

Interim Financial Report | for the nine months ended
31 March 2015 (Un-audited)



AZGARD-9



Azgard Nine Limited

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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. Farrukh Hussain
Mr. Yasir Habib Hashmi
Mr. Munir Alam

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Saad Khalid, ACA

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

Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Quarterly Report accompanied by the Unaudited Financial Statements for the nine months ended March 31 2015.

Principal Activities

The main business of your Company is the production, sales and marketing of denim focused textile and apparel products. Taking in raw cotton at one end and going all the way to retail ready goods.

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

	Nine Months ended 31 March 2015	Nine Months ended 31 March 2014
Sales - Net	7,818,292,679	10,396,704,571
Operating profit	21,433,784	87,180,443
Finance Cost	845,307,040	1,143,452,656
Loss before Tax	608,108,613	1,115,551,348
Loss after Tax	687,664,588	1,219,558,650
Loss per share	1.51	2.68

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

	Nine Months ended 31 March 2015	Nine Months ended 31 March 2014
Sales - Net	8,208,238,457	10,634,208,250
Operating profit	3,619,580	139,025,682
Finance Cost	851,243,630	1,159,632,684
Loss before Tax	924,294,384	1,079,886,137
Loss after Tax	1,003,850,359	1,183,893,439
Loss per share	2.21	2.60

Review of Business

During this period the Company endured challenges comprising a tough global environment and domestic economic shocks. This was coupled with the ongoing uncertainty and financial volatility in the Euro Zone. The depreciation of the Euro and the poor retail sales in Europe have had an impact on the companies performance. The Company is trying to improve its cost of energy by improving the energy mix. It is hoped that should help to reduce energy costs for the company. The company is also trying to reduce its costs farther by implementing more cost cutting measures keeping the current market conditions in view. These measures should help the company to reduce its manufacturing costs.

Future Outlook

We are hopeful that after completion of second phase of restructuring and sale of low performing assets the Company will be able perform better. It is envisaged that this restructuring should reduce the debt service levels of the company to sustainable levels.

Directors' Review

Web presence

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

Acknowledgment

The Board takes this opportunity to thank the Company's valued customers and the financial institutions for their corporation and support. The Board also appreciates hard work and dedication of all the employees of the Company and would like to thank them as well.

on behalf of the Board

Lahore
28 April 2015



Chief Executive Officer

**Condensed
Interim
Unconsolidated
Financial
Information**

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 31 March 2015

	Note	(Un-Audited) 31 March 2015 Rupees	(Audited) 30 June 2014 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
<i>Authorized share capital</i>		<u>15,000,000,000</u>	15,000,000,000
Issued, subscribed and paid-up capital		4,548,718,700	4,548,718,700
Reserves		3,125,219,742	3,417,654,719
Accumulated loss		(9,296,745,234)	(8,714,668,872)
		<u>(1,622,806,792)</u>	(748,295,453)
Surplus on revaluation of fixed assets		<u>4,598,099,316</u>	4,703,687,542
		<u>2,975,292,524</u>	3,955,392,089
<u>Non-current liabilities</u>			
Redeemable capital - <i>secured</i>	5	2,667,752,802	3,799,216,500
Long term finances - <i>secured</i>	6	1,208,456,518	1,493,304,926
Liabilities against assets subject to finance lease - <i>secured</i>		26,630,264	20,783,684
		<u>3,902,839,584</u>	5,313,305,110
<u>Current liabilities</u>			
Current portion of non-current liabilities		3,537,156,073	2,068,876,610
Short term borrowings		4,481,217,533	4,579,605,634
Trade and other payables		2,825,089,960	2,560,280,282
Interest / mark-up accrued on borrowings		2,720,873,254	2,214,256,456
Dividend payable		13,415,572	13,415,572
Current taxation		77,396,505	77,861,036
		<u>13,655,148,897</u>	11,514,295,590
Contingencies and commitments	7	<u>20,533,281,005</u>	20,782,992,789
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment		13,216,584,138	13,537,283,593
Long term investments	8	1,664,199,896	1,681,304,686
Long term deposits - <i>unsecured, considered good</i>		19,253,047	19,253,047
		<u>14,900,037,081</u>	15,237,841,326
<u>Current assets</u>			
Stores, spares and loose tools		151,527,964	132,749,270
Stock in trade		2,030,049,579	1,546,298,008
Trade debts		2,035,772,332	2,420,618,482
Advances, deposits, prepayments and other receivables		1,014,572,307	722,725,894
Short term investments	9	306,022,500	700,000,000
Cash and bank balances		95,299,242	22,759,809
		<u>5,633,243,924</u>	5,545,151,463
		<u>20,533,281,005</u>	20,782,992,789

