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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

### 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

### 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

### FINANCE COMMITTEE

MR. AHMED H. SHAIKH

MR. ALI JEHangIR SIDDIQUI

MR. TARIQ MOHAMMAD KHAN

### HUMAN RESOURCE COMMITTEE

MR. AHMED H. SHAIKH

MR. AEHSUN M.H. SHAIKH

MR. SALIM KHAN



**BANKERS**

JS BANK LIMITED  
 MCB BANK LIMITED  
 CITIBANK N.A.  
 ABN AMRO BANK  
 FAYSAL BANK LIMITED  
 HABIB BANK LIMITED  
 SAUDI PAK INDUSTRIAL & AGRICULTURAL  
 INVESTMENT COMPANY (PRIVATE) LIMITED  
 PICIC COMMERCIAL BANK LIMITED  
 THE HONG KONG AND SHANGHAI  
 BANKING CORPORATION  
 UNITED BANK LIMITED  
 STANDARD CHARTERED BANK  
 HABIB BANK AG ZURICH  
 NIB BANK LIMITED  
 NATIONAL BANK OF PAKISTAN  
 ALLIED BANK LIMITED  
 MY BANK LIMITED  
 KASB BANK LIMITED

**LEGAL ADVISORS**

HAMID LAW ASSOCIATES  
 HASSAN & HASSAN ADVOCATES

**AUDITORS**

RAHMAN SARFARAZ & CO.  
 CHARTERED ACCOUNTANTS

**TAX ADVISORS**

FORD RHODES SIDAT HYDER & CO.  
 CHARTERED ACCOUNTANTS

**REGISTERED OFFICE**

ISMAIL AIWAN-E-SCIENCE  
 OFF SHAHRAH-E-ROOMI  
 LAHORE, 54600  
 PH: +92 (0)42 111-786-645  
 FAX: +92 (0)42 5761791

**PROJECT LOCATIONS****UNIT I**

2.5 KM OFF MANGA, RAIWIND ROAD,  
 DISTRICT KASUR.  
 PH: +92 (0)42 5384081  
 FAX: +92 (0)42 5384093

**UNIT II**

ALIPUR ROAD, MUZAFFARGARH.  
 PH: +92 (0)661 422503, 422651  
 FAX: +92 (0)661 422652

**UNIT III**

20 KM OFF FERROZEPUR ROAD,  
 6 KM BADIAN ROAD ON RUHI NALA  
 DER KHURD, LAHORE.  
 PH: +92 (0)42 8460333, 8488862





**VISION &  
MISSION STATEMENT**

**VISION STATEMENT**

**TO BECOME A MAJOR GLOBAL FASHION  
APPAREL COMPANY**

**MISSION STATEMENT**

**TO BECOME A \$300 MILLION  
INTERNATIONAL BRANDED JEANS  
BUSINESS BY 2007**

**CULTURAL PILLAR**

**THE HIGH SPEED PASSIONATE PURSUIT  
OF PROGRESS THROUGH TEAM WORK**







## FINANCIAL HIGHLIGHTS

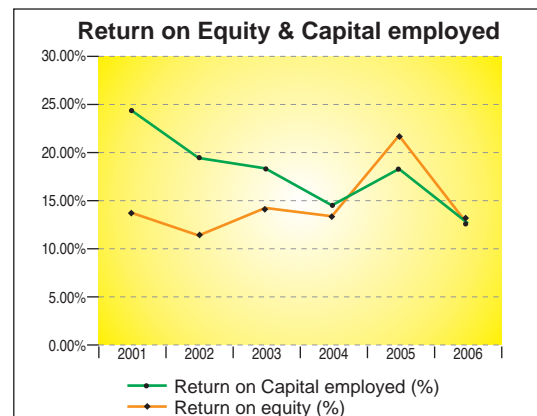
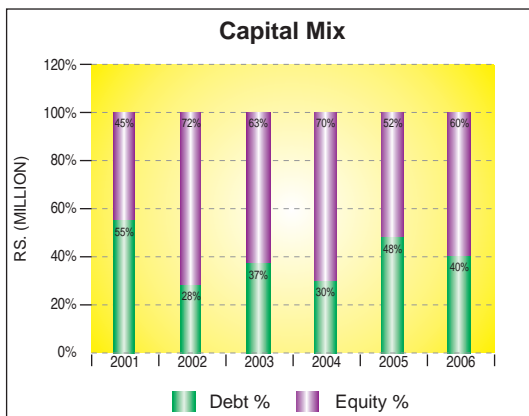
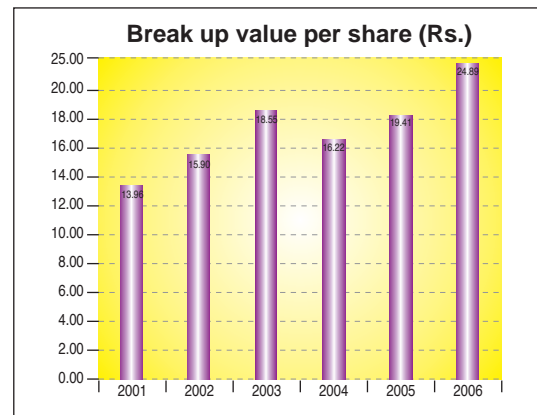
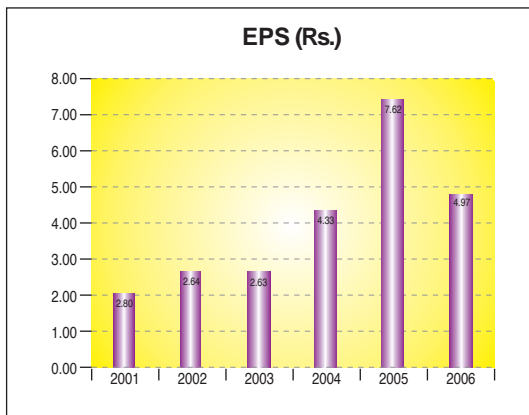
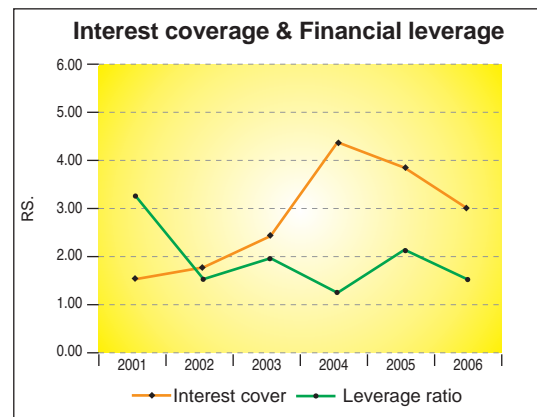
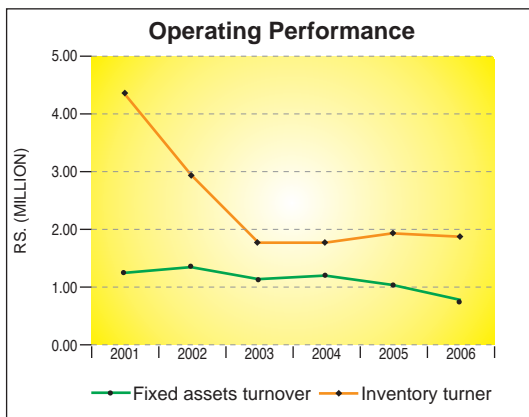
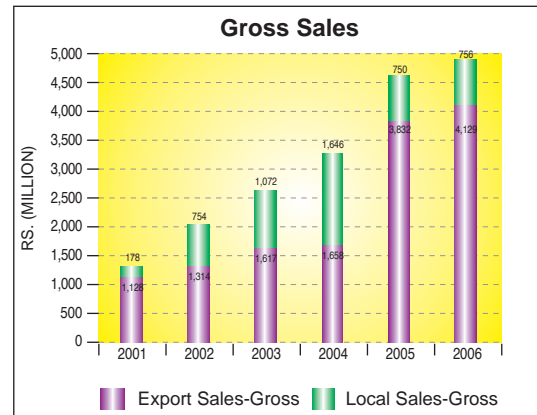
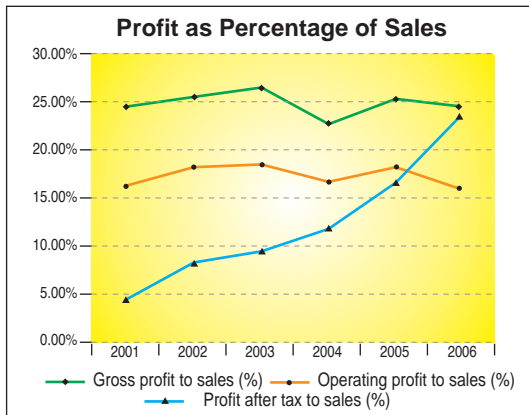
	2006	2005	2004	2003	2002	2001
<b>OPERATING PERFORMANCE (RS. 000)</b>						
SALES-NET	4,889,682	4,422,472	3,160,780	2,428,127	1,931,118	1,257,106
EXPORT SALES-GROSS	4,128,679	3,832,201	1,657,688	1,616,709	1,314,025	1,127,941
LOCAL SALES-GROSS	756,303	750,217	1,646,344	1,072,293	754,073	178,412
GROSS PROFIT	1,186,321	1,133,686	720,001	646,103	493,389	308,630
OPERATING PROFIT	795,030	813,063	533,436	446,671	350,713	204,117
PROFIT BEFORE TAX	1,260,084	792,137	398,677	248,440	146,321	61,883
PROFIT AFTER TAX	1,144,515	741,294	378,677	228,188	160,116	56,583

