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Company Information

BOARD OF DIRECTORS

Mr. Aehsun M.H. Shaikh
Chairman
Mr. Ahmed H. Shaikh
Chief Executive
Mr. Nasir Ali Khan Bhatti
Mr. Usman Rasheed
Mr. Naseer Miyan
Mr. Yasir Habib Hashmi
Mr. Munir Alam

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Zahid Rafiq, FCA

AUDIT COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman
Mr. Aehsun M.H. Shaikh
Mr. Naseer Miyan

HR & REMUNERATION COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman
Mr. Ahmed H. Shaikh
Mr. Aehsun M.H. Shaikh

BANKERS

JS Bank Limited
MCB Bank Limited
Citibank N.A
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
KASB Bank Limited
Silk Bank Limited

BANKERS (Cont'd)

Summit Bank Limited
Al Baraka Bank Pakistan Limited
Askari Bank Limited
Barclays Bank Limited
Bank Al Habib Limited
Bank Al Falah Limited
Bank Islamic Pakistan
Habib Metropolitan Bank
Bank of Khyber

SHARES REGISTRAR

Hameed Majeed Associates (Private) Limited.
H.M. House, 7-Bank Square, Lahore.
Ph: +92(0)42 37235081-82
Fax: +92(0)42 37358817

LEGAL ADVISORS

Hamid Law Associates

AUDITORS

KPMG Taseer Hadi & 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 35761791

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 38460333, 38488862

Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Condensed Financial Report for the quarter ended 30 September 2013.

Principal Activities

The main business of your Company is the production and marketing of Denim focused Textile and Apparel products, ranging from raw cotton to retail ready goods. During this period, the Company maintained its position as one of the largest denim products Company by sales in Pakistan.

Following are the operating financial results of Azgard Nine Limited (Stand alone):

	Quarter ended 30 September 2013	Quarter ended 30 September 2012
Sales - Net	3,379,888,614	3,322,199,861
Operating loss	(54,228,857)	(475,851,142)
Finance cost	(433,804,134)	(747,378,584)
Loss before tax	(437,807,282)	(1,224,683,026)
Loss after tax	(471,377,043)	(1,258,002,325)
Loss per share	(1.036)	(2.766)

Following are the results of Azgard Nine Limited including subsidiaries (consolidated):

	Quarter ended 30 September 2013	Quarter ended 30 September 2012
Sales - Net	3,460,435,855	3,397,286,512
Operating loss	(8,693,887)	(488,030,477)
Finance cost	(435,684,619)	(739,820,075)
Loss before tax	(394,152,797)	(1,236,675,583)
Loss after tax	(427,722,558)	(1,269,994,882)
Loss per share		
- continuing operations	(0.940)	(2.790)
- discontinuing operations	-	(1.940)

Review of business during this quarter

During this quarter, on restructuring side, the Company has been working rigorously to accomplish 2nd restructuring. The lenders banks have shown confidence on the Company. We have been working as a team to achieve the desired results from this 2nd round of restructuring. Being a complex transaction, alternative methods to complete this task are under consideration. Hopefully everyone who is part of this restructuring will get benefits after its completion.

On our operations side, receipt of Rs. 700 million for working capital is still eagerly awaited. Due to this issue, there is shortage of working capital. The Company continues to run at sub-optimum levels due to this shortage. In addition to this shortage, the Company has faced other challenges such as power outages and extreme increase in input costs. In order to counter these increases, the Company has been working very hard on cost cutting. These initiatives have reduced our expenses substantially. Due to these reductions, your Company has become cash positive after a very long time.

Directors' Review

Future Outlook of our business

The Company's management is focused to turnaround the operations of the Company. The management is waiting for the receipt of working capital and completion of 2nd restructuring. Once this is complete, results are expected to improve.

