

Interim Financial Report for the nine months ended
March 31, 2019 (Un-audited)



AZGARD NINE LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Zahid Mahmood
Chairman
Mr. Ahmed H. Shaikh
Chief Executive
Mr. Nasir Ali Khan Bhatti
Ms. Maliha Sarda Azam
Mr. Usman Rasheed
Mr. Munir Alam
Mr. Abdul Hamid Ahmed Dagia
Mr. Abid Hussain

COMPANY SECRETARY

Mr. Muhammad Awais

CHIEF FINANCIAL OFFICER

Mr. Muhammad Zahid Rafiq, FCA

AUDIT COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman
Ms. Maliha Sarda Azam
Mr. Usman Rasheed

HR & REMUNERATION COMMITTEE

Ms. Maliha Sarda Azam
Chairperson
Mr. Ahmed H. Shaikh
Mr. Usman Rasheed

AUDITORS

Deloitte Yousuf Adil
Chartered Accountants

SHARES REGISTRAR

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

REGISTERED OFFICE

Ismail Aiwan-e-Science
Off: Shahrah-e-Roomi Lahore, 54600.
Ph: +92(0)42 35761794-5
Fax: +92(0)42 3576-1791

BANKERS

Relationship with conventional side

JS Bank Limited
MCB Bank Limited
Citibank N.A
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited
National Bank of Pakistan
Allied Bank Limited
Silkbank Limited
Summit Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bankislami Pakistan Limited
Bank of Khyber

Relationship with Islamic window operations

Al Baraka Bank Pakistan Limited

PROJECT LOCATIONS

Textile & Apparel

Unit I

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

Unit II

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

Unit III

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

WEB PRESENCE

www.azgard9.com

E-MAIL

info@azgard9.com

Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Condensed Interim Financial Report for nine months' period ended 31 March 2019.

Principal Activities

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

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

	Nine Months ended 31 March 2019 (Rupees)	Nine Months ended 31 March 2018 (Rupees)
Sales — net	14,106,545,566	11,172,043,114
Operating profit	1,101,668,119	957,449,962
Other Income	20,020,605	15,529,278
Finance Cost	(958,900,934)	(878,968,161)
Profit before tax	162,787,790	94,011,079
Profit/(loss) after tax	25,998,490	(12,141,255)
Earnings/(loss) per share	0.06	(0.03)

Review of business during this period and future outlook

During this period of nine months despite Rupee devaluation, overall textile sector has not been able to perform. As per Pakistan Bureau of Statistics, Pakistan's textile exports for the 8 months from July-February 2019, have increased by only 1.38 %.

During this nine months' period, despite tough conditions, the sales of the Company have increased by almost 26% as compared to the same period of the previous year. Operating profit of this nine months' period has also increased by Rs. 144.22 Million; almost 15% increase when compared with the operating profit of the same period of last year. This is due to better capacity utilization especially from the garments. However, overall the trend of margin compression continues.

The Government has reduced the rates of DLTL generally by more than 50% from the previous rates. So, this has an impact on the margins of the business. Moreover, receipts of dues under DLTL are still awaited as only very small amount has been paid to the industry till now.

In addition to this, payments from the Government in other heads like Sales Tax refunds and other payables by the Government to the industry have also remained very slow. Consequently, the funds to be received from the Government has continued to increase. This is causing liquidity issues and hindering the industry from operating and growing optimally.

During the period, the Pakistan Rupee devalued by 15 percent which had positive impact on sales of the Company. On the other hand, this devaluation resulted in increasing inflation due to which interest rates have increased; interest rates for short term loans have increased from 7.92% to 11.99%. The increased interest rates are increasing financial charges of the Company.

From 16th October, the revised gas rates were finally made available to Punjab based industrial units. Although still gas price for Punjab based industries is higher than other provinces, still there is some relief that will certainly help the export industry in Punjab to become more competitive internationally.

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The Company's corporate revitalization plan is progressing. The creditors' scheme of arrangement which has been prepared by creditors was filed in the Honourable Lahore High Court (LHC) for its approval. On January 31, 2019, the LHC has approved the scheme of arrangement. Written order is awaited. Through this scheme, a major portion of the principal and related mark-up of debt would be settled through sale of certain assets and a rights issue of the Company's share capital (after required approvals). Post restructuring, it is expected that the Company's debt levels should be sustainable. After implementation of the scheme it is expected that the debt obligations of the Company should be payable in a timely manner. Barring any uncontrollable external factors such as the local and global market conditions or other external negative impacts.

