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</tr>
</tbody>
</table>
CORPORATE 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 Khaiishgi

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. Andrea Malfanti
Mr. Per Fredriksson

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

HUMAN RESOURCE COMMITTEE
Mr. Ahmed H. Shaikh
Mr. Aehsun M.H. Shaikh
Mr. Salim Khan
BANKERS
MCB Bank Limited
Citi Bank 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 Ltd.
United Bank Limited
Union Bank Limited
Habib Bank AG Zurich
NIB Bank Limited
National Bank of Pakistan
Allied Bank Ltd.

LEGAL ADVISORS
Hamid Law Associates
Hassan & Hassan Advocates

AUDITORS
Rahman Sarfaraz & Co., Chartered Accountants

TAX ADVISORS
Ford Rhodes Sidat Hyder & Co., Chartered Accountants

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

PROJECT LOCATIONS

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

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

Unit III
20 Km Off Ferozpur Road,
6 Km Badian Road on Rohi Nala
Der Khurd, Lahore.
Ph: +92 (0)42 8460333, 8488862
## Annual Report 2005

### 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>2005</td>
<td>4,460,829</td>
<td>3,160,780</td>
<td>2,428,127</td>
<td>1,138,481</td>
<td>810,997</td>
<td>739,212</td>
<td>739,212</td>
</tr>
<tr>
<td>2004</td>
<td>3,870,557</td>
<td>1,657,688</td>
<td>1,314,025</td>
<td>720,001</td>
<td>533,436</td>
<td>378,677</td>
<td>378,677</td>
</tr>
<tr>
<td>2003</td>
<td>2,428,127</td>
<td>1,616,709</td>
<td>794,073</td>
<td>646,103</td>
<td>446,671</td>
<td>228,188</td>
<td>228,188</td>
</tr>
<tr>
<td>2002</td>
<td>1,931,118</td>
<td>1,314,025</td>
<td>794,073</td>
<td>493,389</td>
<td>350,713</td>
<td>146,321</td>
<td>146,321</td>
</tr>
<tr>
<td>2001</td>
<td>1,257,106</td>
<td>1,127,941</td>
<td>178,412</td>
<td>306,630</td>
<td>204,117</td>
<td>61,883</td>
<td>61,883</td>
</tr>
<tr>
<td>2000</td>
<td>1,079,985</td>
<td>219,100</td>
<td>219,100</td>
<td>306,630</td>
<td>219,100</td>
<td>56,583</td>
<td>56,583</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>Non-Participatory Redeemable Capital – Secured</th>
<th>Long term liabilities (leases &amp; LT deposits)</th>
<th>Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,737,309</td>
<td>71,658</td>
<td>331,702</td>
<td>953,108</td>
<td>2,678,233</td>
<td>117,652</td>
<td>4,888,110</td>
</tr>
<tr>
<td>2004</td>
<td>1,737,309</td>
<td>106,433</td>
<td>255,709</td>
<td>371,028</td>
<td>750,000</td>
<td>100,093</td>
<td>3,093,776</td>
</tr>
<tr>
<td>2003</td>
<td>868,654</td>
<td>143,675</td>
<td>107,368</td>
<td>1,281,408</td>
<td>650,000</td>
<td>150,093</td>
<td>2,511,851</td>
</tr>
<tr>
<td>2002</td>
<td>868,654</td>
<td>143,675</td>
<td>105,152</td>
<td>1,281,408</td>
<td>279,889</td>
<td>150,093</td>
<td>1,282,306</td>
</tr>
<tr>
<td>2001</td>
<td>319,057</td>
<td>143,675</td>
<td>–</td>
<td>(92,057)</td>
<td>2,798</td>
<td>–</td>
<td>928,870</td>
</tr>
<tr>
<td>2000</td>
<td>251,557</td>
<td>143,675</td>
<td>–</td>
<td>(310,468)</td>
<td>4,042</td>
<td>–</td>
<td>673,307</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>2005</td>
<td>25.52</td>
<td>18.18</td>
<td>17.71</td>
<td>16.57</td>
<td>18.32</td>
<td>21.92</td>
<td>7.40</td>
</tr>
<tr>
<td>2003</td>
<td>26.51</td>
<td>21.60</td>
<td>19.82</td>
<td>18.64</td>
<td>14.52</td>
<td>14.16</td>
<td>2.63</td>
</tr>
<tr>
<td>2002</td>
<td>25.55</td>
<td>18.16</td>
<td>18.16</td>
<td>16.24</td>
<td>12.33</td>
<td>13.46</td>
<td>2.63</td>
</tr>
<tr>
<td>2001</td>
<td>25.55</td>
<td>18.16</td>
<td>18.16</td>
<td>16.24</td>
<td>12.33</td>
<td>13.46</td>
<td>2.63</td>
</tr>
</tbody>
</table>

