

Contents

Company Information 2

Directors' Review 4

Condensed Interim Unconsolidated Financial Information

Condensed Interim Unconsolidated Balance Sheet 8

Condensed Interim Unconsolidated Profit and Loss Account 9

Condensed Interim Unconsolidated Statement of Comprehensive Income 10

Condensed Interim Unconsolidated Cash flow Statement 11

Condensed Interim Unconsolidated Statement of Changes in Equity 12

Condensed Interim Unconsolidated Notes to the Financial Information 13

Condensed Interim Consolidated Financial Information

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. Khalid A.H. Al-Sagar
Chairman

Mr. Ahmed H. Shaikh
Chief Executive

Mr. Aehsun M.H. Shaikh

Mr. Irfan Nazir Ahmed

Mr. Imtiaz Ali Bhatti

Mr. Usman Rasheed

Mr. Naseer Miyan

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Zahid Rafiq, FCA

AUDIT COMMITTEE

Mr. Khalid A. H. Al Sagar
Chairman

Mr. Aehsun M.H. Shaikh

Mr. Naseer Miyan

HR & REMUNERATION COMMITTEE

Mr. Irfan Nazir Ahmed
Chairman

Mr. Ahmed H. Shaikh

Mr. Aehsun M.H. Shaikh

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

Hamid Law Associates

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 Limited

Allied Bank Limited

KASB Bank Limited

Silk Bank Limited

Summit Bank Limited

Al Baraka Bank Pakistan Limited

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

Textile & Apparel

Unit I

2.5 KM off Manga, Raiwind Road,
District Kasur.

Ph: +92 (0)42 5384081

Fax: +92 (0)42 5384093

Unit II

Alipur Road, Muzaffargarh.

Ph: +92 (0)661 422503, 422651

Fax: +92 (0)661 422652

Unit III

20 KM off Ferozepur Road,
6 KM Badian Road on Ruhi Nala,
Der Khurd, Lahore.

Ph: +92 (0)42 38460333, 38488862

Fertilizer

Unit I

Iskanderabad,
District Mianwali.

Ph: +92 (0)459 392346-49

Unit II

Hattar Road, Haripur.

Ph: +92 (0)995 616124-5

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 quarter ended 30 September 2012.

Principal Activities

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

The Company, through its subsidiary Agritech also carries on the business of manufacture and marketing of both Nitrogenous and Phosphatic fertilizers.

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

	Quarter ended 30 September 2012	Quarter ended 30 September 2011
Sales-Net	3,322,199,861	1,905,002,738
Operating (Loss)	(477,304,440)	(533,489,897)
Finance Cost	747,378,584	620,637,088
(Loss) before Tax	(1,224,683,024)	(1,154,126,985)
(Loss) after Tax	(1,258,002,323)	(1,174,215,173)
(Loss) per share	(2.77)	(2.58)

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

	Quarter ended 30 September 2012	Quarter ended 30 September 2011
Sales-Net	3,397,286,512	2,083,626,614
Operating (Loss)/Pofit	(496,855,508)	(606,180,627)
Finance Cost	739,820,075	606,033,488
(Loss) before Tax	(1,236,675,583)	(1,212,214,115)
(Loss) after Tax	(1,269,994,882)	(1,232,302,303)
(Loss)/profit form discontinued operations	(1,058,613,840)	93,292,151
Total loss	(2,328,608,722)	(1,139,010,152)
(Loss)/Earnings per share		
- from continuing operations	(2.79)	(2.71)
- from discontinued operations	(1.94)	0.16

Review of Textiles and Apparel Business during the quarter

The textile industry has yet to emerge from unabated power crisis and high inflationary pressures coupled with continuous devaluation of rupee. The exporters have not been provided with the support through Textile Policy 2009-12 due to shortage of funds by the Federal Government.

The Company during the period under review faced liquidity crisis owing to non availability of working capital which hampered the Company's ability to utilize its capacities and eventually make timely deliveries. Delay in sale of Agritech Limited played a pivotal role in causing delay in release of working capital. However the Company remained steadfast in its resolve to face all odds with courage and leaving no stones unturned and pulled itself back on the track of growth and profitability.

Directors' Review

The Company despite of the multifaceted and mounting challenges has implemented major cost cutting measures across the Company and is aligning itself with the new realities of the market, by exploring every possibility of reducing its cost base and increasing its value chain efficiencies and improving its value proposition.

