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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 six months period ended 31 December 2013.

Principal Activities

The main business of your Company is the production and marketing of Denim focused Textile and Apparel products, ranging from raw cotton to retail ready goods.

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

	Six Months ended 31 December 2013	Six Months ended 31 December 2012
Sales - Net	7,000,575,712	6,684,835,681
Operating profit / (loss)	26,505,544	(775,248,377)
Net other income	29,487,004	4,455,356,801
Finance Cost	(846,586,018)	(1,300,314,951)
(Loss) / profit before Tax	(790,593,470)	2,379,793,473
(Loss) / profit after Tax	(860,554,596)	2,312,781,554
Loss per share	(1.89)	5.08

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

	Six Months ended 31 December 2013	Six Months ended 31 December 2012
Sales - Net	6,994,618,449	6,825,881,201
Operating profit / (loss)	76,770,273	(765,875,158)
Net other income	29,487,004	4,455,356,801
Finance cost	(851,331,978)	(1,310,173,274)
(Loss) / profit before tax	(745,074,701)	2,379,308,369
(Loss) / profit after tax	(815,035,827)	2,312,296,450
Loss after taxation from discontinued operations	-	(1,125,925,537)
(Loss) / profit for the period	(815,035,827)	1,186,370,913
Earnings/(loss) per share		
- continuing operations	(1.79)	5.08
- discontinuing operations	-	(1.98)

Review of business during this period

During this period the Company has continued to work on 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 ongoing. We are hopeful that when this is complete the Company will benefit by having sufficient working capital to run its operations at optimal levels and have sustainable debt levels as well.

Directors' Review

Regarding operations, the Company continues to run at sub-optimum levels as the proposals for receipt of Rs. 700 million for working capital could not materialize.

Future Outlook of our business

After the receipt of 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, it is expected that the performance of the Company may be improved. The Company would then be well positioned to reap the benefits of GSP status granted to Pakistan.

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
7 February 2014



Chief Executive Officer

**Condensed
Interim
Unconsolidated
Financial
Information**

Auditor's Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of Azgard Nine Limited ("the Company") as at 31 December 2013 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in note 2.3 and 13 to the condensed interim unconsolidated financial information, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be 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. In this condensed interim unconsolidated financial information the long term debts have been classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 6,657.036 million as at the reporting date.

Qualified Conclusion

Based on our review, except for the effects on the condensed interim unconsolidated financial information of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to the matter that as at the reporting date, the Company's current liabilities exceeded its current assets by Rs. 4,722.842 million, including Rs. 2,887.528 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 7,502.036 million. The difference between current liabilities and current assets would be Rs. 11,379.878 million, had the Company classified its long term debts as current for reasons more fully explained in the note 2.3 to the condensed interim unconsolidated financial information. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. This condensed interim unconsolidated financial information has however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the condensed interim unconsolidated financial information. Our conclusion is not qualified in respect of this matter.

Other matters

The figures for the three months period ended 31 December 2013 and 31 December 2012, in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 31 December 2013

	Note	(Un-Audited) 31 December 2013 Rupees	(Audited) 30 June 2013 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital		4,548,718,700	4,548,718,700
Reserves		3,417,659,225	3,417,653,853
Accumulated loss		(7,502,035,554)	(6,704,086,654)
		464,342,371	1,262,285,899
Surplus on revaluation of fixed assets		3,407,981,585	3,470,587,281
Non-current liabilities			
Redeemable capital - <i>secured</i>	5	4,200,576,187	4,563,334,050
Long term finances - <i>secured</i>	6	1,677,250,828	1,646,718,198
Liabilities against assets subject to finance lease <i>secured</i>	7	-	-
		5,877,827,015	6,210,052,248
Current liabilities			
Current portion of non-current liabilities		1,424,146,577	832,991,069
Short term borrowings		4,707,460,357	4,819,186,842
Trade and other payables		2,693,877,640	2,526,245,640
Interest / mark-up accrued on borrowings		1,820,795,496	1,501,702,254
Dividend payable		13,415,572	13,415,572
Current taxation		42,433,849	39,252,658
		10,702,129,491	9,732,794,035
Contingencies and commitments	8		
		20,452,280,462	20,675,719,463
ASSETS			
Non-current assets			
Property, plant and equipment	9	12,726,841,530	12,953,017,078
Intangible assets		-	1,302,407
Long term investments	10	1,726,771,838	1,726,766,466
Long term deposits - <i>unsecured, considered good</i>		19,379,636	24,477,987
		14,472,993,004	14,705,563,938
Current assets			
Stores, spares and loose tools		124,238,916	130,970,353
Stock in trade		1,943,982,997	2,211,143,101
Trade receivables		2,442,657,028	2,149,837,255
Advances, deposits, prepayments and other receivables		701,865,906	645,945,212
Short term investments		700,000,000	700,000,000
Cash and bank balances		66,542,611	132,259,604
		5,979,287,458	5,970,155,525
		20,452,280,462	20,675,719,463

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 half year and quarter ended 31 December 2013

