



AZGARD-9



Azgard Nine Limited

# Contents

Company Information	2
Directors' Review	3
<b><i>Condensed Interim Unconsolidated Financial Information</i></b>	
Condensed Interim Unconsolidated Balance Sheet	6
Condensed Interim Unconsolidated Profit and Loss Account	7
Condensed Interim Unconsolidated Statement of Comprehensive Income	8
Condensed Interim Unconsolidated Cash flow Statement	9
Condensed Interim Unconsolidated Statement of Changes in Equity	10
Condensed Interim Unconsolidated Notes to the Financial Information	11
<b><i>Condensed Interim Consolidated Financial Information</i></b>	
Condensed Interim Consolidated Balance Sheet	18
Condensed Interim Consolidated Profit and Loss Account	19
Condensed Interim Consolidated Statement of Comprehensive Income	20
Condensed Interim Consolidated Cash flow Statement	21
Condensed Interim Consolidated Statement of Changes in Equity	22
Condensed Interim Consolidated Notes to the Financial Information	23

## 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. Farrukh Hussain  
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. Farrukh Hussain

### 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  
Summit Bank Limited  
Al Baraka Bank Pakistan Limited  
Askari Bank Limited  
Barclays Bank Limited  
Bank Al Habib Limited  
Bank Al Falah Limited

### BANKERS (Cont'd)

Bank Islamic Pakistan  
Habib Metropolitan Bank  
Bank of Khyber

### SHARES REGISTRAR

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

### 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 3576-1791

### PROJECT LOCATIONS

#### Unit I

2.5 KM off Manga, Raiwind Road,  
District Kasur.  
Ph: +92(0)42 35384081  
Fax: +92(0)42 35384093

#### 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 Ruhi Nala,  
Der Khurd, Lahore.  
Ph: +92(0)42 38460333, 38488862

### WEB PRESENCE

[www.azgard9.com](http://www.azgard9.com)

## 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 2014.

### Principal Activities

The main business of your Company is the production and marketing of Denim focused Textile and Apparel products. Our products ranges from yarn to retail ready made goods.

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

	Quarter ended 30 September 2014	Quarter ended 30 September 2013
Sales - Net	2,270,719,360	3,379,888,614
Operating loss	(113,578,449)	(54,228,857)
Finance cost	(319,446,191)	(433,804,134)
Loss before tax	(115,496,592)	(437,807,282)
Loss after tax	(137,558,094)	(471,377,043)
Loss per share	(0.302)	(1.036)

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

	Quarter ended 30 September 2014	Quarter ended 30 September 2013
Sales - Net	2,370,989,930	3,460,435,855
Operating loss	(115,054,804)	(8,693,887)
Finance cost	(321,804,546)	(435,685,619)
Loss before tax	(411,766,278)	(394,152,797)
Loss after tax	(433,827,781)	(427,722,558)
Loss per share	(0.95)	(0.94)

### Review of business during this quarter and future outlook

During this quarter, the Company has been affected by the the "off season in denim and garment sales" which usually transpires during this quarter. Thus the reduced level of sales.

On restructuring side, we are coordinating with banks and prospective buyers for sale of non core assets.

We are hopeful that subsequent to the realization of proceeds from sale of these assets and completion of debt restructuring, the target of sustainable capacity utilization will be achieved.

We are confident that through these measures the Company will eventually turnaround in a positive cash generating Company.

## Directors' Review

Therefore, the future outlook of the Company remains cautiously optimistic.