For the future, developing new markets and new products is very important. The Company is trying but this is a time taking and difficult process. The future also depends on Government policies towards export. In this competitive environment, the management has no option but to constantly strive for cost reductions, develop innovative new products and try to find and develop new markets.

Update on status of Montebello S.R.L

As mentioned in financial statements for year ended June 30, 2018, during proceeding of the bankruptcy of Montebello S.R.L, the Company has questioned the decision of the expert. The Company has lodged its defense regarding the classification of its claim. Decision of the Court is now awaited.

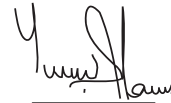
During the year ended June 30, 2018, the management, based on advice from the Company's legal counsel, has concluded that due to ongoing bankruptcy proceedings, the management of the affairs of MBL is under the Court appointed trustee. As a result, the Company has ceased to exercise control over activities of MBL. Furthermore, in view of the guidance in International Financial Reporting Standard 10 'Consolidated Financial Statements', the management has concluded that the Company does not have the power to direct the activities of MBL. Hence the financial statements of the Company should not be consolidated with MBL.

The Board appreciates the support of all the stakeholders through which performance of the Company is improving. It is hoped that with continued confidence of all the stakeholders, farther improvements in the Company's performance may be realized in the future.

On behalf of the Board of Directors



Chief Executive Officer



Director

Lahore

Date: April 26, 2019

ڈائریکٹرز کا جائزہ

ایزگارڈ نائن لمیٹڈ (کمپنی) کے ڈائریکٹرز ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے نو ماہی ختمہ 31 مارچ 2019 پیش کرتے ہیں۔

اہم سرگرمیاں

آپ کی کمپنی کا اہم کاروبار اور توجہ دہاگہ سے لیکر فروختگی کیلئے تیار شدہ ڈینم ملیوسات تک کی پیداوار اور مارکیٹنگ پر مرکوز ہے۔

ایزگارڈ نائن لمیٹڈ (سٹیٹڈ ایلون) کے عملی مالیاتی نتائج درج ذیل ہیں۔

نو ماہی ختمہ 31 مارچ 2018 (روپے)	نو ماہی ختمہ 31 مارچ 2019 (روپے)	
11,172,043,114	14,106,545,566	فروختگی (Net)
957,449,962	1,101,668,119	آپریٹنگ منافع
15,529,278	20,020,605	دیگر کمائی
(878,968,161)	(958,900,934)	مالیاتی اخراجات
94,011,079	162,787,790	منافع قبل از ٹیکس
(12,141,255)	25,998,490	منافع / خسارہ بعد از ٹیکس
(0.03)	0.06	منافع / خسارہ فی شیئر

اس معیاد کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

اس نو ماہی کے عرصہ کے دوران روپے کی قدر میں کمی کے باوجود، مجموعی طور پر ٹیکسٹائل کے شعبہ میں بہتری نہیں آسکی۔ پاکستان بیورو آف سٹاٹسٹکس کے مطابق پاکستانی ٹیکسٹائل برآمد میں جولائی تا فروری آٹھ ماہ کے دوران 1.38 فیصد اضافہ ہوا ہے۔

اس نو ماہی کے عرصہ کے دوران سخت حالات کے باوجود پچھلے سال کی نو ماہی کی ٹیکسٹائل کے مقابلے اس سال نو ماہی کی ٹیکسٹائل 26 فیصد زیادہ رہی، پچھلے سال کی نو ماہی کے آپریٹنگ منافع کے مقابلے اس سال نو ماہی کا آپریٹنگ منافع بھی 144.22 ملین روپے زیادہ رہا ہے جو کہ 15 فیصد زیادہ ہے، یہ خاص طور پر گارمنٹس کے شعبہ میں بہتر پیداواری صلاحیت کی وجہ سے ہے۔ البتہ، مجموعی طور پر مارجن میں کمی جاری ہے۔

حکومت نے DTLT کے ریٹس میں عمومی طور پر 50 فیصد تک کمی کر دی ہے۔ جس کا کمپنی کے مارجنز پر اثر ہوا ہے۔ مزید حکومت کی طرف سے DTLT کی مد میں واجب الادا ادائیگیوں کا بھی انتظار ہے کیونکہ صنعت کو بہت کم ادائیگیاں کی گئی ہیں۔