<b>FINANCIAL POSITION (RS. 000)</b>						
SHARE CAPITAL	3,788,839	1,737,309	1,737,309	868,654	868,654	319,057
SHARE PREMIUM	2,633,371	71,658	106,433	143,675	143,675	143,675
CAPITAL RESERVE	944,891	331,674	255,709	107,368	105,152	-
UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)	1,807,067	952,462	412,400	161,711	(92,057)	(310,468)
	9,174,168	3,093,103	2,511,851	1,281,408	1,025,424	152,265
MINORITY INTEREST	-	-	2,743	-	-	-
SHARES DEPOSIT MONEY	-	-	-	-	-	40,000
SURPLUS ON REVALUATION OF FIXED ASSETS	257,361	278,944	306,565	330,249	355,829	253,289
NON-PARTICIPATORY REDEEMABLE CAPITAL - SECURED	5,786,172	2,678,233	750,000	650,000	2,798	4,042
LONG TERM LIABILITIES (LEASES & LT DEPOSITS)	11,267	43,082	117,652	150,093	384,649	377,478
DEFERRED LIABILITIES (STAFF GRATUITY)	-	-	-	25,513	19,808	13,578
<b>CURRENT LIABILITIES</b>						
CURRENT PORTION OF LONG TERM LIABILITIES	450,047	433,781	363,082	160,799	140,431	154,429
SHORT TERM FINANCES	6,006,118	3,142,402	1,492,910	1,428,656	995,880	557,810
CREDITORS, ACCRUALS & OTHER LIABILITIES	1,275,610	791,641	701,846	747,930	552,548	207,767
PROVISION FOR TAXATION	195,249	79,680	64,825	44,825	30,735	8,864
UNCLAIMED DIVIDENDS	22,312	362	95	96	116	-
	7,949,336	4,447,866	2,622,758	2,382,306	1,719,710	928,870
OPERATING FIXED ASSETS AND CAPITAL WORK IN PROGRESS	7,752,546	5,572,699	2,937,696	2,333,753	1,938,068	970,040
INTANGIBLE ASSETS	60,545	73,937	88,376	-	-	-
LONG TERM DEPOSITS & INVESTMENTS	6,323,396	34,415	19,533	6,315	19,761	17,805
	14,136,487	5,681,051	3,045,605	2,340,068	1,957,829	987,845
<b>CURRENT ASSETS</b>						
STORES, SPARES AND LOOSE TOOLS	101,762	87,790	72,609	45,778	21,689	9,229
STOCK IN TRADE	2,022,511	2,034,181	1,425,587	1,265,777	722,376	246,192
TRADE DEBTORS	1,134,897	1,013,884	924,208	536,616	533,468	337,303
SHORT TERM INVESTMENTS	3,788,316	769,412	109,149	-	-	-
OTHER CURRENT ASSETS	1,413,425	909,267	713,461	609,728	249,380	168,574
CASH & CASH EQUIVALENTS	580,906	45,642	20,949	21,602	23,477	20,380
	9,041,817	4,860,175	3,265,963	2,479,501	1,550,389	781,677
NET WORKING CAPITAL	1,092,481	412,309	643,205	97,195	(169,321)	(147,193)
TOTAL CAPITAL EMPLOYED	15,228,968	6,093,360	3,688,810	2,437,263	1,788,508	840,651

<b>PROFITABILITY ANALYSIS</b>						
GROSS PROFIT TO SALES (%)	24.26	25.63	22.78	26.61	25.55	24.55
OPERATING PROFIT TO SALES (%)	16.26	18.38	16.88	18.40	18.16	16.24
PROFIT BEFORE TAX TO SALES (%)	25.77	17.91	12.61	10.23	7.58	4.92
PROFIT AFTER TAX TO SALES (%)	23.41	16.76	11.98	9.40	8.29	4.50
RETURN ON CAPITAL EMPLOYED (%)	12.59	18.36	14.73	18.34	19.64	24.28
RETURN ON EQUITY (%)	12.13	21.98	13.44	14.16	11.59	13.95
EARNINGS PER SHARE (RS.) (PLEASE REFER TO NOTE 31)	4.97	7.62	4.33	2.63	2.64	2.08