on behalf of the Board

Lahore  
30 October 2014



Chief Executive Officer

**Condensed  
Interim  
Unconsolidated  
Financial  
Information**

# Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 30 September 2014

	Note	(Un-Audited) 30 September 2014 Rupees	(Audited) 30 June 2014 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital		<b>15,000,000,000</b>	15,000,000,000
Issued, subscribed and paid up capital		<b>4,548,718,700</b>	4,548,718,700
Reserves		<b>3,125,219,743</b>	3,417,654,719
Accumulated loss		<b>(8,814,558,645)</b>	(8,714,668,872)
		<b>(1,140,620,202)</b>	(748,295,453)
<b>Surplus on revaluation of fixed assets</b>		<b>4,666,019,220</b>	4,703,687,542
		<b>3,525,399,018</b>	3,955,392,089
<b>Non-current liabilities</b>			
Redeemable capital - secured	5	<b>3,299,741,586</b>	3,799,216,500
Long term finances - secured	6	<b>1,462,329,317</b>	1,493,304,926
Liabilities against assets subject to finance lease - secured		<b>18,676,562</b>	20,783,684
		<b>4,780,747,465</b>	5,313,305,110
<b>Current liabilities</b>			
Current portion of non-current liabilities		<b>2,644,604,157</b>	2,068,876,610
Short term borrowing		<b>4,558,239,669</b>	4,579,605,634
Trade and other payables		<b>2,710,341,519</b>	2,560,280,282
Interest / mark-up accrued on borrowings		<b>2,396,152,789</b>	2,214,256,456
Current taxation		<b>76,222,147</b>	77,861,036
Dividend payable		<b>13,415,572</b>	13,415,572
		<b>12,398,975,853</b>	11,514,295,590
<b>Contingencies and commitments</b>	7	<b>20,705,122,336</b>	20,782,992,789
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>13,424,037,386</b>	13,537,283,593
Long term investments		<b>1,681,304,686</b>	1,681,304,686
Long term deposits - unsecured, considered good		<b>19,253,047</b>	19,253,047
		<b>15,124,595,119</b>	15,237,841,326
<b>Current assets</b>			
Stores, spares and loose tools		<b>169,803,046</b>	132,749,270
Stock-in-trade		<b>1,660,705,061</b>	1,546,298,008
Trade receivables		<b>2,510,404,596</b>	2,420,618,482
Advances, deposits, prepayments and other receivables		<b>837,627,950</b>	722,725,894
Short term investments	8	<b>306,022,500</b>	700,000,000
Cash and bank balances		<b>95,964,064</b>	22,759,809
		<b>5,580,527,217</b>	5,545,151,463
		<b>20,705,122,336</b>	20,782,992,789

The annexed notes 1 to 13 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 2014

	(Un-Audited) 01 July 2014 to September 2014	(Un-Audited) 01 July 2013 to September 2013
Note	Rupees	Rupees
<b>Sales - net</b>	<b>2,270,719,360</b>	3,379,888,614
Cost of sales	<b>(2,147,326,444)</b>	(3,174,184,242)
<b>Gross profit</b>	<b>123,392,916</b>	205,704,372
Selling and distribution expenses	<b>(124,476,108)</b>	(148,247,304)
Administrative expenses	<b>(112,495,258)</b>	(111,685,925)
	<b>(236,971,366)</b>	(259,933,229)
<b>Loss from operations</b>	<b>(113,578,450)</b>	(54,228,857)
Net other income	<b>317,528,048</b>	50,225,709
Finance cost	<b>(319,446,190)</b>	(433,804,134)
<b>Loss before taxation</b>	<b>(115,496,592)</b>	(437,807,282)
Taxation	<b>(22,061,503)</b>	(33,569,761)
<b>Loss after taxation</b>	<b>(137,558,095)</b>	(471,377,043)
<b>Loss per share - basic and diluted</b>	<b>(0.302)</b>	(1.04)

The annexed notes 1 to 13 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 2014

	(Un-Audited) 01 July 2014 to September 2014 <u>Rupees</u>	(Un-Audited) 01 July 2013 to September 2013 <u>Rupees</u>
<b>Loss after taxation</b>	<b>(137,558,095)</b>	<b>(471,377,043)</b>
<b>Other comprehensive loss for the period:</b>		
<b>Items that are or may be reclassified to profit and loss account</b>		
Changes in fair value of available for sale financial assets	-	(1,473)
Gain realized on sale of available for sale financial assets	<b>(292,434,976)</b>	-
	<b>(292,434,976)</b>	<b>(1,473)</b>
<b>Total comprehensive loss for the period</b>	<b><u>(429,993,071)</u></b>	<b><u>(471,378,516)</u></b>

The annexed notes 1 to 13 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 2014