#### Financial Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Finance cost to sales (%)</th>
<th>Current ratio (times)</th>
<th>Interest cover (Rs.)</th>
<th>Breakup Value per Share (Rs.)</th>
<th>Inventory Turnover (times)</th>
<th>Quick ratio (times)</th>
<th>Leverage Ratio (times)</th>
<th>Debt to Equity (ratio)</th>
<th>Fixed Assets Turnover (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6.51</td>
<td>1.15</td>
<td>4.39</td>
<td>19.41</td>
<td>1.25</td>
<td>1.20</td>
<td>1.24</td>
<td>0.30</td>
<td>1.01</td>
</tr>
<tr>
<td>2004</td>
<td>3.91</td>
<td>1.24</td>
<td>2.41</td>
<td>16.22</td>
<td>1.02</td>
<td>1.14</td>
<td>1.33</td>
<td>0.37</td>
<td>1.22</td>
</tr>
<tr>
<td>2003</td>
<td>7.65</td>
<td>1.12</td>
<td>1.78</td>
<td>18.55</td>
<td>1.26</td>
<td>1.14</td>
<td>1.33</td>
<td>0.37</td>
<td>1.22</td>
</tr>
</tbody>
</table>
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
# Distribution of Revenue

## Wealth Distribution / Allocation

<table>
<thead>
<tr>
<th>To Employees</th>
<th>To Government</th>
<th>To Capital Providers</th>
<th>Profit Retained</th>
</tr>
</thead>
<tbody>
<tr>
<td>34%</td>
<td>28%</td>
<td>11%</td>
<td>27%</td>
</tr>
</tbody>
</table>

## Wealth Generated

<table>
<thead>
<tr>
<th>Rupees</th>
<th>% Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>100%</td>
</tr>
<tr>
<td>Sales - Net</td>
<td>4,460,828,929</td>
</tr>
<tr>
<td>Other income</td>
<td>305,852,832</td>
</tr>
<tr>
<td>Bought in material and services</td>
<td>(3,065,734,096)</td>
</tr>
</tbody>
</table>

### Wealth distribution/allocation

- **To Employees**
  - Salaries Wages and benefits: 483,226,644 (28%)
  - Including Workers (Profit) Participation fund
- **To Government**
  - Income Tax, Sales Tax, Custom duty: 187,588,950 (11%)
- **To Providers of Capital**
  - Cash dividend for 2004: 86,865,434
  - Dividend on preference shares: 77,744,563
  - Charges on Borrowed Funds: 290,509,378
  - Profit retained: 575,012,696 (34%)

### Wealth generated

1,700,947,665

## Shareholders’ Equity and Liabilities

<table>
<thead>
<tr>
<th>Shares</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>42%</td>
<td>32%</td>
</tr>
</tbody>
</table>