<b>FINANCIAL ANALYSIS</b>						
FINANCIAL CHARGES TO SALES (%)	13.27	6.57	3.91	7.65	10.21	10.75
CURRENT RATIO (TIMES) *	1.21	1.21	1.45	1.12	0.98	1.01
*(EXCLUDING CURRENT PORTION OF LT LIABILITIES)						
DEBT TO EQUITY (RATIO)	40 : 60	48 : 52	30 : 70	37 : 63	28 : 72	57 : 43
LEVERAGE RATIO (TIMES)	1.46	2.13	1.24	1.99	1.54	3.26
BREAKUP VALUE PER SHARE (RS.)	24.89	19.41	16.22	18.55	15.90	13.96
INVENTORY TURNOVER (TIMES PER YEAR)	1.83	1.90	1.79	1.79	2.97	4.38
FIXED ASSETS TURNOVER (TIMES)	0.73	1.04	1.20	1.14	1.33	1.26
INTEREST COVER (RS.)	2.96	3.85	4.39	2.41	1.78	1.51

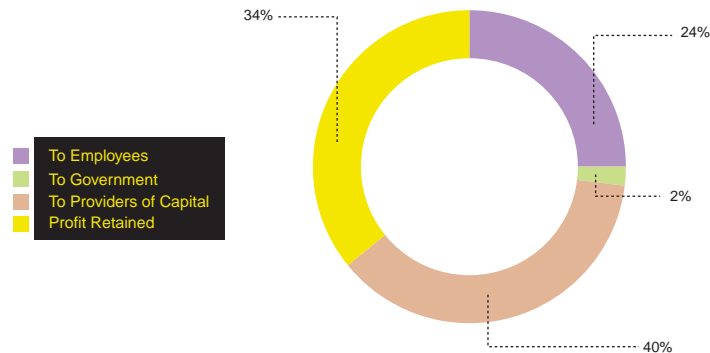
# FINANCIAL HIGHLIGHTS



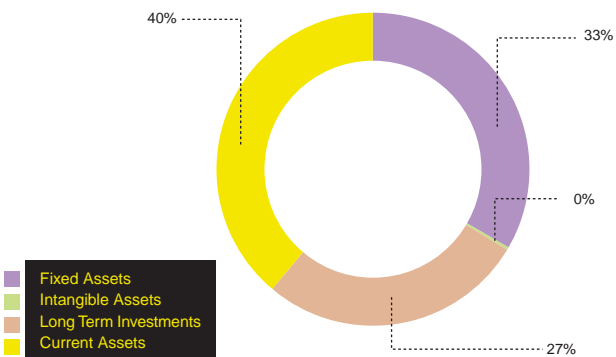
## DISTRIBUTION OF REVENUE

WEALTH GENERATED	RUPEES	% AGE
SALES - NET	6,504,962,162	
OTHER INCOME	71,554,190	
BOUGHT IN MATERIAL AND SERVICES	(3,173,395,365)	
	<b>3,403,120,987</b>	<b>100%</b>
<b>WEALTH DISTRIBUTION/ALLOCATION</b>		
TO EMPLOYEES SALARIES WAGES AND BENEFITS INCLUDING WORKERS (PROFIT) PARTICIPATION FUND	801,440,355	24%
TO GOVERNMENT INCOME TAX, SALES TAX, CUSTOM DUTY	59,448,993	2%
TO PROVIDERS OF CAPITAL CASH DIVIDEND FOR 2005 DIVIDEND ON PREFERENCE SHARES CHARGES ON BORROWED FUNDS	151,267,383 59,225,581 1,187,223,953	
	<b>1,397,716,917</b>	<b>40%</b>
PROFIT RETAINED	1,144,514,722	34%
WEALTH GENERATED	<b>3,403,120,987</b>	

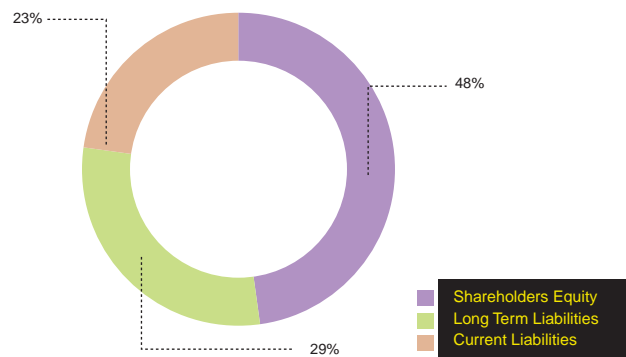
Wealth Distribution/Allocation



Total Assets



Shareholders' Equity and Liabilities







**AZGARD-9**

**ENTITY RATING FROM PACRA**  
*(PAKISTAN CREDIT RATING AGENCY LTD.)*

<b>LONG TERM</b>	<b>A (SINGLE A)</b>
<b>SHORT TERM</b>	<b>A1 (SINGLE A ONE)</b>

**INSTRUMENT RATING**  
**LISTED TFCs**  
**FROM PACRA**  
**AND**  
**JCR-VIS CREDIT RATING COMPANY LIMITED.**

**A+ (SINGLE A PLUS)**





## NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN THAT THE 14TH ANNUAL GENERAL MEETING OF AZGARD NINE LIMITED (THE "COMPANY") WILL BE HELD ON 28TH JUNE 2007 AT 10.00 A.M AT THE REGISTERED OFFICE OF THE COMPANY ISMAIL AIWAN-I-SCIENCE, OFF SHAHRAH-I-ROOMI, LAHORE TO TRANSACT THE FOLLOWING BUSINESS:

### ORDINARY BUSINESS:

1. TO CONFIRM THE MINUTES OF THE EXTRA ORDINARY GENERAL MEETING HELD ON SEPTEMBER 30, 2006;
2. TO RECEIVE, CONSIDER AND ADOPT THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS THEREON;
3. TO APPROVE CASH DIVIDEND @ 11 % (I.E. RS.1.10 PER ORDINARY SHARE) AS APPROVED AND RECOMMENDED BY THE BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD") AND TO APPROVE INTERIM DIVIDEND ALREADY PAID TO THE PREFERENCE SHAREHOLDERS @ 8.95% AS FINAL DIVIDEND FOR THE SECOND YEAR ENDING ON SEPTEMBER 24, 2006;
4. TO CONSIDER RE- APPOINTMENT OF M/S RAHMAN SARFARAZ RAHIM IQBAL RAFIQ & COMPANY, CHARTERED ACCOUNTANTS AS EXTERNAL AUDITORS FOR THE FINANCIAL YEAR ENDING DECEMBER 31, 2007 AND TO FIX THEIR REMUNERATION, AS PER THE RECOMMENDATION OF THE BOARD;