	(Un-Audited) 01 July 2014 to September 2014 Rupees	(Un-Audited) 01 July 2013 to September 2013 Rupees
<b>Cash flow from operating activities</b>		
Loss before taxation	(115,496,592)	(437,807,282)
Adjustments	139,310,290	543,019,891
<b>Operating profit before working capital changes</b>	<b>23,813,698</b>	105,212,609
Changes in working capital	(198,096,204)	30,002,806
<b>Cash used in operations</b>	<b>(174,282,506)</b>	135,215,415
<b>Payments for:</b>		
Interest / mark-up paid	(95,825,588)	(131,948,231)
Taxes paid	(23,700,392)	(32,815,224)
Long term deposits	-	(21,389)
<b>Net cash used in operating activities</b>	<b>(293,808,486)</b>	(29,548,040)
<b>Cash flows from investing activities</b>		
Capital expenditure	(8,807,971)	(12,066,655)
Proceeds from disposal of fixed assets	-	1,357,551
Short term investments	393,977,500	-
<b>Net cash generated from/(used in) investing activities</b>	<b>385,169,529</b>	(10,709,104)
<b>Cash flows from financing activities</b>		
Liabilities against assets subject to finance lease	(2,106,916)	(5,049,904)
Short term borrowings-net	(16,049,872)	(18,361,369)
<b>Net cash used in financing activities</b>	<b>(18,156,788)</b>	(23,411,273)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>73,204,255</b>	(63,668,417)
<b>Cash and cash equivalents at the beginning of period</b>	<b>22,759,809</b>	132,259,604
<b>Cash and cash equivalents at the end of period</b>	<b>95,964,064</b>	68,591,187

The annexed notes 1 to 13 form an integral part of this condensed interim unconsolidated financial

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

For the quarter ended 30 September 2014

	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 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 period								
Loss for the quarter ended 30 September 2013								
Other comprehensive (loss) / income for quarter ended 30 September 2013								
Total comprehensive (loss) / income for the quarter ended 30 September 2013								
Transfer of incremental depreciation from surplus on revaluation of fixed assets								
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
As at 01 July 2014	4,548,718,700	2,358,246,761	105,152,005	661,250,830	293,005,123	(8,714,668,872)	(5,297,014,153)	(748,295,453)
Total comprehensive income for the period								
Loss for the quarter ended 30 September 2014								
Other comprehensive (loss) / income for quarter ended 30 September 2014								
Total comprehensive (loss) / income for the quarter ended 30 September 2014								
Transfer of incremental depreciation from surplus on revaluation of fixed assets								
As at 30 September 2014	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,147	(8,814,558,645)	(5,689,338,902)	(1,140,620,202)

The annexed notes 1 to 13 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 2014*

### **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 2014 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 2014.

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**

During this quarter, the Company has partially received much awaited working capital of Rs. 394 million out of Rs. 700 million due from sale of AGL. The remaining balance of Rs. 306 million is expected to be realized within next year. The Company has injected these funds in operations to explore its underutilized production lines. Now we are focusing on achieving operational capacities which hopefully would be achieved in few months.

During this quarter, its current liabilities exceeded its current assets by Rs. 6,818.45 million, including Rs. 4,447.95 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 8,814.56 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.

The Company has also entered in second round of financial restructuring through a plan which includes disposal of less operative assets combined with debt restructuring. In this regards, various intended buyers have shown interest for purchase of such assets. Further, lenders have also been contacted for debt restructuring.

## Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2014

The Company is hopeful that subsequent to realization of proceeds from sale of these assets, receipt of remaining working capital and completion of debt restructuring, target of sustainable capacity utilization will be achieved. Management is confident that through these measures the Company would turnaround in to a profitable Company, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

### 2.3 Financial liabilities

Due to factors mentioned in note 2.2 and note 11, the Company could not make timely repayments of principal and related mark-up of long term debts. Consequently, there has been non-compliance 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 management considers that since event of default has not been declared by the lenders and the Company has commenced discussions with its lenders for reprofiling of its debts, the long term debts of Rs. 5,298.63 million have been classified as long term as per the repayment schedules in the financial statements.

### 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

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 2014.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the quarter ended 30 September 2014

	(Un-Audited) 30 September 2014 Rupees	(Audited) 30 June 2014 Rupees
<b>5 Redeemable capital - secured</b>		
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	<u>217,200,000</u>	<u>217,200,000</u>
	6,024,844,185	6,024,844,185
Deferred notional income	(472,557,860)	(545,601,982)
Transaction cost	<u>(44,279,588)</u>	<u>(46,699,514)</u>
	5,508,006,738	5,432,542,689
Amount payable within next twelve months	<u>(2,208,265,151)</u>	<u>(1,633,326,189)</u>
	<u><u>3,299,741,586</u></u>	<u><u>3,799,216,500</u></u>
<b>6 Long term finances</b>		
Deutsche Investitions - Und MBH (Germany)	915,906,516	946,537,228
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A	567,539,466	567,539,466
HSBC Middle East Limited	<u>234,602,579</u>	<u>234,602,579</u>
	1,761,299,716	1,791,930,428
Transaction costs	<u>(19,718,317)</u>	<u>(20,162,005)</u>
	1,741,581,399	1,771,768,423
Amount payable within next twelve months	<u>(279,252,082)</u>	<u>(278,463,497)</u>
	<u><u>1,462,329,317</u></u>	<u><u>1,493,304,926</u></u>
<b>7 Contingencies and commitments</b>		
<b>7.1 Contingencies</b>		
<b>7.1.1</b> There is no material change in the contingencies from preceding audited published financial statements of the Company for the quarter ended 30 June 2014.		