	2013		2012	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
Sales - net	7,000,575,712	3,620,687,098	6,684,835,681	3,362,635,820
Cost of sales	(6,442,254,421)	(3,268,070,179)	(6,659,063,619)	(3,212,568,637)
Gross profit	558,321,291	352,616,919	25,772,062	150,067,183
Administrative and general expenses	(209,816,732)	(98,130,807)	(244,936,940)	(95,504,665)
Selling and distribution expenses	(321,999,015)	(173,724,711)	(556,083,499)	(353,959,754)
Operating profit / (loss)	26,505,544	80,761,401	(775,248,377)	(299,397,236)
Net other income	29,487,004	(20,738,705)	4,455,356,801	4,456,810,100
Finance cost	(846,586,018)	(412,781,884)	(1,300,314,951)	(552,936,367)
(Loss) / profit before taxation	(790,593,470)	(352,759,188)	2,379,793,473	3,604,476,497
Taxation	(69,961,126)	(36,391,365)	(67,011,919)	(33,692,620)
(Loss) / profit after taxation	(860,554,596)	(389,150,553)	2,312,781,554	3,570,783,877
(Loss) / earnings per share - basic and diluted	(1.89)	(0.86)	5.08	7.85

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 half year and quarter ended 31 December 2013

	2013		2012	
	July to December Rupees	October to December Rupees	July to December Rupees	October to December Rupees
(Loss) / profit after taxation	(860,554,596)	(389,150,553)	2,312,781,554	3,570,783,877
Other comprehensive income / (loss):				
<i>Items that are or may be subsequently reclassified to profit or loss</i>				
Changes in fair value of available for sale financial assets	5,372	6,844	16,219	10,867
Fair value gain realized on sale of available for sale financial asset reclassified to profit or loss	-	-	(4,298,527,869)	(4,298,527,869)
	5,372	6,844	(4,298,511,650)	(4,298,517,002)
Total comprehensive loss for the period	(860,549,224)	(389,143,709)	(1,985,730,096)	(727,733,125)

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 half year and quarter ended 31 December 2013

	July to December 2013	July to December 2012
	Rupees	Rupees
Cash flows from operating activities		
(Loss) / profit after tax	(860,554,596)	2,312,781,554
Adjustment for non-cash and other items:		
Interest / mark-up expense	516,777,814	1,186,083,248
(Gain) / loss on disposal of fixed assets	(3,403,730)	645,589
Amortization of transaction costs and deferred notional income	156,993,332	-
Gain on sale of investment	-	(4,298,527,869)
Depreciation	245,983,669	256,685,959
Amortization of intangible assets	1,302,407	1,302,409
Taxation	69,961,126	67,011,919
Provision for impairment of receivables	-	160,236,487
Borrowings from Agritech Limited	-	19,240,743
Return on investment in term finance certificates	(15,700,440)	(18,474,253)
Foreign exchange loss	123,937,633	94,990,959
	1,095,851,811	(2,530,804,809)
Operating profit / (loss) before changes in working capital	235,297,215	(218,023,255)
Changes in working capital		
<i>Decrease / (increase) in current assets:</i>		
Stores, spares and loose tools	6,731,437	(3,903,171)
Stock in trade	267,160,104	306,774,950
Trade receivables	(294,739,178)	(196,882,450)
Advances, deposits, prepayments and other receivables	(40,220,254)	(44,936,612)
	(61,067,891)	61,052,717
<i>(Decrease) / increase in current liabilities:</i>		
Trade and other payables	171,245,829	(115,877,751)
Cash generated from / (used in) operations	345,475,153	(272,848,289)
Interest / mark-up paid	(197,684,375)	(536,352,514)
Long term deposits	-	387,200
Taxes paid	(66,779,935)	(69,211,544)
Net cash generated from / (used in) operating activities	81,010,843	(878,025,147)
Cash flows from investing activities		
Capital expenditure	(22,545,840)	(27,174,795)
Proceeds from disposal of property, plant and equipment	6,141,449	2,574,950
Proceeds from sale of investment in Agritech Limited <i>net</i>	-	3,491,590,474
Net cash (used in) / generated from investing activities	(16,404,391)	3,466,990,629
Cash flows from financing activities		
Repayment of long term finances	(7,999,805)	(935,769,369)
Redemption of term finance certificates	-	(199,997)
Repayment of liabilities against assets subject to finance lease	(2,400,000)	(1,223,356)
Due to related party	-	(355,740,822)
Net decrease in short term borrowings	(119,923,640)	(1,393,007,181)
Net cash used in financing activities	(130,323,445)	(2,685,940,725)
Net decrease in cash and cash equivalents	(65,716,993)	(96,975,243)
Cash and cash equivalents at beginning of the period	132,259,604	289,721,743
Cash and cash equivalents at end of the period	66,542,611	192,746,500