on behalf of the Board

Lahore
31 October 2013



Chief Executive Officer

**Condensed
Interim
Unconsolidated
Financial
Information**

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 30 September 2013

	Note	30 September 2013 Rupees (Un-Audited)	30 June 2013 Rupees (Audited)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital		4,548,718,700	4,548,718,700
Reserves		3,417,652,380	3,417,653,853
Accumulated loss		(7,144,160,849)	(6,704,086,654)
		822,210,231	1,262,285,899
Surplus on revaluation of fixed assets		3,439,284,433	3,470,587,281
Non-current liabilities			
Redeemable capital - secured	5	4,229,068,451	4,563,334,050
Long term finances - secured	6	1,740,692,084	1,646,718,198
		5,969,760,535	6,210,052,248
Current liabilities			
Current portion of non-current liabilities		1,238,605,116	832,991,069
Short term borrowing		4,800,825,473	4,819,186,842
Trade and other payables		2,639,238,546	2,526,245,640
Interest / mark-up accrued on borrowings		1,628,504,875	1,501,702,254
Current taxation		40,007,195	39,252,658
Dividend payable		13,415,572	13,415,572
		10,360,596,777	9,732,794,035
Contingencies and commitments	7	20,591,851,976	20,675,719,463
ASSETS			
Non-current assets			
Property, plant and equipment		12,841,418,712	12,953,017,078
Intangible assets		651,205	1,302,407
Long term investments		1,726,764,993	1,726,766,466
Long term deposits - unsecured, considered good		24,499,376	24,477,987
		14,593,334,286	14,705,563,938
Current assets			
Stores, spares and loose tools		110,065,368	130,970,353
Stock-in-trade		2,115,616,049	2,211,143,101
Trade receivables		2,355,086,927	2,149,837,255
Advances, deposits, prepayments and other receivables		624,141,580	629,344,302
Due from related party		25,037,968	16,600,910
Short term investments		700,000,000	700,000,000
Cash and bank balances		68,569,798	132,259,604
		5,998,517,690	5,970,155,525
		20,591,851,976	20,675,719,463

The annexed notes 1 to 12 form an integral part of this condensed interim unconsolidated financial information.

Lahore



CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

For the quarter ended 30 September 2013

	01 July 2013 30 September 2013	01 July 2012 30 September 2012
Note	Rupees <i>(Un-audited)</i>	Rupees <i>(Un-audited)</i>
Sales - net	3,379,888,614	3,322,199,861
Cost of sales	(3,174,184,242)	(3,446,494,981)
Gross profit / (loss)	205,704,372	(124,295,120)
Selling and distribution expenses	(148,247,304)	(202,123,747)
Administrative expenses	(111,685,925)	(149,432,275)
Loss from operations	(54,228,857)	(475,851,142)
Net other income	50,225,709	(1,453,299)
Finance cost	(433,804,134)	(747,378,584)
Loss before taxation	(437,807,282)	(1,224,683,026)
Taxation	(33,569,761)	(33,319,299)
Loss after taxation	(471,377,043)	(1,258,002,325)
Loss per share - basic and diluted	(1.036)	(2.766)

The annexed notes 1 to 12 form an integral part of this condensed interim unconsolidated financial

Condensed Interim Unconsolidated Statement of Comprehensive income (Un-audited)
For the quarter ended 30 September 2013

	01 July 2013 30 September 2013	01 July 2012 30 September 2012
	Rupees	Rupees
	<i>(Un-audited)</i>	<i>(Un-audited)</i>
Loss after taxation	(471,377,043)	(1,258,002,325)
Other comprehensive (loss) / income for the period:		
Changes in fair value of available for sale financial assets	(1,473)	5,352
	(1,473)	5,352
Total comprehensive loss for the period	(471,378,516)	(1,257,996,973)

The annexed notes 1 to 12 form an integral part of this condensed interim unconsolidated financial information.

Condensed Interim Unconsolidated Cash flow Statement (Un-audited)

For the quarter ended 30 September 2013

	01 July 2013 30 September 2013 Rupees <i>(Un-audited)</i>	01 July 2012 30 September 2012 Rupees <i>(Un-audited)</i>
Cash flow from operating activities		
Loss before taxation	(437,807,282)	(1,224,683,024)
Adjustments	543,019,891	768,309,816
Operating profit/(loss) before working capital changes	105,212,609	(456,373,208)
Changes in working capital	30,002,806	391,140,498
Cash generated from/(used in) operations	135,215,415	(65,232,710)
Payments for:		
Interest / mark-up paid	(131,948,231)	(13,823,866)
Taxes paid	(32,815,224)	(33,233,383)
Long term deposits	(21,389)	387,200
Net cash (used in) operating activities	(29,569,428)	(111,902,759)
Cash flows from investing activities		
Capital expenditure	(12,066,655)	(29,750,210)
Proceeds from disposal of fixed assets	1,357,551	1,042,772
Return on investments	-	4,764,676
Net cash (used in) investing activities	(10,709,104)	(23,942,762)
Cash flows from financing activities		
Liabilities against assets subject to finance lease	(5,049,904)	(3,711,070)
Short term borrowings	(18,361,369)	20,161,237
Net cash (used in) / generated from financing activities	(23,411,274)	16,450,167
Net decrease in cash and cash equivalents	(63,689,806)	(119,395,354)
Cash and cash equivalents at the beginning of period	132,259,604	289,721,743
Cash and cash equivalents at the end of period	68,569,798	170,326,389