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the quarter ended 30 September 2014

	(Un-Audited) 30 September 2014 Rupees	(Audited) 30 June 2014 Rupees
<b>7.2 Commitments</b>		
<b>7.2.1 Commitments under irrevocable letters of credit for:</b>		
- purchase of stores, spare and loose tools	6,788,674	1,709,166
- purchase of machinery	21,693,360	-
- purchase of raw material	51,186,557	21,714,687
	<u>79,668,591</u>	<u>23,423,853</u>
<b>7.2.2 Commitments for capital expenditure</b>	<u>38,505,194</u>	<u>38,505,194</u>

**8 Short term investments**

Short term investment comprise 58.29 Million preference shares with value of Rs. 5.25 per shares (30 Jun 2014: 20 Million ordinary shares with value of Rs. 35 Per share).

	(Un-Audited) 30 September 2014 Rupees	(Un-Audited) 30 September 2013 Rupees
<b>9 Finance cost</b>		

*Interest / mark-up on:*

Redeemable capital & long term financing	115,578,072	97,709,812
Liabilities against assets subject to finance lease	-	826,906
Short term borrowings	123,604,524	124,522,405
Interest on Provident Fund	390,712	3,355,905
Bank charges & commission	39,912,146	33,162,730
	<u>279,485,454</u>	<u>259,577,758</u>
Amortization of transaction costs and deferred notional income	75,907,738	78,662,291
Foreign exchange loss / (gain) on long term loan	(35,947,002)	95,564,085
	<u>319,446,190</u>	<u>433,804,134</u>

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

*For the quarter ended 30 September 2014*

### 10 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:

Nature of transaction	Pricing mechanism
Sales	Cost plus margin
Purchases	Comparable uncontrolled price method
Investments (including loans and advances)	Comparable uncontrolled price method
Borrowings	Comparable uncontrolled price method
Contribution to post employment benefit plan	As per terms of employment
Compensation of key management personnel	As per terms of employment

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

	<b>(Un-Audited)</b>	(Un-Audited)
	<b>01 July 2014 to</b>	01 July 2013 to
	<b>September 2014</b>	September 2013
	<u>Rupees</u>	<u>Rupees</u>
<b>10.1 Transactions with related parties</b>		
<b>10.1.1 Subsidiaries - Montebello s.r.l</b>		
Sale of goods	<b>30,580,299</b>	49,038,636
<b>10.1.2 Post-employment benefit plans</b>		
Contribution to employees provident fund	<b>28,095,726</b>	27,513,543
<b>10.1.3 Key management personnel</b>		
Short-term employee benefits	<b>27,959,078</b>	23,039,356



Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)  
For the quarter ended 30 September 2014

	(Un-Audited) 30 September 2014 Rupees	(Audited) 30 June 2014 Rupees
<b>10.2 Balances with related parties</b>		
<b>10.2.1 Subsidiaries - Montebello s.r.l</b>		
Trade receivables	<b>988,373,277</b>	963,354,964
<b>10.2.2 Post-employment benefit plans</b>		
Payable to employees provident fund	<b>74,892,340</b>	54,950,366
<b>10.2.3 Key Management Personnel</b>		
Short term employee benefits payable	<b>9,119,693</b>	18,975,476
<b>11 Overdue debt finances</b>		

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 2014		
	Principal Rupees	Interest / mark-up Rupees	Total Rupees
Redeemable Capital	959,277,771	789,839,985	<b>1,749,117,755</b>
Long term finances	84,573,290	382,998,711	<b>467,572,001</b>
Bills payable	269,307,562	166,364,543	<b>435,672,105</b>
Short term borrowings	817,446,216	829,774,152	<b>1,647,220,368</b>
Preference shares	148,367,250	-	<b>148,367,250</b>
	<b>2,278,972,088</b>	<b>2,168,977,391</b>	<b>4,447,949,479</b>

**12 Date of authorization**

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on 30 October 2014.