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

Lahore


CHIEF EXECUTIVE


DIRECTOR

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

For the half year and quarter ended 31 December 2013

	Capital reserves				Revenue reserves		Total equity		
	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 equity Rupees	
						Rupees	Rupees	Rupees	Rupees
As at 30 June 2012 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	4,591,315,736	(7,793,719,801)	(77,554,469)	4,471,164,231	4,471,164,231
Total comprehensive income for the period	-	-	-	-	-	2,312,781,554	2,312,781,554	2,312,781,554	2,312,781,554
Profit for the period ended 31 December 2012	-	-	-	-	(4,298,511,650)	-	(4,298,511,650)	(4,298,511,650)	(4,298,511,650)
Other comprehensive loss for the period	-	-	-	-	(4,298,511,650)	-	(1,985,730,096)	(1,985,730,096)	(1,985,730,096)
Total comprehensive loss for the period	-	-	-	-	(4,298,511,650)	-	(1,985,730,096)	(1,985,730,096)	(1,985,730,096)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	62,530,746	62,530,746	62,530,746	62,530,746
As at 31 December 2012 - Unaudited	<u>4,548,718,700</u>	<u>2,358,246,761</u>	<u>105,152,005</u>	<u>661,250,830</u>	<u>293,004,086</u>	<u>(5,418,407,501)</u>	<u>(2,000,753,819)</u>	<u>2,547,964,881</u>	<u>2,547,964,881</u>
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	1,562,285,899
Total comprehensive income for the period	-	-	-	-	-	(860,554,596)	(860,554,596)	(860,554,596)	(860,554,596)
Loss for the period ended 31 December 2013	-	-	-	-	-	-	5,372	5,372	5,372
Other comprehensive income for the period	-	-	-	-	5,372	-	(860,549,224)	(860,549,224)	(860,549,224)
Total comprehensive loss for the period	-	-	-	-	5,372	-	(860,549,224)	(860,549,224)	(860,549,224)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	62,605,696	62,605,696	62,605,696	62,605,696
As at 31 December 2013 - Unaudited	<u>4,548,718,700</u>	<u>2,358,246,761</u>	<u>105,152,005</u>	<u>661,250,830</u>	<u>293,009,629</u>	<u>(7,502,035,554)</u>	<u>(4,084,376,329)</u>	<u>4,643,342,371</u>	<u>4,643,342,371</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 Notes to the Financial Information (Un-audited) For the half year and quarter ended 31 December 2013

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 Aiwani-e-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 December 2013 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 six months period ended 31 December 2013 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 2013.

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 this half year, although the Company achieved profits from operations but the constraints on the availability of funds still remained prime issue. Due to unavailability of sufficient working capital, installed operational capacities could not be achieved. Timely purchases of raw materials still remained a destiny to be achieved.

Due to the above mentioned reasons, Company's current liabilities exceeded its current assets by Rs. 4,722.842 million, including Rs. 2,887.528 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 7,502.036 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.

During the half year under review, the Company advanced on second restructuring. In this regards, various intended buyers have visited us and are performing due diligence for purchase of our certain low performing assets. Banks have also been contacted for debt restructuring resulting from prospective sales of these assets. In addition the management is following up with banks for receipt of Rs 700 million from divestment of its remaining shareholding in Agritech Limited (AGL). The management of the Company is very hopeful that with these measures, sufficient financial resources will be available for continuing operations of the Company. With repayment and adjustment of debt, there will be reduction of finance costs. With receipt of funds for Company, effective management of resources would be done and 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 half year and quarter ended 31 December 2013

2.3 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 13. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 6,657.036 million as detailed below have continued to be classified as long term as per the repayment schedules in this condensed interim financial information as the management considers that event of default was not declared by the lenders at the reporting date:

	Principal net of current maturity
	Rupees
<u>Redeemable capital</u>	
Term Finance Certificates - II	588,963,268
Term Finance Certificates - IV	980,985,838
Term Finance Certificates - V	270,645,987
Privately Placed Term Finance Certificates - VI	2,574,936,000
Privately Placed Term Finance Certificates	326,456,184
Privately Placed Term Finance Certificates	217,200,000
	<hr/>
	4,959,187,277
<u>Long term finances</u>	
Deutsche Investitions - Und MBH (Germany)	1,019,391,017
Saudi Pak Industrial and Agricultural Company Limited	39,463,020
Citi Bank N.A (Pakistan)	454,031,770
HSBC Bank (Middle East) Limited	184,962,993
	<hr/>
	1,697,848,800
	<hr/> 6,657,036,077 <hr/>

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 2013.
- 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 except as follows:
- 3.2.1 The amendment to IAS 34 clarifies that the Company needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Company's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. Since the condensed interim financial information of the Company are prepared on the basis of single reportable segment, the said amendment is not expected to have any impact.

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 2014:

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited) For the half year and quarter ended 31 December 2013

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRIC 21 - Levies	01 January 2014
IAS 32 - Financial Instruments: Presentation	01 January 2014
IAS 36 - Impairment of Assets	01 January 2014
IAS 39 - Financial Instruments: Recognition and Measurement	01 January 2014
IAS 19 - Employee Benefits	01 July 2014
Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles	01 July 2014

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 subsidiary
- Provisions and Contingencies

5 Redeemable capital - secured

	(Un-Audited) 31 December 2013 Rupees	(Audited) 30 June 2013 Rupees
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	(707,430,659)	(856,485,545)
Transaction cost	(51,180,431)	(57,772,282)
	5,266,233,095	5,110,586,358
Less: Amount shown as current liability	(1,065,656,908)	(547,252,308)
	4,200,576,187	4,563,334,050

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

For the half year and quarter ended 31 December 2013

	(Un-Audited) 31 December 2013	(Audited) 30 June 2013
	Rupees	Rupees
6 Long term finances - secured		
Deutsche Investitions - Und MBH (Germany)	1,019,391,017	907,054,269
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A (Pakistan)	567,539,663	567,539,466
HSBC (Middle East) Limited	247,602,579	255,602,579
	1,877,784,414	1,773,447,469
Transaction costs	(20,597,972)	(21,944,566)
	1,857,186,442	1,751,502,903
Less: Amount shown as current liability	(179,935,614)	(104,784,705)
	1,677,250,828	1,646,718,198