مزید حکومت کی طرف سے سٹریٹجک ریفرنڈم اور حکومت کی طرف واجب الادا دیگر ادائیگیاں ست روپی کا شکار ہے۔ جس کی وجہ سے حکومت کی طرف قابل وصول رقمات میں اضافہ ہو گیا ہے، جو کہ لیکو ڈیٹی مسائل اور صنعت کی بہتر صلاحیت پر کام کرنے کو نقصان پہنچا رہا ہے۔

اس عرصہ کے دوران پاکستانی روپے کی قدر میں 15 فیصد کمی ہوئی ہے، جس نے کمپنی کی ٹیکسٹائل پر مثبت اثر ڈالا ہے۔ دوسری طرف، اس کی وجہ سے مہنگائی میں اضافہ ہوا ہے اور شرح سود مختصر مدت کے قرض کے لئے 7.92 فیصد سے بڑھ کر 11.99 فیصد ہو گیا ہے۔ شرح سود میں اضافہ کی وجہ سے مالیاتی اخراجات

میں آضافہ ہو رہا ہے۔

آخر کار 16 اکتوبر سے پنجاب میں صنعتوں کو گیس کے نظر ثانی شدہ نرخ نافذ کر دئے گئے ہیں، البتہ ابھی بھی پنجاب میں صنعتوں کو گیس کے نرخ دوسرے صوبوں کی نسبت زیادہ ہیں، پھر بھی کسی حد تک امداد ہے کہ یہ نرخ پنجاب کے برآمد کنندگان کو عالمی طور پر مقابلہ کے قابل بنائے گا۔

کمپنی کی مالیاتی تنظیم نو میں پیش رفت جاری ہے۔ قرض دہندگان کی طرف سے تیار کردہ انتظام کی منصوبہ بندی منظوری کے لئے لاہور ہائی کورٹ میں جمع کروائی گئی اور 31 جنوری 2019 کو لاہور ہائی کورٹ نے مالیاتی تنظیم نو کو منظور کر لیا ہے۔ تحریری حکم کا انتظار ہے۔ یہ توقع کی جاتی ہے کہ قرضوں کی اصل رقم اور سود کا بڑا حصہ کمپنی کے اثاثوں کی فروخت اور شیئر کیپٹل میں اضافہ (متعلقہ ادارے سے اجازت کے بعد) رائٹ ایشو کے ذریعے ادائیگی کی جاسکے گی۔

بعد از مالیاتی تنظیم نو یہ امید کی جاتی ہے کہ کمپنی کے قرضہ جات پائیدار سطح پر آجائیں گے۔ سکیم پر پورا طرح عملدرآمد ہونے کے بعد امید کی جاتی ہے کہ کمپنی اپنے قرضہ جات کی بروقت ادائیگی کے قابل ہو جائے گی۔ البتہ کوئی بھی غیر یقینی صورتحال اور مقامی اور عالمی منڈی کی صورت حال رکاوٹ کی وجہ اور منفی اثر ڈال سکتا ہے۔

مستقبل کے لئے نئی منڈیوں کی تلاش اور نئی مصنوعات کی تیاری بہت ضروری ہے۔ کمپنی کوشش کر رہی ہے لیکن یہ سست اور مشکل عمل ہے۔ بہتر مستقبل کا انحصار گورنمنٹ کی ایکسیپورٹ پالیسی پر ہے۔ اس مقابلے کے ماحول میں انتظامیہ کے پاس کوئی اور چارہ نہیں کہ وہ اپنی لاگت میں مسلسل کمی کرے، نئی مصنوعات تیار کرے اور نئی منڈیوں کی تلاش اور اضافہ کرے۔

Montebello S.R.L (MBL) کی تازہ ترین حالت

جیسا کہ کمپنی کی مالیاتی سٹیٹمنٹس سال 30 جون 2018 میں بیان کیا گیا ہے کہ MBL (Montebello S.R.L) کی بینک دیوالیہ کی کارروائی کے دوران کمپنی نے ماہر کے فیصلے پر سوال اٹھاتے ہوئے اپنا دفاع دائر کر دیا ہے۔ اس پر عدالت کے فیصلے کا انتظار ہے۔

سال ختم 30 جون 2018ء کے دوران کمپنی کے لیگل کونسل کی رائے کے مطابق کمپنی نے نتیجہ اخذ کیا ہے کہ جاری شدہ بینک دیوالیہ کی کارروائی کی وجہ سے MBL کے معاملات عدالت کے مقرر کردہ ڈسٹریکٹ کے زیر اثر ہونے کی وجہ سے کمپنی MBL کے معاملات پر کنٹرول کھو چکی ہے۔ یکجا مالیاتی اسٹیٹیٹمنٹس کیلئے عالمی مالیاتی رپورٹنگ اسٹیڈنڈرڈ 10 کی راہنمائی لیتے ہوئے انتظامیہ نے اخذ کیا ہے کہ MBL کے معاملات کمپنی کے زیر اثر نہیں جس کی وجہ سے کمپنی کی مالیاتی اسٹیٹیٹمنٹس MBL کیساتھ یکجا نہیں کی جاسکتی۔