**13 General**

Figures have been rounded off to the nearest rupee.

**Condensed  
Interim  
Consolidated  
Financial  
Information**

# Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 30 September 2014

		(Un-Audited) 30 September 2014 Rupees	(Audited) 30 June 2014 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital		<u>15,000,000,000</u>	<u>15,000,000,000</u>
Issued, subscribed and paid up capital		<u>4,548,718,700</u>	<u>4,548,718,700</u>
Reserves		<u>3,239,829,260</u>	<u>3,278,024,432</u>
Accumulated loss		<u>(9,036,492,815)</u>	<u>(8,640,333,356)</u>
		<u>(1,247,944,855)</u>	<u>(813,590,224)</u>
<b>Surplus on revaluation of fixed assets</b>		<u>4,666,019,220</u>	<u>4,703,687,542</u>
		<u>3,418,074,365</u>	<u>3,890,097,318</u>
<b>Non-current liabilities</b>			
Redeemable capital - secured	5	<u>3,299,741,586</u>	<u>3,799,216,500</u>
Long term finances - secured	6	<u>1,462,329,317</u>	<u>1,493,304,926</u>
Liabilities against assets subject to finance lease - secured		<u>18,676,562</u>	<u>20,783,684</u>
		<u>4,780,747,465</u>	<u>5,313,305,110</u>
<b>Current liabilities</b>			
Current portion of non-current liabilities		<u>2,644,604,157</u>	<u>2,068,876,610</u>
Short term borrowing		<u>4,669,488,692</u>	<u>4,726,872,126</u>
Trade and other payables		<u>2,871,363,092</u>	<u>2,714,822,531</u>
Interest / mark-up accrued on borrowings		<u>2,396,152,789</u>	<u>2,214,256,456</u>
Dividend payable		<u>13,415,572</u>	<u>13,415,572</u>
		<u>12,595,024,302</u>	<u>11,738,243,295</u>
<b>Contingencies and commitments</b>	7	<u>20,793,846,132</u>	<u>20,941,645,723</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<u>13,441,009,065</u>	<u>13,555,411,222</u>
Intangible assets		<u>817,167,305</u>	<u>844,487,927</u>
Long term investments		<u>231,897,015</u>	<u>231,897,015</u>
Long term deposits - unsecured, considered good		<u>19,253,047</u>	<u>19,253,047</u>
		<u>14,509,326,432</u>	<u>14,651,049,211</u>
<b>Current assets</b>			
Stores, spares and loose tools		<u>169,803,046</u>	<u>132,749,270</u>
Stock-in-trade		<u>1,697,616,878</u>	<u>1,652,031,301</u>
Trade receivables		<u>2,982,777,309</u>	<u>2,839,179,664</u>
Advances, deposits, prepayments and other receivables		<u>991,741,553</u>	<u>902,093,786</u>
Short term investments	8	<u>306,022,500</u>	<u>700,000,000</u>
Current taxation		<u>38,047,091</u>	<u>40,228,593</u>
Cash and bank balances		<u>98,511,323</u>	<u>24,313,898</u>
		<u>6,284,519,700</u>	<u>6,290,596,512</u>
		<u>20,793,846,132</u>	<u>20,941,645,723</u>

The annexed notes 1 to 13 form an integral part of this condensed interim unconsolidated financial information.

Lahore

  
CHIEF EXECUTIVE

  
DIRECTOR

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

For the quarter ended 30 September 2014

	(Un-Audited) 01 July 2014 to September 2014	(Un-Audited) 01 July 2013 to September 2013
Note	Rupees	Rupees
<b>Sales - net</b>	<b>2,370,989,930</b>	3,460,435,855
Cost of sales	<b>(2,217,371,259)</b>	(3,185,379,669)
<b>Gross profit</b>	<b>153,618,671</b>	275,056,186
Selling and distribution expenses	<b>(127,362,810)</b>	(157,400,793)
Administrative expenses	<b>(141,310,665)</b>	(126,349,280)
	<b>(268,673,475)</b>	(283,750,073)
<b>Loss from operations</b>	<b>(115,054,804)</b>	(8,693,887)
Net other income	<b>25,093,072</b>	50,225,709
Finance cost	<b>(321,804,546)</b>	(435,684,619)
<b>Loss before taxation</b>	<b>(411,766,278)</b>	(394,152,797)
Taxation	<b>(22,061,503)</b>	(33,569,761)
<b>Loss after taxation</b>	<b>(433,827,781)</b>	(427,722,558)
<b>Loss per share - basic and diluted</b>	<b>(0.95)</b>	(0.94)