Review of Fertilizer Business during the quarter

The gas load shedding continued to affect the business during this period. However, we believe that this situation will improve over a period of time as the critical urea shortage in the country is likely to create a major issue in the upcoming Rabi season.

To increase profitability and improve performance, the company and the industry are in continuous dialogue with the Government of Pakistan to restore the contracted gas supply to the fertilizer industry. In the period under review, the plant could only produce 5,306 tons of urea as compared to 53,086 tons produced in September quarter 2011.

Hazara Phosphate continued to post a solid performance in this quarter on the back of initiatives of cost reduction, increased market price and technology changes.

Future Outlook

Textile Business

Uncertainties and long term challenges remain on the horizon in shape persisting energy crisis and rising utility costs and deteriorating law and order situation. In this difficult time the textile sector expects effective measures from the Government to protect export business of the Country if which textile sector is the galactic contributor.

The Company is fully alive to these challenges and expects to remain firmly entrenched in the marketplace because of our long standing relationships with customers, rich and unique portfolio of value added services offered, strong commitment to producing quality products. Steps are also being taken to improve financial health of the Company by restructuring of existing debts which will reduce the finance cost significantly. This milestone will be achieved once the sale transaction of Agritech Limited is completed which will also improve balance sheet footing of the Company and bottom line of profit and loss account of the Company.

Fertilizer Business

The fertilizer sector continues to enjoy a positive outlook in Pakistan, which is a major consumer of fertilizer with area under cultivation of approximately 23 million HA. The strategic importance of fertilizer usage and its related benefits to the agriculture sector cannot be ignored in the long run. The gas availability issue is a national issue which will be a challenge for the fertilizer industry to manage. However, the strong international Urea prices coupled with devaluation will make fertilizer imports more expensive and unaffordable for the GOP. Consequently, we expect the gas availability to improve over the next few months.

We expect that the prices of Urea are likely to further increase if the current gas curtailment to fertilizer industry continues. Agritech's pricing policy was revised in September 2012 to eliminate the timing difference in pricing gain; this is likely to improve the company performance in next period.

International Phosphate market currently shows a strong trend, supporting the local SSP pricing and margins. Hazara Phosphate is expected to deliver staggering performance in the next period on the back of lowest cost technology, strong pricing and premium brand.

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.

Lahore
30 October 2012

on behalf of the Board



Chief Executive Officer

**Condensed
Interim
Unconsolidated
Financial
Information**

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 30 September 2012

	30 September 2012	30 June 2012
	Rupees (Un-Audited)	Rupees (Audited)
EQUITY AND LIABILITIES		
Share capital and reserves		
<i>Authorized share capital</i>		
1,500,000,000 ordinary and preference shares of Rs. 10 each	<u>15,000,000,000</u>	<u>15,000,000,000</u>
Issued, subscribed and paid-up capital	4,548,718,700	4,548,718,700
Reserves	7,716,170,684	7,716,165,332
Accumulated losses	(9,021,791,574)	(7,793,719,801)
	3,243,097,810	4,471,164,231
Surplus on revaluation of property, plant and equipment	3,566,345,333	3,596,275,883
Non-current liabilities		
Redeemable capital - Secured	2,158,858,257	2,729,435,196
Long term finances - Secured	-	-
Liabilities against assets subject to finance lease - Secured	21,235,696	24,020,739
	2,180,093,953	2,753,455,935
Current liabilities		
Current maturity of non-current liabilities	8,796,616,744	8,105,591,253
Short term borrowings - Secured	8,176,904,412	8,156,743,175
Trade and other payables	3,938,851,221	4,049,064,395
Due to related party	278,931,036	286,395,126
Accrued interest/mark-up	1,946,670,481	1,425,935,847
Dividend payable	32,729,078	32,729,078
	23,170,702,972	22,056,458,874
Contingencies and commitments	4	
	<u>32,160,240,068</u>	<u>32,877,354,923</u>
ASSETS		
Non-current assets		
Property, plant and equipment	13,287,947,458	13,395,217,269
Intangible assets	3,256,019	3,907,224
Long term investments	1,765,523,090	1,765,517,738
Long term deposits - Unsecured, considered good	29,643,293	30,030,493
	15,086,369,860	15,194,672,724
Current assets		
Stores, spares and loose tools	157,272,588	173,319,525
Stock in trade	2,498,844,729	3,027,802,430
Trade receivables	2,466,479,921	2,384,301,663
Advances, deposits, prepayments and other receivables	804,803,969	831,308,310
Short term investments	10,969,811,440	10,969,811,440
Current taxation	6,331,172	6,417,088
Cash and bank balances	170,326,389	289,721,743
	17,073,870,208	17,682,682,199
	<u>32,160,240,068</u>	<u>32,877,354,923</u>

The annexed notes 1 to 8 form an integral part of this interim financial report.