7 Liabilities against assets subject to finance lease - secured

The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	(Un-Audited) 31 December 2013	(Audited) 30 June 2013
	Rupees	Rupees
Present value of minimum lease payments	30,186,801	32,586,801
Current maturity presented under current liabilities	(30,186,801)	(32,586,801)
	-	-

8 Contingencies and commitments

8.1 Contingencies

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

8.2 Commitments

8.2.1 Commitments under irrevocable letters of credit for:

	(Un-Audited) 31 December 2013	(Audited) 30 June 2013
	Rupees	Rupees
- purchase of machinery	20,879,536	-
- purchase of raw material	27,183,680	43,889,430
	48,063,216	43,889,430

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the half year and quarter ended 31 December 2013

		(Un-Audited) 31 December 2013 Rupees	(Audited) 30 June 2013 Rupees
8.2.2	Commitments for capital expenditure	<u>2,520,739</u>	<u>705,600</u>
9	Property, plant and equipment		
	Operating fixed assets	9.1 12,718,661,878	12,952,810,186
	Capital work in progress	8,179,652	206,892
		<u>12,726,841,530</u>	<u>12,953,017,078</u>
9.1	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	9.1.1 14,573,080	83,117,818
	Disposals during the period / year - Net book value	(2,737,719)	(3,988,032)
	Depreciation charged during the period / year	(245,983,669)	(514,001,319)
	Net book value as at the end of the period / year	<u>12,718,661,878</u>	<u>12,952,810,186</u>
9.1.1	Additions - Cost		
	<u>Assets owned by the Company</u>		
	Building on freehold land	-	7,655,166
	Plant and Machinery	8,732,000	51,844,039
	Furniture, fixtures and office equipment	70,396	1,971,955
	Vehicles	870,000	1,125,800
	Tools and equipments	3,960,443	12,471,593
	Electric installations	940,241	8,049,265
		<u>14,573,080</u>	<u>83,117,818</u>
10	Long term investments		
	Investment in subsidiary, Montebello s.r.l.	1,460,660,737	1,460,660,737
	Other investments	36,593	31,221
	Investment in AGL TFCs	266,074,508	266,074,508
		<u>1,726,771,838</u>	<u>1,726,766,466</u>

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the half year and quarter ended 31 December 2013

	(Un-Audited) July to December 2013 Rupees	(Audited) July to December 2012 Rupees
11 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term finances	215,571,965	390,658,895
Liabilities against assets subject to finance lease	1,559,277	3,503,854
Short term borrowings	264,836,068	384,914,109
Borrowings from Agritech Limited	-	19,240,743
Interest on payable to Provident Fund Trust	6,698,646	16,164,370
Interest on Workers' Profit Participation Fund	3,643,691	4,113,845
	492,309,647	818,595,816
Amortization of transaction costs and deferred notional income	156,993,332	146,678,423
Foreign exchange loss	120,533,903	94,990,959
Bank charges and commission	76,749,136	240,049,752
	846,586,018	1,300,314,951

12 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:

	(Un-Audited) July to December 2013 Rupees	(Audited) July to December 2012 Rupees
12.1 Transactions with related parties		
12.1.1 <u>Subsidiary</u>		
Montebello s.r.l.		
Sales	340,211,939	77,426,430
12.1.2 <u>Other related parties</u>		
JS Bank Limited		
Mark-up expense	11,055,806	21,474,314
Payment of mark-up expense	5,400,191	111,210,248
JS Value Fund Limited		
Mark-up expense	1,057,950	2,309,443

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
 For the half year and quarter ended 31 December 2013

	(Un-Audited) July to December 2013 <hr/> Rupees	(Audited) July to December 2012 <hr/> Rupees
Unit Trust of Pakistan		
Mark-up expense	1,701,973	7,982,491
JS Large Cap Fund		
Mark-up expense	4,611,393	3,611,208
Payment of mark-up expense	4,586,331	-
JS Global Capital Limited		
Mark-up expense	18,102,666	14,185,942
Payment of mark-up expense	18,004,282	-
JS Principal Secure Fund		
Mark-up expense	1,856,535	1,454,816
Payment of mark-up expense	1,846,445	-
JS Pension Savings Fund		
Mark-up expense	-	618,016
JS Income Fund		
Mark-up expense	2,952,335	4,858,287
JS Growth Fund		
Mark-up expense	4,441,647	4,713,006
Payment of mark-up expense	3,540,674	-
12.1.3 Post employment benefit plans		
Payment to employees Provident Fund Trust	65,768,657	72,222,615
12.1.4 Key management personnel		
Short-term employee benefits	123,539,511	134,285,956

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the half year and quarter ended 31 December 2013