## Total Assets

<table>
<thead>
<tr>
<th>Assets</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Assets</td>
<td>53%</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>1%</td>
</tr>
<tr>
<td>Long Term Investments</td>
<td>26%</td>
</tr>
<tr>
<td>Current Assets</td>
<td>1%</td>
</tr>
</tbody>
</table>
Notice is hereby given that the 13th Annual General Meeting of AZGARD NINE LIMITED will be held on 28th April 2006 at 10.00 A.M at the Registered Office of the Company Aiwan-i-Science Off Shahrah-i-Roomi, Lahore to transact the following business:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on March 07, 2006.
2. To receive, consider and adopt the financial statements for the period ended December 31, 2005 (15 months) together with Directors’ and Auditors’ Reports thereon.
3. To approve cash dividend @15% (i.e. Rs.1.50 per ordinary share) as recommended by the Board and to approve interim dividend already paid to the Preference Shareholders @8.95% as final dividend for the first year ending on September 24, 2005.
4. To appoint auditors for the financial year ending December 31, 2006 and to fix their remuneration. The present Auditors M/s Rahman Sarfraz & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.
5. To transact any other business with the permission of the Chair.

By order of the Board

Javaid Iqbal
(Company Secretary)

NOTES:

1. The share transfer books of the Company will remain closed from April 22, 2006 to April 28, 2006. (both days inclusive).
2. The Preference Shareholders are not entitled to attend the meeting.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies, complete in every respect, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
4. Members who have not yet submitted photocopy of computerized National Identity Card (NIC) to the Company are requested to send the same at the earliest.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.
A. For Attending the Meeting

I. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his identity by showing his original NIC or original Passport at the time of attending the Meeting.

II. In case of corporate entity, the Board of Directors’ resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

I. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirements.

II. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

III. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

IV. The proxy shall produce his original NIC or original passport at the time of the Meeting.

V. In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
WE PULL TOGETHER TO POOL OUR RESOURCES AND ADD OUR EXPERIENCES.
2005 has certainly been a “Curve Ball” of a year as the expression goes. China, India and Pakistan were supposed to be the major beneficiaries post the removal of quotas under the WTO agreement.

Exports from China and India have grown in some garment categories by over 400%. However, the overall impact of the removal of quotas for Pakistan has been disappointing. In fact, exports from Pakistan have actually declined in some categories. While countries such as Bangladesh and Sri Lanka have really benefited far more than was expected. Sri Lanka is particularly doing better than expected after tariff barriers were lowered post Tsunami.

Regional and Global Business Environment:
Aazgard is now finally in a world of global competition. The opportunities are vast but, the challenges are equally daunting. We have created a base from which we can globalize the business. The challenge now is to:

• Manage growth.
• Become efficient benchmarked against the best in the world.

New projects such as:
• New Spinning plant
• New Denim plant
• New Garment plant

Should all come online this year boosting sales and earnings.

Our team’s key challenge is to now effectively and efficiently manage this growth.
Chief Executive's Review

Future Outlook

Our future outlook remains cautiously optimistic. The denim sector is in its cyclical down cycle and this will effect earnings growth. Interest rate and cotton prices are high and this will also have a dampening effect.

The company however, endeavors to diversify its business in line with its vision and mission. Our objective will of course remain to deliver maximum shareholder value.

Appreciation:

Once again I must thank and support all our stakeholders. It is their dedication and hard work day in, day out, that makes high performance possible.

I would like to thank all members of Azgard 9 Suppliers, Financers, Customers and Directors and particularly our mill workers who work very hard and get very little lime light.

We are a team we win together should we forget this then we shall sink together. With best wishes and all our prayers to make 2006 a milestone year for Azgard 9 through Teamwork.

Ahmed H. Shaikh
CEO
We are always building our strengths by efficient utilization of available resources.
The Board of Directors of Azgard Nine Limited is pleased to present the 13th Annual Report of your company’s performance during the period ended December 31, 2005.

Change of Financial Year

The Company has changed its financial year from 1st October – 30th September to 1st January – 31st December keeping in view globalization objectives. This has been done with the respective approvals of the CBR and the SECP. The financial statements for the period ended 1st October 2004 to 31st December 2005 (15 months) have been prepared consequent upon the above said change of financial year. Thus the comparative figures in profit & loss Account, cash flow statement, statement of changes in equity and related notes to the accounts are not comparable to the current period.

