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Company Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Zahid Rafiq, FCA

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

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

BANKERS

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

BANKERS (Cont'd)

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

SHARES REGISTRAR

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

LEGAL ADVISORS

Hamid Law Associates

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

REGISTERED OFFICE

Ismail Aiwan-e-Science
Off Shahrah-e-Roomi Lahore, 54600.
Ph: +92(0)42 111-786-645
Fax: +92(0)42 35761791

PROJECT LOCATIONS

Unit I

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

Unit II

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

Unit III

20 KM off Ferozepur Road,
6 KM Badian Road on Ruhi Nala,
Der Khurd, Lahore.
Ph: +92(0)42 38460333, 38488862

Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Condensed Financial Report for the nine months period ended 31 March 2014.

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.

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

	Nine months ended 31 March 2014	Nine months ended 31 March 2013
Sales - Net	10,396,704,571	10,131,534,068
Operating profit / (loss)	87,180,433	(819,453,363)
Net other (expense) / income	(59,279,135)	4,414,414,919
Finance Cost	(1,143,452,657)	(1,644,485,787)
(Loss) / profit before tax	(1,115,265,707)	1,950,475,769
(Loss) / profit after tax	(1,219,558,650)	1,848,802,523
Loss per share	(2.68)	4.06

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

	Nine months ended 31 March 2014	Nine months ended 31 March 2013
Sales - Net	10,634,208,250	10,252,949,628
Operating profit / (loss)	139,025,682	(858,782,610)
Net other income	(59,279,135)	4,414,414,919
Finance Cost	(1,159,632,684)	(1,649,967,600)
(Loss) / profit before tax	(1,079,886,137)	1,905,664,709
(Loss) / profit after tax	(1,183,893,439)	1,803,991,463
Loss after taxation from discontinued operations	-	(1,125,925,537)
(Loss) / profit for the period	(1,183,893,439)	678,065,926
Earnings / (loss) per share		
- continuing operations	(2.60)	3.97
- discontinuing operations	-	(1.98)

Review of business during this period

During the quarter ended 31 March 2014, the Rupee appreciated against US Dollar and Euro at rate of almost 10%. Its overall negative impact on unrealized export bills and in process orders is around Rs. 200 million. Secondly, working capital remained a scarce resource for the Company. Company continues to run at sub-optimum levels as the Company has not received Rs. 700 million from divestment of its remaining shareholding in Agritech Limited. Once received, the Company is to utilize these funds for working capital. Despite these factors, the Company has posted profits from operations.

Directors' Review

On financial side, the Company is in process to complete 2nd restructuring package. The lenders banks have been contacted for debt restructuring emanating from sales of certain low performing assets and other measures. The sale process of these low performing assets is near to finalization.

Future Outlook of our business

We are hopeful that Rupees against US Dollar would stabilize at around Rs. 98-100 and prices of raw materials and other costs would be adjusted accordingly in next few months. On the other hand, after the receipt of Rs. 700 million as working capital, utilization of proceeds from sale of low performing assets towards payment of overdue debt finances and accomplishment of other proposed measures of 2nd restructuring, we are cautiously optimistic about the future.

The board appreciates the cooperation of all the stakeholders in regards and is confident of continued support by all of them in strengthening the Company.