The annexed notes 1 to 15 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 nine months and quarter ended 31 March 2015

	2015		2014	
	July 2014 to March 2015	January 2015 to March 2015	July 2013 to March 2014	January 2014 to March 2014
	Rupees	Rupees	Rupees	Rupees
Sales - net	7,818,292,679	2,851,380,213	10,396,704,571	3,396,128,859
Cost of sales	(7,096,267,211)	(2,639,514,274)	(9,535,587,139)	(3,093,332,718)
Gross profit	722,025,468	211,865,939	861,117,432	302,796,141
Selling and distribution expenses	(405,696,603)	(126,193,862)	(473,403,954)	(151,404,939)
Administrative and general expenses	(294,895,081)	(83,198,914)	(300,533,036)	(90,716,304)
Operating profit	21,433,784	2,473,163	87,180,442	60,674,898
Other income	318,036,125	11,402,985	36,753,480	7,266,476
Other expenses	(102,271,482)	(53,944,377)	(96,032,615)	(96,032,615)
Finance cost	(845,307,040)	(237,902,172)	(1,143,452,655)	(296,866,637)
Loss before taxation	(608,108,613)	(277,970,401)	(1,115,551,348)	(324,957,878)
Taxation	(79,555,975)	(28,668,180)	(104,007,302)	(34,046,176)
Loss after taxation	(687,664,588)	(306,638,581)	(1,219,558,650)	(359,004,054)
Loss per share - basic and diluted	(1.51)	(0.67)	(2.68)	(0.79)

Note

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The annexed notes 1 to 15 form an integral part of this condensed interim unconsolidated financial information.

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

For the nine months and quarter ended 31 March 2015

	2015		2014	
	July 2014 to March 2015 Rupees	January 2015 to March 2015 Rupees	July 2013 to March 2014 Rupees	January 2014 to March 2014 Rupees
Loss after taxation	(687,664,588)	(306,638,581)	(1,219,558,650)	(359,004,054)
<i>Other comprehensive income / (loss):</i>				
<u>Items that are or may be subsequently reclassified to profit or loss</u>				
Changes in fair value of available for sale financial assets	-	-	3,335	(2,037)
Fair value gain realized on sale of available for sale financial asset reclassified to profit or loss	(292,434,977)	-	-	-
	(292,434,977)	-	3,335	(2,037)
Total comprehensive loss for the period	(980,099,565)	(306,638,581)	(1,219,555,315)	(359,006,091)

The annexed notes 1 to 15 form an integral part of this condensed interim unconsolidated financial information.

Condensed Interim Unconsolidated Cash flow Statement (Un-audited)

For the nine months and quarter ended 31 March 2015

	July 2014 to March 2015 Rupees	July 2013 to March 2014 Rupees
<u>Cash flows from operating activities</u>		
Loss after tax	(687,664,588)	(1,219,558,650)
Adjustment for non-cash and other items:	1,004,603,907	1,584,130,242
Operating profit before changes in working capital	316,939,319	364,571,592
Changes in working capital	(135,871,622)	170,523,127
Cash generated from operations	181,067,697	535,094,719
Interest / mark-up paid	(293,078,485)	(347,026,053)
Long term deposits	-	4,692,551
Taxes paid	(80,020,507)	(97,491,614)
Net cash (used in) / generated from operating activities	(192,031,295)	95,269,603
<u>Cash flows from investing activities</u>		
Capital expenditure	(45,914,859)	(47,744,026)
Proceeds from disposal of property, plant and equipment	17,662,770	6,854,200
Proceeds from sale of investment in Agritech Limited	393,977,500	-
Net cash generated from / (used in) investing activities	365,725,411	(40,889,826)
<u>Cash flows from financing activities</u>		
Repayment of liabilities against assets subject to finance lease	(10,677,373)	(1,011,852)
Net decrease in short term borrowings	(90,477,310)	(143,888,231)
Net cash used in financing activities	(101,154,683)	(144,900,083)
Net increase / (decrease) in cash and cash equivalents	72,539,433	(90,520,306)
Cash and cash equivalents at beginning of the period	22,759,809	132,259,604
Cash and cash equivalents at end of the period	95,299,242	41,739,298