The annexed notes 1 to 13 form an integral part of this condensed interim unconsolidated financial

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)  
For the quarter ended 30 September 2014

	<b>(Un-Audited)</b> <b>01 July 2014 to</b> <b>September 2014</b>	(Un-Audited) 01 July 2013 to September 2013
	<u>Rupees</u>	<u>Rupees</u>
<b>Loss after taxation</b>	<b>(433,827,781)</b>	(427,722,558)
<b>Other comprehensive loss for the period:</b>		
<b>Items that are or may be reclassified to profit and loss account</b>		
Changes in fair value of available for sale financial assets	-	(1,473)
Exchange difference on translation of foreign subsidiary	<b>(38,195,172)</b>	80,879,184
	<b>(38,195,172)</b>	80,877,711
<b>Total comprehensive loss for the period</b>	<b><u>(472,022,953)</u></b>	<b><u>(346,844,847)</u></b>

The annexed notes 1 to 13 form an integral part of this condensed interim unconsolidated financial information.

## Condensed Interim Consolidated Cash flow Statement (Un-audited)

For the quarter ended 30 September 2014

	(Un-Audited) 01 July 2014 to September 2014 <u>Rupees</u>	(Un-Audited) 01 July 2013 to September 2013 <u>Rupees</u>
<b>Cash flow from operating activities</b>		
Loss before taxation	(411,766,278)	(394,152,797)
Adjustments	425,847,057	621,768,709
<b>Operating profit before working capital changes</b>	<b>14,080,779</b>	227,615,912
Changes in working capital	(151,352,646)	(83,423,803)
<b>Cash used in operations</b>	<b>(137,271,867)</b>	144,192,109
<b>Payments for:</b>		
Interest / mark-up paid	(95,825,588)	(133,828,716)
Taxes paid	(23,700,392)	(32,815,224)
Long term deposits	-	(507,462)
<b>Net cash used in operating activities</b>	<b>(256,797,847)</b>	(22,959,293)
<b>Cash flows from investing activities</b>		
Capital expenditure	(8,807,971)	(12,066,655)
Proceeds from disposal of fixed assets	-	1,357,551
Short term investments	393,977,500	-
<b>Net cash generated from/(used in) investing activities</b>	<b>385,169,529</b>	(10,709,104)
<b>Cash flows from financing activities</b>		
Liabilities against assets subject to finance lease	(2,106,916)	(5,049,904)
Short term borrowings-net	(52,067,341)	(35,694,496)
<b>Net cash used in financing activities</b>	<b>(54,174,257)</b>	(40,744,400)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>74,197,425</b>	(74,412,797)
<b>Cash and cash equivalents at the beginning of period</b>	<b>24,313,898</b>	143,040,613
<b>Cash and cash equivalents at the end of period</b>	<b>98,511,323</b>	68,627,816

The annexed notes 1 to 13 form an integral part of this condensed interim unconsolidated financial

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

For the quarter ended 30 September 2014

	Capital reserves					Revenue reserves		Total equity Rupees	
	Issued, subscribed and paid-up capital Rupees	Share premium Rupees	Reserve on merger Rupees	Translation reserve Rupees	Preference share redemption reserve Rupees	Available for sale financial assets Rupees	Accumulated loss Rupees		Total reserves Rupees
As at 01 July 2013	4,548,718,700	2,358,246,761	105,152,005	(3,820,802)	661,250,830	12,557	(6,726,946,203)	(3,606,104,852)	942,613,848
Total comprehensive income for the period	-	-	-	-	-	-	(427,722,558)	(427,722,558)	(427,722,558)
Loss for the year ended 30 September 2013	-	-	-	-	-	(1,473)	-	80,877,711	80,877,711
Other comprehensive (loss) / income for year ended 30 September 2013	-	-	-	80,879,184	-	(1,473)	-	(346,844,847)	(346,844,847)
Total comprehensive (loss) / income for the year ended 30 September 2013	-	-	-	80,879,184	-	(1,473)	(427,722,558)	(346,844,847)	(346,844,847)
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	77,058,382	661,250,830	11,084	(7,123,365,913)	(3,921,646,851)	627,071,849
As at 01 July 2014	4,548,718,700	2,358,246,761	105,152,005	153,361,413	661,250,830	13,423	(8,640,333,356)	(5,362,308,924)	(813,590,224)
Total comprehensive income for the period	-	-	-	-	-	-	(433,827,781)	(433,827,781)	(433,827,781)
Loss for the quarter ended 30 September 2014	-	-	-	-	-	-	-	(38,195,172)	(38,195,172)
Other comprehensive (loss) / income for quarter ended 30 September 2014	-	-	-	-	-	(38,195,172)	-	(472,022,953)	(472,022,953)
Total comprehensive (loss) / income for the quarter ended 30 September 2014	-	-	-	-	-	(38,195,172)	(433,827,781)	(472,022,953)	(472,022,953)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	37,668,322	37,668,322	37,668,322
As at 30 September 2014	4,548,718,700	2,358,246,761	105,152,005	153,361,413	661,250,830	(38,181,748)	(9,086,492,815)	(5,796,663,555)	(1,247,944,855)