Lahore


CHIEF EXECUTIVE


DIRECTOR

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

For the quarter ended 30 September 2012

	01 July 2012 to 30 September 2012 <u>Rupees</u> <i>(Un-audited)</i>	01 July 2011 to 30 September 2011 <u>Rupees</u> <i>(Un-audited)</i>
Sales - net	3,322,199,861	1,905,002,738
Cost of sales	(3,446,494,982)	(2,173,334,327)
Gross loss	(124,295,121)	(268,331,589)
Selling and distribution expenses	(202,123,745)	(119,940,021)
Administrative and general expenses	(149,432,275)	(131,779,714)
Net other expense	(1,453,299)	(13,438,573)
Operating loss	(477,304,440)	(533,489,897)
Finance cost	(747,378,584)	(620,637,088)
Loss before taxation	(1,224,683,024)	(1,154,126,985)
Taxation	(33,319,299)	(20,088,188)
Loss after taxation	(1,258,002,323)	(1,174,215,173)
Loss per share - basic and diluted	(2.77)	(2.58)

The annexed notes 1 to 8 form an integral part of this interim financial report.

Lahore


CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Unconsolidated Statement of Comprehensive income (Un-audited)
For the quarter ended 30 September 2012

	01 July 2012 to 30 September 2012 <u>Rupees</u> <i>(Un-audited)</i>	01 July 2011 to 30 September 2011 <u>Rupees</u> <i>(Un-audited)</i>
Loss after taxation	(1,258,002,323)	(1,174,215,173)
Other comprehensive income:		
Changes in fair value of cash flow hedges	-	(20,796,942)
Available for sale financial assets	5,352	(583)
Other comprehensive income/(loss) for the quarter - net of taxes	5,352	(20,797,525)
Total comprehensive loss for the quarter	<u>(1,257,996,971)</u>	<u>(1,195,012,698)</u>

The annexed notes 1 to 8 form an integral part of this interim financial report.

Condensed Interim Unconsolidated Cash flow Statement (Un-audited)

For the quarter ended 30 September 2012

	01 July 2012 to 30 September 2012 Rupees <i>(Un-audited)</i>	01 July 2011 to 30 September 2011 Rupees <i>(Un-audited)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(1,224,683,024)	(1,154,126,985)
Adjustments for non-cash and other items	768,309,816	715,390,302
Operating loss before changes in working capital	(456,373,208)	(438,736,683)
Changes in working capital	391,140,498	585,513,040
Cash (used in)/generated from operations	(65,232,710)	146,776,357
Payments for:		
Interest/markup	(13,823,866)	(137,408,112)
Income taxes	(33,233,383)	(32,784,272)
Long term deposits	387,200	-
Net cash used in operating activities	(111,902,759)	(23,416,027)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(29,750,210)	(5,895,306)
Proceeds from disposal of property, plant and equipment	1,042,772	1,183,823
Interest received	4,764,676	-
Net cash used in investing activities	(23,942,762)	(4,711,483)
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	(3,711,070)	(2,412,056)
Short term borrowings	20,161,237	44,851,139
Net cash flow from financing activities	16,450,167	42,439,083
Net (decrease)/increase in cash and cash equivalents	(119,395,354)	14,311,573
Cash and cash equivalents as at beginning of the period	289,721,743	166,257,685
Cash and cash equivalents as at end of the period	170,326,389	180,569,258

The annexed notes 1 to 8 form an integral part of this interim financial report.