بورڈ اپنے تمام شراکت داروں کا شکریہ ادا ہے جس کی وجہ سے کمپنی کی کارکردگی میں بہتری آئی ہے۔ یہ امید کی جاتی ہے تمام شراکت داروں کے اعتماد کی وجہ سے مستقبل میں کمپنی کی کارکردگی میں مزید بہتری آئی گی

بورڈ آف ڈائریکٹرز کی جانب سے

سماء الحسنی
ڈائریکٹر

چیف ایگزیکٹو آفیسر
لاہور
26 اپریل 2019ء

Condensed Interim Statement of Financial Position (Un-audited)
As at March 31, 2019

	(Un-audited) March 31, 2019	(Audited) June 30, 2018
Note	Rupees	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	3,137,869,073	3,137,869,073
Surplus on revaluation of fixed assets	4,538,770,885	4,630,687,703
Accumulated loss	(11,770,625,341)	(11,888,540,649)
	454,733,317	428,734,827
Non-current liabilities		
Redeemable capital - secured	4 62,250,236	108,002,203
Long term finances - secured	5 100,725,401	381,987,672
Liabilities against assets subject to finance lease - secured	8,118,330	9,807,058
Deferred liability	321,947,939	232,042,381
	493,041,906	731,839,314
Current liabilities		
Current portion of non-current liabilities	7,823,641,972	7,439,381,488
Short term borrowings	5,214,279,703	4,590,852,774
Trade and other payables	1,907,495,233	1,846,555,112
Interest / mark-up accrued on borrowings	5,363,742,048	4,809,245,944
Dividend payable on preference shares	9,413,535	9,413,535
Unclaimed dividend on ordinary shares	3,763,904	3,783,005
Provision for taxation	13,284,748	7,374,778
	20,335,621,143	18,706,606,636
Contingencies and commitments	6	19,867,180,777
	21,283,396,366	19,867,180,777
ASSETS		
Non-current assets		
Property, plant and equipments	7 13,073,038,417	13,215,447,217
Long term investments	8 231,864,928	231,864,928
Long term deposits - unsecured, considered good	37,036,296	37,036,296
	13,341,939,641	13,484,348,441
Current assets		
Stores, spares and loose tools	131,917,211	138,204,200
Stock-in-trade	3,050,921,803	2,468,069,912
Trade debts	1,961,819,668	1,354,829,408
Advances, deposits, prepayments and other receivables	2,387,355,431	1,973,310,989
Short term investments	306,022,500	306,022,500
Cash and bank balances	103,420,112	142,395,327
	7,941,456,725	6,382,832,336
	21,283,396,366	19,867,180,777

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

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-audited)
For the nine months and quarter ended March 31, 2019

Note	(Un-audited)		(Un-audited)	
	July 2018 to March 2019	January 2019 to March 2019	July 2017 to March 2018	January 2018 to March 2018
	Rupees	Rupees	Rupees	Rupees
Sales - net	14,106,545,566	4,682,162,998	11,172,043,114	3,700,082,879
Cost of sales	(11,940,595,179)	(3,969,028,452)	(9,391,777,903)	(3,063,400,465)
Gross profit	2,165,950,387	713,134,546	1,780,265,211	636,682,414
Selling and distribution expenses	(697,225,585)	(237,481,529)	(463,867,949)	(158,878,059)
Administrative expenses	(367,056,683)	(118,949,085)	(358,947,300)	(130,547,602)
Profit from operations	1,101,668,119	356,703,932	957,449,962	347,256,753
Other income	20,020,605	12,624,995	15,529,278	5,844,937
Finance cost	(958,900,934)	(285,062,515)	(878,968,161)	(328,710,002)
Profit before taxation	162,787,790	84,266,412	94,011,079	24,391,688
Taxation	(136,789,300)	(45,357,487)	(106,152,334)	(35,015,316)
Profit / (loss) after taxation	25,998,490	38,908,925	(12,141,255)	(10,623,628)
Earnings / (loss) per share - basic and diluted	0.06	0.09	(0.03)	(0.02)

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

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months and quarter ended March 31, 2019