The annexed notes 1 to 15 form an integral part of this condensed interim unconsolidated financial information.

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

For the nine months ended 31 March 2015

	Capital reserves		Revenue reserves		Total equity			
	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve		Available for sale financial assets	Accumulated loss	Total reserves
As at 30 June 2013 - Audited	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
<i>Total comprehensive income for the period:</i>								
Loss for the period ended 31 March 2014	-	-	-	-	-	(1,219,558,650)	(1,219,558,650)	(1,219,558,650)
Other comprehensive income for the period ended 31 March 2014	-	-	-	-	3,335	-	3,335	3,335
Total comprehensive income / (loss) for the period	-	-	-	-	3,335	(1,219,558,650)	(1,219,555,315)	(1,219,555,315)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	93,908,544	93,908,544	93,908,544
As at 31 March 2015 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	293,007,592	(7,829,736,760)	(4,412,079,572)	136,639,128
As at 30 June 2014 - Audited	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)
<i>Total comprehensive income for the period:</i>								
Loss for the period ended 31 March 2015	-	-	-	-	-	(687,664,588)	(687,664,588)	(687,664,588)
Other comprehensive loss for the period ended 31 March 2015	-	-	-	-	(292,434,977)	-	(292,434,977)	(292,434,977)
Total comprehensive loss for the period	-	-	-	-	(292,434,977)	(687,664,588)	(980,099,565)	(980,099,565)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	100,868,191	100,868,191	100,868,191
Reversal of revaluation surplus on disposal of fixed assets	-	-	-	-	-	4,720,035	4,720,035	4,720,035
As at 31 March 2015 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,146	(9,296,745,234)	(6,171,525,492)	(1,622,806,792)

The annexed notes 1 to 15 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 nine months ended 31 March 2015

1 Reporting entity

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 manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwane-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 km off Ferozpur Road, 6 km Badian Road on Ruhi Nala, Der Khurd, Lahore.

2 Basis of preparation

2.1 Statement of compliance

2.1.1 This condensed interim unconsolidated financial information comprises the balance sheet of Azgard Nine Limited ("the Company"), as at 31 March 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof.

2.1.2 This condensed interim unconsolidated financial information of the Company for the nine months period ended 31 March 2015 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 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.

2.1.3 This condensed interim unconsolidated financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2014.

2.1.4 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 the period, the Company has received Rs. 394 million out of the total Rs. 700 million due from sale of AGL. The remaining balance of Rs. 306 million is expected to be realised in one year's time. The Company has started investing the funds received in its working capital. Now the Company is 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. 8,021.9 million, including Rs. 5,234.88 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 9,296.75 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.

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

For the nine months ended 31 March 2015

The Company has also entered in second round of financial restructuring through a plan which includes disposal of low profile 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. 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 12, 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. 4,272.50 million have been classified as long term as per the repayment schedules in the financial statements.

3 Statement of consistency in accounting policies

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of annual financial statements for the year ended 30 June 2014.
- 3.2 There were certain new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

In addition to the above, following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 38 - Intangible Assets	01 January 2016
IAS 16 - Property, Plant and Equipment	01 January 2016
IAS 41 - Agriculture	01 January 2016
IFRS 10 - Consolidated Financial Statements	01 January 2015
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 12 - Disclosure of Interest in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 27 - Separate Financial Statements	01 January 2016
Annual Improvements to IFRSs 2012-2014 Cycles	01 January 2016

