



**AZGARD-9**  
**AZGARD NINE LIMITED**

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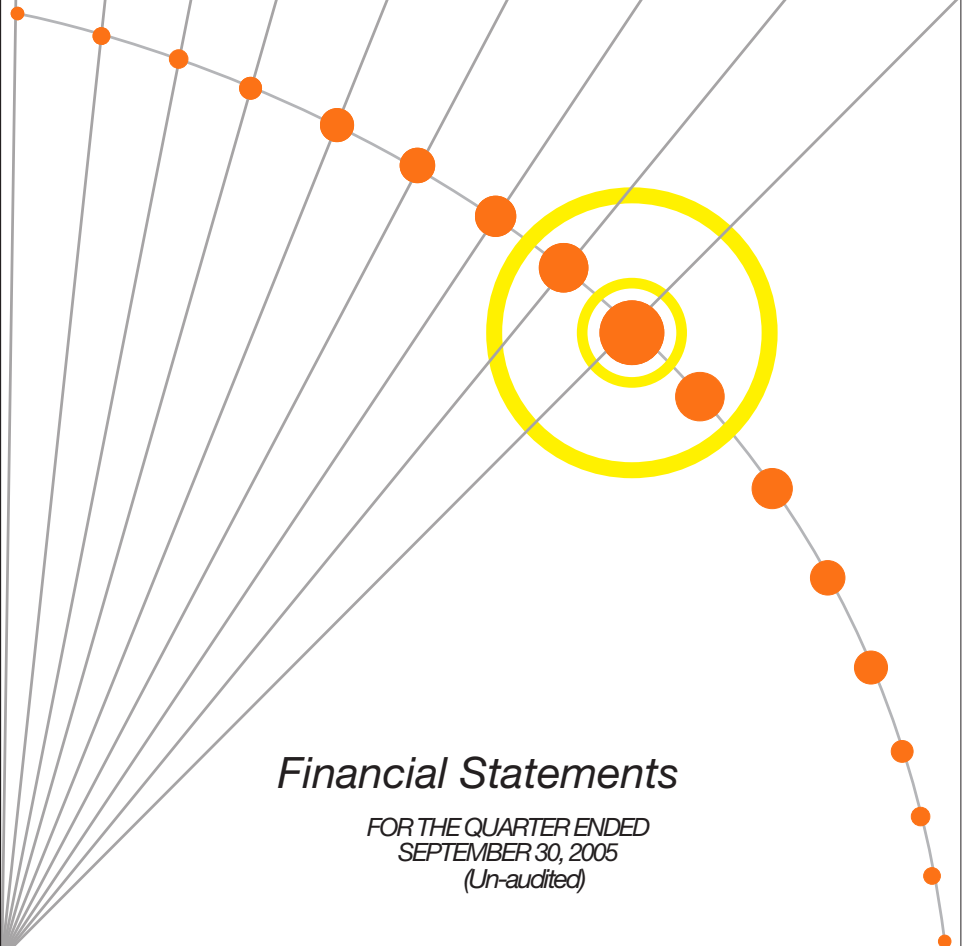
**AZGARD-9**

*Azgard Nine Limited*  
*Ismail Aiwan-e-Science, Off Shahrah-e-Roomi,*  
*Lahore-54600, Tel: +92 (0)42 111-786-645*  
*www.azgard9.com*

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## *Financial Statements*

*FOR THE QUARTER ENDED*  
*SEPTEMBER 30, 2005*  
*(Un-audited)*



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## COMPANY INFORMATION

### BOARD OF DIRECTORS

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

Chairman  
Chief Executive

### COMPANY SECRETARY

Mr. Javaid Iqbal

### CHIEF FINANCIAL OFFICER

Ms. Bushra Naz Malik

### AUDIT COMMITTEE

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

### MANAGEMENT TEAM

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

### FINANCE COMMITTEE

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

### BANKERS

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

### LEGAL ADVISORS

Hamid Law Associates

Hassan & Hassan  
Advocates

### AUDITORS

Rahman Sarfaraz & Co.  
Chartered Accountants

### TAX ADVISORS

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

### REGISTERED OFFICE

Ismail Aiwan-e-Science  
Off Shahrah-e-Roomi  
Lahore, 54600  
Ph: +92 (0)42 111-786-645  
Fax: +92 (0)42 5761791