5. TO CONSIDER ANY OTHER BUSINESS THAT MAY BE PLACED BEFORE THE MEMBERS WITH THE PERMISSION OF THE CHAIR.

### SPECIAL BUSINESS:

1. TO CONSIDER AND ALLOW THE COMPANY TO INVEST IN OR TO EXTEND LOAN TO ITS 100% OWNED SUBSIDIARY, PAK AMERICAN FERTILIZERS LIMITED BY WAY OF PASSING FOLLOWING SPECIAL RESOLUTION, WITH OR WITHOUT MODIFICATIONS, IN TERMS OF SECTION 208 OF THE COMPANIES ORDINANCE 1984:

### "RESOLVED THAT

1. AZGARD NINE LIMITED (THE "COMPANY") BE AND IS HEREBY AUTHORIZED TO PROVIDE LOAN OF UP TO PKR 9 BILLION FOR A PERIOD NOT IN EXCESS OF TEN (10) YEARS, TO ITS SUBSIDIARY COMPANY NAMEDLY PAK AMERICAN FERTILIZERS LIMITED ("PAFL"), FROM THE PROCEEDS OF UNITED STATES DOLLAR FINANCING PROPOSED TO BE OBTAINED FROM THE INTERNATIONAL CAPITAL MARKETS BY THE ISSUE OF BONDS ("BONDS") ON THE FOLLOWING TERMS AND CONDITIONS:
  - I. THE RATE OF RETURN/MARK UP/INTEREST ON THE LOAN TO BE PAID BY PAFL SHALL NOT BE LESS THAN THE COST TO THE COMPANY OF OBTAINING FINANCING BY THE ISSUE OF BONDS.
  - II. PAFL SHALL USE THE LOAN TO RE-PROFILE ITS DEBT STRUCTURE IN AN EFFICIENT MANNER.



**2. EACH OF THE FOLLOWING (EACH REFERRED TO AS AN "AUTHORIZED OFFICER"):**

I.	MR. AHMED H. SHAIKH	CHIEF EXECUTIVE OFFICER
II.	MR. MUHAMMAD IJAZ HAIDER	COMPANY SECRETARY
III.	MR. TARIQ MOHAMMAD KHAN	GROUP DIRECTOR FINANCE
IV.	MR. ABID AMIN	CHIEF FINANCIAL OFFICER
V.	MS. IRUM AHSAN	IN HOUSE LEGAL COUNSEL

BE AND IS HEREBY AUTHORIZED ON BEHALF OF THE COMPANY TO TAKE ALL SUCH INCIDENTAL, CONSEQUENTIAL AND SUPPLEMENTAL MATTERS AS ARE NECESSARY TO FULLY AND EFFECTIVELY CARRY OUT THE TERMS OF THIS SPECIAL RESOLUTION INCLUDING BUT NOT LIMITED TO ENTERING INTO AGREEMENT WITH PAFL ON BEHALF OF THE COMPANY, FOR PROVIDING THE LOAN TO PAFL ("LOAN AGREEMENT").

**3. WITHOUT PREJUDICE TO THE GENERALITY OF THE AUTHORIZATION SET OUT ABOVE AND WITHOUT LIMITING THE SAME BUT SUBJECT TO PARAGRAPH 1 ABOVE, THE COMPANY, AND EACH AUTHORIZED OFFICER BE AND IS HEREBY AUTHORIZED TO:**

- (i) NEGOTIATE AND AGREE UPON TERMS AND CONDITIONS (INCLUDING ANY AMENDMENTS TO SUCH TERMS AND CONDITIONS) IN RELATION TO THE LOAN (INCLUDING, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, TENOR, INTEREST RATE OR RETURN), AS WELL AS THE SECURITY, IF ANY, TO BE PROVIDED IN RELATION TO THE LOAN;
- (ii) SIGN AND DELIVER ON BEHALF OF THE COMPANY THE LOAN AGREEMENT AND ANY OTHER AGREEMENTS OR DOCUMENTS (INCLUDING ANY DOCUMENTS PURSUANT TO THE LOAN AGREEMENT) ON TERMS AND CONDITIONS CONSIDERED APPROPRIATE OR NECESSARY BY EACH OF THEM;
- (iii) FILE THE COPY OF THIS SPECIAL RESOLUTION ON THE PRESCRIBED FORMS WITH THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN AND THE REGISTRAR OF COMPANIES WITHIN THE PRESCRIBED TIME;

(IV) INTIMATE THE KARACHI STOCK EXCHANGE WITH RESPECT TO THIS SPECIAL RESOLUTION;

(V) TAKE ALL SUCH OTHER ACTIONS, EXECUTE ALL SUCH OTHER DOCUMENTS AND DO ALL SUCH THINGS AS MAY BE CONSIDERED NECESSARY OR APPROPRIATE BY THEM, OR MAY BE REQUIRED, IN RELATION TO THE LOAN."

BY ORDER OF THE BOARD

LAHORE;

JUNE 06, 2007

(MUHAMMAD IJAZ HAIDER)

