



AZGARD NINE LIMITED

Interim Financial Report
for the nine months ended
March 31, 2018
(Un-audited)

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

BANKERSRelationship 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 2018.

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 2018 (Rupees) | Nine Months ended 31 March 2017 (Rupees) |
|--------------------------|---|---|
| Sales – net | 11,136,121,565 | 9,143,323,246 |
| Operating profit | 921,528,413 | 600,917,840 |
| Other income | 51,450,827 | 35,311,641 |
| Other expenses | - | (47,554,962) |
| Finance cost | (878,968,161) | (684,334,748) |
| Profit/(loss) before Tax | 94,011,079 | (95,660,229) |
| Loss after Tax | (12,141,255) | (184,946,910) |
| Loss per share | (0.03) | (0.41) |

Review of business during this period and future outlook

This period has seen a dramatic rise in the cost of raw materials. The price of gas for Punjab based units has also been increased. The gas in Punjab has been priced at RLNG rates between December and March which is much more expensive and is also priced in US Dollars. These changes substantially raised costs during the period. Market remains highly competitive forcing companies to improve quality and reduce prices.

During this nine months period the sales of the Company have increased by almost 22% as compared to the same period of the previous year. Operating profit of this nine months' period is Rs. 922 million registering increase almost 53% when compared with operating profit of same period of last year. Considering the trying times, better sales performance is commendable and portrays that efforts of the management to make a comeback is proving successful.

With support of export package announced by Government of Pakistan, the Company has been able to limit the loss of the Company to Rs. 12.14 million while there was a loss of Rs. 184.95 million during the same period of last year. The Company is transforming itself by continuously working on possible cost reductions, exploring new markets and developing new products.

Corporate revitalization plan of the Company's is progressing. The creditors' scheme of arrangement which has been prepared by creditors has been filed in the Lahore High Court for its implementation. Subsequent to the implementation of this financial restructuring, it is hoped the Company would operate at sustainable levels. It is anticipated that post restructuring, the Company's debt levels shall be sustainable. It is expected that the debt obligations of the Company would be met in a timely manner after the restructuring, subject to impact, if any, of uncontrollable external factors such as the local and global market conditions that are outside the managements control.

Funds of Rs. 306 million due from the sale of preference shares of Agritech Limited still have not been released and are expected to be released during the coming year.

Update on status of Montebello S.R.L.(subsidiary)

During year ended 2015, the Court of Vicenza, Italian Republic granted bankruptcy proposal of public prosecutor and appointed trustee to manage affairs of Montebello S.R.L. (MBL). Considering the liquidation, the Company provided impairment of balance amount of Rs. 452.53 million during year ended 30 June 2015.

During the bankruptcy proceeding, 48 parties filed their claim with the Court and all have been accepted by the Court aggregating to Euro 7,893,794.48. The value of priority claims included therein are of Euro 3,929,380.36 and the value of unsecured and subordinated claims are of Euro 3,964,414.12. 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 claims aggregating to Euro 3,835,343.89 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 an unsecured claim rather than being a subordinate claim. The Court appointed an expert to decide whether the claim of the Company should be accepted as an unsecured claim or subordinated claim. The expert has given his opinion that claim of the Company should be subordinated. However, the Company has questioned the decision of expert in the Court and is seeking the permission of the court to lodge its defence. The decision of the Court is now awaited.

The board is thankful for the support and cooperation of all the stakeholders including the management, staff and workers. Hopefully with the continued support of all stakeholders, the Company may come back into good health.