	(Un-Audited) 31 December 2013 <u>Rupees</u>	(Audited) 30 June 2013 <u>Rupees</u>
12.2 Balances with related parties		
12.2.1 <u>Subsidiary</u>		
Montebello s.r.l.		
Trade receivables	950,523,968	768,584,853
<i>Euro 6,550,819: (June 2013: Euro 5,952,945)</i>		
12.2.2 <u>Other related parties</u>		
JS Bank Limited		
Redeemable capital - TFC IV	65,033,776	65,033,776
Short term borrowing	327,624,600	336,026,713
Mark-up payable	20,531,268	16,806,556
Cash and bank - <i>current account</i>	7,760,991	7,491,793
JS Value Fund Limited		
Redeemable capital - TFC II	19,523,024	19,523,024
Redeemable capital - TFC VI	12,900,000	12,900,000
Mark-up payable	5,336,347	4,846,631
Unit Trust of Pakistan		
Redeemable capital - TFC V	31,980,766	31,980,766
Redeemable capital - TFC VI	19,265,000	19,265,000
Mark-up payable	9,127,700	5,993,891
JS Large Cap Fund		
Redeemable capital - PPTFCs	83,160,000	83,160,000
Mark-up payable	-	1,829,520
JS Global Capital Limited		
Redeemable capital - PPTFCs	326,456,184	326,456,184
Mark-up payable	-	7,182,036
Advisory fee payable	-	4,000,000
JS Principal Secure Fund		
Redeemable capital - PPTFC	33,480,000	33,480,000
Mark-up payable	-	736,560

Condensed Interim Unconsolidated Notes to the Financial Information (Un-audited)
For the half year and quarter ended 31 December 2013

	(Un-Audited) 31 December 2013 Rupees	(Audited) 30 June 2013 Rupees
JS Pension Savings Fund		
Redeemable capital - TFC VI	3,850,000	3,850,000
JS Income Fund		
Redeemable capital - TFC II	7,369,942	7,369,942
Redeemable capital - TFC V	47,971,149	47,971,149
Redeemable capital - TFC VI	24,135,000	24,135,000
Mark-up payable	12,930,251	10,820,439
JS Growth Fund		
Redeemable capital - TFC II	16,269,187	16,269,187
Redeemable capital - TFC VI	10,750,000	10,750,000
Redeemable capital - PPTFC disbursement	64,200,000	64,200,000
Mark-up payable	4,446,956	5,451,260
12.2.3 Post employment benefit plans		
Payable to employees Provident Fund Trust	88,145,669	83,897,625
12.2.4 Key management personnel		
Short term employee benefits payable	20,589,919	22,868,033
13 Overdue debt finances		

The Company is facing a temporary 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 December 2013		
	Principal Rupees	Interest / mark-up Rupees	Total Rupees
<u>Nature of liability</u>			
Redeemable Capital	34,537,050	664,497,683	699,034,733
Long term finances	13,633,795	294,475,118	308,108,913
Bills payables	324,582,259	86,128,479	410,710,738
Short term borrowings	739,318,716	572,574,471	1,311,893,187
Preference shares	148,367,255	-	148,367,255
Dividend on preference shares	-	9,413,535	9,413,535
	1,260,439,075	1,627,089,286	2,887,528,361

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

For the half year and quarter ended 31 December 2013

14 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassification for better presentation includes provision against trade receivables amounting to Rs. 160.24 million previously included in administration and general expenses now presented in selling and distribution expenses.

15 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on 07 February 2014.

16 General

Figures have been rounded off to the nearest rupee.

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**Condensed
Interim
Consolidated
Financial
Information**

Condensed Interim Consolidated Balance Sheet (Un-audited)

As at 31 December 2013

	Note	Un-Audited 31 December 2013 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		3,145,027,521	3,120,841,351
Accumulated loss		<u>(7,479,376,334)</u>	<u>(6,726,946,203)</u>
		214,369,887	942,613,848
Surplus on revaluation of fixed assets		3,407,981,585	3,470,587,281
Non-current liabilities			
Redeemable capital - secured	5	4,200,576,187	4,563,334,050
Long term finances - secured	6	1,677,250,828	1,646,718,198
Liabilities against assets subject to finance lease - secured		-	-
		5,877,827,015	6,210,052,248
Current liabilities			
Current portion of non-current liabilities		1,424,146,577	832,991,069
Short term borrowing		4,877,809,063	5,024,533,069
Trade and other payables		3,137,262,046	2,957,118,822
Interest / mark-up accrued on borrowings		1,820,795,496	1,501,702,254
Dividend payable		13,415,572	13,415,572
		11,273,428,754	10,329,760,786
Contingencies and commitments	7	<u>20,773,607,241</u>	<u>20,953,014,163</u>
ASSETS			
Non-current assets			
Property, plant and equipment		12,747,840,866	12,973,010,523
Intangible assets		695,432,453	693,644,333
Long term investments		266,111,101	266,105,729
Long term deposits - unsecured, considered good		25,377,046	29,169,416
		13,734,761,466	13,961,930,001
Current assets			
Stores, spares and loose tools		124,238,916	130,970,353
Stock-in-trade		2,150,997,010	2,339,039,126
Trade receivables		2,982,128,221	2,757,283,943
Advances, deposits, prepayments and other receivables		923,989,360	830,239,233
Due from Agritech Limited - unsecured, considered good		-	16,600,910
Short term investments		700,000,000	700,000,000
Current taxation		84,763,243	73,909,984
Cash and bank balances		72,729,025	143,040,613
		7,038,845,775	6,991,084,162
		<u>20,773,607,241</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 half year and quarter ended 31 December 2013