FINANCIAL HIGHLIGHTS

The Board of Directors feels immense pleasure to report another hallmark year in which your company has maintained consistent growth. The financial results are as follows:

<table>
<thead>
<tr>
<th>Financial Results</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>(15 months)</td>
<td>Rupees</td>
<td>Rupees</td>
</tr>
<tr>
<td>Sales-Net</td>
<td>4,460,828,929</td>
<td>3,160,780,433</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>810,997,218</td>
<td>533,435,665</td>
</tr>
<tr>
<td>Financial Charges</td>
<td>290,509,378</td>
<td>122,998,014</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>790,069,921</td>
<td>398,677,394</td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>739,212,044</td>
<td>377,004,016</td>
</tr>
</tbody>
</table>

Economic Environment

The economic environment was challenging in the view of the WTO agreements being operative. 2005 was the first year for global trade post WTO and quotas. The Textile and Apparel industries have been under pressure to reorganize their supply chains. Globally economies have been challenged by higher interest rates and high oil prices. Specific to Pakistan specific import duties were re-imposed on garments imparted into the European Union.

Highlights of Company Performance

Your Company has performed well. The company’s turnover has increased by 41.13%. Net margin has increased from 11.93% to 16.57%. The main factor has been the substantial decrease in cotton prices.

Earning Per Share

The earning per share of the company for the period ended December 31, 2005 was Rs 7.40 as compared to the previous year of Rs 4.33 showing an increase of
70.90%. The share price has gone to over Rs. 40. This has contributed to shareholder value.

**Corporate Governance & Financial Reporting Framework**

As required by the code of corporate governance, directors are pleased to report that:

- The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts 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 is sound and has been effectively implemented and monitored.
- The Board is satisfied that company is performing well as 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 exchange.
- 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, 2005 except for those disclosed in the financial statements.
- The value of provident fund investments as on December 31, 2005 was Rs.33.547 million (September 30, 2004: 32.777 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 @15% (i.e. Rs. 1.50 per share) to the ordinary shareholders of the Company. The Company has already paid interim preferred dividend to the Preference Shareholders for the first year ending September 24, 2005 @ 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 first year ending September 24, 2005.

Term Finance Certificates Issue

During the period under review the Company had issued a Prospectus for rated, listed, secured and convertible Term Finance Certificates (TFCs) comprising of Pre-IPO of Rs. 1,600 million, IPO of Rs 400 million with a green shoe option of Rs. 400 million. The instrument was rated “A+” (single A Plus) by the Pakistan Credit Rating Agency Limited (PACRA) & JCR-VIS Credit Rating Company Limited.

By the grace of the Almighty Allah the said IPO was oversubscribed by 36%. The Company has entertained all the applications by opting for the green shoe option and resultanty TFCs amounting to Rs. 2,143.67 million were issued on October 19, 2005.

Board of Directors

The Board of Directors is responsible for the overall governance and administration of the Company and encourages the shareholders to appoint the Directors and auditors to satisfy themselves that appropriate governance structure is in place. The Board comprises five non executive Directors including the Chairman while the Chief Executive represents executive directorship on the Board.

Seven 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>7</td>
<td>4</td>
</tr>
<tr>
<td>Mr. Ahmed H. Shaikh</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Chief Justice (R)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mian Mahboob Ahmad</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Mr. Aehsun M. H. Shaikh</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Mr. Ali Jehangir Siodiui</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Mr. Muhammad Mukarram*</td>
<td>5</td>
<td>4</td>
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<tr>
<td>Mr. Khalid A.H. Al-Sagar</td>
<td>7</td>
<td>1</td>
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<tr>
<td>Mr. Mohammed Khaishgi**</td>
<td>2</td>
<td>1</td>
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</tbody>
</table>

* Resigned on September 26, 2005
** Appointed on September 26, 2005

Leave of absence was granted to the members who could not attend the meetings.
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)
**Audit Committee**

The Audit Committee's role focuses on monitoring compliance with the best practices of the Code of Corporate Governance and relevant statutory requirements. Its responsibilities include monitoring the internal audit function, safeguarding Company's assets through appropriate internal control systems including financial and operational controls, accounting system and reporting structure, preliminary review of business plans and quarterly, half-yearly and annual results and recommendation relating to the appointment of external auditors prior to approval by the Board.