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

For the nine months ended 31 March 2015

4 Significant estimates

The preparation of this 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, liabilities, income and expense and related disclosures at the date of financial statements. Actual results may differ from these estimates. In preparing this condensed interim unconsolidated financial information, the significant judgments made by management in applying accounting policies, key estimates and uncertainty includes:

- Depreciation method, residual values and useful life of depreciable assets
- Taxation
- Fair value investment in subsidiaries
- Provisions and Contingencies

	(Un-Audited)	(Audited)
	31 March	30 June
	2014	2014
	Rupees	Rupees
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	6,024,844,185
Accumulated deferred notional income	(337,736,301)	(545,601,982)
Transaction cost	(39,623,278)	(46,699,514)
	5,647,484,606	5,432,542,689
Less: Amount shown as current liability	(2,979,731,804)	(1,633,326,189)
	2,667,752,802	3,799,216,500

6 Long term finances - secured

Deutsche Investitions - Und MBH (Germany)	776,521,831	946,537,228
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A (Pakistan)	567,539,466	567,539,466
HSBC (Middle East) Limited	234,602,579	234,602,579
	1,621,915,031	1,791,930,428
Transaction costs	(18,928,549)	(20,162,005)
	1,602,986,482	1,771,768,423
Less: Amount shown as current liability	(394,529,964)	(278,463,497)
	1,208,456,518	1,493,304,926

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

For the nine months ended 31 March 2015

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 2014.

7.2 Commitments

7.2.1 Commitments under irrevocable letters of credit for:

	(Un-Audited)	(Audited)
	31 March	30 June
	2014	2014
	Rupees	Rupees
- purchase of stores, spare and loose tools	5,593,500	1,709,166
- purchase of raw material	28,913,921	21,714,687
	<u>34,507,421</u>	<u>23,423,853</u>
7.2.2 Commitments for capital expenditure	<u>20,239,810</u>	<u>38,505,194</u>

8 Long term investments

Investment in subsidiary, Montebello s.r.l.	1,449,407,671	1,449,407,671
Other investments	32,087	32,087
Investment in Agritech Limited TFC's	214,760,138	231,864,928
	<u>1,664,199,896</u>	<u>1,681,304,686</u>

9 Short term investment

Short term investment represents 58.29 million preference shares of Agritech Limited (30 June 2014: 20 million ordinary shares of Agritech Limited). The Company also has a put option to sell these shares to National Bank of Pakistan at the purchase price.

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

For the nine months ended 31 March 2015

	(Un-Audited) July 2014 to March 2015	(Un-Audited) July 2013 to March 2014
	Rupees	Rupees
10 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term finances	338,326,065	325,905,179
Liabilities against assets subject to finance lease	887,115	1,781,848
Short term borrowings	350,372,039	393,344,569
Interest on payable to Provident Fund Trust	1,669,124	10,232,296
Interest on Workers' Profit Participation Fund	5,361,345	5,465,536
	696,615,688	736,729,428
Amortization of transaction costs and deferred notional income	216,175,372	234,300,347
Foreign exchange (gain) / loss	(176,812,072)	57,806,970
Bank charges and commission	109,328,052	114,615,910
	<u>845,307,040</u>	<u>1,143,452,655</u>

11 Transactions and balances with related parties

Related parties from the Company's perspective comprise subsidiary, associated undertakings, key management personnel (including chief executive and directors), post employment benefit plan and other related parties. 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 on permissible basis.

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

11.1 Transactions with related parties

	(Un-Audited) July 2014 to March 2015	(Un-Audited) July 2013 to March 2014
	Rupees	Rupees
11.1.1 <u>Subsidiary</u>		
Montebello s.r.l.		
Sales	30,641,588	536,037,453
11.1.2 Post employment benefit plans		
Payment to employees Provident Fund Trust	90,504,256	77,235,064
11.1.3 Key management personnel		
Short-term employee benefits	215,854,021	181,938,381

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the nine months ended 31 March 2015