on behalf of the Board

Lahore
30 April 2014



Chief Executive Officer

**Condensed
Interim
Unconsolidated
Financial
Information**

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 31 March 2014

	Note	Un-Audited 31 March 2014 Rupees	Audited 30 June 2013 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		<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		3,417,657,188	3,417,653,853
Accumulated loss		<u>(7,829,736,760)</u>	<u>(6,704,086,654)</u>
		136,639,128	1,262,285,899
Surplus on revaluation of fixed assets		3,376,678,737	3,470,587,281
Non-current liabilities			
Redeemable capital - secured	5	3,863,204,442	4,563,334,050
Long term finances - secured	6	1,603,227,937	1,646,718,198
Liabilities against assets subject to finance lease - secured		-	-
		5,466,432,379	6,210,052,248
Current liabilities			
Current portion of non-current liabilities		1,827,328,773	832,991,069
Short term borrowing		4,675,298,611	4,819,186,842
Trade and other payables		2,781,335,608	2,526,245,640
Interest / mark-up accrued on borrowings		1,998,774,156	1,501,702,254
Current taxation		45,768,346	39,252,658
Dividend payable		13,415,572	13,415,572
		11,341,921,066	9,732,794,035
Contingencies and commitments	7	<u>20,321,671,310</u>	<u>20,675,719,463</u>
ASSETS			
Non-current assets			
Property, plant and equipment	8	12,628,831,910	12,953,017,078
Intangible assets		-	1,302,407
Long term investments	9	1,726,769,802	1,726,766,466
Long term deposits - unsecured, considered good		<u>19,785,436</u>	<u>24,477,987</u>
		14,375,387,148	14,705,563,938
Current assets			
Stores, spares and loose tools		122,741,842	130,970,353
Stock-in-trade		1,818,659,388	2,211,143,101
Trade receivables		2,503,753,881	2,149,837,255
Advances, deposits, prepayments and other receivables		759,389,753	645,945,212
Short term investments	10	700,000,000	700,000,000
Cash and bank balances		<u>41,739,298</u>	<u>132,259,604</u>
		5,946,284,162	5,970,155,525
		<u>20,321,671,310</u>	<u>20,675,719,463</u>

The annexed notes 1 to 16 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 2014

	<i>Note</i>	July 2013 to March 2014	December 2013 to March 2014	July 2012 to March 2013	December 2012 to March 2013
		Rupees	Rupees	Rupees	Rupees
Sales - net		10,396,704,571	3,396,128,859	10,131,534,068	3,446,698,387
Cost of sales		(9,535,587,139)	(3,093,332,718)	(9,805,898,104)	(3,146,834,486)
Gross profit / (loss)		861,117,432	302,796,141	325,635,964	299,863,901
Selling and distribution expenses		(473,403,954)	(151,404,939)	(797,342,750)	(188,774,416)
Administrative expenses		(300,533,036)	(90,716,304)	(347,746,577)	(155,294,471)
Profit / (loss) from operations		87,180,442	60,674,898	(819,453,363)	(44,204,986)
Net other (expense)/income		(59,279,135)	(88,766,138)	4,414,414,919	(40,941,882)
Finance cost	<i>12</i>	(1,143,452,655)	(296,866,638)	(1,644,485,787)	(344,170,836)
Profit / (loss) before taxation		(1,115,551,348)	(324,957,878)	1,950,475,769	(429,317,704)
Taxation		(104,007,302)	(34,046,176)	(101,673,246)	(34,661,327)
Profit / (loss) after taxation		(1,219,558,650)	(359,004,054)	1,848,802,523	(463,979,031)
Profit / (loss) per share - basic and diluted		(2.68)	(0.79)	4.06	(1.02)

The annexed notes 1 to 16 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 2014

	July 2013 to March 2014 Rupees	December 2013 to March 2014 Rupees	July 2012 to March 2013 Rupees	December 2012 to March 2013 Rupees
Profit / (loss) after taxation	(1,219,558,650)	(359,004,054)	1,848,802,523	(463,979,031)
Other comprehensive (loss) / income for the period:				
Changes in fair value of available for sale financial assets	3,335	10,867	13,807	(2,412)
Gain realized on sale of available for sale financial assets	-	-	(4,298,527,869)	-
	3,335	10,867	(4,298,514,062)	(2,412)
Total comprehensive loss for the period	<u>(1,219,555,315)</u>	<u>(358,993,187)</u>	<u>(2,449,711,539)</u>	<u>(463,981,443)</u>

The annexed notes 1 to 16 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 2014