### PROJECT LOCATIONS

**Unit I**  
2.5 KM off Manga, Raiwind Road,  
District Kasur.  
Ph: +92 (0)42 5384081  
Fax: +92 (0)42 5384093

### Unit II

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

## DIRECTORS' REVIEW

By the grace of God, your Board of Directors feels pleasure in presenting the 4th quarter financial statements for the period ended September 30, 2005.

### GENERAL MARKET CONDITIONS

Following conditions prevailed during the period:

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

### OPERATING RESULTS OF THE COMPANY

#### TURNOVER

The company's turnover has increased by 35% over the preceding quarter. This is due to sales increases in all 3 divisions i.e. yarn, fabrics and garments.

#### PROFITABILITY

- The pre tax profit has increased by 8.7% over the previous quarter. However, the post tax profit has only increased marginally. This is because the company pays tax as a percentage of turnover, therefore the incidence of tax is greater due to growth in turnover.
- The diluted EPS is now Rs 5.91 for 12 months. When compared to the same period last year this is an improvement of 37%.

### CORPORATE MANAGEMENT

In keeping with the requirements of better governance, the Company continues to strengthen its internal controls as well as its HR processes.

### FUTURE OUTLOOK

There is pressure on margins. On the one side the interest rates are rising. To add to this the denim fabrics market is now over supplied globally.

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 conversion of fabric into garments. The company has therefore bought another garment factory near Lahore. The idea is to be able to convert more fabric into garments quickly. The effect of this strategy should be to strengthen results from the second quarter of 2006 onward.

The Company has successfully managed to close its rated, listed, secured and convertible TFCs of Rs. 2 billion including IPO of Rs. 400 million which was oversubscribed by 36% and was accommodated under the green shoe option.

The Company has managed to change its financial year from 1st October to 30th September to 1st January to 31st December. This is a significant achievement. The Company was able to demonstrate that due to its plans to globalize the business such a year end was justified. This should help the company to consolidate and audit the various off shore businesses it intends to acquire in the future.

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

On behalf of the Board

Lahore: October 30, 2005

Chief Executive

# BALANCE SHEET (Unaudited)

as at September 30, 2005

	Note	September 30, 2005 Rupees	September 30, 2004 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised Capital		3,000,000,000	3,000,000,000
Share Capital	4	1,737,308,680	1,737,308,680
Reserves		406,772,578	362,142,241
Unappropriated profit		807,811,475	410,657,982
		2,951,892,733	2,510,108,903
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
		286,068,698	306,564,511
<b>NON-CURRENT LIABILITIES</b>			
<b>LONG TERM FINANCES - Secured</b>	5	2,185,420,000	750,000,000
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
		47,512,847	116,503,819
<b>LONG TERM DEPOSITS</b>		4,844,030	1,147,729
<b>CURRENT LIABILITIES</b>			
Current portion of:			
Long term finances - secured		422,792,442	300,000,000
Liabilities against assets subject to finance lease		19,220,240	63,081,881
Short term finances		3,651,433,157	1,492,909,892
Creditors, accruals and other liabilities		1,172,889,604	691,981,192
Provision for taxation		82,237,133	64,824,871
Dividend	6	77,839,977	95,414
		5,426,412,553	2,612,893,250
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	10,902,150,861	6,297,218,212
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>OPERATING ASSETS</b>	9	3,056,833,417	2,847,936,402
<b>CAPITAL WORK IN PROGRESS</b>	10	1,868,108,036	84,292,338
		4,924,941,453	2,932,228,740
<b>INTANGIBLE ASSETS</b>		73,802,792	88,375,589
<b>LONG TERM INVESTMENTS</b>	11	4,666,096	2,666,296
<b>LONG TERM DEPOSITS</b>		45,823,105	18,517,830
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		139,073,130	72,608,693
Stock-in-trade		2,178,683,039	1,394,729,330
Trade debtors		1,518,369,255	945,111,856
Advances, deposits, prepayments and other receivables		998,402,274	712,923,170
Short term investment		990,892,865	109,148,931
Cash and bank balances		27,496,852	20,907,777
		5,652,917,415	3,255,429,757
		10,902,150,861	6,297,218,212

The annexed notes form an integral part of these accounts.

