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COMPANY INFORMATION

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

COMPANY SECRETARY
Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER
Mr. Abid Amin

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

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

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

HUMAN RESOURCE COMMITTEE
Mr. Ahmed H. Shaikh
Mr. Aehsun M.H. Shaikh
Mr. Salim Khan
BANKERS
JS Bank Limited
MCB Bank Limited
Citibank N.A.
ABN Amro Bank
Faysal Bank Limited
Habib Bank Limited
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited
PICIC Commercial Bank Limited
The Hong Kong and Shanghai Banking Corporation
United Bank Limited
Standard Chartered Bank
Habib Bank AG Zurich
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
My Bank Limited
KASB Bank Limited

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

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

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

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
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

#### Operating Performance (Rs. 000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales–Net</th>
<th>Export Sales–Gross</th>
<th>Local Sales–Gross</th>
<th>Gross Profit</th>
<th>Operating Profit</th>
<th>Profit before Tax</th>
<th>Profit after Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>4,889,682</td>
<td>4,128,679</td>
<td>754,303</td>
<td>1,186,321</td>
<td>795,030</td>
<td>1,260,084</td>
<td>1,144,515</td>
</tr>
<tr>
<td>2005</td>
<td>4,422,472</td>
<td>3,832,201</td>
<td>750,217</td>
<td>1,133,686</td>
<td>813,063</td>
<td>792,137</td>
<td>741,294</td>
</tr>
<tr>
<td>2004</td>
<td>3,160,780</td>
<td>1,657,688</td>
<td>1,646,344</td>
<td>720,001</td>
<td>1,057,758</td>
<td>921,737</td>
<td>646,103</td>
</tr>
<tr>
<td>2003</td>
<td>2,428,127</td>
<td>1,616,709</td>
<td>1,072,293</td>
<td>646,103</td>
<td>754,073</td>
<td>1,358,025</td>
<td>1,332,171</td>
</tr>
<tr>
<td>2002</td>
<td>1,931,118</td>
<td>1,314,025</td>
<td>764,043</td>
<td>493,389</td>
<td>350,713</td>
<td>742,440</td>
<td>543,389</td>
</tr>
<tr>
<td>2001</td>
<td>1,257,106</td>
<td>1,127,941</td>
<td>178,412</td>
<td>308,630</td>
<td>204,117</td>
<td>308,630</td>
<td>308,630</td>
</tr>
</tbody>
</table>