	01 July 2013 31 March 2014	01 July 2012 31 March 2013
Note	Rupees	Rupees
Cash flow from operating activities		
Loss before taxation	(1,115,551,348)	(1,224,683,024)
Adjustments	1,480,122,940	768,309,816
Operating profit/(loss) before working capital changes	364,571,592	(456,373,208)
Changes in working capital	170,523,127	391,140,498
Cash generated from/(used in) operations	535,094,719	(65,232,710)
Payments for:		
Interest / mark-up paid	(347,026,053)	(13,823,866)
Taxes paid	(97,491,614)	(33,233,383)
Long term deposits	4,692,551	387,200
Net cash generated from/(used) in operating activities	95,269,603	(111,902,759)
	<i>11</i>	
Cash flows from investing activities		
Capital expenditure	(47,744,026)	(29,750,210)
Proceeds from disposal of fixed assets	6,854,200	1,042,772
Return on investments	-	4,764,676
Net cash used in investing activities	(40,889,826)	(23,942,762)
Cash flows from financing activities		
Liabilities against assets subject to finance lease	(1,011,852)	(3,711,070)
Short term borrowings-net	(143,888,231)	20,161,237
Net cash (used in)/generated from financing activities	(144,900,083)	16,450,167
Net decrease in cash and cash equivalents	(90,520,306)	(119,395,354)
Cash and cash equivalents at the beginning of period	132,259,604	289,721,743
Cash and cash equivalents at the end of period	41,739,298	170,326,389

The annexed notes 1 to 16 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 and quarter ended 31 March 2014

	Capital reserves					Revenue reserves		Total equity Rupees
	Share capital Issued, subscribed and paid-up capital Rupees	Share premium Rupees	Reserve on merger Rupees	Preference share redemption reserve Rupees	Available for sale financial assets Rupees	Accumulated loss Rupees	Total reserves Rupees	
As at 01 July 2012 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	4,591,515,736	(7,793,719,801)	(77,554,469)	4,471,164,231
Total comprehensive income for the period								
Loss for the nine months ended 31 March 2013	-	-	-	-	(4,298,514,062)	1,848,802,523	1,848,802,523	1,848,802,523
Other comprehensive (loss)/ income for nine months ended 31 March 2013	-	-	-	-	(4,298,514,062)	-	(4,298,514,062)	(4,298,514,062)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	1,848,802,523	(2,449,711,539)	(2,449,711,539)
As at 31 March 2013 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	293,001,674	(5,851,008,734)	(2,433,357,464)	2,115,361,236
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)	1,562,285,899
Total comprehensive income for the period								
Loss for the nine months ended 31 March 2014	-	-	-	-	-	(1,219,558,650)	(1,219,558,650)	(1,219,558,650)
Other comprehensive (loss)/ income for nine months ended 31 March 2014	-	-	-	-	3,335	-	3,335	3,335
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	3,335	(1,219,558,650)	(1,219,555,315)	(1,219,555,315)
As at 31 March 2014 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	293,007,592	(7,825,736,760)	(4,412,079,572)	1,36,639,128

The annexed notes 1 to 16 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 and quarter ended 31 March 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 productions 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 nine months period ended 31 March 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 2013.

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

2.2 Going concern assumption

During the period, despite no change in the working capital position, the Company achieved profit from operations. Shortage of working capital remained major issue due to which installed operational capacities still remained untapped and targets for timely purchase of raw materials could not met.

Due to the above mentioned reasons, its current liabilities exceeded its current assets by Rs. 5,395.64 million, including Rs. 3,212.27 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 7,829.74 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.

During the period, the Company is close to accomplish second restructuring. Deals with various intended buyers for sale of our certain low performing assets are near to finalization. Banks have also been contacted for debt restructuring resulting from prospective sales of these assets. The Management is working hard for receipt of Rs 700 million from divestment of its remaining shareholding in Agritech Limited (AGL). We are very optimistic that with these measures, sufficient financial resources will be available for continuing operations of the Company. With repayment and adjustment of debt and resulting reduction of finance costs, effective management of resources would be done. Resultantly, the Company would operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited) For the nine months and quarter ended 31 March 2014