	(Un-audited)		(Un-audited)	
	July 2018 to March 2019	January 2019 to March 2019	July 2017 to March 2018	January 2018 to March 2018
	Rupees	Rupees	Rupees	Rupees
Profit / (loss) after taxation	25,998,490	38,908,925	(12,141,255)	(10,623,628)
Items that are or may be subsequently reclassified to statement of profit or loss				
Changes in fair value of available for sale financial assets	-	-	-	-
Gain realized on sale of available for sale financial assets	-	-	-	-
	-	-	-	-
Total comprehensive Profit / (loss) for the period	25,998,490	38,908,925	(12,141,255)	(10,623,628)

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

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)
For the nine months ended March 31, 2019

	July 2018 to March 2019	July 2017 to March 2018
	Rupees	Rupees
Cash flows from operating activities		
Profit before taxation	162,787,790	94,011,079
Adjustments	1,405,028,127	1,301,892,000
Operating profit before working capital changes	1,567,815,917	1,395,903,079
Changes in working capital	(1,536,659,442)	(810,155,379)
Cash generated from operations	31,156,475	585,747,700
Payments for:		
Finance cost	(286,212,412)	(222,124,940)
Taxes	(130,879,366)	(108,408,567)
Long term deposits	-	(15,430,000)
Post retirement benefits	(12,559,420)	(13,988,540)
Net cash (used in) / generated from operation	(398,494,723)	225,795,653
Cash flows from investing activities		
Capital expenditure	(201,424,095)	(309,054,697)
Proceeds from disposal of fixed assets	170,670	825,000
Net cash used in investing activities	(201,253,425)	(308,229,697)
Cash flows from financing activities		
Repayment of long term finance	(25,254,882)	(25,254,882)
Liabilities against assets subject to finance lease	(37,380,013)	(572,417)
Short term borrowings - net	623,426,928	114,172,683
Dividend paid	(19,101)	(218,015)
Net cash generated from financing activities	560,772,933	88,127,369
Net (decrease) / increase in cash and cash equivalent	(38,975,215)	5,693,325
Cash and cash equivalents at the beginning of period	142,395,327	159,221,839
Cash and cash equivalents at the end of period	103,420,112	164,915,164

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

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months ended March 31, 2019

	Capital reserves			Revenue reserves		Total equity			
	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve	Surplus on revaluation of fixed asset		Accumulated loss		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees			
As at July 01, 2017 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	8,712,130	4,753,665,775	(12,208,141,343)	(4,321,113,842)	227,604,858
Total comprehensive income for the period									
Loss for the period ended March 31, 2018									
Other comprehensive income for the period ended March 31, 2018									
Total comprehensive loss for the period ended March 31, 2018									
Transfer of incremental depreciation from surplus on revaluation of fixed assets									
As at March 31, 2018 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	8,712,130	4,661,748,961	(12,128,365,784)	(4,333,255,097)	215,463,603
As at July 01, 2018 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,630,687,703	(11,888,540,649)	(4,119,983,873)	428,734,827
Total comprehensive income for the period									
Income for the period ended March 31, 2019									
Other comprehensive loss for the period ended March 31, 2019									
Total comprehensive income for the period ended March 31, 2019									
Transfer of incremental depreciation from surplus on revaluation of fixed assets									
As at March 31, 2019 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,538,770,885	(11,770,625,341)	(4,093,985,383)	454,733,317

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

Lahore


Chief Executive Officer


Director


Chief Financial Officer

**Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited)
For the nine months ended March 31, 2019**

1 Reporting entity

Azgard Nine Limited ("the Company") is incorporated in Pakistan as a Public Limited Company and is listed on Pakistan 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, Raiwand 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 Separate financial statements

This condensed interim financial report is the separate financial report of the Company. Consolidated financial report of the Company is not prepared as the management, based on advice from the Company's legal counsel, has concluded that as a result of ongoing bankruptcy proceedings and management of affairs of M/S Montebello S.r.l ("MBL") by the Court appointed trustee, the Company has ceased to exercise control over activities of MBL. Furthermore, in view of the guidance in International Financial Reporting Standard 10 "Consolidated Financial Statements", the management has concluded that the Company does not have power to direct the relevant activities of MBL. Resultantly, the Company has ceased recognising and presenting MBL as its subsidiary.

2.2 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information does not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2018.

Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2018 whereas comparative statement of profit or loss, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial information for the nine months and quarter ended on March 31, 2018.