Place: Lahore

Date: October 30, 2005

Chief Executive

Director

# PROFIT AND LOSS ACCOUNT (Unaudited)

for the quarter ended September 30, 2005

	Quarter Ended 30 September, 2005 Rupees	Twelve Months Ended 30 September, 2005 Rupees	Quarter Ended 30 September, 2004 Rupees	Twelve Months Ended 30 September, 2004 Rupees
SALES - Net	1,284,842,501	3,742,587,480	932,913,499	3,155,912,427
COST OF SALES	1,019,604,873	2,731,176,895	736,189,274	2,440,779,273
GROSS PROFIT	265,237,628	1,011,410,585	196,724,225	715,133,154
ADMINISTRATIVE AND				
SELLING EXPENSES	56,161,199	259,332,299	57,714,747	185,112,548
OPERATING PROFIT	209,076,429	752,078,286	139,009,478	530,020,606
OTHER INCOME	86,577,684	171,088,276	9,332,940	9,864,791
	295,654,113	923,166,562	148,342,418	539,885,397
OTHER CHARGES				
Financial charges	109,712,257	254,602,412	19,868,656	123,708,381
Workers' (Profit) Participation Fund	9,118,800	33,104,765	111,400	111,400
Miscellaneous	3,566,029	6,468,848	20,803,281	20,803,281
	122,397,086	294,176,025	40,783,337	144,623,062
PROFIT BEFORE TAXATION	173,257,027	628,990,537	107,559,081	395,262,335
PROVISION FOR TAXATION				
Current	18,420,192	37,722,860	6,500,000	20,000,000
PROFIT AFTER TAXATION	154,836,835	591,267,677	101,059,081	375,262,335
PROFIT ATTRIBUTABLE TO				
EARNINGS PER SHARE - BASIC	1.56	5.91	1.15	4.31
- DILUTED	1.38	5.24	1.16	4.30

The annexed notes form an integral part of these accounts.

Place: Lahore

Chief Executive

Director

Date: October 30, 2005

# CASH FLOW STATEMENT (Unaudited)

for the twelve months ended September 30, 2005

	<b>September 30, 2005 Rupees</b>	<b>September 30, 2004 Rupees</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	628,990,537	395,262,335
Items not involving movement of funds	425,722,639	282,545,687
Long term deposits and deferred cost	<u>(27,305,275)</u>	<u>(14,868,110)</u>
Operating profit before changes in working capital	1,027,407,901	662,939,912
Changes in working capital	<u>(1,260,629,649)</u>	<u>(715,135,831)</u>
Operating profit after changes in working capital	(233,221,748)	(52,195,919)
Financial charges paid	(187,701,104)	(106,270,614)
Preliminary expenses on issuance of preference shares	(5,369,663)	(37,241,757)
Taxes paid	(54,828,498)	(25,275,947)
<b>NET CASH OUT FLOW FROM OPERATING ACTIVITIES</b>	<u><b>(481,121,013)</b></u>	<u><b>(220,984,237)</b></u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(2,202,071,737)	(769,994,316)
Intangible assets	-	(111,788,860)
Sale proceed of Fixed Assets	3,063,306	1,278,805
Long term investments	(1,999,800)	(1,660,264)
Interest received	10,882,080	710,367
Dividend received	38,866,212	-
Short term Investments-Net	(881,743,934)	(101,004,923)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u><b>(3,033,003,873)</b></u>	<u><b>(982,459,191)</b></u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Preference shares issued	-	868,654,340
Repayment of Long Term Deposits	3,696,301	(5,240,773)
Long term financing obtained	1,658,212,442	650,000,000
Repayment of Long Term Loans	(100,000,000)	(350,000,000)
Dividend paid	(86,865,434)	(269)
Short term finances-net	2,158,523,265	64,253,791
Finance lease liabilities-net	(112,852,613)	(24,917,634)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<u><b>3,520,713,961</b></u>	<u><b>1,202,749,455</b></u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	6,589,075	(693,973)
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD</b>	20,907,777	21,601,750
<b>CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD</b>	<u><b>27,496,852</b></u>	<u><b>20,907,777</b></u>

The annexed notes form an integral part of these accounts.