2.3 Financial liabilities

Due to factors mentioned in note 2.2 and note 14, 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. 6,168.33 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 subsidiary

4 Statement of consistency in 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 2013.

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the nine months and quarter ended 31 March 2014

	(Un-Audited) 31 March 2014 Rupees	(Audited) 30 June 2013 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
	<u>6,024,844,185</u>	<u>6,024,844,185</u>
Deferred notional income	(632,903,216)	(856,485,545)
Transaction cost	(49,074,157)	(57,772,282)
	<u>5,342,866,812</u>	<u>5,110,586,358</u>
Less: Amount shown as current liability		
Amount payable within next twelve months	<u>(1,479,662,370)</u>	<u>(547,252,308)</u>
	<u><u>3,863,204,442</u></u>	<u><u>4,563,334,050</u></u>
6 Long term finances		
Deutsche Investitions - Und MBH (Germany)	945,483,412	907,054,269
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A	567,539,663	567,539,466
HSBC Middle East Limited	234,602,579	255,602,579
	<u>1,790,876,809</u>	<u>1,773,447,469</u>
Transaction costs	(19,924,673)	(21,944,566)
	<u>1,770,952,136</u>	<u>1,751,502,903</u>
Amount shown as current liability		
Amount payable within next twelve months	(167,724,199)	(104,784,705)
	<u><u>1,603,227,937</u></u>	<u><u>1,646,718,198</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 2013.	

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the nine months and quarter ended 31 March 2014

	(Un-Audited) 31 March 2014 Rupees	(Audited) 30 June 2013 Rupees
<i>Note</i>		
7.2 Commitments		
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	1,709,166	
- purchase of machinery	17,495,400	-
- purchase of raw material	21,714,687	43,889,430
	<u>40,919,253</u>	<u>43,889,430</u>
7.2.2 Commitments for capital expenditure	<u>21,009,794</u>	<u>705,600</u>
8 Property, plant and equipment		
Operating fixed assets	<i>8.1</i> 12,606,072,846	12,952,810,186
Capital work in progress	22,759,064	206,892
	<u>12,628,831,910</u>	<u>12,953,017,078</u>
8.1 Operating fixed assets		
Net book value as at the beginning of the period / year	12,952,810,186	13,387,681,719
Additions during the period / year	<i>8.1.1</i> 24,984,962	83,117,818
Disposals during the period / year - Net book value	(2,737,720)	(3,988,032)
Depreciation charged during the period / year	(368,984,582)	(514,001,319)
Net book value as at the end of the period / year	<u>12,606,072,846</u>	<u>12,952,810,186</u>
8.1.1 Additions- Cost		
Building on freehold land	4,200,665	7,655,166
Plant and Machinery	11,442,000	51,844,039
Furniture, fixtures and office equipment	479,396	1,971,955
Vehicles	870,000	1,125,800
Tools and equipments	6,913,580	12,471,593
Electric installations	1,079,321	8,049,265
	<u>24,984,962</u>	<u>83,117,818</u>

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

For the nine months and quarter ended 31 March 2014

	(Un-Audited)	(Audited)
	31 March	30 June
	2014	2013
	Rupees	Rupees
9 Long term investments		
Investment in subsidiary, Montebello s.r.l	1,460,660,737	1,460,660,737
Other investments	34,556	31,221
Investment in AGL TFC,s	266,074,508	266,074,508
	<u>1,726,769,801</u>	<u>1,726,766,466</u>

12 Finance cost

Interest / mark-up on:

Redeemable capital & long term financing	325,905,179	494,582,158
Liabilities against assets subject to finance lease	1,781,848	5,145,775
Short term borrowings	393,344,569	523,600,650
Borrowings from Agritech Limited	-	19,240,743
Interest on Provident Fund	10,232,296	24,098,765
Interest on Worker's Profit Participation Fund	5,465,536	4,113,845
Bank charges & commission	114,615,910	270,967,621
	<u>851,345,338</u>	<u>1,341,749,557</u>
Amortization of transaction costs and deferred notional income	234,300,347	221,983,809
Foreign exchange loss on long term loan	57,806,970	80,752,422
	<u>1,143,452,655</u>	<u>1,644,485,787</u>