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

For the quarter ended 30 September 2012

	Share capital			Reserves							Total equity Rupees
	Ordinary shares Rupees	Preference shares Rupees	Total Rupees	Share premium Rupees	Cash flow hedges Rupees	Reserve on merger Rupees	Preference shares redemption reserve Rupees	Available for sale financial assets Rupees	Total Rupees	Accumulated profit/(losses) Rupees	
As at 01 July 2011 (Audited)	4,548,718,700	-	4,548,718,700	2,358,246,761	48,894,931	105,152,005	661,250,830	4,392,539,521	7,566,084,048	(1,845,738,603)	10,269,064,145
Total comprehensive income for the quarter	-	-	-	-	-	-	-	-	-	-	-
Loss for the quarter ended 30 September 2011	-	-	-	-	(20,796,942)	-	-	(583)	(20,797,525)	(1,174,215,173)	(1,174,215,173)
Other comprehensive loss for the quarter ended 30 September 2011	-	-	-	-	(20,796,942)	-	-	(583)	(20,797,525)	(1,174,215,173)	(1,195,012,698)
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	27,785,737	27,785,737
As at 30 September 2011 (Un-audited)	4,548,718,700	-	4,548,718,700	2,358,246,761	28,097,989	105,152,005	661,250,830	4,392,538,938	7,545,286,523	(2,992,168,039)	9,101,837,184
As at 01 July 2012 (Audited)	4,548,718,700	-	4,548,718,700	2,358,246,761	-	105,152,005	661,250,830	4,591,515,736	7,716,165,332	(7,793,719,801)	4,471,164,231
Total comprehensive income for the quarter	-	-	-	-	-	-	-	-	-	-	-
Loss for the quarter ended 30 September 2012	-	-	-	-	-	-	-	-	-	(1,258,002,323)	(1,258,002,323)
Other comprehensive income for the quarter ended 30 September 2012	-	-	-	-	-	-	-	5,352	5,352	-	5,352
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	5,352	5,352	(1,258,002,323)	(1,257,996,971)
As at 30 September 2012 (Un-audited)	4,548,718,700	-	4,548,718,700	2,358,246,761	-	105,152,005	661,250,830	4,591,521,088	7,716,170,684	(9,021,791,574)	3,243,097,810

The annexed notes 1 to 8 form an integral part of this interim financial report.

Lahore



CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2012

1 REPORTING ENTITY

Azgard Nine Limited ("the Company") is 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, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargrah and Unit III at 20 K.M. off Ferozpur Road, 6 K.M Badian Road on Ruhi Nala, Der Khud, Lahore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim unconsolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim unconsolidated 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 2012.

2.2 Financial Liabilities and Business Operations

As mentioned in the annual report of the Company for the year ended 30 June 2012, the Company in line with worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. Due to liquidity problems and unavailability of working capital finances, the Company was not able to utilize production capacities, resulting in substantial increase in cost of sales. High finance costs also had an adverse impact on profitability of the Company. This has perpetuated temporary liquidity issues, as referred to in note 6.

The share transfer of Agritech is in final stages and is expected to close during next quarter. During this quarter, new cost cutting measures have been taken by the Company which would result in savings for upcoming periods.

Through this divestment of shareholding in Agritech Limited and other measures, the management of the Company envisages that sufficient financial resources will be available for the continuing operations of the Company. With positive impact on the finance costs and more effective management of resources and raw material procurement, the Company is expected to turn its operations as profitable, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

2.3 Basis of measurement

This financial information been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial instruments at amortized cost and certain items of property, plant and equipment at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

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

For the quarter ended 30 September 2012

2.4 Estimates

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

- Residual value and useful life estimation of property, plant and equipment
- Taxation
- Provisions and contingencies
- Recoverable amount of assets/cash generating units
- Fair value estimates
- Revaluation of property, plant and equipment

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of condensed interim financial information are the same as those applied in the preparation of the preceding annual financial statements of the Company for the year ended 30 June 2012.

In addition, to above, amendments to the following International Financial Reporting Standards are mandatory for the first time for the financial year beginning on or after 01 January 2013.

- IAS 19 - Employee Benefits
- IAS 27 - Separate Financial Statements
- IAS 28 - Investments in Associates and Joint Ventures
- IFRS 7 - Financial Instruments: Disclosures
- IAS 1 - Presentation of Financial Statements
- IAS 16 - Property, Plant and Equipment
- IAS 32 - Financial Instruments: Presentation
- IAS 34 - Interim Financial Reporting
- IFRIC 20 - Stripping cost in the production phase of a surface mining

4 CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

There is no material change in contingencies from the preceding annual published financial statements of the Company for the year ended 30 June 2012.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the quarter ended 30 September 2012

	30 September 2012	30 June 2012
	Rupees	Rupees
	<i>(Un-audited)</i>	<i>(Audited)</i>
4.2 Commitments		
4.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	83,411,584	30,507,298
- purchase of machinery	-	14,639,280
- purchase of raw material	14,390,340	76,726,497
	<u>97,801,924</u>	<u>121,873,075</u>
4.2.2 Commitments for capital expenditure	<u>1,717,768</u>	<u>3,236,108</u>

5 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties from the Company's perspective comprise subsidiaries, 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.