The annexed notes 1 to 13 form an integral part of this condensed interim unconsolidated financial information.



CHIEF EXECUTIVE

Lahore



DIRECTOR

## Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2014

### 1 Status and nature of business

#### 1.1 Azgard Nine Limited ("ANL") - Holding 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.

#### 1.2 Montebello s.r.l. ("MSRL") - Subsidiary Company

MSRL is incorporated in Italy and is a wholly owned subsidiary of ANL. MSRL is engaged in sale denim and denim products.

### 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 2014 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 2014.

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

During this quarter, ANL has partially received much awaited working capital of Rs. 394 million out of Rs. 700 million due from sale of AGL. The remaining balance of Rs. 306 million is expected to be realized within next year. ANL has injected these funds in operations to explore its underutilized production lines. Now we are focusing on achieving operational capacities which hopefully would be achieved in few months.



## Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2014

During this quarter, ANL's current liabilities exceeded its current assets by Rs. 6,818.45 million, including Rs. 4,447.95 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 8,814.56 million. These conditions cast a significant doubt about ANL's ability to continue as a going concern. These financial statements 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.

ANL has also entered in second round of financial restructuring through a plan which includes disposal of less operative assets combined with debt restructuring. In this regards, various intended buyers have shown interest for purchase of such assets. Further, lenders have also been contacted for debt restructuring.

ANL is hopeful that subsequent to realization of proceeds from sale of these assets, receipt of remaining working capital and completion of debt restructuring, target of sustainable capacity utilization will be achieved. Management is confident that through these measures ANL would turnaround in to a profitable Company, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

### 2.3 Financial liabilities

Due to factors mentioned in note 2.2 and note 11, ANL could not make timely repayments of principal and related mark-up of long term debts. Consequently, there has been non-compliance 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 management considers that since event of default has not been declared by the lenders and ANL has commenced discussions with its lenders for reprofiling of its debts, the long term debts of Rs. 5,298.63 million have been classified as long term as per the repayment schedules in the financial statements.

### 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

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

For the quarter ended 30 September 2014

### 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 2014.

<b>(Un-Audited)</b>	<b>(Audited)</b>
<b>30 September</b>	<b>30 June</b>
<b>2014</b>	<b>2014</b>
<b>Rupees</b>	<b>Rupees</b>

### 5 Redeemable capital - secured

Term Finance Certificates - II	<b>651,066,836</b>	651,066,836
Term Finance Certificates - IV	<b>1,083,768,528</b>	1,083,768,528
Term Finance Certificates - V	<b>527,682,637</b>	527,682,637
Privately Placed Term Finance Certificates - VI	<b>3,218,670,000</b>	3,218,670,000
Privately Placed Term Finance Certificates	<b>326,456,184</b>	326,456,184
Privately Placed Term Finance Certificates	<b>217,200,000</b>	217,200,000
	<b>6,024,844,185</b>	6,024,844,185
Deferred notional income	<b>(472,557,860)</b>	(545,601,982)
Transaction cost	<b>(44,279,588)</b>	(46,699,514)
	<b>5,508,006,737</b>	5,432,542,689
Amount payable within next twelve months	<b>(2,208,265,151)</b>	(1,633,326,189)
	<b>3,299,741,586</b>	3,799,216,500