The annexed notes 1 to 12 form an integral part of this condensed interim unconsolidated financial information.

Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For the quarter ended 30 September 2013

	Capital reserves				Revenue reserves		Total equity Rupees	
	Issued, subscribed and paid-up capital Rupees	Share premium Rupees	Reserve on merger Rupees	Preference share redemption reserve Rupees	Available for sale financial assets Rupees	Accumulated loss Rupees		Total reserves Rupees
As at 01 July 2012	4,548,718,700	2,358,246,761	105,152,005	661,250,830	4,591,515,736	(7,793,719,801)	(77,554,469)	4,471,164,231
Total comprehensive income for the year	-	-	-	-	-	(1,258,002,325)	(1,258,002,325)	(1,258,002,325)
Loss for the quarter ended 30 September 2012	-	-	-	-	-	-	-	-
Other comprehensive income for the quarter ended 30 September 2012	-	-	-	-	5,352	-	5,352	5,352
Total comprehensive loss for the quarter ended 30 September 2012	-	-	-	-	5,352	(1,258,002,325)	(1,257,996,973)	(1,257,996,973)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	29,930,550	29,930,550	29,930,550
As at 30 September 2012	4,548,718,700	2,358,246,761	105,152,005	661,250,830	4,591,521,088	(9,021,791,576)	(1,305,620,892)	3,243,097,808
As at 01 July 2013	4,548,718,700	2,358,246,761	105,152,005	661,250,830	293,004,257	(6,704,086,654)	(3,286,432,801)	1,262,285,899
Total comprehensive income for the year	-	-	-	-	-	(471,377,043)	(471,377,043)	(471,377,043)
Loss for the quarter ended 30 September 2013	-	-	-	-	-	-	-	-
Other comprehensive loss for the quarter ended 30 September 2013	-	-	-	-	(1,473)	-	(1,473)	(1,473)
Total comprehensive loss for the quarter ended 30 September 2013	-	-	-	-	(1,473)	(471,377,043)	(471,378,516)	(471,378,516)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	31,302,848	31,302,848	31,302,848
As at 30 September 2013	4,548,718,700	2,358,246,761	105,152,005	661,250,830	293,002,784	(7,144,160,849)	(3,726,508,469)	822,210,231

The annexed notes 1 to 12 form an integral part of this condensed interim unconsolidated financial information.



Lahore

CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2013

1 Status and nature of business

Azgard Nine Limited ("the Company") was incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture and sale of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 K.M off Manga, Raiwand Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 K.M off Ferozpur Road, 6 K.M Bandian Road on Ruhi Nala, Der Khud, Lahore.

2 Basis of preparation

2.1 Statement of compliance

This condensed interim unconsolidated financial report of the Company for the three months period ended 30 September 2013 has been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2013.

This condensed interim unconsolidated financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

2.2 Going concern assumption

The Company in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. During the quarter, because of constraints in the availability of funds, installed operational capacities could not be achieved due to unavailability of sufficient working capital. Had the Company been able to make timely purchases of raw materials the cost of sales would have been lower.

Due to the above mentioned reasons, its current liabilities exceeded its current assets by Rs. 4,326.079 million, including Rs. 2,195.233 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 7,144.160 million. These conditions cast a significant doubt about the Company's ability to continue as a going concern. These financial statements have however, been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the measures as explained in the succeeding paragraph and expectation of future profitability and positive cash flows from operating activities.