Place: Lahore

Chief Executive

Director

Date: October 30, 2005

# STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the twelve months ended September 30, 2005

	Share Capital Issued, subscribed and paid-up	Shares under issue	Share premium	Reserve on merger	Reserves			Total	Unappropriated Profit	Total equity	Surplus on revaluation of fixed assets
					Preference share redemption reserve	Surplus on revaluation of Investments	R U P E S				
Balance as at September 30, 2003	868,654,340	-	143,675,125	105,152,005	-	2,215,724	251,042,854	161,710,634	1,281,407,828	330,249,524	
Profit for the year	-	-	-	-	-	-	-	375,262,335	375,262,335	-	
Preference shares issued	868,654,340	-	-	-	-	-	-	-	868,654,340	-	
Surplus on revaluation of fixed assets transferred to related earnings during the year	-	-	-	-	-	-	-	23,685,013	23,685,013	(23,685,013)	
Preference shares redemption reserve	-	-	-	-	-	150,000,000	150,000,000	(150,000,000)	-	-	
Expenses incurred on issue of preference shares	-	-	(37,241,757)	-	-	-	(37,241,757)	(37,241,757)	-	-	
Revaluation of investments	-	-	-	-	-	(1,558,856)	(1,558,856)	-	-	-	
Balance as at September 30, 2004	1,737,308,680	-	106,433,368	105,152,005	150,000,000	556,868	362,142,241	410,657,982	2,510,108,993	306,564,511	
Profit for the period	-	-	-	-	-	-	-	391,267,677	391,267,677	-	
Surplus on revaluation of fixed assets transferred to related earnings during the period	-	-	-	-	-	-	-	20,495,813	20,495,813	(20,495,813)	
Preference shares redemption reserve	-	-	-	-	-	50,000,000	50,000,000	(50,000,000)	-	-	
Expenses incurred on issue of preference shares	-	-	(5,369,663)	-	-	-	(5,369,663)	(5,369,663)	-	-	
Ordinary Share Dividend	-	-	-	-	-	-	-	(86,865,434)	(86,865,434)	-	
Preference Share Dividend	-	-	-	-	-	-	-	(77,744,563)	(77,744,563)	-	
Balance as at September 30, 2005	1,737,308,680	-	101,063,705	105,152,005	200,000,000	556,868	406,772,578	807,811,475	2,951,892,733	286,068,698	

The annexed notes form an integral part of these accounts.

Chief Executive

Director

Place: Lahore  
Date: October 30, 2005



# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter ended September 30, 2005

## 1. STATUS AND ACTIVITIES

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

## 2. BASIS OF PREPARATION

2.1 These financial statements have been prepared under " Historical Cost Convention" except certain fixed assets that have been included at revaluation, certain exchange differences which have been incorporated in the cost of relevant assets, 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 year ended September 30, 2004.

3.2 The Company during the year has adapted the policy of treating the Government Grant against the expenses directly attributable to such grants. The company has therefore opted for the method of offsetting the grant against these expenses in accordance with the requirements of IAS 20 by giving a separate disclosure of the relevant item of income and expense.

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

## 5. LONG TERM LOAN

The Company has issued 7-year publically listed Term Finance Certificates for Rs. 2.0 billion plus a green shoe option. Mark up rate is at 6 month KIBOR plus 240 basis points. These are secured by first pari passu charges on the future and present fixed assets of the company with 25% margin in favour of the trustee

## 6. DIVIDEND

Directors have approved the interim preference dividend on preference shares @ Rs 0.895 per preference share i.e. 8.95% in its meeting held on September 24, 2005.Total amount of dividend to be paid is Rs.77,744,563 which has not been accounted for as liability in these financial statements.

# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter ended September 30, 2005

## 7. CONTINGENCIES AND COMMITMENTS

- 7.1 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. 110 million (2004:Rs.68 million).
- 7.2 Commitments against irrevocable letters of credit outstanding as at September 30, 2005 were Rs. 876.96 million (2004:Rs.300 million).
- 7.3 All other contingency and commitment status is same as disclosed in latest annual accounts.

## 8. DEFERRED TAXATION

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

	September 30, 2005 Rupees	September 30, 2004 Rupees
<b>9. OPERATING FIXED ASSETS- Tangible</b>		
Book Value as on 1st October,2004	2,847,936,402	2,251,337,991
Additions during the period / year:		
Freehold land	22,507,825	68,470,000
Building	52,429,464	54,213,418
Plant and machinery	300,926,436	599,608,268
Electric installations	13,157,851	25,253,657
Tools and equipment	4,414,807	986,319
Furniture and fixtures	9,321,321	2,945,141
Office Equipment	25,419,379	19,439,325
Vehicles	1,596,404	4,599,307
	429,773,487	775,515,435
Book values of assets disposed-off during the period / year	(14,308,174)	(1,012,800)
Depreciation charge for the period / year	(206,568,298)	(170,505,791)
Capitalized during the period / year	-	(7,398,433)
Closing book value	<u>3,056,833,417</u>	<u>2,847,936,402</u>
<b>10. CAPITAL WORK IN PROGRESS</b>		
Civil Work	457,517,477	22,060,697
Plant & machinery	1,379,653,159	62,231,641
Others	30,937,400	-
	<u>1,868,108,036</u>	<u>84,292,338</u>

# NOTES TO THE ACCOUNTS (Un-audited)

for the quarter ended September 30, 2005

## 11. Long Term Investment

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

## 12 Govt. Grants

The company during the period received Rs.29.698 million as research and development rebate which has been treated as government grant in accordance with IAS-20, "Government Grants" and it has been deducted in reporting the relating expenses, which are specified here.

	Rs in '000'
Hiring Technologies	22,342
Designing	4,214
Innovation	2,893
Exhibition	249
	<hr/>
	29,698

## 13. BALANCES AND TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

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

	September 30, 2005 Rupees	September 30, 2004 Rupees
<b>TRANSACTIONS</b>		
- Payments made for Placements of Preference shares	-	11,398,925
- Mark-up paid	-	1,485,066
- Sales	8,103,013	-
- Purchase	1,067,713	-

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

## 14 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 30, 2005 by the Board of Directors of the Company.

## 15 FIGURES

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

Place: Lahore  
Date: October 30, 2005

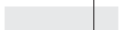
Chief Executive

Director





# CONSOLIDATED FINANCIAL STATEMENTS



# CONSOLIDATED BALANCE SHEET (Unaudited)

as at September 30, 2005

	Note	September 30, 2005 Rupees	September 30, 2004 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised Capital		3,000,000,000	3,000,000,000
Share Capital	5	1,737,308,680	1,737,308,680
Reserves		406,772,578	362,142,241
Unappropriated profit		808,821,387	412,399,663
		2,952,902,645	2,511,850,584
<b>MINORITY INTEREST</b>			
		2,028,841	2,742,560
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
		286,068,698	306,564,511
<b>NON-CURRENT LIABILITIES</b>			
<b>LONG TERM FINANCES - Secured</b>			
	6	2,185,420,000	750,000,000
<b>LIABILITIES AGAINST ASSETS</b>			
<b>SUBJECT TO FINANCE LEASE</b>			
		47,512,847	116,503,819
<b>LONG TERM DEPOSITS</b>			
		21,758,780	1,147,729
<b>CURRENT LIABILITIES</b>			
Current portion of:			
Long term finances - secured		422,792,442	300,000,000
Liabilities against assets subject to finance lease		19,220,240	63,081,881
Short term finances		3,651,433,157	1,492,909,892
Creditors, accruals and other liabilities		1,271,211,363	701,845,741
Provision for taxation		82,237,133	64,824,871
Dividend	7	77,839,977	95,414
		5,524,734,312	2,622,757,799
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	11,020,426,123	6,311,567,002
		-	-
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>OPERATING ASSETS</b>			
	10	3,078,181,821	2,847,936,402
<b>CAPITAL WORK IN PROGRESS</b>			
	11	1,868,108,036	89,759,126
		4,946,289,857	2,937,695,528
<b>INTANGIBLE ASSETS</b>			
		74,140,375	88,375,589
<b>LONG TERM INVESTMENTS</b>			
		1,015,576	1,015,576
<b>LONG TERM DEPOSITS</b>			
		45,823,105	18,517,830
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		139,073,130	72,608,693
Stock-in-trade		2,179,275,319	1,425,586,819
Trade debtors		1,615,573,305	924,208,356
Advances, deposits, prepayments and other receivables		999,451,661	713,461,070
Short term investment		990,892,865	109,148,931
Cash and bank balances		28,890,930	20,948,610
		5,953,157,210	3,265,962,479
		11,020,426,123	6,311,567,002