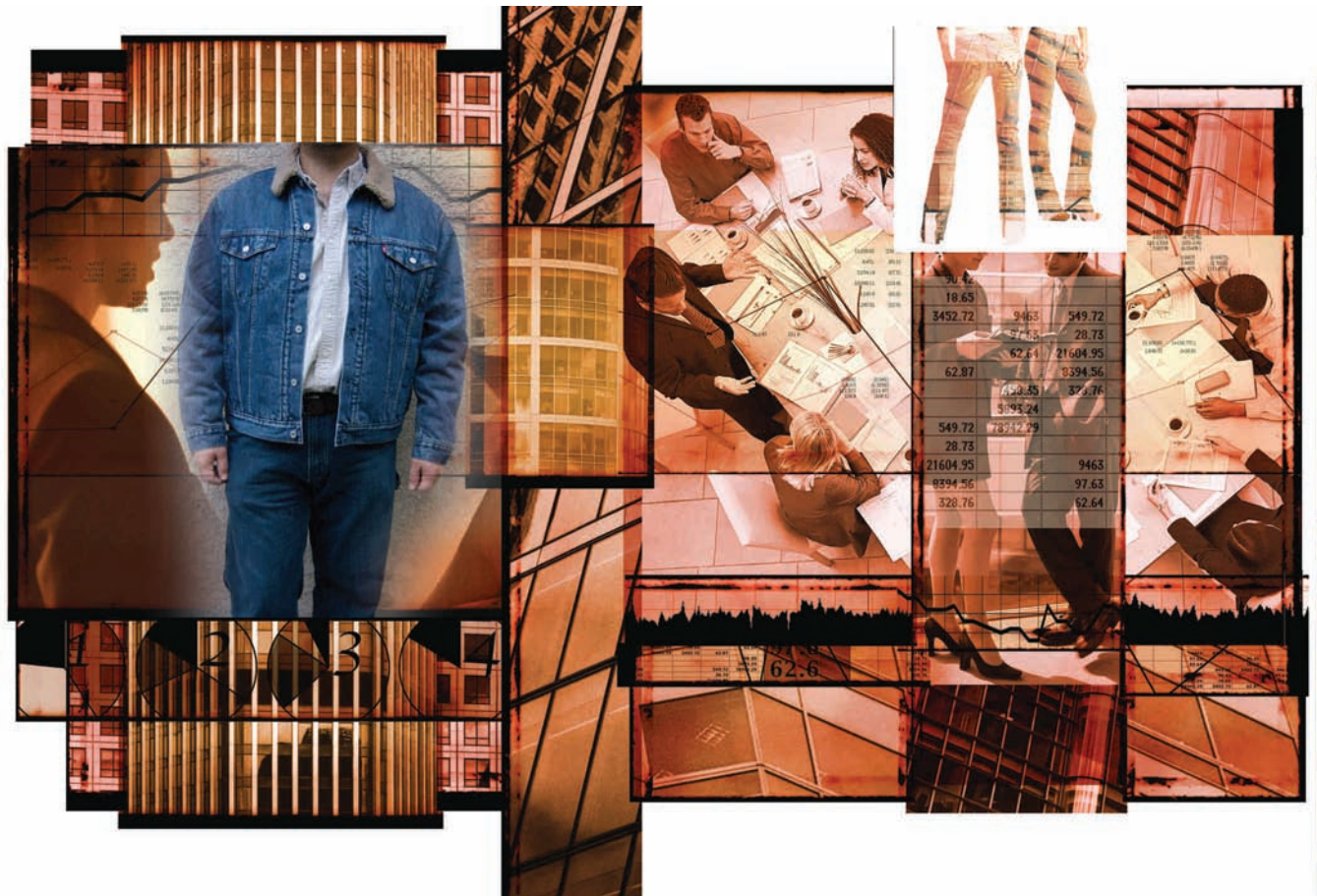
COMPANY SECRETARY



## NOTICE OF ANNUAL GENERAL MEETING

### NOTES:

1. THE SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM JUNE 22, 2007 TO JUNE 28, 2007. (BOTH DAYS INCLUSIVE).
2. THE PREFERENCE SHAREHOLDERS ARE NOT ENTITLED TO ATTEND THE MEETING.
3. A SHARE HOLDER ENTITLED TO ATTEND AND VOTE AT THIS MEETING MAY APPOINT ANOTHER SHARE HOLDER AS HIS/HER PROXY TO ATTEND AND VOTE ON HIS/HER BEHALF. THE INSTRUMENT APPOINTING A PROXY AND THE POWER OF ATTORNEY OR OTHER AUTHORITY UNDER WHICH IT IS SIGNED OR A NOTARIALLY CERTIFIED COPY OF THE POWER OF ATTORNEY MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY DULY STAMPED, SIGNED AND WITNESSED NOT LATER THAN 48 HOURS BEFORE THE MEETING. AN INSTRUMENT OF PROXY APPLICABLE FOR MEETING IS ATTACHED HEREWITH.
4. SHARE HOLDERS WHOSE SHARES ARE DEPOSITED WITH CENTRAL DEPOSITORY SYSTEM (CDS) ARE REQUESTED TO BRING THEIR NATIONAL IDENTITY CARD (NIC) ALONG WITH THEIR ACCOUNT NUMBER IN CDS FOR VERIFICATION. IN CASE OF CORPORATE ENTITY, THE BOARD OF DIRECTORS' RESOLUTION/POWER OF ATTORNEY WITH SPECIMEN SIGNATURES OF THE NOMINEE SHALL BE PRODUCED (UNLESS IT HAS BEEN PROVIDED EARLIER) AT THE TIME OF THE MEETING.
5. INCASE OF PROXY FOR AN INDIVIDUAL BENEFICIAL OWNER OF CDC, ATTESTED COPIES OF BENEFICIAL OWNER'S NIC OR PASSPORT, ACCOUNT AND PARTICIPANT'S ID NUMBERS MUST BE DEPOSITED ALONGWITH THE FORM OF PROXY. REPRESENTATIVE OF CORPORATE MEMBERS SHOULD BRING THE USUAL DOCUMENTS REQUIRED FOR SUCH PURPOSE.
6. SHARE HOLDERS ARE REQUESTED TO NOTIFY ANY CHANGE IN THEIR ADDRESSES IMMEDIATELY.





**“STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984 IS ATTACHED WITH THE ANNUAL REPORT CIRCULATED TO THE MEMBERS OF THE COMPANY”.**

**STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984, READ WITH S.R.O. 865 (I)/ 2000, DATED 6TH DECEMBER, 2000.**