As a part of the second restructuring, the management of the Company intends to sell certain low performing assets, debt restructuring and divestment of its remaining shareholding of Rs. 700.000 million in AGL to achieve better liquidity. With these proposed measures, the management of the Company envisages that sufficient financial resources will be available for continuing operations of the Company. With repayment of long term debt there will be a positive impact on reduction of finance costs and with more effective management of resources and raw material procurement, the Company is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited) *For the quarter ended 30 September 2013*

2.3 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 10. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 6,827.300 million have been classified as long term as per the repayment schedules in the financial statements as the management considers that event of default has not been declared by the lenders and also because of the fact that during the year the Company has commenced discussions with its lenders for reprofiling of its long term debts .

3 Estimates

The preparation of the condensed interim unconsolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Provisions and contingencies
- Fair value of investment in subsidiaries

4 Significant accounting policies

- 4.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of the financial statements for the year ended 30 June 2013.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the quarter ended 30 September 2013

	30 September 2013	30 June 2013
	Rupees	Rupees
	<i>(Un-Audited)</i>	<i>(Audited)</i>
5 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Term Finance Certificates - IV	1,083,768,528	1,083,768,528
Term Finance Certificates - V	527,682,637	527,682,637
Privately Placed Term Finance Certificates - VI	3,218,670,000	3,218,670,000
Privately Placed Term Finance Certificates	326,456,184	326,456,184
Privately Placed Term Finance Certificates	217,200,000	217,200,000
	6,024,844,185	5,807,644,185
Deferred notional income	(781,958,102)	(856,485,545)
Transaction cost	(54,539,861)	(57,772,282)
	5,188,346,222	4,893,386,358
Less: Amount shown as current liability		
Amount payable within next twelve months	(959,277,771)	(547,252,308)
	4,229,068,451	4,346,134,050
6 Long term finances		
Deutsche Investitions - Und MBH (Germany)	1,000,914,116	907,054,269
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A	567,539,663	567,539,466
HSBC Middle East Limited	249,602,579	255,602,579
	1,861,307,512	1,773,447,469
Transaction costs	(21,042,139)	(21,944,566)
	1,840,265,374	1,751,502,903
Amount shown as current liability		
Amount payable within next twelve months	(99,573,290)	(104,784,705)
	1,740,692,084	1,646,718,198

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2013

7 Contingencies and commitments

7.1 Contingencies

7.1.1 There is no material change in the contingencies from preceding audited published financial statements of the Company for the year ended 30 June 2013.

7.2 Commitments

	30 September 2013	30 June 2013
	Rupees	Rupees
	<i>(Un-Audited)</i>	<i>(Audited)</i>
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of raw material	40,051,867	43,889,430
	40,051,867	43,889,430
7.2.2 Commitments for capital expenditure	852,350	705,600
	01 July 2013 30 September 2013	01 July 2012 30 September 2012
	Rupees	Rupees
	<i>Un-Audited</i>	<i>Un-Audited</i>

8 Finance cost

Interest / mark-up on:

Redeemable capital & long term financing	97,709,812	275,376,637
Liabilities against assets subject to finance lease	826,906	1,802,996
Short term borrowings	124,522,405	245,435,442
Borrowings from Agritech Limited	-	13,693,997
Interest on Provident Fund	3,355,905	7,398,385
Bank charges & commission	33,162,730	85,015,654
	259,577,758	628,723,112
Amortization of transaction costs and deferred notional income	78,662,291	71,255,472
Foreign exchange loss / (gain) on long term loan	95,564,085	47,400,000
	433,804,134	747,378,584

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)

For the quarter ended 30 September 2013

9 Transactions and balances with related parties

Related parties from the Company's perspective comprise subsidiaries, associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length. Pricing for these transactions is determined as follows:

Detail of transactions and balances with related parties are as follows:

	01 July 2013	01 July 2012
	30 September	30 September
	2013	2012
	Rupees	Rupees
	(Un-Audited)	(Un-Audited)
9.1 Transactions with related parties		
9.1.1 Subsidiaries - Montebello s.r.l		
Sale of goods	49,038,636	33,519,145
9.1.2 Other related party - Agritech Limited		
Return on investment in TFCs	8,437,058	9,232,388
Interest / mark-up on borrowing	-	13,693,997
9.1.3 Post-employment benefit plans		
Contribution to employees provident fund	27,513,543	35,418,439
9.1.4 Key management personnel		
Short-term employee benefits	23,039,356	22,236,721
	30 September	30 June
	2013	2013
	Rupees	Rupees
	(Un-Audited)	(Audited)
9.2 Balances with related		
9.2.1 Subsidiaries - Montebello s.r.l		
Trade receivables	778,350,391	768,584,853