#### Financial Position (Rs. 000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share Capital</th>
<th>Share Premium</th>
<th>Capital Reserve</th>
<th>Unappropriated Profit / (accumulated Loss)</th>
<th>Surplus on revaluation of fixed assets</th>
<th>Non–Participatory Redeemable Capital - Secured</th>
<th>Long term Liabilities (leases &amp; LT deposits)</th>
<th>Deferred Liabilities (Staff Gratuity)</th>
<th>Minority Interest</th>
<th>Shares Deposit Money</th>
<th>Shares</th>
<th>Long term Liabilities</th>
<th>Current Liabilities</th>
<th>Current Assets</th>
<th>Total Capital Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,737,309</td>
<td>71,658</td>
<td>31,574</td>
<td>952,462</td>
<td>278,944</td>
<td>2,678,233</td>
<td>43,082</td>
<td>-</td>
<td>-</td>
<td>276,944</td>
<td>6,681,758</td>
<td>363,082</td>
<td>5,681,051</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>1,737,309</td>
<td>750,217</td>
<td>331,674</td>
<td>412,400</td>
<td>791,614</td>
<td>755,000</td>
<td>1,492,910</td>
<td>-</td>
<td>-</td>
<td>306,565</td>
<td>3,222,758</td>
<td>360,650</td>
<td>3,045,605</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>868,654</td>
<td>1,056,433</td>
<td>255,709</td>
<td>161,711</td>
<td>701,846</td>
<td>1,428,656</td>
<td>1,572,933</td>
<td>-</td>
<td>-</td>
<td>1,352,489</td>
<td>4,282,306</td>
<td>1,605,929</td>
<td>2,927,753</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>868,654</td>
<td>1,143,675</td>
<td>107,368</td>
<td>92,057</td>
<td>971,846</td>
<td>1,428,656</td>
<td>1,072,933</td>
<td>-</td>
<td>-</td>
<td>1,352,489</td>
<td>2,882,306</td>
<td>444,209</td>
<td>2,333,753</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>319,057</td>
<td>143,675</td>
<td>105,152</td>
<td>(312,468)</td>
<td>1,947,302</td>
<td>1,428,656</td>
<td>1,072,933</td>
<td>-</td>
<td>-</td>
<td>1,352,489</td>
<td>1,719,710</td>
<td>721,899</td>
<td>1,428,656</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Profitability Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Profit to Sales (%)</th>
<th>Operating Profit to Sales (%)</th>
<th>Profit before Tax to Sales (%)</th>
<th>Profit after Tax to Sales (%)</th>
<th>Return on Capital Employed (%)</th>
<th>Return on Equity (%)</th>
<th>Earnings per Share (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>22.78</td>
<td>18.88</td>
<td>12.61</td>
<td>11.98</td>
<td>13.44</td>
<td>21.98</td>
<td>3.91</td>
</tr>
<tr>
<td>2002</td>
<td>25.55</td>
<td>18.16</td>
<td>7.58</td>
<td>8.29</td>
<td>15.93</td>
<td>16.24</td>
<td>6.57</td>
</tr>
<tr>
<td>2001</td>
<td>24.55</td>
<td>15.42</td>
<td>4.92</td>
<td>4.50</td>
<td>13.95</td>
<td>15.73</td>
<td>7.72</td>
</tr>
</tbody>
</table>

#### Financial Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Charges to Sales (%)</th>
<th>Current Ratio (Times)</th>
<th>Debt to Equity (Ratio)</th>
<th>Leverage Ratio (Times)</th>
<th>Breakup Value per Share (Rs.)</th>
<th>Inventory Turnover (Times per Year)</th>
<th>Fixed Assets Turnover (Times)</th>
<th>Interest Cover (Times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>13.27</td>
<td>1.21</td>
<td>40.60</td>
<td>1.46</td>
<td>24.89</td>
<td>1.83</td>
<td>0.73</td>
<td>2.96</td>
</tr>
<tr>
<td>2005</td>
<td>10.21</td>
<td>1.21</td>
<td>48.52</td>
<td>2.13</td>
<td>19.41</td>
<td>1.90</td>
<td>1.04</td>
<td>2.85</td>
</tr>
<tr>
<td>2004</td>
<td>10.75</td>
<td>1.45</td>
<td>30.70</td>
<td>1.24</td>
<td>15.22</td>
<td>1.79</td>
<td>1.20</td>
<td>4.35</td>
</tr>
<tr>
<td>2003</td>
<td>1.12</td>
<td>1.12</td>
<td>37.63</td>
<td>1.99</td>
<td>18.55</td>
<td>1.79</td>
<td>1.14</td>
<td>2.41</td>
</tr>
<tr>
<td>2002</td>
<td>0.98</td>
<td>1.12</td>
<td>28.72</td>
<td>1.54</td>
<td>15.90</td>
<td>1.79</td>
<td>1.33</td>
<td>2.41</td>
</tr>
<tr>
<td>2001</td>
<td>1.51</td>
<td>1.21</td>
<td>57.43</td>
<td>3.26</td>
<td>13.96</td>
<td>1.79</td>
<td>1.86</td>
<td>1.51</td>
</tr>
</tbody>
</table>
Financial Highlights

Profit as Percentage of Sales

Gross Sales

Operating Performance

Interest coverage & Financial leverage

EPS (Rs.)