I.	(A) NAME OF INVESTEE COMPANY (B) AMOUNT OF LOAN (C) PURPOSE OF LOAN (D) DETAILS OF ANY EXISTING / WRITTEN OFF LOAN	PAK AMERICAN FERTILIZERS LIMITED (“PAFL”) NOT IN EXCESS OF PKR 9 BILLION TO RE-PROFILE ITS DEBT STRUCTURE IN AN EFFICIENT MANNER. NONE
II.	BRIEF ABOUT THE FINANCIAL POSITION OF INVESTEE COMPANY (PAFL) ON THE BASIS OF LAST PUBLISHED FINANCIAL STATEMENT	PAFL WAS INCORPORATED ON DECEMBER 15, 1959 UNDER THE COMPANIES ACT, 1913 NOW COMPANIES ORDINANCE 1984 AS PUBLIC LIMITED COMPANY (UNLISTED). THE COMPANY IS ENGAGED IN PRODUCTION AND SALE OF UREA FERTILIZER. THE REGISTERED OFFICE OF THE COMPANY IS SITUATED AT ISMAIL AIWAN-I-SCIENCE, OFF SHAHRAH-I-ROOMI, LAHORE. THE COMPANY ACQUIRED 100% STAKE IN PAFL ON 15TH JULY 2006 THROUGH THE PRIVATIZATION PROCESS OF GOVERNMENT OF PAKISTAN.  AS PER THE HALF YEARLY FINANCIAL STATEMENTS OF THE COMPANY FOR THE SIX MONTHS ENDED DECEMBER 31, 2006, THE NET REVENUE OF PAFL WAS Rs.1,612,042,830 WITH GROSS PROFIT OF Rs.706,235,849 WITH A GROSS PROFIT PERCENTAGE OF 44%. THE COMPANY EARNED A NET PROFIT OF Rs.63,808,493. TOTAL ASSETS OF THE COMPANY AS AT DECEMBER 31, 2006 WERE Rs.16,788,282,239 AGAINST TOTAL LIABILITIES Rs.11,165,993,772.
III.	RATE OF MARK-UP TO BE CHARGED	1 % ABOVE THE FINANCIAL COST OF BONDS AS DISCUSSED UNDER POINT V BELOW.
IV.	PARTICULARS OF COLLATERAL SECURITY TO BE OBTAINED FROM BORROWER; IF NOT NEEDED, THE JUSTIFICATION THEREOF	NO SECURITY IS CURRENTLY ENVISAGED. THE INVESTEE COMPANY IS A FULLY OWNED SUBSIDIARY OF AZGARD NINE LIMITED AND BOTH COMPANIES ARE UNDER COMMON MANAGEMENT CONTROL
V.	SOURCE OF FUNDS FROM WHERE LOAN OR ADVANCE WILL BE GIVEN	AZGARD NINE LIMITED IS PLANNING TO OBTAIN UNITED STATES DOLLAR FINANCING FROM THE INTERNATIONAL CAPITAL MARKETS BY THE ISSUE OF BONDS FOR A PERIOD NOT EXCEEDING 10 YEARS. THE LOAN TO PAFL WILL BE MADE OUT OF THE PROCEEDS OF THIS BOND FINANCING.
VI.	REPAYMENT SCHEDULE	PRINCIPAL AMOUNT WILL BE PAID ON THE MATURITY DATE DETERMINED IN LINE WITH THE MATURITY DATE OF THE BONDS AS DISCUSSED ABOVE BUT NOT TO EXCEED A PERIOD OF TEN YEARS FROM THE DATE OF LOAN WHEREAS INTEREST IS PAYABLE SEMI ANNUALLY.
VII.	BENEFITS LIKELY TO ACCRUE TO THE COMPANY AND THE SHAREHOLDERS FROM THE LOAN AND ADVANCES	THE INVESTING COMPANY, AZGARD NINE LIMITED AND ITS SHAREHOLDERS WILL BE BENEFITED IN A MANNER THAT THEIR INVESTMENT WILL FETCH A RETURN OF ONE PERCENT OVER AND ABOVE THE MARK UP RATE AT WHICH THE INVESTING COMPANY HAS BORROWED. THE EFFICIENT DEBT RE-PROFILING OF INVESTEE COMPANY WILL ENABLE IT TO CARRY OUT ITS FUTURE PLANS ULTIMATELY BENEFITING THE INVESTING COMPANY AND ITS SHAREHOLDERS THROUGH THE DIVIDENDS FROM THE INVESTEE COMPANY.

THE DIRECTORS DO NOT HAVE ANY PERSONAL INTEREST WITH RESPECT TO THE PROPOSED LOAN EXCEPT THAT SOME OF THE DIRECTORS SUCH AS MR. AHMED SHAIKH, MR. AEHSUN SHEIKH, AND MR. ALI JEHangIR SIDDIQUI ARE ALSO DIRECTORS OF PAFL.

## DIRECTORS' REPORT



THE BOARD OF DIRECTORS ALONG WITH OTHER MEMBERS OF THE MANAGEMENT OF YOUR COMPANY, AZGARD NINE LIMITED ARE PLEASED TO PRESENT HERewith THE ANNUAL AUDITED FINANCIAL STATEMENTS OF THE COMPANY IN RESPECT OF ITS FINANCIAL YEAR DECEMBER 31, 2006, TOGETHER WITH THE AUDITORS' REPORT THEREON.

FOLLOWING IS THE ANNUAL REVIEW OF THE COMPANY'S OPERATIONS:

### FINANCIAL HIGHLIGHTS

THE BOARD OF DIRECTORS FEELS IMMENSE PLEASURE TO REPORT ANOTHER HALLMARK YEAR IN WHICH YOUR COMPANY HAS SUCCESSFULLY MANAGED TO MAINTAIN CONSISTENT GROWTH. THE FINANCIAL RESULTS ARE AS FOLLOWS:

FINANCIAL RESULTS	2006 (12-MONTHS) RUPEES	2005 (15 MONTHS) RUPEES
SALES-NET	4,889,681,966	4,422,472,357
OPERATING PROFIT	795,030,222	813,063,411
FINANCIAL CHARGES	648,649,925	290,508,556
PROFIT BEFORE TAX	1,260,083,804	792,136,936
PROFIT AFTER TAX	1,144,514,722	741,293,665

GROSS PROFIT MARGINS FOR THE TEXTILE SECTOR HAVE GENERALLY DECLINED OVER THE PERIOD, BUT DUE TO ITS BUSINESS STRATEGY, THE COMPANY WAS ABLE TO EARN A PROFIT BEFORE TAX OF Rs.1,260,083,804 AND PROFIT AFTER TAX OF Rs.1,144,514,722.

THIS YEAR, ONCE AGAIN THE COMPANY EXPERIENCED HIGH ACCEPTABILITY OF ITS PREMIUM PRODUCTS IN THE INTERNATIONAL MARKETS.



## COMPANY'S BUSINESS

### TEXTILE

IN 2006, AZGARD NINE LIMITED (THE COMPANY), HAS BY THE GRACE OF GOD, ACHIEVED REMARKABLE LEVEL OF SALES AND PROFITABILITY ACROSS ALL OF ITS DIVISIONS I.E. SPINNING, DENIM AND GARMENTS. OUR WELL STRATEGISED EFFICIENT PRODUCTION FOCUSED ON INTERNATIONALLY RECOGNIZED QUALITY OF PRODUCTS AND SERVICES, ALLOWED US TO COMPETE WELL IN CHALLENGING MARKET CONDITIONS.

### FERTILIZERS

DURING THIS YEAR THE COMPANY HAS ACQUIRED PAK AMERICAN FERTILIZERS LTD FROM THE PAKISTAN GOVERNMENT. PAFL IS THE LOWEST COST UREA PRODUCER IN PAKISTAN. THE PLANT IS CURRENTLY OPERATING AT 107% OF THE NAME PLATE CAPACITY, AS A RESULT OF INITIATIVES UNDERTAKEN BY THE MANAGEMENT. THE HIGHER LEVELS OF EFFICIENCY IN OUR PRODUCTION PROCESS HAS RESULTED IN PAFL'S FUEL COST PER TON BEING 26% LOWER THAN ITS MAJOR COMPETITORS, FOR THE YEAR ENDED DECEMBER 31, 2006. WE EXPECT OUR FUEL COST PER TON TO FURTHER DECREASE AS A RESULT OF OUR NEW POWER PLANT, WHICH IS ALREADY OPERATING IN A TRIAL PHASE AND SHOULD COMMENCE COMMERCIAL OPERATIONS IN JUNE 2007.