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the quarter ended 30 September 2013

	30 September 2013	30 June 2013
	Rupees	Rupees
	<i>(Un-Audited)</i>	<i>(Audited)</i>
9.2.2 Other related party - Agritech Limited		
Investment in ordinary shares	700,000,000	700,000,000
Investment in term finance certificates	266,074,508	266,074,508
Receivable from Agritech Limited	25,037,968	16,600,910
9.2.3 Post-employment benefit plans		
Payable to employees provident fund	76,950,106	83,897,625
9.2.4 Key Management Personnel		
Short term employee benefits payable	8,054,569	3,860,173

10 Overdue debt finances

The Company is facing liquidity shortfall due to the facts disclosed in note 2.2 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	As at 30 September 2013		
	Principal	Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	-	591,977,926	591,977,926
Long term finances	13,149,638	239,611,181	252,760,820
Bills payable	303,419,119	135,666,654	439,085,773
Short term borrowings	232,601,716	521,026,903	753,628,619
Preference shares	148,367,255	-	148,367,255
Preference Dividend	-	9,413,535	9,413,535
	697,537,728	1,497,696,199	2,195,233,927

The Company is discussing with the providers of debt for a second round of restructuring and debt re-profiling. For the said purpose, the management is considering negotiating with the debt financiers for waiver of over due interest / mark-up accrued, and disposal of its low performing assets for settlement of overdue principal of its long term debts.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the quarter ended 30 September 2013

11 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on 31 October 2013.

12 General

Figures have been rounded off to the nearest rupee.

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**Condensed
Interim
Consolidated
Financial
Information**

Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 30 September 2013

	Note	30 September 2013 Rupees (Un-Audited)	30 June 2013 Rupees (Audited)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		<u>15,000,000,000</u>	<u>15,000,000,000</u>
Issued, subscribed and paid up capital		4,548,718,700	4,548,718,700
Reserves		3,201,719,062	3,120,841,351
Accumulated loss		(7,123,365,913)	(6,726,946,203)
		<u>627,071,849</u>	<u>942,613,848</u>
Surplus on revaluation of fixed assets		3,439,284,433	3,470,587,281
Non-current liabilities			
Redeemable capital - secured	5	4,229,068,451	4,563,334,050
Long term finances - secured	6	1,740,692,084	1,646,718,198
		<u>5,969,760,535</u>	<u>6,210,052,248</u>
Current liabilities			
Current portion of non-current liabilities		1,238,605,116	832,991,069
Short term borrowing		4,988,838,573	5,024,533,069
Trade and other payables		3,257,500,485	2,957,118,822
Interest / mark-up accrued on borrowings		1,628,504,875	1,501,702,254
Dividend payable		13,415,572	13,415,572
		<u>11,126,864,621</u>	<u>10,329,760,786</u>
Contingencies and commitments	7	<u>21,162,981,438</u>	<u>20,953,014,163</u>
ASSETS			
Non-current assets			
Property, plant and equipment		12,862,760,229	12,973,010,523
Intangible assets		692,993,131	693,644,333
Long term investments		266,104,256	266,105,729
Long term deposits - unsecured, considered good		29,676,878	29,169,416
		<u>13,851,534,494</u>	<u>13,961,930,001</u>
Current assets			
Stores, spares and loose tools		110,065,368	130,970,353
Stock-in-trade		2,253,738,382	2,339,039,126
Trade receivables		3,351,753,159	2,757,283,943
Advances, deposits, prepayments and other receivables		717,344,154	830,239,233
Due from Agritech Limited - unsecured, considered good		25,037,968	16,600,910
Short term investments		700,000,000	700,000,000
Current taxation		84,880,097	73,909,984
Cash and bank balances		68,627,816	143,040,613
		<u>7,311,446,944</u>	<u>6,991,084,162</u>
		<u>21,162,981,438</u>	<u>20,953,014,163</u>

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Lahore


CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the quarter ended 30 September 2013