	(Un-Audited) 31 March 2014 Rupees	(Audited) 30 June 2014 Rupees
11.2 Balances with related parties		
11.2.1 <u>Subsidiary</u>		
Montebello s.r.l.		
Trade receivables	384,506,721	963,354,964
11.2.3 Post employment benefit plans		
Payable to employees Provident Fund Trust	71,728,596	54,950,366
11.2.4 Key management personnel		
Short term employee benefits payable	23,983,780	18,975,476
12 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 31 March 2015		
	Principal Rupees	Interest / mark-up Rupees	Total Rupees
<u>Nature of liability</u>			
Redeemable Capital	1,479,662,370	918,227,080	2,397,889,450
Long term finances	167,724,199	449,271,666	616,995,865
Bills payables	344,013,472	189,929,198	533,942,670
Short term borrowings	579,162,000	958,527,714	1,537,689,714
Preference shares	148,367,250	-	148,367,250
	2,718,929,291	2,515,955,658	5,234,884,949

13 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended 30 June 2014.

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

For the nine months ended 31 March 2015

14 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on 28 April 2015.

15 General

Figures have been rounded off to the nearest rupee.



**Condensed
Interim
Consolidated
Financial
Information**

Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 31 March 2015

	Note	(Un-Audited) 31 March 2015 Rupees	(Audited) 30 June 2014 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
<i>Authorized share capital</i>		15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital		4,548,718,700	4,548,718,700
Reserves		3,066,428,772	3,278,024,432
Accumulated loss		(9,538,595,489)	(8,640,333,356)
		(1,923,448,017)	(813,590,224)
Surplus on revaluation of fixed assets		4,598,099,316	4,703,687,542
		2,674,651,299	3,890,097,318
<u>Non-current liabilities</u>			
Redeemable capital - <i>secured</i>	5	2,667,752,802	3,799,216,500
Long term finances - <i>secured</i>	6	1,208,456,518	1,493,304,926
Liabilities against assets subject to finance lease - <i>secured</i>		26,630,264	20,783,684
		3,902,839,584	5,313,305,110
<u>Current liabilities</u>			
Current portion of non-current liabilities		3,537,156,073	2,068,876,610
Short term borrowings		4,590,137,332	4,726,872,126
Trade and other payables		2,982,842,535	2,714,822,531
Interest / mark-up accrued on borrowings		2,720,873,254	2,214,256,456
Dividend payable		13,415,572	13,415,572
		13,844,424,766	11,738,243,295
Contingencies and commitments	7	20,421,915,649	20,941,645,723
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment		13,229,668,420	13,555,411,222
Intangible assets		692,874,468	844,487,927
Long term investments	8	214,792,225	231,897,015
Long term deposits - <i>unsecured, considered good</i>		19,253,047	19,253,047
		14,156,588,160	14,651,049,211
<u>Current assets</u>			
Stores, spares and loose tools		151,527,964	132,749,270
Stock in trade		2,052,327,931	1,652,031,301
Trade debts		2,562,802,428	2,839,179,664
Advances, deposits, prepayments and other receivables		1,077,611,582	902,093,786
Short term investments	9	306,022,500	700,000,000
Current taxation		19,492,145	40,228,593
Cash and bank balances		95,542,939	24,313,898
		6,265,327,489	6,290,596,512
		20,421,915,649	20,941,645,723

The annexed notes 1 to 15 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 nine months and quarter ended 31 March 2015

	Note	2015		2014	
		July 2014 to March 2015	January 2015 to March 2015	July 2013 to March 2014	January 2014 to March 2014
		Rupees	Rupees	Rupees	Rupees
Sales - net		8,208,238,457	2,831,082,092	10,634,208,250	3,639,589,801
Cost of sales		(7,449,649,048)	(2,628,351,280)	(9,685,011,112)	(3,344,716,266)
Gross profit		758,589,409	202,730,812	949,197,138	294,873,535
Selling and distribution expenses		(413,687,807)	(125,808,194)	(481,970,047)	(146,957,548)
Administrative and general expenses		(341,282,022)	(82,351,545)	(328,201,409)	(85,660,578)
Operating profit		3,619,580	(5,428,927)	139,025,682	62,255,409
Other income		25,601,148	11,402,985	36,753,480	7,266,476
Other expenses		(102,271,482)	(53,944,377)	(96,032,615)	(96,032,615)
Finance cost	10	(851,243,630)	(239,029,853)	(1,159,632,684)	(308,300,706)
Loss before taxation		(924,294,384)	(287,000,172)	(1,079,886,137)	(334,811,436)
Taxation		(79,555,975)	(28,668,180)	(104,007,302)	(34,046,176)
Loss after taxation		(1,003,850,359)	(315,668,352)	(1,183,893,439)	(368,857,612)
Loss per share - basic and diluted		(2.21)	(0.69)	(2.60)	(0.81)

The annexed notes 1 to 15 form an integral part of this condensed interim consolidated financial information.