Details of transactions and balances with related parties is as follows

	01 July 2012 to 30 September 2012	01 July 2011 to 30 September 2011
	Rupees	Rupees
	<i>(Un-audited)</i>	<i>(Un-audited)</i>
5.1 Transactions with related parties		
5.1.1 Subsidiaries		
Sales	33,519,145	70,775,024
Return on investments	9,232,388	1,734,126
Interest/markup on borrowings	13,693,997	17,442,868
5.1.2 Post-employment benefit plans		
Contribution to employees provident fund trust	28,020,054	24,609,018
Interest payable on employees provident fund	7,398,385	3,191,871
5.1.3 Key management personnel		
Short-term employee benefits	10,959,482	14,587,827
Post employment benefits	621,036	826,644

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the quarter ended 30 September 2012

	30 September 2012	30 June 2012
	Rupees	Rupees
	<i>(Un-audited)</i>	<i>(Audited)</i>
5.2 Balances with related parties		
5.2.1 Subsidiaries		
Borrowings	278,931,036	286,395,126
Trade receivables	956,909,029	943,574,911
Accrued interest/mark-up	76,641,705	68,579,206
Investment in ordinary shares	6,378,291,871	6,378,291,871
Investment in term finance certificates	266,074,508	266,074,508
5.2.2 Post-employment benefit plans		
Payable to employees provident fund trust	131,667,418	96,248,979
5.2.3 Key Management Personnel		
Short term employee benefits payable	3,860,173	3,824,609

6 OVERDUE DEBT FINANCES

Due to circumstances described in note 2.2, debts, including interest/mark-up, amounting to Rs. 4,499 million are overdue as at 30 September 2012.

7 DATE OF AUTHORIZATION FOR ISSUE

This interim financial report was authorized for issue on October 30, 2012 by the Board of Directors of the Company.

8 GENERAL

Figures have been rounded of to the nearest rupee.

**Condensed
Interim
Consolidated
Financial
Information**

Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 30 September 2012

	Note	30 September 2012 Rupees (Un-Audited)	30 June 2012 Rupees (Audited)
Share capital and reserves			
Issued, subscribed and paid-up capital		4,548,718,700	4,548,718,700
Reserves		3,112,631,919	3,107,198,909
Accumulated loss		(9,993,961,060)	(7,904,229,485)
		(2,332,610,441)	(248,311,876)
Non-controlling interests			
		3,740,173,224	3,917,588,149
Surplus on revaluation of property, plant and equipment			
		6,684,977,207	6,746,439,428
Non-current liabilities			
Redeemable capital - secured		2,158,858,257	2,729,435,196
Long term finances - secured		-	-
Liabilities against assets subject to finance lease - secured		21,235,696	24,020,739
		2,180,093,953	2,753,455,935
Current liabilities			
Current portion of non-current liabilities		8,796,616,744	8,105,591,253
Short term borrowings		8,413,818,713	8,433,954,491
Trade and other payables		4,060,391,743	4,277,177,878
Interest/ mark-up accrued on borrowings		1,870,028,776	1,357,356,641
Dividend payable		32,729,078	32,729,078
Liabilities of subsidiary classified as held for sale		31,889,780,977	30,828,943,270
		55,063,366,031	53,035,752,611
Contingencies and commitments			
	4	-	-
		<u>65,335,999,974</u>	<u>66,204,924,247</u>
ASSETS			
Non-current assets			
Property, plant and equipment		13,309,251,361	13,416,311,530
Intangible assets		695,597,945	696,249,150
Long term investments		20,183	14,831
Long term deposits - unsecured, considered good		38,121,691	39,488,956
		14,042,991,180	14,152,064,467
Current assets			
Stores, spares and loose tools		157,272,588	173,319,525
Stock in trade		2,575,286,182	3,131,907,430
Trade receivables		2,795,043,172	2,826,169,806
Advances, deposits, prepayments and other receivables		864,789,361	892,886,051
Current taxation		113,644,662	110,270,269
Cash and bank balances		174,466,430	310,989,124
Assets of subsidiary classified as held for sale		44,612,506,399	44,607,317,575
		51,293,008,794	52,052,859,780
		<u>65,335,999,974</u>	<u>66,204,924,247</u>

The annexed notes 1 to 8 form an integral part of this interim financial report.