	01 July 2013 30 September 2013	01 July 2012 30 September 2012
Note	Rupees (Un-audited)	Rupees (Un-audited)
Sales - net	3,460,435,855	3,397,286,512
Cost of sales	(3,185,379,669)	(3,510,720,802)
Gross profit / (loss)	275,056,186	(113,434,290)
Selling and distribution expenses	(157,400,793)	(204,121,032)
Administrative expenses	(126,349,280)	(170,475,155)
Profit / (loss) from operations	(8,693,887)	(488,030,477)
Net other income	50,225,709	(8,825,031)
Finance cost	(435,684,619)	(739,820,075)
Profit / (loss) before taxation	(394,152,797)	(1,236,675,583)
Taxation	(33,569,761)	(33,319,299)
Loss after taxation from continuing operations	(427,722,558)	(1,269,994,882)
Loss after taxation from discontinued operations	-	(1,058,613,840)
Total loss for the period	(427,722,558)	(2,328,608,722)
Loss attributable to:		
Ordinary equity holders of the parent company	(427,722,558)	(2,151,193,797)
Non-controlling interests	-	(177,414,925)
	(427,722,558)	(2,328,608,722)
Loss per share - basic and diluted		
- continuing operations	(0.940)	(2.790)
- discontinued operations	-	(1.940)

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

For the quarter ended 30 September 2013

	01 July 2013 30 September 2013	01 July 2012 30 September 2012
	Rupees	Rupees
	<i>(Un-audited)</i>	<i>(Un-audited)</i>
Total loss for the period	(427,722,558)	(2,328,608,722)
Other comprehensive income for the period:		
Changes in fair value of available for sale financial assets	(1,473)	5,352
Exchange difference on translation of foreign subsidiary	80,879,184	5,427,658
	80,877,711	5,433,010
Total comprehensive loss for the period	<u>(346,844,847)</u>	<u>(2,323,175,712)</u>
Total comprehensive loss attributable to:		
Equity holders of the Parent	(346,844,847)	(2,145,760,787)
Non-controlling interests	-	(177,414,925)
	<u>(346,844,847)</u>	<u>(2,323,175,712)</u>

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Cash flow Statement (Un-audited)

For the quarter ended 30 September 2013

	01 July 2013 30 September 2013 Rupees (Un-audited)	01 July 2012 30 September 2012 Rupees (Un-audited)
Cash flows from operating activities		
Loss before taxation	(394,152,797)	(1,236,675,583)
Adjustments for non-cash and other items	621,768,709	774,863,882
Profit/(loss) before changes in working capital	227,615,912	(461,811,701)
Effect on cash flow due to working capital Changes	(83,423,803)	562,734,852
Cash generated from operations	144,192,109	100,923,151
Finance cost paid	(133,828,716)	(13,851,939)
Taxes paid	(32,815,224)	(33,233,383)
Long term deposits	(507,462)	387,200
Net cash (used in)/generated from operating activities	(22,959,293)	54,225,029
Net cash used in operating activities of discontinued operations	-	(73,207,338)
	(22,959,293)	(18,982,309)
Cash flows from investing activities		
Capital expenditure	(12,066,655)	(29,753,820)
Proceeds from disposal of fixed assets	1,357,551	1,042,772
Net cash generated used in investing activities	(10,709,104)	(28,711,048)
Net cash generated from investing activities of discontinued operations	-	4,170,323
	(10,709,104)	(24,540,725)
Cash flows from financing activities		
Liabilities against assets subject to finance lease	(5,049,904)	(3,711,070)
Short term borrowings	(35,694,496)	(20,135,778)
Net cash used in financing activities	(40,744,400)	(23,846,848)
Net cash used in financing activities of discontinued operations	-	(69,152,812)
	(40,744,400)	(92,999,660)
Net decrease in cash and cash equivalents	(74,412,797)	(136,522,694)
Cash and cash equivalents at the beginning of period	143,040,613	310,989,124
Cash and cash equivalents at the end of period	68,627,816	174,466,430