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

For the nine months and quarter ended 31 March 2015

	2015		2014	
	July 2014 to March 2015	January 2015 to March 2015	July 2013 to March 2014	January 2014 to March 2014
	Rupees	Rupees	Rupees	Rupees
Loss after taxation	(1,003,850,359)	(315,668,352)	(1,183,893,439)	(368,857,612)
<i>Other comprehensive income / (loss):</i>				
<u>Items that are or may be subsequently reclassified to profit or loss</u>				
Changes in fair value of available for sale financial assets	-	-	3,335	(2,037)
Exchange difference on translation of foreign subsidiary	(211,595,660)	(103,886,277)	(6,733,442)	(30,914,240)
	(211,595,660)	(103,886,277)	(6,730,107)	(30,916,277)
Total comprehensive loss for the period	(1,215,446,019)	(419,554,629)	(1,190,623,546)	(399,773,889)

The annexed notes 1 to 15 form an integral part of this condensed interim consolidated financial information.

Condensed Interim Consolidated Cash flow Statement (Un-audited)

For the nine months and quarter ended 31 March 2015

	July 2014 to March 2015	July 2013 to March 2014
	Rupees	Rupees
<u>Cash flows from operating activities</u>		
Loss after tax	(1,003,850,359)	(1,183,893,439)
Adjustment for non-cash and other items:	1,263,301,009	1,585,971,585
Operating profit before changes in working capital	259,450,650	402,078,146
Changes in working capital	(41,346,652)	200,210,469
Cash (used in) / generated from operations	218,103,998	602,288,615
Interest / mark-up paid	(293,078,485)	(347,026,053)
Long term deposits	-	9,383,980
Taxes paid	(80,020,507)	(97,491,614)
Net cash (used in) / generated from operating activities	(154,994,994)	167,154,928
<u>Cash flows from investing activities</u>		
Capital expenditure	(45,914,859)	(47,744,026)
Proceeds from disposal of property, plant and equipment	17,662,770	(6,734,437)
Proceeds from sale of investment in Agritech Limited	393,977,500	6,854,200
Net cash generated from / (used in) investing activities	365,725,411	(47,624,263)
<u>Cash flows from financing activities</u>		
Repayment of liabilities against assets subject to finance lease	(10,677,373)	(1,011,852)
Net decrease in short term borrowings	(128,824,003)	(215,862,258)
Net cash used in financing activities	(139,501,376)	(216,874,110)
Net increase / (decrease) in cash and cash equivalents	71,229,041	(97,343,445)
Cash and cash equivalents at beginning of the period	24,313,898	143,040,613
Cash and cash equivalents at end of the period	95,542,939	45,697,168

The annexed notes 1 to 15 form an integral part of this condensed interim consolidated financial information.