	2013		2012	
	July to December Rupees	October to December Rupees	July to December Rupees	October to December Rupees
Sales - net	6,994,618,449	3,534,182,594	6,825,881,201	3,428,594,689
Cost of sales	(6,340,294,846)	(3,154,915,177)	(6,730,515,673)	(3,219,794,871)
Gross profit	654,323,603	379,267,417	95,365,528	208,799,818
Administrative expenses	(242,540,831)	(116,191,551)	(293,178,766)	(122,703,611)
Selling and distribution expenses	(335,012,499)	(177,611,706)	(568,061,920)	(363,940,888)
Profit / (loss) from operations	76,770,273	85,464,160	(765,875,158)	(277,844,681)
Net other income	29,487,004	(20,738,705)	4,455,356,801	4,464,181,832
Finance cost	(851,331,978)	(415,647,359)	(1,310,173,274)	(570,353,199)
(Loss)/profit before taxation	(745,074,701)	(350,921,904)	2,379,308,369	3,615,983,952
Taxation	(69,961,126)	(36,391,365)	(67,011,919)	(33,692,620)
(Loss)/profit after taxation from continuing operations	(815,035,827)	(387,313,269)	2,312,296,450	3,582,291,332
Loss after taxation from discontinued operations	-	-	(1,125,925,537)	(67,311,697)
Total (loss)/profit for the period	<u>(815,035,827)</u>	<u>(387,313,269)</u>	<u>1,186,370,913</u>	<u>3,514,979,635</u>
(Loss)/profit attributable to:				
Ordinary equity holders of the parent company	(815,035,827)	(387,313,269)	1,413,050,300	3,564,244,097
Non-controlling interests	-	-	(226,679,387)	(49,264,462)
	<u>(815,035,827)</u>	<u>(387,313,269)</u>	<u>1,186,370,913</u>	<u>3,514,979,635</u>
(Loss)/earnings per share - basic and diluted				
- continuing operations	<u>(1.79)</u>	<u>(0.85)</u>	5.08	7.88
- discontinued operations	-	-	(1.98)	(0.04)

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 half year and quarter ended 31 December 2013

	2013		2012	
	July to December Rupees	October to December Rupees	July to December Rupees	October to December Rupees
Total (loss)/profit for the period	(815,035,827)	(387,313,269)	1,186,370,913	3,514,979,635
Other comprehensive income for the period:				
Changes in fair value of available for sale financial assets	5,372	6,845	16,219	10,867
Exchange difference on translation of foreign subsidiary	24,180,798	(56,698,386)	11,717,930	6,290,272
	<u>24,186,170</u>	<u>(56,691,541)</u>	11,734,149	6,301,139
Total comprehensive loss for the period	<u>(790,849,657)</u>	<u>(444,004,810)</u>	<u>1,198,105,062</u>	<u>3,521,280,774</u>
Total comprehensive loss attributable to:				
Equity holders of the Parent	(790,849,657)	(444,004,810)	1,424,784,449	3,570,545,236
Non-controlling interests	-	-	(226,679,387)	(49,264,462)
	<u>(790,849,657)</u>	<u>(444,004,810)</u>	<u>1,198,105,062</u>	<u>3,521,280,774</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 half year ended 31 December 2013

	01 July 2013 31 December 2013 <u>Rupees</u>	01 July 2012 31 December 2012 <u>Rupees</u>
Cash flows from operating activities		
(Loss)/profit before taxation	(815,035,827)	2,379,308,369
Adjustments for non-cash and other items	1,108,824,468	(2,586,086,655)
Profit/(loss) before changes in working capital	293,788,641	(206,778,286)
Effect on cash flow due to working capital Changes	90,318,146	(11,554,390)
Cash generated from operations	384,106,787	(218,332,676)
Finance cost paid	(200,721,740)	(546,210,837)
Taxes paid	(66,779,935)	960,658
Long term deposits	(1,305,981)	(69,211,544)
Net cash (used in)/generated from operating activities	115,299,131	(832,794,399)
Cash flows from investing activities		
Capital expenditure	(22,545,840)	(27,178,640)
Purchase of intangible assets	(3,885,362)	
Proceeds from sale of investments	-	3,491,590,474
Proceeds from disposal of fixed assets	6,141,449	2,574,950
Net cash generated used in investing activities	(20,289,753)	3,466,986,784
Cash flows from financing activities		
Long term finances paid	(7,999,805)	(935,769,369)
Redemption of redeemable capital	-	(199,997)
Liabilities against assets subject to finance lease	(2,400,000)	(1,223,356)
Due to related party	-	(355,740,822)
Short term borrowings	(154,921,161)	(1,437,984,967)
Net cash used in financing activities	(165,320,966)	(2,730,918,511)
Net decrease in cash and cash equivalents	(70,311,588)	(96,726,126)
Cash and cash equivalents at the beginning of period	143,040,613	310,989,124
Cash and cash equivalents at the end of period	72,729,025	214,262,998

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 six months period ended 31 December 2013