13 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) 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

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

For the nine months and quarter ended 31 March 2014

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

	(Un-Audited) 31 March 2014	(Un-Audited) 31 March 2013
	<u>Rupees</u>	<u>Rupees</u>
13.1 Transactions with related parties		
13.1.1 Subsidiaries - Montebello s.r.l		
Sale of goods	536,037,453	139,002,431
13.1.2 Post-employment benefit plans		
Contribution to employees provident fund	77,235,064	72,222,615
13.1.3 Key management personnel		
Short-term employee benefits	181,938,381	134,285,956
	(Un-Audited) 31 March 2014	(Audited) 30 June 2013
	<u>Rupees</u>	<u>Rupees</u>
13.2 Balances with related		
13.2.1 Subsidiaries - Montebello s.r.l		
Trade receivables	917,308,107	768,584,853
Euro 6,830,291: (June 2013: Euro 5,952,945)		
13.2.2 Post-employment benefit plans		
Payable to employees provident fund	81,466,998	83,897,625
13.2.3 Key Management Personnel		
Short term employee benefits payable	20,215,376	14,920,662

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited) For the nine months and quarter ended 31 March 2014

14 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 2014		
	Principal Rupees	Interest / mark-up Rupees	Total Rupees
Redeemable Capital	119,006,171	661,479,054	780,485,225
Long term finances	1,422,380	314,917,070	316,339,450
Bills payable	271,258,221	149,671,407	420,929,628
Short term borrowings	889,758,716	646,972,808	1,536,731,524
Preference shares	148,367,250	-	148,367,250
Dividend on preference shares	-	9,413,535	9,413,535
	<u>1,429,812,738</u>	<u>1,782,453,874</u>	<u>3,212,266,612</u>

15 Date of authorization

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

16 General

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been re-arranged where ever necessary for the purpose of comparison.

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**Condensed
Interim
Consolidated
Financial
Information**

Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 31 March 2014

	Note	Un-Audited 31 March 2014 Rupees	Audited 30 June 2013 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		<u>15,000,000,000</u>	<u>15,000,000,000</u>
Issued, subscribed and paid up capital		4,548,718,700	4,548,718,700
Reserves		3,114,111,244	3,120,841,351
Accumulated loss		<u>(7,816,931,098)</u>	<u>(6,726,946,203)</u>
		(154,101,154)	942,613,848
Surplus on revaluation of fixed assets		3,376,678,737	3,470,587,281
Non-current liabilities			
Redeemable capital - secured	5	3,863,204,442	4,563,334,050
Long term finances - secured	6	1,603,227,937	1,646,718,198
Liabilities against assets subject to finance lease - secured		-	-
		5,466,432,379	6,210,052,248
Current liabilities			
Current portion of non-current liabilities		1,827,328,773	832,991,069
Short term borrowing		4,808,670,811	5,024,533,069
Trade and other payables		3,168,691,658	2,957,118,822
Interest / mark-up accrued on borrowings		1,998,774,156	1,501,702,254
Dividend payable		13,415,572	13,415,572
		11,816,880,970	10,329,760,786
Contingencies and commitments	7	20,505,890,932	20,953,014,163
ASSETS			
Non-current assets			
Property, plant and equipment		12,647,011,132	12,973,010,523
Intangible assets		695,363,333	693,644,333
Long term investments		266,109,065	266,105,729
Long term deposits - unsecured, considered good		19,785,436	29,169,416
		13,628,268,966	13,961,930,001
Current assets			
Stores, spares and loose tools		122,741,842	130,970,353
Stock-in-trade		1,872,734,941	2,339,039,126
Trade receivables		3,120,418,198	2,757,283,943
Advances, deposits, prepayments and other receivables		951,683,053	830,239,233
Due from Agritech Limited - unsecured, considered good		-	16,600,910
Short term investments		700,000,000	700,000,000
Current taxation		64,346,764	73,909,984
Cash and bank balances		45,697,168	143,040,613
		6,877,621,966	6,991,084,162
		<u>20,505,890,932</u>	<u>20,953,014,163</u>