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

For the nine months ended 31 March 2015

	Issued, subscribed and paid-up capital Rupees	Capital reserves			Revenue reserves			Total equity 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 30 June 2013 - Audited	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
<i>Total comprehensive income for the period:</i>									
Loss for the period ended 31 March 2014	-	-	-	-	-	-	(1,183,893,439)	(1,183,893,439)	(1,183,893,439)
Other comprehensive income/(loss) for the period ended 31 March 2014	-	-	-	(6,733,442)	-	3,335	-	(6,730,107)	(6,730,107)
Total comprehensive income / (loss) for the period	-	-	-	(6,733,442)	-	3,335	(1,183,893,439)	(1,190,623,546)	(1,190,623,546)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	93,908,544	93,908,544	93,908,544
As at 31 March 2014 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	(10,554,244)	661,250,830	15,892	(7,816,931,098)	(4,702,819,854)	(154,101,154)
As at 30 June 2014 - Audited	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)
<i>Total comprehensive income for the period:</i>									
Loss for the period ended 31 March 2015	-	-	-	-	-	-	(1,003,850,359)	(1,003,850,359)	(1,003,850,359)
Other comprehensive loss for the period ended 31 March 2015	-	-	-	-	-	(211,595,660)	-	(211,595,660)	(211,595,660)
Total comprehensive loss for the period	-	-	-	-	-	(211,595,660)	(1,003,850,359)	(1,215,446,019)	(1,215,446,019)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	100,868,191	100,868,191	100,868,191
Reversal of revaluation surplus on disposal of fixed assets	-	-	-	-	-	-	4,720,035	4,720,035	4,720,035
As at 31 March 2015 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	153,361,413	661,250,830	(211,582,237)	(9,538,595,489)	(6,472,166,717)	(1,923,448,017)

The annexed notes 1 to 15 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 nine months ended 31 March 2015

1 Reporting entity

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 Aiwani-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

2.1.1 This condensed interim consolidated financial information comprises the consolidated balance sheet of Azgard Nine Limited ("the Parent Company") and its subsidiary, Montebello s.r.l, as at 31 March and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof.

2.1.2 This condensed interim consolidated financial information of the Group for the six months period ended 31 March 2015 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 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.

2.1.3 This condensed interim consolidated financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2014.

2.1.4 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 the period, the Parent Company has received Rs. 394 million out of the total Rs. 700 million due from sale of AGL. The remaining balance of Rs. 306 million is expected to be realised in one year's time. The Parent Company has started investing the funds received in its working capital. Now the Parent Company is 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 nine months ended 31 March 2015

During this quarter, its current liabilities exceeded its current assets by Rs. 8,021.9 million, including Rs. 5,234.88 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 9,296.75 million. These conditions cast a significant doubt about the Parent 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 Parent 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 Parent Company has also entered in second round of financial restructuring through a plan which includes disposal of low profile 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. The Parent 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 Parent 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 12, the Parent 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 Parent Company has commenced discussions with its lenders for reprofiling of its debts, the long term debts of Rs. 4,272.50 million have been classified as long term as per the repayment schedules in the financial statements.

3 Statement of consistency in accounting policies

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of annual financial statements for the year ended 30 June 2014.
- 3.2 There were certain new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed.

In addition to the above, following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

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

For the nine months ended 31 March 2015

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 38 - Intangible Assets	01 January 2016
IAS 16 - Property, Plant and Equipment	01 January 2016
IAS 41 - Agriculture	01 January 2016
IFRS 10 - Consolidated Financial Statements	01 January 2015
IFRS 11 - Joint Arrangements	01 January 2015
IFRS 12 - Disclosure of Interest in Other Entities	01 January 2015
IFRS 13 - Fair Value Measurement	01 January 2015
IAS 27 - Separate Financial Statements	01 January 2016
Annual Improvements to IFRSs 2012-2014 Cycles	01 January 2016

4 Significant estimates

The preparation of this 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, liabilities, income and expense and related disclosures at the date of financial statements. Actual results may differ from these estimates. In preparing this condensed interim unconsolidated financial information, the significant judgments made by management in applying accounting policies, key estimates and uncertainty includes:

- Depreciation method, residual values and useful life of depreciable assets
- Taxation
- Fair value investment in subsidiaries
- Provisions and Contingencies

	(Un-Audited) 31 March 2015 Rupees	(Audited) 30 June 2014 Rupees
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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	6,024,844,185
Accumulated deferred notional income	(337,736,301)	(545,601,982)
Transaction cost	(39,623,278)	(46,699,514)
	5,647,484,606	5,432,542,689
Less: Amount shown as current liability	(2,979,731,804)	(1,633,326,189)
	2,667,752,802	3,799,216,500

