CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

for the quarter ended March 31, 2006

	<b>Quarter ended March 31, 2006 Rupees</b>	<b>Quarter ended March 31, 2005 Rupees</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	196,796,184	155,677,290
Items not involving movement of funds	84,430,837	66,837,256
Operating profit before changes in working capital	281,804,872	222,514,546
Changes in working capital	237,488,955	374,397,101
Operating profit after changes in working capital	518,715,976	596,911,647
Financial charges paid	(113,535,302)	(39,543,770)
Long term deposits	-	(7,819,981)
Long term deposits payable	(784,848)	(5,012,189)
Taxes paid	(8,234,413)	(7,891,686)
<b>NET CASH IN FLOW FROM OPERATING ACTIVITIES</b>	<b>396,161,413</b>	<b>536,644,020</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(854,972,279)	(411,997,320)
Intangible assets	-	(4,903,514)
Sale proceed of Fixed Assets	11,405,860	1,181,059
Long term investments	15,779,029	-
Interest received	4,459,093	(773,830)
Short term Investments-Net	391,856,265	(130,349,624)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(431,472,032)</b>	<b>(546,843,229)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redeemable capital	(31,250,000)	-
Repayment of Long Term Loans	(33,333,333)	-
Dividend paid	-	(36,142,447)
Short term finances-net	118,060,960	66,876,843
Finance lease liabilities-net	(9,535,565)	(24,187,946)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>43,942,062</b>	<b>6,546,450</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>8,631,443</b>	<b>(3,652,763)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>46,282,661</b>	<b>95,304,986</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>54,914,104</b>	<b>91,652,223</b>

The annexed notes form an integral part of these financial statements

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Director

Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the quarter ended March 31, 2006

	Share Capital		Reserves					Total	Unappropriated Profit/(Accumulated Loss)	Total equity	Surplus on revaluation fixed assets
	Issued, subscribed and paid-up	Share premium	Hedging reserve	Exchange difference on Trans-ation of Foreign subsidiary	Reserve on merger	Preference share redemption reserve	Surplus on revaluation of investments				
<b>Balance as at January 01, 2005</b>	1,737,308,680	101,063,705	-	-	105,152,005	162,500,000	556,868	369,272,578	532,507,954	2,639,089,212	301,081,720
Profit for the period									149,889,630		
Surplus on revaluation of fixed assets transferred to retained earnings during the year									1,791,573		(1,791,573)
— relating to incremental depreciation									(12,500,000)		
Preference shares redemption reserve						12,500,000			(86,665,434)		(86,665,434)
Ordinary Share Dividend											
<b>Balance as at March 31, 2005</b>	1,737,308,680	101,063,705	-	-	105,152,005	175,000,000	556,868	381,772,578	584,823,723	2,703,904,981	299,290,147
<b>Balance as at January 01, 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									186,103,494		
Surplus on revaluation of fixed assets transferred to retained earnings during the period									5,291,844		(5,291,844)
— relating to incremental depreciation									(12,500,000)		
Preference shares redemption reserve						12,500,000			(12,500,000)		
Loss arising on foreign currency/interest rate swap contract entered into by as part cash flow hedge.			(13,458,916)				562,710	402,400,431	3,271,712,041		273,651,827
<b>Balance as at March 31, 2006</b>	1,737,308,680	71,657,838	-	27,878	105,152,005	225,000,000	562,710	402,400,431	1,132,002,930	3,271,712,041	273,651,827

The annexed notes form an integral part of these financial statements

**Statement under section 241(2) of the Companies Ordinance, 1984**

These financial statements have been signed by two directors instead of Chief Executive and one director as the Chief Executive is not in Pakistan for the time being.

Director

Director

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the quarter ended March 31, 2006

## 1 STATUS AND ACTIVITIES

Azgard Nine Limited (the Company) was incorporated in Pakistan as a public limited Company and its shares are quoted at Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products.

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

Azsoft (Pvt) Limited representing developemnt of computer software and implementation of packaged softwares for its clients. The company was incorporated during the previous year.

## 2 BASIS OF PREPARATION

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

2.2 These interim financial statements are unaudited.

## 3 ACCOUNTING POLICIES

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 published financial statements of the company for the fifteen months ended December 31, 2005.