The annexed notes 1 to 12 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 nine months and quarter ended 31 March 2014

	July 2013 to March 2014 Rupees	December 2013 to March 2014 Rupees	July 2012 to March 2013 Rupees	December 2012 to March 2013 Rupees
Sales - net	10,634,208,250	3,639,589,801	10,252,949,628	3,427,068,427
Cost of sales	(9,685,011,112)	(3,344,716,266)	(9,889,130,043)	(3,158,614,370)
Gross profit	949,197,138	294,873,535	363,819,585	268,454,057
Selling and distribution expenses	(481,970,047)	(146,957,548)	(595,887,221)	(188,061,788)
Administrative expenses	(328,201,409)	(85,660,578)	(626,714,974)	(173,299,721)
Profit / (loss) from operations	139,025,682	62,255,409	(858,782,610)	(92,907,452)
Net other income	(59,279,135)	(88,766,139)	4,414,414,919	(40,941,882)
Finance cost	(1,159,632,684)	(308,300,706)	(1,649,967,600)	(339,794,326)
(Loss)/profit before taxation	(1,079,886,137)	(334,811,436)	1,905,664,709	(473,643,660)
Taxation	(104,007,302)	(34,046,176)	(101,673,246)	(34,661,327)
(Loss)/profit after taxation from continuing operations	(1,183,893,439)	(368,857,612)	1,803,991,463	(508,304,987)
Loss after taxation from discontinued operations	-	-	(1,125,925,537)	-
Total (loss)/profit for the period	(1,183,893,439)	(368,857,612)	678,065,926	(508,304,987)
(Loss)/profit attributable to:				
Ordinary equity holders of the parent company	(1,183,893,439)	(368,857,612)	904,745,313	(508,304,987)
Non-controlling interests	-	-	(226,679,387)	-
	(1,183,893,439)	(368,857,612)	678,065,926	(508,304,987)
(Loss)/earnings per share - basic and diluted				
- continuing operations	(2.60)	(0.81)	3.97	(1.12)
- discontinued operations	-	-	(1.98)	-

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

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

For the nine months and quarter ended 31 March 2014

	July 2013 to March 2014	December 2013 to March 2014	July 2012 to March 2013	December 2012 to March 2013
	Rupees	Rupees	Rupees	Rupees
Total (loss)/profit for the period	(1,183,893,439)	(368,857,612)	678,065,926	(508,304,987)
<i>Other comprehensive income for the period:</i>				
Changes in fair value of available for sale financial assets	3,335	(2,037)	13,807	(2,412)
Exchange difference on translation of foreign subsidiary	(6,733,442)	(30,914,240)	8,541,184	(3,176,746)
	(6,730,107)	(30,916,277)	8,554,991	(3,179,158)
Total comprehensive (loss)/income for the period	<u>(1,190,623,546)</u>	<u>(399,773,889)</u>	<u>686,620,917</u>	<u>(511,484,145)</u>
Total comprehensive loss attributable to:				
Equity holders of the Parent	(1,190,623,546)	(399,773,889)	913,300,304	(511,484,145)
Non-controlling interests	-	-	(226,679,387)	-
	<u>(1,190,623,546)</u>	<u>(399,773,889)</u>	<u>686,620,917</u>	<u>(511,484,145)</u>

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

Condensed Interim Consolidated Cash flow Statement (Un-audited)