The annexed notes form an integral part of these accounts.

**Place: Lahore**  
**Date: October 30, 2005**

**Chief Executive**

**Director**

## CONSOLIDATED PROFIT AND LOSS ACCOUNT (Unaudited)

for the quarter ended September 30, 2005

	Quarter Ended September 30, 2005 Rupees	Twelve Months Ended September 30, 2005 Rupees	Quarter Ended September 30, 2004 Rupees	Twelve Months Ended September 30, 2004 Rupees
<b>SALES - Net</b>	1,297,276,711	3,798,800,383	889,938,589	3,160,780,433
<b>COST OF SALES</b>	1,028,698,709	2,783,110,335	690,092,601	2,440,779,273
<b>GROSS PROFIT</b>	268,578,002	1,015,690,048	199,845,988	720,001,160
<b>ADMINISTRATIVE AND</b>				
<b>SELLING EXPENSES</b>	59,715,558	265,057,451	58,361,454	186,565,495
<b>OPERATING PROFIT</b>	208,862,444	750,632,597	141,484,534	533,435,665
<b>OTHER INCOME</b>	86,577,684	171,088,276	9,332,940	9,864,791
	295,440,128	921,720,874	150,817,474	543,300,456
<b>OTHER CHARGES</b>				
Financial charges	109,712,257	254,602,412	19,868,656	123,708,381
Workers' (Profit) Participation Fund	9,118,800	33,104,765	111,400	111,400
Miscellaneous	3,566,028	6,468,848	20,803,281	20,803,281
	122,397,085	294,176,025	40,783,337	144,623,062
<b>PROFIT BEFORE TAXATION</b>	173,043,043	627,544,849	110,034,137	398,677,394
<b>PROVISION FOR TAXATION</b>				
Current	18,420,192	37,722,860	6,500,000	20,000,000
<b>PROFIT AFTER TAXATION</b>	154,622,851	589,821,989	103,534,137	378,677,394
Minority Interest	(222,399)	(713,919)	762,191	1,673,378
<b>PROFIT ATTRIBUTABLE TO HOLDING COMPANY</b>	154,845,250	590,535,908	102,771,946	377,004,016
<b>EPS-Basic</b>	1.56	5.90	1.17	4.33
<b>EPS-Diluted</b>	1.38	5.24	1.18	4.32

The annexed notes form an integral part of these accounts.