Lahore


CHIEF EXECUTIVE


DIRECTOR

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

For the quarter ended 30 September 2012

	01 July 2012 to 30 September 2012 Rupees (Un-audited)	01 July 2011 to 30 September 2011 Rupees (Un-audited)
Sales - net	3,397,286,512	2,083,626,614
Cost of sales	(3,510,720,802)	(2,343,806,862)
Gross loss	<u>(113,434,290)</u>	<u>(260,180,248)</u>
Selling and distribution expenses	(204,121,032)	(121,774,979)
Administrative and general expenses	(170,475,155)	(184,401,062)
Net other expense	(8,825,031)	(39,824,338)
Operating loss	<u>(496,855,508)</u>	<u>(606,180,627)</u>
Finance cost	(739,820,075)	(606,033,488)
Other charges	-	-
Loss before taxation	<u>(1,236,675,583)</u>	<u>(1,212,214,115)</u>
Taxation	(33,319,299)	(20,088,188)
Loss after taxation from continuing operations	<u>(1,269,994,882)</u>	<u>(1,232,302,303)</u>
(Loss)/profit after taxation from discontinued operations	<u>(1,058,613,840)</u>	<u>93,292,151</u>
Total loss for the year	<u><u>(2,328,608,722)</u></u>	<u><u>(1,139,010,152)</u></u>
(Loss)/profit attributable to:		
Ordinary equity holders of the Parent Company	(2,151,193,797)	(1,160,954,992)
Non-controlling interest	(177,414,925)	21,944,840
	<u><u>(2,328,608,722)</u></u>	<u><u>(1,139,010,152)</u></u>
(Loss)/earnings per share - basic and diluted		
- continuing operations	<u><u>(2.79)</u></u>	<u><u>(2.71)</u></u>
- discontinued operations	<u><u>(1.94)</u></u>	<u><u>0.16</u></u>

The annexed notes 1 to 8 form an integral part of this interim financial report.

Lahore


CHIEF EXECUTIVE


DIRECTOR

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

For the quarter ended 30 September 2012

	01 July 2012 to 30 September 2012	01 July 2011 to 30 September 2011
	Rupees	Rupees
	<i>(Un-audited)</i>	<i>(Un-audited)</i>
Loss after taxation	(2,328,608,722)	(1,139,010,152)
Other comprehensive income:		
Changes in fair value of cash flow hedges	-	(20,796,942)
Changes in fair value of available for sale financial assets	5,352	(583)
Translation difference	5,427,658	(7,524,243)
Other comprehensive income/(loss) for the quarter - net of taxes	5,433,010	(28,321,768)
Total comprehensive loss for the quarter	(2,323,175,712)	(1,167,331,920)
Total comprehensive loss attributable to:		
Ordinary equity holders of the Parent Company	(2,145,760,787)	(1,189,276,760)
Non-controlling interest	(177,414,925)	21,944,840
	(2,323,175,712)	(1,167,331,920)

The annexed notes 1 to 8 form an integral part of this interim financial report.

Condensed Interim Consolidated Cash flow Statement (Un-audited)

For the quarter ended 30 September 2012

	01 July 2012 to 30 September 2012 Rupees <i>(Un-audited)</i>	01 July 2011 to 30 September 2011 Rupees <i>(Un-audited)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(1,236,675,583)	(1,212,214,115)
Adjustments for non-cash and other items	770,099,206	718,141,520
Operating loss before changes in working capital	(466,576,377)	(494,072,595)
Changes in working capital	562,734,852	422,511,412
Cash generated from/(used in) operations	96,158,475	(71,561,183)
Payments for:		
Interest/markup	(13,851,939)	(137,434,102)
Income taxes	(33,233,383)	(32,785,292)
Long term deposits	387,200	-
Net cash generated from/(used in) operating activities	49,460,353	(241,780,577)
Net cash (used in)/generated from operating activities of discontinued operations	(73,207,338)	873,829,989
	(23,746,985)	632,049,412
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(29,753,820)	(5,895,306)
Proceeds from disposal of property, plant and equipment	1,042,772	1,183,823
Interest received	4,764,676	-
Net cash used in investing activities of continuing operations	(23,946,372)	(4,711,483)
Net cash generated from/(used in) investing activities of discontinued operations	4,170,323	(496,052,309)
	(19,776,049)	(500,763,792)
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	(3,711,070)	(2,412,056)
Short term borrowings	(20,135,778)	44,851,139
Net cash (used in)/generated from financing activities	(23,846,848)	42,439,083
Net cash used in investing activities of discontinued operations	(69,152,812)	(271,170,625)
	(92,999,660)	(228,731,542)
Net decrease in cash and cash equivalents	(136,522,694)	(97,445,922)
Cash and cash equivalents as at beginning of the period	310,989,124	304,709,022
Cash and cash equivalents as at end of the period	174,466,430	207,263,100