The Audit Committee comprises of five members and four members of Committee are non-executive Directors including its Chairman. The Committee met five times during the period under review. The names of its members are given 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 the most valuable asset for creating and delivering value for its stakeholders.

A scheme of Balance Score Card (performance based reward) has been introduced. Azgard 9’s intrinsic reward system is an excellent motivational factor for its employees. 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 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 company is utilizing Oracle Financials, which is a well known tool for financial systems. At the same time, systems are being developed in house that will be integrated with Oracle Financials to provide proper reporting and paper free environment with in the Company.
Our human capital is committed to customer satisfaction through quality and customized services.
SAFETY, HEALTH AND ENVIRONMENT

The Company strictly complies with the standards and follows the safety rules and regulations. Various sessions on safety awareness were held and no major accident was reported during the year. Management has maintained its strong commitment to a safe environment in all its operations throughout the year.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Company and its following subsidiary companies are also included in this report.

• Nafees International Tekstil Sanays Ve Ticaret Anonim Sirket
• Azsoft (Private) Limited

AUDITORS

Messrs Rahman Sarfraz & Company, Chartered Accountants being eligible have offered themselves for reappointment. The Audit Committee has also recommended their appointment as External Auditors of the Company for the next financial year 2006.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at December 31, 2005 including the information under the code of corporate governance for ordinary and preference shares are annexed.

CHIEF EXECUTIVE’S REVIEW

The directors endorse the contents of the Chief Executive’s Review which forms a part of the Director’s Report.

WEB PRESENCE

Annual and periodical financial statements of the Company are also available on the Azgard-9 website www.azgard9.com for information of the shareholders and others.

ACKNOWLEDGEMENT

Finally, The Board avail this opportunity to thank our valued customers and financial institutions whose faith and support over the years has fostered a mutually beneficial relationship which play a pivotal role in improving our products services and contributions to the economy.

The board also wishes to place on record its appreciation for the employees for their unswerving commitment and hard work and to the shareholders for the trust and confidence reposed in us.

On behalf of the Board

Lahore Chairman
March 28, 2006
We are confident that continued dynamic strategic planning and investment in state of the art technologies would enable us to achieve our objectives.
This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of Karachi stock exchange for the purpose of establishing a framework of good governance, whereby the Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. **The Company encourages representation of independent non-executive directors on its Board of Directors.** At present the Board of Directors includes five (5) non-executive directors.

2. **The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.**

3. **All the resident directors are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.**

4. **One Casual vacancy occurring in the Board was filled up by the Directors with in stipulated period thereof.**

5. **The Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the directors and employees of the Company.**

6. **The business operations of the Company are carried out in accordance with the Company’s Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.**

7. **All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and term and conditions of employment of the chief executive officer and executive director have been taken by the Board.**

8. **The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.**

9. **The Board arranged orientation courses from time to time for its directors during the year to apprise them of their duties and responsibilities.**
10. Chief Financial Officer, Company Secretary and Head of Internal Audit executed their responsibilities in accordance with the appointments approved by the Board including their remuneration and terms and conditions of employment, as determined by the Chief Executive.

11. The Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the Company, and as such fully aware of their duties and responsibilities.

12. The directors’ report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an audit committee. It comprises five members, of whom four are non-executive directors including the chairman of the committee.

17. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The term of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the code have been complied with.

Lahore
March 28, 2006

Chief Executive
Positioned for the future with focus on growth and efficiency