## 4 PRINCIPLES OF CONSOLIDATION

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

	March 31, 2006 Rupees	December 31, 2005 Rupees
<b>5 SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
1,500,000,000 (2004: 300,000,000) Ordinary and preference shares of Rs.10/- each	15,000,000,000	3,000,000,000
Issued, Subscribed and paid up capital 86,865,434 (2004:86,86,434) ordinary shares of Rs.10/- each.	868,654,340	868,654,340
Preference Shares 86,865,434 (2004:86,865,434) of Rs.10/- each. Fully paid in Cash.	868,654,340	868,654,340
	<u>1,737,308,680</u>	<u>1,737,308,680</u>

## 6 CONTINGENCIES AND COMMITMENTS

6.1 The Company imported textile machinery and accessories availing exemption from customs duty and sales tax on importation thereof under various S.R.O.'s. The claim subject to fulfilment of certain conditions aggregated Rs.68.156 million (December 31, 2005:Rs.68.156 million).

6.2 Commitments against irrevocable letters of credit outstanding as at Macrch 31, 2005 were Rs. 170.95 million (December 31, 2005:Rs.126.89 million).

6.3 All other contingency and commitment status is same as disclosed in latest annual financial statements.

## 7 DEFERRED TAXATION

The export sales (including indirect exports) during the 3 months ending March 31, 2006 achieved the threshold of presumptive tax. Accordingly, no provision for deferred tax has been made.

# CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)

for the quarter ended March 31, 2006

	March 31, 2006 Rupees	December 31, 2005 Rupees
<b>8 OPERATING FIXED ASSETS- Tangible</b>		
Book Value as at beginning of the period	3,114,554,527	2,847,936,401
Additions during the period:		
Freehold land	16,000	23,374,593
Building	7,722,915	76,827,978
Plant and machinery	13,147,817	376,853,599
Furniture and fixtures	1,563,179	10,890,323
Vehicles	125,200	2,282,865
Tools and equipment	255,202	4,756,781
Office equipment	5,663,529	31,919,387
Electrical installations	1,020,786	16,311,238
	29,514,628	543,216,764
Book values of assets disposed-off during the period	(11,405,860)	(12,314,603)
Depreciation charge for the period	(58,924,838)	(264,284,035)
Closing book value	<u>3,073,738,457</u>	<u>3,114,554,527</u>
<b>9 CAPITAL WORK IN PROGRESS</b>		
Civil Work	670,751,570	488,574,237
Plant & machinery	2,582,640,069	1,975,292,610
Others	51,969,673	16,036,813
	<u>3,305,361,312</u>	<u>2,479,903,660</u>
	<b>Quarter ended March 31, 2006 Rupees</b>	<b>Quarter ended March 31, 2005 Rupees</b>
<b>10 COST OF SALES</b>		
Raw materials and other direct materials consumed	379,128,021	272,674,472
Salaries, wages and benefits	93,126,490	80,114,258
Fuel and power	98,646,576	68,226,265
Stores and spares consumed	32,579,365	37,217,097
Travelling ,conveyance and entertainment	10,125,293	3,435,059
Rent, rates and taxes	2,110,127	418,202
Insurance	1,971,213	3,897,610
Repair and maintenance	5,769,152	10,881,387
Processing charges	4,329,917	389,484
Depreciation	57,165,478	56,641,554
R & D Amortization	3,724,587	-
Printing & stationery	858,400	2,456,114
Communications	487,094	405,257
Others	7,838,651	823,894
	697,860,364	537,580,653
Adjustment of work in process	12,300,561	(6,132,320)
	710,160,925	531,448,333
Adjustment of finished goods	8,244,295	47,849,632
	<u>718,405,220</u>	<u>579,297,965</u>

**CONSOLIDATED NOTES TO THE ACCOUNTS (Un-audited)**  
for the quarter ended March 31, 2006

**11 GOVERNMENT GRANTS**

The company during the period received Rs.23.911 million as research and development rebate which has been treated as as government grant in accordance with IAS-20, "Government Grants" and it has been deducted in reporting the related expenses

**12 BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

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

	<b>Quarter ended March 31, 2006 Rupees</b>	<b>Quarter ended March 31, 2005 Rupees</b>
<b>TRANSACTIONS</b>		
<b>Associates:</b>		
Brokerage	1,069,221	-
Mark-up paid	5,473,120	-
Purchases	13,291,893	986,521

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

**13 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on April 29, 2006 by the Board of Directors of the Company.

**14 FIGURES**

- Comparative figures relating to balance sheet are of previous year and those of profit and loss account and cash flow statement are of corresponding quarter of previous year.
- have been rearranged to facilitate comparison, however no material re-arrangement has been made in these financial statements.
- in the financial statements have been rounded off nearest to rupee.

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**Director**

**Director**



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