	Reserves								
	Share Capital	Share Premium	Reserve on merger	Translation reserve	Preference share redemption reserve	Available for sale financial assets	Total reserves	Accumulated loss	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2012 - Audited	4,548,718,700	2,358,246,761	105,152,005	(17,446,854)	661,250,830	(3,833)	3,107,198,909	(7,904,229,485)	(248,311,876)
Total comprehensive loss for the period	-	-	-	11,717,930	-	16,219	11,734,149	1,413,050,300	1,424,784,449
Effect of disposal of subsidiary	-	-	-	-	-	292,991,700	292,991,700	453,363,947	746,355,647
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	-	62,530,746	62,530,746
Balance as at 31 December 2012 - Unaudited	<u>4,548,718,700</u>	<u>2,358,246,761</u>	<u>105,152,005</u>	<u>(5,728,924)</u>	<u>661,250,830</u>	<u>293,004,086</u>	<u>3,411,924,758</u>	<u>(5,975,284,492)</u>	<u>1,985,358,966</u>
Balance as at 30 June 2013 - Audited	4,548,718,700	2,358,246,761	105,152,005	(3,820,802)	661,250,830	12,857	3,120,841,351	(6,726,946,203)	942,613,848
Total comprehensive loss for the period	-	-	-	24,180,798	-	5,372	24,186,170	(815,035,827)	(790,849,657)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	-	62,605,696	62,605,696
Balance as at 30 September 2013 - Unaudited	<u>4,548,718,700</u>	<u>2,358,246,761</u>	<u>105,152,005</u>	<u>20,359,996</u>	<u>661,250,830</u>	<u>17,929</u>	<u>3,145,027,521</u>	<u>(7,479,376,334)</u>	<u>214,349,887</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 Notes to the Financial Information (Un-audited) For the six months period ended 31 December 2013

1 Status and nature of business

The Group comprises the following companies

Azgard Nine Limited ('ANL') - Parent Company

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

Montebello SRL ('MBL') - Subsidiary Company

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

2 Basis of preparation

2.1 Statement of compliance

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 December 2013 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 December 2013 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 2013.

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 this half year, although the Group achieved profits from operations but the constraints on the availability of funds still remained prime issue. Due to unavailability of sufficient working capital, installed operational capacities could not be achieved. Timely purchases of raw materials still remained a destiny to be achieved.

Due to the above mentioned reasons, the Group's current liabilities exceeded its current assets by Rs. 4,234.58 million, including Rs. 2,887.528 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 7,479.376 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 from operating activities.

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During the half year under review, the Group advanced on second restructuring. In this regards, various intended buyers have visited us and are performing due diligence for purchase of our certain low performing assets. Banks have also been contacted for debt restructuring resulting from prospective sales of these assets. In addition the management is following up with banks for receipt of Rs 700 million from divestment of its remaining shareholding in Agritech Limited (AGL). The management of the Group is very hopeful that with these measures, sufficient financial resources will be available for continuing operations of the Group. With repayment and adjustment of debt, there will be reduction of finance costs. With receipt of funds for the Group, effective management of resources would be done and the Group would operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

2.3 Financial liabilities

The Group could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 13. Further, as at the reporting date, the Group could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 6,657.036 million as detailed below have continued to be classified as long term as per the repayment schedules in this condensed interim financial information as the management considers that event of default was not declared by the lenders at the reporting date:

	Principal net of current maturity
	Rupees
<u>Redeemable capital</u>	
Term Finance Certificates - II	588,963,268
Term Finance Certificates - IV	980,985,838
Term Finance Certificates - V	270,645,987
Privately Placed Term Finance Certificates - VI	2,574,936,000
Privately Placed Term Finance Certificates	326,456,184
Privately Placed Term Finance Certificates	217,200,000
	4,959,187,277
<u>Long term finances</u>	
Deutsche Investitions - Und MBH (Germany)	1,019,391,017
Saudi Pak Industrial and Agricultural Company Limited	39,463,020
Citi Bank N.A (Pakistan)	454,031,770
HSBC Bank (Middle East) Limited	184,962,993
	1,697,848,800
	<u>6,657,036,077</u>

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 2013.
- 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 except as follows:

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

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3.2.1 The amendment to IAS 34 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. Since the condensed interim financial information of the Group are prepared on the basis of single reportable segment, the said amendment is not expected to have any impact.

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 2014:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRIC 21 - Levies	01 January 2014
IAS 32 - Financial Instruments: Presentation	01 January 2014
IAS 36 - Impairment of Assets	01 January 2014
IAS 39 - Financial Instruments: Recognition and Measurement	01 January 2014
IAS 19 - Employee Benefits	01 July 2014
Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles	01 July 2014

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 consolidated 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
- Provisions and Contingencies

	(Un-Audited) 31 December 2013 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>
Accumulated deferred notional income	(707,430,659)	(856,485,545)
Transaction cost	(51,180,431)	(57,772,282)
	<u>5,266,233,095</u>	<u>5,110,586,358</u>
Less: Amount shown as current liability	(1,065,656,908)	(547,252,308)
	<u><u>4,200,576,187</u></u>	<u><u>4,563,334,050</u></u>

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

For the six months period ended 31 December 2013

	(Un-Audited) 31 December 2013 Rupees	(Audited) 30 June 2013 Rupees
6 Long term finances		
Deutsche Investitions - Und MBH (Germany)	1,019,391,017	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	247,602,579	255,602,579
	<u>1,877,784,414</u>	<u>1,773,447,469</u>
Transaction costs	(20,597,971)	(21,944,566)
	<u>1,857,186,443</u>	<u>1,751,502,903</u>
Amount shown as current liability	(179,935,614)	(104,784,705)
	<u><u>1,677,250,829</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.