This condensed interim financial information is being submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

2.3 Going concern assumption

During the period, current liabilities exceeded its current assets by Rs. 12,394.16 million, including Rs. 13,881.39 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 11,770.63 million. These conditions cast doubt about the Company's ability to continue as a going concern. This financial information has, however, been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the fact that operationally the position of the Company is improving which is evident from the financial results of the Company for the period. These are attributable to utilization of better capacities, and cost controls by management and the Company expects to generate better results and maintain positive cash flows from operations in future.

In addition to above, the financial restructuring of the Company is underway which is expected to significantly reduce the debt burden and finance cost of the Company. Accordingly, in order to reorganize and restructure the obligations of the Company, towards its creditors, the creditors have prepared and filed scheme of arrangement in the Honourable Lahore High Court (LHC) for approval. On January 31, 2019, LHC has approved the scheme of arrangement. Written order is still awaited.

During this scheme of restructuring, Unit II and III would be sold and right issue (after required approvals) would be done. Proceeds from sale of these units and right issue would be utilized for repayment of loans of the Company. Post restructuring, it is anticipated that the Company's debt levels shall be sustainable and resultantly the debt obligations of the Company would be met on time, subject to impact, if any, of uncontrollable external factors such as the local and global market conditions.

2.4 Financial liabilities

Due to factors mentioned in note 2.3 and note 11, the Company could not make timely repayments of principal and related mark-up of long term debts. Consequently, there has been non-compliance with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts, the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current. However, the management considers that since event of default has not been declared by the lenders and the scheme of arrangement has been filed by the creditors in the honourable Lahore High Court for approval of financial restructuring of debts of Company, the long term debts of Rs. 201.59 million have been classified as long term as per the respective repayment schedules.

3 Accounting Policies and Estimates

- 3.1** The accounting policies and methods of computation adopted in the preparation of these interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018 .
- 3.2** Judgments and estimates made by the management in the preparation of the condensed interim financial statements are the same as those applied in preparation of annual published financial statements of the Company for the year ended June 30, 2018.

	(Un-audited) March 31 2019 Rupees	(Audited) June 30, 2018 Rupees
4 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Privately Placed Term Finance Certificates - IV	965,912,411	991,167,294
Term Finance Certificates - V	527,682,637	527,682,637
Privately Placed Term Finance Certificates - VI	3,218,300,030	3,218,300,030
Privately Placed Term Finance Certificates	326,456,184	326,456,184
	<u>217,200,000</u>	<u>217,200,000</u>
	<u>5,906,618,098</u>	<u>5,931,872,981</u>
Less: Transaction cost	<u>(28,359,127)</u>	<u>(27,911,843)</u>
	5,878,258,971	5,903,961,138
Less: Current maturity presented under current liabilities	<u>(5,816,008,735)</u>	<u>(5,795,958,935)</u>
	<u>62,250,236</u>	<u>108,002,203</u>
5 Long term finances-Secured		
Deutsche Investigations - Und MBH (Germany)	1,109,878,657	994,591,224
Citi Bank N.A. (Pakistan)	565,781,488	565,781,488
Meezan Bank Limited	234,568,765	234,568,765
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
	<u>1,953,480,065</u>	<u>1,838,192,632</u>
Less: Transaction costs	<u>(10,262,465)</u>	<u>(13,614,729)</u>
	1,943,217,600	1,824,577,903
Less: Current maturity presented under current liabilities	<u>(1,842,492,199)</u>	<u>(1,442,590,231)</u>
	<u>100,725,401</u>	<u>381,987,672</u>
6 Contingencies and commitments		
6.1 Contingencies		
There is no material change in the contingencies from preceding audited published financial statements of the Company for the year ended June 30, 2018.		
6.2 Commitments		
6.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	2,297,631	-
- purchase of raw material	16,803,098	15,229,387
- purchase of machinery	1,586,500	-
	<u>20,687,229</u>	<u>15,229,387</u>
6.2.2 Commitments for capital expenditure	<u>2,337,545</u>	<u>16,103,163</u>