### CHALLENGES AND CONCERNS

THE PAKISTAN TEXTILE INDUSTRY IS SEEN TO BE ONE OF THE PROMINENT PLAYERS IN THE GLOBAL TEXTILE/APPAREL TRADE. SURVIVAL AND SUCCESS IN THE POST WTO REGIME REQUIRES EFFICIENT MANAGEMENT OF RESOURCES, TOP QUALITY AND A COMPETITIVE COST BASE. YOUR COMPANY HAS RESPONDED WELL TO THE SITUATION BY PROMOTING ITS PREMIUM PRODUCTS IN THE LOCAL AND INTERNATIONAL MARKET, WHERE THE RESPONSE HAS BEEN POSITIVE.



## DIRECTORS' REPORT

TEXTILE INDUSTRY, IN PAKISTAN, HAS BEEN FACING TOUGH COMPETITION FROM PROMINENT INDUSTRY PLAYERS IN THE REGION, LIKE CHINA, INDIA, SRI LANKA AND BANGLADESH. THESE COMPETITORS ARE OPERATING UNDER THE SUPPORTIVE REGULATORY REGIME PROVIDING VARIOUS FISCAL SUBSIDIES. WHILE IN PAKISTAN GOVERNMENT SUPPORT IS NOMINAL.

GLOBAL DEMAND FOR TEXTILE PRODUCTS IS GROWING AT 2.5% ANNUALLY. THERE IS AN IMMENSE POTENTIAL FOR TEXTILE EXPORTS FROM PAKISTAN, PARTICULARLY IN THE VALUE ADDED PRODUCTS SEGMENT. THE MANAGEMENT FEELS THAT THE FUTURES OFFERS GROWTH WHILE MARGINS WILL REMAINED UNDER PRESSURE.

### EARNING PER SHARE

THE EARNING PER SHARE OF THE COMPANY FOR THE PERIOD ENDED DECEMBER 31, 2006 WAS Rs.4.97.

### CORPORATE GOVERNANCE & FINANCIAL REPORTING FRAMEWORK

AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE, THE DIRECTORS ARE PLEASED TO REPORT THAT:

- THE FINANCIAL STATEMENTS PREPARED BY THE MANAGEMENT OF THE COMPANY PRESENT ACCURATE STATE OF COMPANY'S OPERATIONS, CASH FLOWS AND CHANGES IN EQUITY;
- PROPER BOOKS OF ACCOUNT OF THE COMPANY HAVE BEEN MAINTAINED.
- APPROPRIATE ACCOUNTING POLICIES HAVE BEEN CONSISTENTLY APPLIED IN THE PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING ESTIMATES ARE BASED ON REASONABLE AND PRUDENT JUDGMENT.
- INTERNATIONAL ACCOUNTING STANDARDS, AS APPLICABLE IN PAKISTAN, HAVE BEEN FOLLOWED IN THE PREPARATION OF FINANCIAL STATEMENTS.
- THE SYSTEM OF INTERNAL CONTROLS ARE SOUND AND HAVE BEEN EFFECTIVELY IMPLEMENTED AND MONITORED.

- THE BOARD IS SATISFIED THAT THE COMPANY IS PERFORMING WELL AS A GOING CONCERN UNDER THE CODE OF CORPORATE GOVERNANCE.
- THERE HAS BEEN NO MATERIAL DEPARTURE FROM THE BEST PRACTICES OF CORPORATE GOVERNANCE AS DETAILED IN THE LISTING REGULATIONS OF THE STOCK EXCHANGES.
- KEY OPERATING AND FINANCIAL DATA FOR THE LAST SIX YEARS IS ANNEXED.
- THERE ARE NO STATUTORY PAYMENTS ON ACCOUNT OF TAXES, DUTIES, LEVIES AND CHARGES WHICH ARE OUTSTANDING AS ON DECEMBER 31, 2006 EXCEPT FOR THOSE DISCLOSED IN THE FINANCIAL STATEMENTS.
- THE VALUE OF THE PROVIDENT FUND INVESTMENTS AS ON DECEMBER 31, 2006 WAS Rs.42.795 MILLION (DECEMBER 31, 2005: 33.547 MILLION)
- NO MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF YOUR COMPANY HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS BALANCE SHEET RELATES AND THE DATE OF THE DIRECTORS' REPORT.

### DIVIDEND

THE DIRECTORS ARE PLEASED TO RECOMMEND PAYMENT OF CASH DIVIDEND @ 11 % (I.E. Rs. 1.10 PER SHARE) TO THE ORDINARY SHAREHOLDERS OF THE COMPANY SUBJECT TO THE APPROVAL OF THE MEMBERS OF THE COMPANY IN THEIR MEETING SCHEDULED FOR JUNE 28, 2007.

THE COMPANY HAS ALREADY PAID INTERIM PREFERRED DIVIDEND TO THE PREFERENCE SHAREHOLDERS FOR THE SECOND YEAR ENDING SEPTEMBER 24, 2006 @ 8.95% (I,E Rs.0.895 PER SHARE). THE SAID INTERIM DIVIDEND WILL BE RECOMMENDED AS FINAL DIVIDEND TO THE PREFERENCE SHAREHOLDERS FOR THE SECOND YEAR ENDING SEPTEMBER 24, 2006.









## DIRECTORS' REPORT

### BOARD OF DIRECTORS

THE BOARD OF DIRECTORS OF THE COMPANY IS PREDOMINANTLY INDEPENDENT WHICH ENSURES TRANSPARENCY AND GOOD CORPORATE GOVERNANCE. THE BOARD COMPRISES FIVE NON EXECUTIVE DIRECTORS INCLUDING THE CHAIRMAN AND TWO EXECUTIVE DIRECTORS (INCLUDING THE CHIEF EXECUTIVE OFFICER). THESE NON EXECUTIVE DIRECTORS HAVE HAD VAST EXPERIENCE OF BUSINESS, GOVERNMENT AND JUDICIARY; HENCE THEY CONTRIBUTE VALUABLE INPUTS AND ENSURE THAT THE COMPANY IS OPERATING ON WORLD CLASS PRINCIPLES OF LEGAL AND CORPORATE COMPLIANCE.

NINE MEETINGS OF THE BOARD OF DIRECTORS WERE HELD DURING THE PERIOD UNDER REVIEW. ATTENDANCE BY EACH DIRECTOR IS AS FOLLOWS:

NAME OF DIRECTOR	ELIGIBILITY	ATTENDED
MR. MUEEN AFZAL	9	8
MR. AHMED H. SHAIKH	9	9
CHIEF JUSTICE (R)		
MIAN MAHBOOB AHMAD	9	8
MR. AEHSUN M. H. SHAIKH	9	9
MR. ALI JEHANGIR SIDDIQUI	9	8
MR. KHALID A.H. AL-SAGAR	9	-
MR. MOHAMMED KHAISHGI	9	2

LEAVE OF ABSENCE WAS GRANTED TO THE MEMBERS WHO COULD NOT ATTEND THE MEETINGS.