The annexed notes 1 to 8 form an integral part of this interim financial report.

Lahore


CHIEF EXECUTIVE


DIRECTOR

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

For the quarter ended 30 September 2012

	Share capital										Reserves										Total equity Rupees
	Ordinary shares Rupees	Preference shares Rupees	Total Rupees	Share premium Rupees	Cash flow hedges Rupees	Reserve on merger Rupees	Translation reserve Rupees	Preference shares redemption reserve Rupees	Available for sale Rupees	Total Rupees	Accumulated profit/(losses) Rupees	Total equity Rupees									
As at 01 July 2011 (Audited)	4,548,718,700	-	4,548,718,700	2,358,246,761	48,894,931	105,152,005	(14,485,358)	661,250,830	(5,800)	3,159,053,369	(464,226,537)	7,243,545,532									
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	(1,160,954,992)	(1,160,954,992)									
Loss for the quarter ended 30 September 2011	-	-	-	-	(20,796,942)	-	(7,524,243)	-	(583)	(28,321,768)	-	(28,321,768)									
Other comprehensive loss for the quarter ended 30 September 2011	-	-	-	-	(20,796,942)	-	(7,524,243)	-	(583)	(28,321,768)	(1,160,954,992)	(1,189,276,760)									
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	57,638,708	57,638,708									
As at 30 September 2011 (Un-audited)	4,548,718,700	-	4,548,718,700	2,358,246,761	28,097,989	105,152,005	(22,009,601)	661,250,830	(6,383)	3,130,731,601	(1,567,542,821)	6,111,907,480									
As at 01 July 2012 (Audited)	4,548,718,700	-	4,548,718,700	2,358,246,761	-	105,152,005	(17,446,854)	661,250,830	(3,833)	3,107,198,909	(7,904,229,485)	(248,311,876)									
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	(2,151,193,797)	(2,151,193,797)									
Loss for the quarter ended 30 September 2012	-	-	-	-	-	-	5,427,658	-	5,352	5,433,010	-	5,433,010									
Other comprehensive income for the quarter ended 30 September 2012	-	-	-	-	-	-	5,427,658	-	5,352	5,433,010	(2,151,193,797)	(2,145,760,787)									
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	61,462,222	61,462,222									
As at 30 September 2012 (Un-audited)	4,548,718,700	-	4,548,718,700	2,358,246,761	-	105,152,005	(12,019,196)	661,250,830	1,519	3,112,631,919	(9,993,961,060)	(2,332,610,441)									

The annexed notes 1 to 8 form an integral part of this interim financial report.

Lahore

CHIEF EXECUTIVE



DIRECTOR



Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2012

1 REPORTING ENTITY

The Group comprises of the following Companies:

1.1 Azgard Nine Limited ("ANL") - Parent Company

ANL was incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. ANL 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 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, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 K.M. off Ferozpur Road, 6 K.M. Badian Road on Ruhi Nala, Der Khud, Lahore.

Agritech Limited ("AGL") - Subsidiary Company

AGL was incorporated in Pakistan as an unquoted Public Limited Company and is engaged in production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer. Proportion of interest held by ANL as at reporting date is 79.89%. AGL was acquired on 01 July 2006.

FaritalAB ("FAB") - Subsidiary Company

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim consolidated 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 June 30, 2012.

2.2 Financial Liabilities and Business Operations

As mentioned in the annual report of ANL for the year ended 30 June 2012, ANL in line with worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. Due to liquidity problems and unavailability of working capital finances, ANL was not able to utilize production capacities, resulting in substantial increase in cost of sales. High finance costs also had an adverse impact on profitability of ANL. This has perpetuated temporary liquidity issues, as referred to in note 6.