Place: Lahore

Chief Executive

Director

Date: October 30, 2005

## CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

for the quarter ended September 30, 2005

		<b>September 30, 2005 Rupees</b>	<b>September 30, 2004 Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
	Profit before taxation	627,544,849	398,677,394
	Items not involving movements of funds	425,385,052	681,223,081
	Long term deposits	(27,305,275)	(14,868,110)
	Operating profit before working capital changes	1,019,247,880	666,354,971
	Changes in working capital	35 (1,260,526,064)	(714,693,989)
	Cash flow from operations	(234,901,438)	(48,339,018)
	Financial charges paid	(187,701,103)	(106,270,614)
	Preliminary expenses on issuance of preference shares	(5,369,663)	(37,241,757)
	Taxes paid	(54,828,498)	(25,275,947)
	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(482,800,702)</b>	<b>(217,127,336)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
	Fixed capital expenditure	(2,217,953,353)	(775,461,104)
	Intangible assets	-	(111,788,860)
	Sale proceeds of fixed assets	3,063,306	1,278,805
	Long term Investments	-	(9,544)
	Interest received	10,882,080	710,367
	Dividend income	38,866,212	-
	Short term Investments	(881,743,934)	(101,004,923)
		(3,046,885,689)	(986,275,259)
	<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,046,885,689)</b>	<b>(986,275,259)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
	Preference shares issued	-	868,654,340
	Repayment of long term deposits	20,611,051	(5,240,773)
	Long term financing obtained	1,658,212,442	650,000,000
	Repayment of long term loans	(100,000,000)	(350,000,000)
	Dividend paid	(86,865,434)	(269)
	Short term finances- net	2,158,523,265	64,253,791
	Finance lease liabilities paid	(112,852,613)	(24,917,634)
		3,537,628,711	1,202,749,455
	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>3,537,628,711</b>	<b>1,202,749,455</b>
	<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,942,320	(653,140)
	<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	20,948,610	21,601,750
	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>28,890,930</b>	<b>20,948,610</b>

The annexed notes form an integral part of these accounts.

Place: Lahore  
Date: October 30, 2005

Chief Executive

Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the twelve months ended September 30, 2005

	Share Capital Issued, subscribed and paid-up	Shares under issue	Share premium	Reserve on merger	Reserves			Total	Unappropriated Profit	Total equity	Surplus on revaluation of fixed assets
					Preference share redemption reserve	Share revaluation	Surplus on investments				
	R U P E S										
<b>Balance as at September 30, 2003</b>	868,654,340	-	143,675,125	105,152,005	-	2,215,724	251,042,854	161,710,634	1,281,407,828	330,249,524	
Profit for the year	-	-	-	-	-	-	-	377,004,016	868,554,340	-	
Preference shares issued	868,654,340	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of fixed assets transferred to retained earnings during the year	-	-	-	-	-	-	-	23,685,013	23,685,013	(23,685,013)	
Preference shares redemption reserve	-	-	-	-	150,000,000	-	150,000,000	(150,000,000)	-	-	
Expenses incurred on issue of preference shares	-	-	(37,241,757)	-	-	(1,658,856)	(37,241,757)	-	(37,241,757)	-	
Revaluation of investments	-	-	-	-	-	(1,658,856)	(1,658,856)	-	(1,658,856)	-	
<b>Balance as at September 30, 2004</b>	1,737,308,680	-	106,433,368	105,152,005	150,000,000	556,868	362,142,241	412,399,663	2,511,850,584	306,564,511	
Profit for the period	-	-	-	-	-	-	-	590,535,908	590,535,908	-	
Surplus on revaluation of fixed assets transferred to retained earnings during the period	-	-	-	-	-	-	-	20,495,813	20,495,813	(20,495,813)	
Preference shares redemption reserve	-	-	-	-	50,000,000	-	50,000,000	(50,000,000)	-	-	
Expenses incurred on issue of preference shares	-	-	(5,369,663)	-	-	-	(5,369,663)	(86,865,434)	(86,865,434)	-	
Ordinary Share Dividend	-	-	-	-	-	-	-	(77,744,563)	(77,744,563)	-	
Preference Share Dividend	-	-	-	-	-	-	-	-	-	-	
<b>Balance as at September 30, 2005</b>	1,737,308,680	-	101,063,705	105,152,005	200,000,000	556,868	406,772,578	808,821,387	2,952,902,645	286,068,698	

The annexed notes form an integral part of these accounts.

**Place: Lahore**  
**Date: October 30, 2005**

**Chief Executive**

**Director**

# NOTES TO THE CONSOLIDATED ACCOUNTS (Un-audited)

for the quarter ended September 30, 2005

## 1. STATUS AND ACTIVITIES

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

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

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

## 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 revaluation, 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 year ended September 30, 2004.