For the nine months and quarter ended 31 March 2014

	01 July 2013 31 March 2014 Rupees	01 July 2012 31 March 2013 Rupees
Cash flows from operating activities		
(Loss)/profit before taxation	(1,079,886,137)	1,905,664,709
Adjustments for non-cash and other items	1,481,964,283	(2,272,423,284)
Profit/(loss) before changes in working capital	402,078,146	(366,758,575)
Effect on cash flow due to working capital Changes	200,210,469	262,613,674
Cash generated from operations	602,288,615	(104,144,901)
Finance cost paid	(347,026,053)	(609,945,658)
Taxes paid	(97,491,614)	(94,125,163)
Long term deposits	9,383,980	5,270,923
Net cash (used in)/generated from operating activities	167,154,928	(802,944,799)
Cash flows from investing activities		
Capital expenditure	(47,744,026)	(53,135,352)
Purchase of intangible assets	(6,734,437)	-
Proceeds from sale of investments	-	3,491,590,474
Proceeds from disposal of fixed assets	6,854,200	3,344,139
Net cash generated used in investing activities	(47,624,263)	3,441,799,261
Cash flows from financing activities		
Long term finances paid	-	(1,030,760,525)
Redemption of redeemable capital	-	(199,997)
Liabilities against assets subject to finance lease	(1,011,852)	(2,200,652)
Due to related party	-	(374,215,075)
Short term borrowings	(215,862,258)	(1,488,716,060)
Net cash used in financing activities	(216,874,110)	(2,896,092,309)
Net decrease in cash and cash equivalents	(97,343,445)	(257,237,847)
Cash and cash equivalents at the beginning of period	143,040,613	310,989,124
Cash and cash equivalents at the end of period	45,697,168	53,751,277

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

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

For the nine months and quarter ended 31 March 2014

	Share Capital		Capital Reserves		Preference share		Revenue Reserves	
	Ordinary shares	Share Premium	Reserve on merger	Translation reserve	share redemption reserve	Available for sale financial assets	Accumulated loss	Total reserves
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2012 - Audited	4,548,718,700	2,358,246,761	105,152,005	(17,446,854)	661,250,830	(3,833)	(7,904,229,485)	(4,797,030,576)
Total comprehensive loss for the period	-	-	-	-	-	-	904,745,313	904,745,313
Profit for the period ended 31 March 2013	-	-	-	8,541,184	-	13,807	-	8,554,991
Other comprehensive income for the period ended 31 March 2013	-	-	-	8,541,184	-	13,807	904,745,313	913,300,304
Effect of disposal of subsidiary	-	-	-	-	-	292,991,700	453,363,947	746,355,647
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	93,908,544	93,908,544
As at 31 March 2013 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	(8,905,670)	661,250,830	293,001,674	(6,452,211,681)	(3,043,466,081)
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)
Total comprehensive loss for the period	-	-	-	-	-	-	-	-
Loss for the period ended 31 March 2014	-	-	-	(6,733,442)	-	3,315	(1,183,893,439)	(1,190,623,546)
Other comprehensive (loss)/income for the period ended 31 March 2014	-	-	-	(6,733,442)	-	3,315	(1,183,893,439)	(1,190,623,546)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	93,908,544	93,908,544
Balance 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)	(4,702,819,884)

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

Lahore

CHIEF EXECUTIVE




DIRECTOR

Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the nine months and quarter ended 31 March 2014

1 Status and nature of business

The Group comprises the following companies

Azgard Nine Limited ('ANL') - Parent Company

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

Montebello SRL ('MBL') - Subsidiary Company

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

2 Basis of preparation

2.1 Statement of compliance

- 2.1.1 This condensed interim consolidated financial information comprises the consolidated balance sheet of Azgard Nine Limited ("the Company") and its subsidiary ("MBL"), as at 31 March 2014 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 company for the nine months period ended 31 March 2014 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 31 March 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, despite no change in the working capital position, the Group achieved profit from operations. Shortage of working capital remained major issue due to which installed operational capacities still remained untapped and targets for timely purchase of raw materials could not met.

Due to the above mentioned reasons, its current liabilities exceeded its current assets by Rs.4,939.26 million, including Rs. 3,212.27 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 7,816.93 million. These conditions cast a significant doubt about the Group's ability to continue as a going concern. These financial statements have however, been prepared on a going concern basis. The assumption that the Group 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.