### 6 Long term finances

Deutsche Investitions - Und MBH (Germany)	<b>915,906,516</b>	946,537,228
Saudi Pak Industrial and Agricultural Company Limited	<b>43,251,155</b>	43,251,155
Citi Bank N.A	<b>567,539,466</b>	567,539,466
HSBC Middle East Limited	<b>234,602,579</b>	234,602,579
	<b>1,761,299,716</b>	1,791,930,428
Transaction costs	<b>(19,718,317)</b>	(20,162,005)
	<b>1,741,581,399</b>	1,771,768,423
Amount payable within next twelve months	<b>(279,252,082)</b>	(278,463,497)
	<b>1,462,329,317</b>	1,493,304,926

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

For the quarter ended 30 September 2014

### 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 quarter ended 30 June 2014.

<b>(Un-Audited)</b> <b>30 September</b> <b>2014</b>	<b>(Audited)</b> <b>30 June</b> <b>2014</b>
<u>Rupees</u>	<u>Rupees</u>

#### 7.2 Commitments

##### 7.2.1 Commitments under irrevocable letters of credit for:

- purchase of stores, spare and loose tools	<b>6,788,674</b>	1,709,166
- purchase of machinery	<b>21,693,360</b>	-
- purchase of raw material	<b>51,186,557</b>	21,714,687
	<b><u>79,668,591</u></b>	<b><u>23,423,853</u></b>

##### 7.2.2 Commitments for capital expenditure

<b><u>38,505,194</u></b>	<b><u>38,505,194</u></b>
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### 8 Short term investments

Short term investment comprise 58.29 Million preference shares with value of Rs. 5.25 per shares (30 Jun 2014: 20 Million ordinary shares with value of Rs. 35 Per share).

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

For the quarter ended 30 September 2014

	(Un-Audited) 30 September 2014 Rupees	(Un-Audited) 30 September 2013 Rupees
<b>9 Finance cost</b>		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term financing	<b>115,578,072</b>	97,709,812
Liabilities against assets subject to finance lease	-	826,906
Short term borrowings	<b>125,197,734</b>	124,522,405
Interest on Provident Fund	<b>390,712</b>	3,355,905
Bank charges & commission	<b>40,677,652</b>	35,043,215
	<b>281,843,810</b>	261,458,243
Amortization of transaction costs and deferred notional income	<b>75,907,738</b>	78,662,291
Foreign exchange loss / (gain) on long term loan	<b>(35,947,002)</b>	95,564,085
	<b>321,804,546</b>	435,684,619

### 10 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:

Nature of transaction	Pricing mechanism
Sales	Cost plus margin
Purchases	Comparable uncontrolled price method
Investments (including loans and advances)	Comparable uncontrolled price method
Borrowings	Comparable uncontrolled price method
Contribution to post employment benefit plan	As per terms of employment
Compensation of key management personnel	As per terms of employment

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

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

For the quarter ended 30 September 2014

	<b>(Un-Audited)</b> <b>01 July 2014 to</b> <b>September 2014</b>	<b>(Un-Audited)</b> <b>01 July 2013 to</b> <b>September 2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>10.1 Transactions with related parties</b>		
<b>10.1.1 Post-employment benefit plans</b>		
Contribution to employees provident fund	<b>28,095,726</b>	27,513,543
<b>10.1.2 Key management personnel</b>		
Short-term employee benefits	<b>27,959,078</b>	23,039,356
	<b>(Un-Audited)</b> <b>30 September</b> <b>2014</b>	<b>(Audited)</b> <b>30 June</b> <b>2014</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>10.2 Balances with related parties</b>		
<b>10.2.1 Post-employment benefit plans</b>		
Payable to employees provident fund	<b>74,892,340</b>	54,950,366
<b>10.2.2 Key Management Personnel</b>		
Short term employee benefits payable	<b>9,119,693</b>	18,975,476
<b>11 Overdue debt finances</b>		

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:

	<b>As at 30 September 2014</b>		
	<b>Principal</b>	<b>Interest / mark-up</b>	<b>Total</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Redeemable Capital	959,277,771	789,839,985	<b>1,749,117,755</b>
Long term finances	84,573,290	382,998,711	<b>467,572,001</b>
Bills payable	269,307,562	166,364,543	<b>435,672,105</b>
Short term borrowings	817,446,216	829,774,152	<b>1,647,220,368</b>
Preference shares	148,367,250	-	<b>148,367,250</b>
	<b>2,278,972,088</b>	<b>2,168,977,391</b>	<b>4,447,949,479</b>

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

*For the quarter ended 30 September 2014*

### 12 Date of authorization

This condensed interim consolidated financial information was authorized for issue by the Board of Directors of the Parent Company on 30 October 2014.

### 13 General

Figures have been rounded off to the nearest rupee.





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