### AUDIT COMMITTEE

THE AUDIT COMMITTEE OPERATES WITH A MANDATE OF MONITORING COMPLIANCE WITH RELEVANT STATUTORY PROVISIONS INCLUDING THE CODE OF CORPORATE GOVERNANCE. ITS RESPONSIBILITIES INCLUDE, INTER ALIA, ENSURING TRANSPARENT AND SOUND INTERNAL AUDIT AND CONTROL SYSTEMS, ACCOUNTING SYSTEM AND REPORTING STRUCTURE. MOREOVER IT IS ALSO ENTRUSTED WITH A DUTY OF SAFEGUARDING COMPANY'S ASSETS., IT CONDUCTS PRELIMINARY REVIEW OF BUSINESS PLANS, QUARTERLY, HALF-YEARLY AND ANNUAL RESULTS AND MAKE APPROPRIATE RECOMMENDATIONS TO THE BOARD.

THE AUDIT COMMITTEE COMPRISES OF FIVE MEMBERS WITH FOUR NON EXECUTIVE DIRECTORS AS MEMBERS AND ONE EXECUTIVE DIRECTOR. THE COMMITTEE MET FIVE TIMES DURING THE PERIOD UNDER REVIEW. THE NAMES OF ITS MEMBERS ARE PROVIDED IN THE COMPANY'S INFORMATION.

### INTERNAL AUDIT FUNCTION

THE BOARD HAS IMPLEMENTED A SOUND AND EFFECTIVE INTERNAL CONTROL SYSTEM INCLUDING OPERATIONAL, FINANCIAL AND COMPLIANCE CONTROLS TO CARRY ON THE BUSINESS OF THE COMPANY IN A CONTROLLED ENVIRONMENT IN AN EFFICIENT MANNER TO ADDRESS THE COMPANY'S BASIC OBJECTIVES.





INTERNAL AUDIT FINDINGS ARE REVIEWED BY THE AUDIT COMMITTEE, WHERE NECESSARY, ACTION TAKEN ON THE BASIS OF RECOMMENDATIONS CONTAINED IN THE INTERNAL AUDIT REPORTS.

#### HUMAN CAPITAL

THE COMPANY RECOGNIZES THAT ITS HUMAN RESOURCE IS ITS MOST VALUABLE ASSET.

THE BOARD REMAINS COMMITTED TO ENSURING THAT ALL EMPLOYEES ARE TREATED WITH DIGNITY AND RESPECT, AND THAT THE WORKING ENVIRONMENT IS ONE WHERE EACH EMPLOYEE'S CONTRIBUTION IS RECOGNIZED AND VALUED. TO MOTIVATE THE EMPLOYEES, THE COMPENSATION AND BENEFITS ARE LINKED TO INDIVIDUAL AND GROUP PERFORMANCES, WHICH ARE NOW BEING EVALUATED THROUGH WELL IMPLEMENTED PERFORMANCE APPRAISAL SYSTEM.

#### INFORMATION TECHNOLOGY

THE COMPANY IS IN THE PROCESS OF DEVELOPING AND UPGRADING ITS MANAGEMENT INFORMATION SYSTEMS. IT INFRASTRUCTURE HAS BEEN SET UP UTILIZING STATE OF THE ART EQUIPMENT AND HIGH SPEED RADIO LINK WITH THE HEAD OFFICE AND MANGA SITE.

THE IMPLEMENTATION OF THE FIRST PHASE OF THE IMPLEMENTATION OF ORACLE FINANCIALS APPLICATION HAS BEEN COMPLETED AFTER PARALLEL PROCESSING AND THROUGH TESTING OF THE APPLICATION PROCESSING SYSTEM DURING THE YEAR. THE COMPANY PLANS TO IMPLEMENT PRODUCTION MANAGEMENT, INVENTORY, HUMAN RESOURCE AND PAYROLL MODULES IN THE NEXT PHASE TO ENABLE EASIER FLOW OF INFORMATION, IMPROVE SHARING AND DECISION MAKING.



#### SAFETY, HEALTH AND ENVIRONMENT

THE COMPANY STRICTLY COMPLIES WITH THE RULES, REGULATIONS AND STANDARDS OF HEALTH, SAFETY AND ENVIRONMENT.. THE COMPANY'S SAFE OPERATIONS ARE CERTIFIED BY VARIOUS INTERNATIONAL ACCREDITING AGENCIES INCLUDING ISO 9000 AND ISO 14001. WE CONDUCT REGULAR SESSIONS ON SAFETY AWARENESS DUE TO WHICH NO MAJOR ACCIDENT WAS REPORTED DURING THE YEAR.

#### CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS FOLLOWING SUBSIDIARY COMPANIES ARE ALSO INCLUDED IN THIS REPORT.

- PAK AMERICAN FERTILIZERS LIMITED
- NAFEEES INTERNATIONAL TEKSTIL SANAYS VE TICARET ANONIM SIRKET
- AZSOFT (PRIVATE) LIMITED

## DIRECTORS' REPORT

### AUDITORS

MESSRS RAHMAN SARFARAZ RAHIM IQBAL RAFIQ & COMPANY, CHARTERED ACCOUNTANTS COMPLETED THEIR TENURE OF APPOINTMENT AND BEING ELIGIBLE HAVE OFFERED THEIR SERVICES FOR ANOTHER TERM. THE AUDIT COMMITTEE AND THE BOARD HAS ALSO RECOMMENDED THEIR RE-APPOINTMENT AS EXTERNAL AUDITORS OF THE COMPANY FOR THE NEXT FINANCIAL YEAR 2007.

### SHAREHOLDING PATTERN

THE SHAREHOLDING PATTERN AS AT DECEMBER 31, 2006 INCLUDING THE INFORMATION UNDER THE CODE OF CORPORATE GOVERNANCE, FOR ORDINARY AND PREFERENCE SHARES, IS ANNEXED WEB PRESENCE

ANNUAL AND PERIODICAL FINANCIAL STATEMENTS OF THE COMPANY ARE ALSO AVAILABLE ON THE AZGARD9 WEBSITE FOR INFORMATION OF THE SHAREHOLDERS AND OTHERS.

### ACKNOWLEDGEMENT

THE BOARD WOULD LIKE TO AVAIL THIS OPPORTUNITY TO THANK OUR VALUED CUSTOMERS AND THE FINANCIAL INSTITUTIONS WHOSE FAITH AND SUPPORT OVER THE YEARS HAS FOSTERED A MUTUALLY BENEFICIAL RELATIONSHIP WHICH HAS PLAYED A PIVOTAL ROLE IN THE GROWTH OF THE BUSINESS.

THE BOARD ALSO WISHES TO PLACE ON RECORD ITS APPRECIATION FOR THE EMPLOYEES OF THE COMPANY. ALL THIS HAS BEEN POSSIBLE WITH THERE HARD WORK AND COMMITMENT.

ON BEHALF OF THE BOARD

LAHORE

CHIEF EXECUTIVE OFFICER

APRIL 28, 2007