Condensed Interim Consolidated Notes to the Financial Information (Un-audited) For the nine months and quarter ended 31 March 2014

During the period, ANL is close to accomplish second restructuring. Deals with various intended buyers for sale of our certain low performing assets are near to finalization. Banks have also been contacted for debt restructuring resulting from prospective sales of these assets. The Management is working hard for receipt of Rs 700 million from divestment of its remaining shareholding in Agritech Limited (AGL). We are very optimistic that with these measures, sufficient financial resources will be available for continuing operations of ANL. With repayment and adjustment of debt and resulting reduction of finance costs, effective management of resources would be done. Resultantly, ANL would operate profitably, 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 9, 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. 6,168.33 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

4 Statement of consistency in accounting policies

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 2013.

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)
For the nine months and quarter ended 31 March 2014

	(Un-Audited)	(Audited)
	31 March	30 June
	2014	2013
	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
	<u>6,024,844,185</u>	<u>6,024,844,185</u>
Accumulated deferred notional income	(632,903,216)	(856,485,545)
Transaction cost	(49,074,157)	(57,772,282)
	<u>5,342,866,812</u>	<u>5,110,586,358</u>
Less: Amount shown as current liability	<u>(1,479,662,370)</u>	<u>(547,252,308)</u>
	<u><u>3,863,204,442</u></u>	<u><u>4,563,334,050</u></u>
6 Long term finances		
Deutsche Investitions - Und MBH (Germany)	945,483,412	907,054,269
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A	567,539,663	567,539,466
HSBC Middle East Limited	234,602,579	255,602,579
	<u>1,790,876,809</u>	<u>1,773,447,469</u>
Transaction costs	(19,924,673)	(21,944,566)
	<u>1,770,952,136</u>	<u>1,751,502,903</u>
Amount shown as current liability	(167,724,199)	(104,784,705)
	<u><u>1,603,227,937</u></u>	<u><u>1,646,718,198</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 Group for the year ended 30 June 2013.		

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)
For the nine months and quarter ended 31 March 2014

	(Un-Audited) 31 March 2014 Rupees	(Audited) 30 June 2013 Rupees
7.2 Commitments		
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spares and loose tools	1,709,166	-
- purchase of machinery	17,495,400	-
- purchase of raw material	21,714,687	43,889,430
	<u>40,919,253</u>	<u>43,889,430</u>
7.2.1 Commitments for capital expenditure	<u>21,009,794</u>	<u>705,600</u>

8 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 Group 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:

	(Un-Audited) July 2013 to March 2014 Rupees	(Un-Audited) July 2012 to March 2013 Rupees
8.1 Transactions with related parties		
8.1.1 Post-employment benefit plans		
Contribution to employees provident fund	77,235,064	72,222,615
8.1.2 Key management personnel		
Short-term employee benefits	181,938,381	134,285,956

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

For the nine months and quarter ended 31 March 2014

	(Un-Audited) 31 March 2014	(Audited) 30 June 2013
	Rupees	Rupees
8.2 Balances with related		
8.2.1 Post-employment benefit plans		
Payable to employees provident fund	81,466,998	83,897,625
8.2.2 Key Management Personnel		
Short term employee benefits payable	20,215,376	22,380,993
9 Overdue debt finances		

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

	As at 31 March 2014		
	Principal Rupees	Interest / mark-up Rupees	Total Rupees
Redeemable Capital	119,006,171	661,479,054	780,485,225
Long term finances	1,422,380	314,917,070	316,339,450
Bills payable	271,258,221	149,671,407	420,929,628
Short term borrowings	889,758,716	646,972,808	1,536,731,524
Preference shares	148,367,250	-	148,367,250
Dividend on preference shares	-	9,413,535	9,413,535
	<u>1,429,812,738</u>	<u>1,782,453,874</u>	<u>3,212,266,612</u>

10 Date of authorization

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

11 General

- Figures have been rounded off to the nearest rupee.

- Corresponding figures have been re-arranged where ever necessary for the purpose of comparison.

Notes

A series of 20 horizontal dotted lines for writing notes.



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