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

For the nine months ended 31 March 2015

	(Un-Audited)	(Audited)
	31 March	30 June
	2015	2014
	Rupees	Rupees
6 Long term finances - secured		
Deutsche Investitions - Und MBH (Germany)	776,521,831	946,537,228
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A (Pakistan)	567,539,466	567,539,466
HSBC (Middle East) Limited	234,602,579	234,602,579
	<u>1,621,915,031</u>	<u>1,791,930,428</u>
Transaction costs	<u>(18,928,549)</u>	<u>(20,162,005)</u>
	1,602,986,482	1,771,768,423
Less: Amount shown as current liability	<u>(394,529,964)</u>	<u>(278,463,497)</u>
	<u><u>1,208,456,518</u></u>	<u><u>1,493,304,926</u></u>
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 2014.		
7.2 Commitments		
7.2.1 Commitments under irrevocable letters of credit for:		
	(Un-Audited)	(Audited)
	31 March	30 June
	2015	2014
	Rupees	Rupees
- purchase of stores, spare and loose tools	5,593,500	1,709,166
- purchase of raw material	28,913,921	21,714,687
	<u>34,507,421</u>	<u>23,423,853</u>
7.2.2 Commitments for capital expenditure	<u>20,239,810</u>	<u>38,505,194</u>
8 Long term investments		
Other investments	32,087	32,087
Investment in Agritech Limited TFC's	214,760,138	231,864,928
	<u>214,792,225</u>	<u>231,897,015</u>

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

For the nine months ended 31 March 2015

9 Short term investment

Short term investment represents 58.29 million preference shares of Agritech Limited (30 June 2014: 20 million ordinary shares of Agritech Limited). The Company also has a put option to sell these shares to National Bank of Pakistan at the purchase price.

	(Un-Audited) July 2014 to March 2015	(Un-Audited) July 2013 to March 2014
	Rupees	Rupees
10 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term finances	338,326,065	325,905,179
Liabilities against assets subject to finance lease	887,115	1,781,848
Short term borrowings	354,976,455	393,344,569
Interest on payable to Provident Fund Trust	1,669,124	22,781,518
Interest on Workers' Profit Participation Fund	5,361,345	5,465,536
	701,220,104	749,278,650
Amortization of transaction costs and deferred notional income	216,175,372	234,300,347
Foreign exchange (gain) / loss	(176,812,072)	57,806,970
Bank charges and commission	110,660,226	118,246,717
	851,243,630	1,159,632,684

11 Transactions and balances with related parties

Related parties from the Group's perspective comprise associated undertakings, key management personnel (including chief executive and directors), post employment benefit plan and other related parties. 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 on permissible basis.

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

11.1 Transactions with related parties

	(Un-Audited) July 2014 to March 2015	(Un-Audited) July 2013 to March 2014
	2015	2014
	Rupees	Rupees
11.1.1 Post employment benefit plans		
Payment to employees Provident Fund Trust	90,504,256	77,235,064
11.1.2 Key management personnel		
Short-term employee benefits	215,854,021	181,938,381

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

For the nine months ended 31 March 2015

	(Un-Audited) 31 March 2015 Rupees	(Audited) 30 June 2014 Rupees
11.2 Balances with related parties		
11.2.2 Post employment benefit plans		
Payable to employees Provident Fund Trust	71,728,596	54,950,366
11.2.3 Key management personnel		
Short term employee benefits payable	23,983,780	18,975,476
12 Overdue debt finances		

The Parent 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 31 March 2015		
	Principal Rupees	Interest / mark-up Rupees	Total Rupees
<u><i>Nature of liability</i></u>			
Redeemable Capital	1,479,662,370	918,227,080	2,397,889,450
Long term finances	167,724,199	449,271,666	616,995,865
Bills payables	344,013,472	189,929,198	533,942,670
Short term borrowings	579,162,000	958,527,714	1,537,689,714
Preference shares	148,367,250	-	148,367,250
	<u>2,718,929,291</u>	<u>2,515,955,658</u>	<u>5,234,884,949</u>

13 Financial risk management

The Group's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended 30 June 2014.

14 Date of authorization

This condensed interim consolidated financial information was authorized for issue by the Board of Directors of the Parent Company on 28 April 2015.

15 General

Figures have been rounded off to the nearest rupee.



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