The share transfer of AGL is in final stages and is expected to close during next quarter. During this quarter, new cost cutting measures have been taken by ANL which would result in savings for upcoming periods.

Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2012

Through this divestment of shareholding in Agritech Limited and other measures, the management ANL envisages that sufficient financial resources will be available for the continuing operations of ANL. With positive impact on the finance costs and more effective management of resources and raw material procurement, ANL is expected to turn its operations as profitable, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

2.3 Basis of measurement

This financial information been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial instruments at amortized cost and certain items of property, plant and equipment at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.4 Estimates

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

- Residual value and useful life estimation of property, plant and equipment
- Taxation
- Provisions and contingencies
- Recoverable amount of assets/cash generating units
- Fair value estimates
- Revaluation of property, plant and equipment

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of condensed interim financial information are the same as those applied in the preparation of the preceding annual financial statements of the Group for the year ended 30 June 2012.

In addition, to above, amendments to the following International Financial Reporting Standards are mandatory for the first time for the financial year beginning on or after 01 January 2013.

- IAS 19 - Employee Benefits
- IAS 27 - Separate Financial Statements
- IAS 28 - Investments in Associates and Joint Ventures
- IFRS 7 - Financial Instruments: Disclosures
- IAS 1 - Presentation of Financial Statements
- IAS 16 - Property, Plant and Equipment
- IAS 32 - Financial Instruments: Presentation
- IAS 34 - Interim Financial Reporting
- IFRIC 20 - Stripping cost in the production phase of a surface mining

Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the quarter ended 30 September 2012

4 CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

There is no material change in contingencies from the preceding annual published financial statements of the Group for the year ended 30 June 2012.

30 September 2012	30 June 2012
Rupees (Un-audited)	Rupees (Audited)

4.2 Commitments

4.2.1 Commitments under irrevocable letters of credit for:

- purchase of stores, spare and loose tools	88,411,584	30,507,298
- purchase of machinery	-	14,639,280
- purchase of raw material	14,390,340	76,726,497
	<u>102,801,924</u>	<u>121,873,075</u>

4.2.2 Commitments for capital expenditure

<u>1,717,768</u>	<u>3,236,108</u>
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5 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties from the Company's perspective comprise subsidiaries, 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.

Details of transactions and balances with related parties is as follows:

01 July 2012 to 30 September 2012	01 July 2011 to 30 September 2011
Rupees (Un-audited)	Rupees (Un-audited)

5.1 Transactions with related parties

5.1.1 Associated companies

Mark-up on subordinated loan	13,074,723	18,247,190
Mark-up on redeemable capital	3,333,525	-

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)
For the quarter ended 30 September 2012

	01 July 2012 to 30 September 2012	01 July 2011 to 30 September 2011
	Rupees	Rupees
	(Un-audited)	(Un-audited)
5.1.2 Post-employment benefit plans		
Contribution to employees provident fund trust	32,375,056	28,479,721
Contribution to employees gratuity fund trust	2,623,241	2,186,666
Interest payable on employees provident fund	7,398,385	3,191,871
5.1.3 Key management personnel		
Short-term employee benefits	13,800,992	21,930,327
Post employment benefits	23,841,093	13,600,200
	30 September 2012	30 June 2012
	Rupees	Rupees
	(Un-audited)	(Audited)
5.2 Balances with related parties		
5.2.1 Associated companies		
Subordinated loan	340,000,000	340,000,000
Redeemable capital	110,722,118	110,722,118
Mark-up payable	182,678,087	181,139,325
Accrued liabilities	70,000,000	70,000,000
5.2.2 Post-employment benefit plans		
Payable to employees provident fund trust	145,335,941	101,502,653
Payable to employees gratuity fund trust	38,615,654	10,987,413
5.2.3 Key Management Personnel		
Short term employee benefits payable	3,860,173	9,078,283

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)
For the quarter ended 30 September 2012

6 OVERDUE DEBT FINANCES

Due to circumstances described in note 2.2, debts, including interest/mark-up, amounting to Rs. 4,499 million are overdue as at 30 September 2012.

7 DATE OF AUTHORIZATION FOR ISSUE

This interim financial report was authorized for issue on October 30, 2012 by the Board of Directors of the Parent Company.

8 GENERAL

Figures have been rounded of to the nearest rupee.