3.2 The Company during the year has adapted the policy of treating the Government Grant against the expenses directly attributable to such grants The company has therefore opted for the method of offsetting the grant against these expenses in accordance with the requirements of IAS 20 by giving a seperate disclosure of the relevant item of income and expense.

## 4. PRINCIPLES OF CONSOLIDATION

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

	September 30, 2005 Rupees	September 30, 2004 Rupees
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## 5. SHARE CAPITAL

### Authorised Capital

300,000,000 (2004: 300,000,000)

Ordinary shraes of Rs.10/- each	3,000,000,000	3,000,000,000
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 of Rs.10/- each.		
Fully paid in cash( 2004:86,865.434)	868,654,340	868,654,340
	<u>1,737,308,680</u>	<u>1,737,308,680</u>

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

for the quarter ended September 30, 2005

### 6. LONG TERM LOAN

The Company has issued 7-year publically listed Term Finance Certificates for Rs. 2.0 billion plus a green shoe option. Mark up rate is at 6 month KIBOR plus 240 basis points. These are secured by first pari passu charges on the future and present fixed assets of the company with 25% margin in favour of the trustee.

### 7. PREFERENCE DIVIDEND

Directors have approved the interim preference dividend on preference shares @ Rs 0.895 per preference share i.e. 8.95% in its meeting held on September 24, 2005. Total amount of dividend to be paid is Rs.77,744,563 which has been accounted for as liability in these financial statements.

### 8. CONTINGENCIES AND COMMITMENTS

**8.1** The Company imported textile machinery and accessories availing exemption from customs duty and sales tax on importation thereof under various S.R.O.'s. The claim subject to fulfilment of certain conditions aggregated Rs.110 million (2004:Rs.68 million).

**8.2** Commitments against irrevocable letters of credit outstanding as at June 30, 2005 were Rs.876.96 million (2004:Rs.300 million).

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

### 9. DEFERRED TAXATION

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

### 10. OPERATING FIXED ASSETS - Tangible

	September 30, 2005 Rupees	September 30, 2004 Rupees
Book Value as on 1st October,2004	2,847,936,402	2,251,337,991
Additions during the period / year:		
Freehold land	22,507,825	68,470,000
Building	72,210,819	54,213,418
Plant and machinery	300,926,436	599,608,268
Electric installations	13,157,851	25,253,657
Tools and equipment	4,414,807	986,319
Furniture and fixtures	9,321,321	2,945,141
Office Equipment	26,986,428	19,439,325
Vehicles	1,596,404	4,599,307
	451,121,892	775,515,435
Book values of assets disposed-off during the period / year	(14,308,174)	(1,012,800)
Depreciation charge for the period / year	(206,568,298)	(170,505,791)
Capitalized during the period / year	-	(7,398,433)
Closing book value	3,078,181,821	2,847,936,402

### 11. CAPITAL WORK IN PROGRESS

Civil Work	457,517,477	27,527,485
Plant & machinery	1,379,653,159	62,231,641
Others	30,937,400	-
	1,868,108,036	89,759,126

# NOTES TO THE CONSOLIDATED ACCOUNTS (Un-audited)

for the quarter ended September 30, 2005

## 12 Govt. Grants

The company during the period received Rs.29,698 million as research and development rebate which has been treated as government grant in accordance with IAS-20, "Government Grants" and it has been deducted in reporting the relating expenses, which are specified here.

	Rs in '000'
Hiring Technologies	22,342
Designing	4,214
Innovation	2,893
Exhibition	249
	<hr/>
	29,698

## 13 BALANCES AND TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

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

	September 30, 2005	September 30, 2004
	Rupees	Rupees
<b>TRANSACTIONS</b>		
- Payments made for Placements of Preference shares	-	11,398,925
- Mark-up paid	-	1,485,066
- Sales	8,103,013	-
- Purchase	1,067,713	-

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

## 14 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 30, 2005 by the Board of Directors of the Company.

## 15 FIGURES

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

Place: Lahore  
Date: October 30, 2005

Chief Executive

Director