Break up value per share (Rs.)

Capital Mix

Return on Equity & Capital employed
Distribution of Revenue

<table>
<thead>
<tr>
<th>Wealth Generated</th>
<th>Rupees</th>
<th>% age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales - Net</td>
<td>6,504,962,162</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>71,554,190</td>
<td></td>
</tr>
<tr>
<td>Bought in material and services</td>
<td>(3,173,395,365)</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------</td>
<td>-------</td>
</tr>
<tr>
<td>Wealth distribution/allocation</td>
<td>3,403,120,987</td>
<td>100%</td>
</tr>
</tbody>
</table>

Wealth distribution/allocation

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: 151,267,383 (40%)
Dividend on preference shares: 59,225,581 (24%)
Charges on Borrowed Funds: 1,187,223,953 (34%)

Profit retained: 1,144,514,722 (34%)

Total Wealth generated: 3,403,120,987

Total Assets
Fixed Assets: 40%
Intangible Assets: 33%
Long Term Investments: 27%
Current Assets: 0%

Shareholders’ Equity and Liabilities
Shareholders’ Equity: 48%
Long Term Liabilities: 29%
Current Liabilities: 23%
ENTITY RATING FROM PACRA
(Pakistan Credit Rating Agency Ltd.)

Long Term A (Single A)
Short Term A1 (Single A One)

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 namely 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; (MUHAMMAD IJAZ HAIDER)
   June 06, 2007 Company Secretary
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 shareholder entitled to attend and vote at this meeting may appoint another shareholder 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. Shareholders 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 along with the form of proxy. Representative of corporate members should bring the usual documents required for such purpose.

6. Shareholders 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.**

<table>
<thead>
<tr>
<th>I.</th>
<th>(a) Name of Investee Company</th>
<th>Pak American Fertilizers Limited (&quot;PAFL&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(b) Amount of Loan</td>
<td>Not in excess of PKR 9 Billion</td>
</tr>
<tr>
<td></td>
<td>(c) Purpose of Loan</td>
<td>To re-profile its debt structure in an efficient manner.</td>
</tr>
<tr>
<td></td>
<td>(d) Details of any existing / written off loan</td>
<td>None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II.</th>
<th>Brief about the financial position of Investee Company (PAFL) on the basis of last published financial statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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-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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III.</th>
<th>Rate of mark-up to be charged</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 % above the financial cost of bonds as discussed under point V below.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IV.</th>
<th>Particulars of collateral security to be obtained from borrower; if not needed, the justification thereof</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>V.</th>
<th>Source of funds from where loan or advance will be given</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VI.</th>
<th>Repayment schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VII.</th>
<th>Benefits likely to accrue to the company and the shareholders from the loan and advances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

**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:

<table>
<thead>
<tr>
<th>Financial Results</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(12-Months)</td>
<td>(15 Months)</td>
</tr>
<tr>
<td>Sales-Net</td>
<td>4,889,681,966</td>
<td>4,422,472,357</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>795,030,222</td>
<td>813,063,411</td>
</tr>
<tr>
<td>Financial Charges</td>
<td>648,649,925</td>
<td>290,508,556</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>1,260,083,804</td>
<td>792,136,936</td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>1,144,514,722</td>
<td>741,293,665</td>
</tr>
</tbody>
</table>

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.
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 an 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:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Eligibility</th>
<th>Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Mueen Afzal</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Mr. Ahmed H. Shaikh</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Chief Justice (R)</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Mian Mahboob Ahmad</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Mr. Aehsun M. H. Shaikh</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Mr. Ali Jehangir Siddiqui</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Mr. Khalid A.H. Al-Sagar</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td>Mr. Mohammed Khaishgi</td>
<td>9</td>
<td>2</td>
</tr>
</tbody>
</table>

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
- Nafees 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 their hard work and commitment.

On behalf of the Board

Lahore Chief Executive Officer
April 28, 2007