14 Azgard Nine Limited

		(Un-audited) March 31 2019 Rupees	(Audited) June 30, 2018 Rupees
7 Property, plant and equipment			
Operating fixed assets	7.1	12,956,642,283	13,163,865,121
Capital work in progress		116,396,134	51,582,096
		<u>13,073,038,417</u>	<u>13,215,447,217</u>
7.1 Operating fixed assets			
Net book value as at the beginning of the period / year		13,163,865,121	12,991,109,596
Additions during the period / year	7.1.1	136,610,057	629,008,627
Disposals during the period / year - Net book value		(71,656)	(591,943)
Depreciation charged during the period / year		(343,761,239)	(455,661,159)
Net book value as at the end of the period / year		<u>12,956,642,283</u>	<u>13,163,865,121</u>
7.1.1 Additions- Cost			
<i>Assets owned by the Company</i>			
Building on freehold land		-	100,257,466
Plant and Machinery		127,840,857	327,964,970
Furniture, fixtures and office equipment		2,762,549	8,080,519
Vehicles		1,145,840	1,535,475
Tools and equipment's		3,066,995	23,566,388
Electric installations		1,793,816	9,169,058
<i>Leased Assets</i>		-	158,434,751
		<u>136,610,057</u>	<u>629,008,627</u>
7.2			
Spinning Unit at Alipur Road, Muzafargarh (Unit II) and Garment Unit at 20 km, Ferozepur Raod, Lahore (Unit III) of the Company would be sold through scheme of restructuring. In these financial statements, the Company has kept the classification of these assets as non-current assets. Restructuring agent bank is identifying active buyers and price negotiations are underway. Fair values of these assets are being evaluated. As per scheme of restructuring, the timeline for sale of these assets is 6 months and 15 days from date of filing of this scheme with registrar.			

8 Long term investments

These represent investments in equity and debt securities, classified as available for sale financial assets. Particulars of investments are as follows:

Investment in Agritech Limited TFC's		231,864,928	231,864,928
Investment in Montebello s.r.l. ("MBL")	8.1	-	-
		<u>231,864,928</u>	<u>231,864,928</u>
8.1 Investment in Montebello s.r.l. ("MBL")			
6,700,000 ordinary shares with a capital of Euro 6,700,000			
Cost		2,625,026,049	2,625,026,049
Accumulated impairment		(2,625,026,049)	(2,625,026,049)
		<u>-</u>	<u>-</u>

8.1.1 MBL has gone into liquidation process and the Court of Vicenza has appointed a trustee to manage the affairs of MBL.

As disclosed in note 2.1, the management based on advice from the Company's legal counsel, has determined that the MBL has ceased to be a subsidiary of the Company

During the bankruptcy proceeding, 48 parties filed their claims with the Court and all have been accepted by the Court aggregating to Euro 7.89 million. The value of priority claims included therein are of Euro 3.93 million and the value of unsecured and subordinated claims are of Euro 3.96 million. The Company has been advised by its legal counsel that, in accordance to the law, priority claims would be paid first and then unsecured and subordinated claims will be paid. The Company's claim aggregating to Euro 3.84 million has been accepted on account of principal and interest as subordinate claim due to Company being the parent of MBL.

The Company has contested with the Court that its claim should be accepted as at least unsecured claim rather than being subordinated claim. The Court appointed an expert to decide whether claim of the Company should be accepted as unsecured claim or subordinated. The expert has given his opinion that claim of the Company should be subordinated. The Company has questioned the decision of expert in the Court and sought permission to lodge defense. Decision of the Court is now awaited.

	(Un-audited) July 2018 to March 2019 Rupees	(Un-audited) July 2017 to March 2018 Rupees
9 Finance cost		
Interest / mark-up on:		
Redeemable capital & long term financing	363,125,314	315,209,163
Liabilities against assets subject to finance lease	3,038,716	1,739,508
Short term borrowings	296,987,456	276,850,598
	<u>663,151,486</u>	<u>593,799,269</u>
Amortization of transaction costs and unwinding effect of present value	14,214,415	1,019,094
Foreign exchange loss on foreign currency borrowings	115,287,434	155,491,782
Bank discountings and other charges	166,247,599	128,658,016
	<u>958,900,934</u>	<u>878,968,161</u>

10 Transactions and balances with related parties

Related parties from the Company's perspective comprise associated undertakings, key management personnel (including chief executive and directors), post employment benefit plan and other related parties. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis.

During this quarter, the holding of Jahangir Siddiqui and Company Limited (JSCL) in the Company has decreased from 24.96% to 19.96% and consequently JSCL and its group companies are not considered as related parties as at March 31, 2019. Disclosure of transactions and balances with related parties have been amended accordingly.