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

For the quarter ended 30 September 2013

	Reserves							Total Rupees
	Share Capital	Preference share		Reserves			Accumulated loss	
Ordinary shares Rupees	Share Premium Rupees	Reserve on merger Rupees	Translation reserve Rupees	Preference share redemption reserve Rupees	Available for sale financial assets Rupees	Total reserves Rupees	Total Rupees	
Balance as at 01 July 2012 - Audited	4,548,718,700	2,358,246,761	105,152,005	(17,446,854)	661,250,830	3,107,198,909	(7,904,229,485)	(248,311,876)
Total comprehensive loss for the period	-	-	-	5,427,658	-	5,433,010	(2,151,193,797)	(2,145,760,787)
Effect of disposal of subsidiary	-	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	61,462,222	61,462,222
Balance as at 30 September 2012 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	(12,019,196)	661,250,830	3,112,631,919	(9,993,961,060)	(2,332,610,441)
Balance as at 30 June 2013 - Audited	4,548,718,700	2,358,246,761	105,152,005	(3,820,802)	661,250,830	3,120,841,351	(6,756,946,203)	942,613,848
Total comprehensive loss for the period	-	-	-	80,879,184	-	80,877,711	(427,722,558)	(346,844,847)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	31,302,848	31,302,848
Balance as at 30 September 2013 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	77,058,382	661,250,830	3,201,719,062	(7,123,365,913)	627,071,849

The annexed notes 1 to 12 form an integral part of this condensed interim consolidated financial information.

Lahore



CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2013

1 Status and nature of business

The Group comprises the following companies

Azgard Nine Limited ('ANL') - Parent Company

Azgard Nine Limited ("the Company") was incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture and sale of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 K.M off Manga, Raiwand Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 K.M off Ferozpur Road, 6 K.M Bandian Road on Ruhi Nala, Der Khud, Lahore.

Montebello SRL ('MBL') - Subsidiary Company

Montebello SRL ("MBL") is a limited liability company incorporated in Italy and owner of an Italian fabric brand. MBL is engaged in import, export, wholesale and retail marketing and manufacturing of textile and apparel products and accessories. Effective control of MBL was obtained on 31 December 2008 by ANL. Proportion of interest held by ANL is 100%.

2 Basis of preparation

2.1 Statement of compliance

This condensed interim consolidated financial report of the Group for the three months period ended 30 September 2013 has been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2013.

This condensed interim consolidated financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

2.2 Going concern assumption

ANL in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. During the quarter, because of constraints in the availability of funds, installed operational capacities could not be achieved due to unavailability of sufficient working capital. Had ANL been able to make timely purchases of raw materials the cost of sales would have been lower.

Due to the above mentioned reasons, ANL's current liabilities exceeded its current assets by Rs. 4,326.079 million, including Rs. 2,195.233 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 7,144.160 million. These conditions cast a significant doubt about ANL's ability to continue as a going concern. These financial statements

Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2013

have however, been prepared on a going concern basis. The assumption that ANL would continue as a going concern is based on the measures as explained in the succeeding paragraph and expectation of future profitability and positive cash flows from operating activities.

As a part of the second restructuring, the management of ANL intends to sell certain low performing assets, debt restructuring and divestment of its remaining shareholding of Rs. 700.000 million in AGL to achieve better liquidity. With these proposed measures, the management of ANL envisages that sufficient financial resources will be available for continuing operations of the Company. With repayment of long term debt there will be a positive impact on reduction of finance costs and with more effective management of resources and raw material procurement, ANL is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

2.3 Financial liabilities

ANL could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 10. Further, as at the reporting date, ANL could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 6,827.300 million have been classified as long term as per the repayment schedules in the financial statements as the management considers that event of default has not been declared by the lenders and also because of the fact that during the year ANL has commenced discussions with its lenders for reprofiling of its long term debts.

3 Estimates

The preparation of the condensed interim consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Provisions and contingencies
- Fair value of investments in related parties

4 Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the financial statements for the year ended 30 June 2013.

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)
For the quarter ended 30 September 2013

	30 September 2013	30 June 2013
	Rupees	Rupees
	<i>(Un-Audited)</i>	<i>(Audited)</i>
5 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Term Finance Certificates - IV	1,083,768,528	1,083,768,528
Term Finance Certificates - V	527,682,637	527,682,637
Privately Placed Term Finance Certificates - VI	3,218,670,000	3,218,670,000
Privately Placed Term Finance Certificates	326,456,184	326,456,184
Privately Placed Term Finance Certificates	217,200,000	217,200,000
	6,024,844,185	5,807,644,185
Deferred notional income	(781,958,102)	(856,485,545)
Transaction cost	(54,539,861)	(57,772,282)
	5,188,346,222	4,893,386,358
Less: Amount shown as current liability		
Amount payable within next twelve months	(959,277,771)	(547,252,308)
	4,229,068,451	4,346,134,050
6 Long term finances		
Deutsche Investitions - Und MBH (Germany)	1,000,914,116	907,054,269
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A	567,539,663	567,539,466
HSBC Middle East Limited	249,602,579	255,602,579
	1,861,307,512	1,773,447,469
Transaction costs	(21,042,139)	(21,944,566)
	1,840,265,374	1,751,502,903
Amount shown as current liability		
Amount payable within next twelve months	(99,573,290)	(104,784,705)
	1,740,692,084	1,646,718,198