	(Un-Audited) 31 December 2013 Rupees	(Audited) 30 June 2013 Rupees
7.2 Commitments		
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of machinery	20,879,536	-
- purchase of raw material	27,183,680	43,889,430
	<u>48,063,216</u>	<u>43,889,430</u>
7.2.1 Commitments for capital expenditure	<u>2,520,739</u>	<u>705,600</u>

8 Transactions and balances with related parties

Related parties from the Group's perspective comprise subsidiary, 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.

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

For the six months period ended 31 December 2013

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

	(Un-Audited) July to December 2013 Rupees	(Un-Audited) July to December 2012 Rupees
8.1 Transactions with related parties		
8.1.1 Associated undertakings		
JS Bank Limited		
Mark-up expense	11,055,806	21,474,314
Payment of mark-up expense	5,400,191	111,210,248
JS Value Fund Limited		
Mark-up expense	1,057,950	2,309,443
Unit Trust of Pakistan		
Mark-up expense	1,701,973	7,982,491
JS Large Cap Fund		
Mark-up expense	4,611,393	3,611,208
JS Global Capital Limited		
Mark-up expense	18,102,666	14,185,942
Payment of mark-up expense	18,004,282	-
JS Principal Secure Fund		
Mark-up expense	1,856,535	1,454,816
Payment of mark-up expense	1,846,445	-
JS Pension Savings Fund		
Mark-up expense	-	618,016
JS Income Fund		
Mark-up expense	2,952,335	4,858,287
JS Growth Fund		
Mark-up expense	4,441,647	4,713,006
Payment of mark-up expense	3,540,674	-
8.1.2 Post-employment benefit plans		
Payment to employees Provident Fund Trust	65,768,657	72,222,615
8.1.3 Key management personnel		
Short-term employee benefits	123,539,511	134,285,956

Condensed Interim Consolidated Notes to the Financial Information (Un-audited)
For the six months period ended 31 December 2013

	(Un-Audited) 31 December 2013 <u>Rupees</u>	(Audited) 30 June 2013 <u>Rupees</u>
8.2 Balances with related parties		
8.2.1 Associated undertakings		
JS Bank Limited		
Redeemable capital - TFC IV	65,033,776	65,033,776
Short term borrowing	327,624,600	336,026,713
Mark-up payable	20,531,268	16,806,556
Cash and bank - <i>current account</i>	7,760,991	7,491,793
JS Value Fund Limited		
Redeemable capital - TFC II	19,523,024	19,523,024
Redeemable capital - TFC VI	12,900,000	12,900,000
Mark-up payable	5,336,347	4,273,438
Unit Trust of Pakistan		
Redeemable capital - TFC V	31,980,766	31,980,766
Redeemable capital - TFC VI	19,265,000	19,265,000
Mark-up payable	9,127,700	5,993,891
JS Large Cap Fund		
Redeemable capital - PPTFCs	83,160,000	83,160,000
Mark-up payable	-	1,829,520
JS Global Capital Limited		
Redeemable capital - PPTFCs	326,456,184	326,456,184
Mark-up payable	-	7,182,036
Advisory fee payable	-	4,000,000
JS Principal Secure Fund		
Redeemable capital - PPTFC	33,480,000	33,480,000
Mark-up payable	-	736,560
JS Pension Savings Fund		
Redeemable capital - TFC VI	3,850,000	3,850,000
JS Income Fund		
Redeemable capital - TFC II	7,369,942	7,369,942
Redeemable capital - TFC V	47,971,149	47,971,149
Redeemable capital - TFC VI	24,135,000	24,135,000
Mark-up payable	12,930,251	10,820,439

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

For the six months period ended 31 December 2013

	(Un-Audited) 31 December 2013 Rupees	(Audited) 30 June 2013 Rupees
JS Growth Fund		
Redeemable capital - TFC II	16,269,187	16,269,187
Redeemable capital - TFC VI	10,750,000	10,750,000
Redeemable capital - PPTFC disbursement	64,200,000	64,200,000
Mark-up payable	4,446,956	5,451,260
8.2.2 Post-employment benefit plans		
Payable to employees provident fund	88,145,669	83,897,625
8.2.3 Key Management Personnel		
Short term employee benefits payable	20,589,919	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 December 2013		
	Principal	Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	34,537,050	664,497,683	699,034,733
Long term finances	13,633,795	294,475,118	308,108,913
Bills payable	324,582,259	86,128,479	410,710,738
Short term borrowings	739,318,716	572,574,471	1,311,893,187
Preference shares	148,367,255	-	148,367,255
Dividend on preference shares	-	9,413,535	9,413,535
	<u>1,260,439,075</u>	<u>1,627,089,286</u>	<u>2,887,528,361</u>

10 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassification for better presentation includes provision against trade receivables amounting to Rs. 160.24 million previously included in administration and general expenses now presented in selling and distribution expenses.

11 Date of authorization

This condensed interim consolidated financial information was authorized for issue by the Board of Directors of the Parent Company on 07 February 2014.

12 General

Figures have been rounded off to the nearest rupee.



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