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

10.1 Transactions with related parties**10.1.1 Key management personnel**

Short-term employee benefits	223,866,917	185,955,815
	(Un-audited) March 31 2019 Rupees	(Audited) June 30, 2018 Rupees

10.2 Balances with related parties**10.2.1 Key Management Personnel**

Short-term employee benefits	16,418,917	13,732,805
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11 Overdue debt finances

The Company is facing liquidity shortfall due to the facts disclosed in note 2.3 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 March 31, 2019			
	Principal	Preference dividend / Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	5,725,399,372	1,915,478,236	7,640,877,608
Long Term Finances	1,953,480,065	1,079,005,801	3,032,485,866
Preference Shares	148,367,250	9,413,535	157,780,785
Short term Borrowings	474,015,216	1,961,575,478	2,435,590,694
Bills Payable	337,503,037	277,154,477	614,657,514
	<u>8,638,764,940</u>	<u>5,242,627,527</u>	<u>13,881,392,467</u>

As at June 30, 2018			
	Principal	Preference dividend / Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	5,705,349,572	1,743,363,497	7,448,713,069
Long Term Finances	1,838,192,632	931,987,305	2,770,179,937
Preference Shares	148,367,255	9,413,535	157,780,790
Short term Borrowings	474,015,216	1,826,598,019	2,300,613,235
Bills Payable	337,503,037	235,949,100	573,452,137
	<u>8,503,427,712</u>	<u>4,747,311,456</u>	<u>13,250,739,168</u>

As mentioned in note 2.3, second round of financial restructuring is in process. For the said purpose, the petition of the creditors for restructuring of the overdue principal as well as interest / mark-up accrued has been approved by LHC.

Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited)
For the nine months ended March 31, 2019

12 Segment information	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	Mar-19 Rupees	Mar-18 Rupees	Mar-19 Rupees	Mar-18 Rupees	Mar-19 Rupees	Mar-18 Rupees	Mar-19 Rupees	Mar-18 Rupees	Mar-19 Rupees	Mar-18 Rupees
12.1 Information about reportable segments										
12.1.1 Segment revenues and results										
<i>Revenue</i>										
External revenues	1,632,274,673	1,196,660,780	4,693,799,835	4,390,807,042	7,780,471,058	5,584,575,292	-	-	14,106,545,566	11,172,043,114
Inter-segment revenues	275,844,907	168,925,195	2,115,031,455	1,738,209,114	8,029,374	3,340,657	(2,398,905,736)	(1,910,474,966)	-	-
Reportable segment revenue	1,908,119,581	1,365,585,975	6,808,831,290	6,129,016,156	7,788,500,432	5,587,915,950	(2,398,905,736)	(1,910,474,966)	14,106,545,566	11,172,043,114
<i>Cost of sales</i>										
- intersegment	(275,844,907)	(168,925,195)	(2,115,031,455)	(1,738,209,114)	(8,029,374)	(3,340,657)	2,398,905,736	1,910,474,966	-	-
- external	(1,508,700,162)	(1,182,210,675)	(3,928,569,101)	(3,608,431,762)	(6,503,325,917)	(4,601,135,466)	-	-	(11,940,595,179)	(9,391,777,903)
Gross profit	(1,784,545,069)	(1,351,135,870)	(6,043,600,566)	(5,346,640,876)	(6,511,355,291)	(4,604,476,124)	2,398,905,736	1,910,474,966	(11,940,595,179)	(9,391,777,903)
Selling and distribution expenses	123,574,512	14,450,105	765,230,734	782,375,280	1,277,145,141	983,439,826	-	-	2,165,950,387	1,780,265,211
Administrative expenses	(26,487,938)	(21,743,381)	(237,925,558)	(208,531,670)	(432,812,089)	(233,592,897)	-	-	(697,225,585)	(463,867,949)
Segment results	(69,486,336)	(60,408,866)	(128,879,293)	(164,543,548)	(168,691,054)	(133,994,855,97)	-	-	(367,056,683)	(358,947,300)
Other income	(95,974,274)	(82,152,247)	(366,804,881)	(373,075,219)	(601,503,143)	(367,587,783)	-	-	(1,064,282,268)	(822,815,250)
Finance cost	27,600,238	(67,702,142)	398,425,883	409,300,061	675,641,998	615,852,042	-	-	1,101,668,119	957,449,961
Taxation									20,020,605	15,529,278
Loss after taxation									(958,900,934)	(878,968,161)
									(136,789,299)	(106,152,334)
									25,998,491	(12,141,255)

12.1.2 Inter-segment sales and purchases

Inter-segment sales and purchases have been eliminated from total figures.

12.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

13 Corresponding figures

Corresponding figures have been rearranged, where necessary, for the purpose of comparison

14 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on April 26, 2019.

15 General

Figures have been rounded off to the nearest rupee.

Lahore



Chief Executive Officer



Director



Chief Financial Officer



AZGARD-9



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