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)

For the quarter ended 30 September 2013

7 Contingencies and commitments

7.1 Contingencies

7.1.1 There is no material change in the contingencies from preceding audited published financial statements of the Group for the year ended 30 June 2013.

7.2 Commitments

	30 September 2013	30 June 2013
	Rupees	Rupees
	<i>(Un-Audited)</i>	<i>(Audited)</i>
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of raw material	40,051,867	43,889,430
	40,051,867	43,889,430
7.2.2 Commitments for capital expenditure	852,350	705,600
	01 July 2013 30 September 2013	01 July 2012 30 September 2012
	Rupees	Rupees
	<i>Un-Audited</i>	<i>Un-Audited</i>

8 Finance cost

Interest / mark-up on:

Redeemable capital & long term financing	97,709,812	275,376,637
Liabilities against assets subject to finance lease	826,906	1,802,996
Short term borrowings	124,522,405	245,435,442
Borrowings from Agritech Limited	-	13,693,997
Interest on Provident Fund	3,355,905	7,398,385
Bank charges & commission	33,162,730	85,015,654
	259,577,758	628,723,112
Amortization of transaction costs and deferred notional income	78,662,291	71,255,472
Foreign exchange loss / (gain) on long term loan	95,564,085	47,400,000
	433,804,134	747,378,584

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)

For the quarter ended 30 September 2013

9 Transactions and balances with related parties

Related parties from the Group's perspective comprise associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length. Pricing for these transactions is determined as follows:

Detail of transactions and balances with related parties are as follows:

	01 July 2013	01 July 2012
	30 September 2013	30 September 2012
	Rupees	Rupees
	(Un-Audited)	(Un-Audited)
9.1 Transactions with related parties		
9.1.1 Other related party - Agritech Limited		
Return on investment in TFCs	8,437,058	9,232,388
Interest / mark-up on borrowing	-	13,693,997
9.1.2 Post-employment benefit plans		
Contribution to employees provident fund	27,513,543	35,418,439
9.1.3 Key management personnel		
Short-term employee benefits	31,314,616	22,236,721
	30 September 2013	30 June 2013
	Rupees	Rupees
	(Un-Audited)	(Audited)
9.2 Balances with related		
9.2.1 Other related party - Agritech Limited		
Investment in ordinary shares	700,000,000	700,000,000
Investment in term finance certificates	266,074,508	266,074,508
Receivable from Agritech Limited	25,037,968	16,600,910

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)

For the quarter ended 30 September 2013

	30 September 2013	30 June 2013
	Rupees	Rupees
	<i>(Un-Audited)</i>	<i>(Audited)</i>
9.2.2 Post-employment benefit plans		
Payable to employees provident fund	76,950,106	83,897,625
9.2.3 Key Management Personnel		
Short term employee benefits payable	10,812,989	22,868,033

10 Overdue debt finances

ANL is facing liquidity shortfall due to the facts disclosed in note 2.2 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	As at 30 September 2013		
	Principal	Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	-	591,977,926	591,977,926
Long term finances	13,149,638	239,611,181	252,760,820
Bills payable	303,419,119	135,666,654	439,085,773
Short term borrowings	232,601,716	521,026,903	753,628,619
Preference shares	148,367,255	-	148,367,255
Preference Dividend	-	9,413,535	9,413,535
	697,537,728	1,497,696,199	2,195,233,927

ANL is discussing with the providers of debt for a second round of restructuring and debt re-profiling. For the said purpose, the management is considering negotiating with the debt financiers for waiver of over due interest / mark-up accrued, and disposal of its low performing assets for settlement of overdue principal of its long term debts.

11 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of ANL on 31 October 2013.

12 General

Figures have been rounded off to the nearest rupee.



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