On behalf of the Board of Directors



Chief Executive Officer

Lahore
Date: April 29, 2018



Director

ڈائریکٹرز کا جائزہ

ایزگارڈ نائن لمیٹڈ (کمپنی) کے ڈائریکٹرز ہمراہ انتظامیہ ٹیم کمپنی کی کلینف عبوری مالیاتی رپورٹ برائے نو ماہی ختمہ 31 مارچ 2018 پیش کرتے ہیں۔

اہم سرگرمیاں

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

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

| نو ماہی ختمہ 31 مارچ 2017 (روپے) | نو ماہی ختمہ 31 مارچ 2018 (روپے) | |
|--|--|---------------------------|
| 9,143,323,246 | 11,136,121,565 | فروختگی (Net) |
| 600,917,840 | 921,528,413 | آپریٹنگ منافع |
| 35,311,641 | 51,450,827 | دیگر کمائی |
| (47,554,962) | - | دیگر اخراجات |
| (648,334,748) | (878,968,161) | مالیاتی اخراجات |
| (95,660,229) | 94,011,079 | منافع / خسارہ قبل از ٹیکس |
| (184,946,910) | (12,141,255) | خسارہ بعد از ٹیکس |
| (0.41) | (0.03) | خسارہ فی شیئر |

اس معیاد کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

اس مدت کے دوران خام مال کی قیمتوں میں ڈرامائی اضافہ دیکھا گیا ہے۔ پنجاب کی سطح پر صنعتوں کے لئے گیس کی قیمتوں میں اضافہ کیا گیا ہے۔ دسمبر اور مارچ کے دوران پنجاب میں گیس کی قیمت RLNG کی قیمت کے برابر کی گئی جو کہ کافی منگنی ہے اور قیمتوں کا تعین بھی امریکی ڈالر میں کیا ہے۔ ان تہذیبوں نے اس مدت کے دوران لاگت میں اضافہ کر دیا ہے۔ منڈی میں زبردست مقابلہ کمپنیوں کو معیار میں بہتری اور قیمتوں میں کمی پر مجبور کرتا ہے۔ پچھلے سال کی نو ماہی کی بیلز کے مقابلے اس کی نو ماہی کی بیلز تقریباً 22 فیصد زیادہ رہی ہے۔ کمپنی کا آپریٹنگ منافع اس نو ماہی کے دوران 922 ملین روپے رہا ہے۔ یہ اضافہ پچھلے سال کی نو ماہی کی نسبت 53 فیصد زیادہ ہے۔ ان مشکل حالات میں بہتر بیلز قابل تحسین ہے اور انتظامیہ کی کوششیں بہتری کی جانب وابستگی کی عکاسی کرتی ہیں۔

حکومت پاکستان کے اعلان کردہ ایکسپورٹ پیکیج کی وجہ سے کمپنی اپنے بعد از ٹیکس نقصان کو 12.14 ملین روپے تک محدود رکھنے کے قابل ہوئی جبکہ پچھلے سال اسی مدت کے دوران کمپنی کا بعد از ٹیکس نقصان 184.95 ملین روپے تھا۔ کمپنی اپنی بحالی کیلئے اپنے طور پر مسلسل اخراجات میں کمی لارہی ہے اور نئی منڈیوں کو تلاش کر رہی ہے اور نئی مصنوعات تیار کر رہی ہے۔

کمپنی کا اپنی کارپوریٹ تنظیم نو کی منصوبہ بندی پر عمل جاری ہے۔ قرض دہندگان کی جانب سے قرض دہندگان کے انتظام کی منصوبہ بندی کا مسودہ بنا کر ہائیکورٹ میں عملدرآمد کیلئے جمع کروا دیا گیا ہے۔ یہ امید کی جاتی ہے کہ اس مالیاتی تنظیم نو کے عملدرآمد ہونے پر اور یہ سرمایہ حاصل ہونے کی وجہ سے کمپنی پائیدار سطح پر آجائے گی۔ اگر ناقابل گرفت بیرونی معاملات جو کہ انتظامیہ کے کنٹرول سے باہر ہے جیسا کہ مقامی اور بین الاقوامی مارکیٹ کے حالات ہیں کے مطابق

اثرات نہ ہوں تو بعد از مالیاتی تنظیم کو کئی توقع رکھتی ہے کہ اس کی حالت بہتر ہو جائے گی اور وہ مطلوبہ وقت پر اپنے قرضے اور مارک اپ دینے کے قابل ہو جائے گی۔
Agritech لیڈنگ کے ترجیحی شیئرز کی فروختگی سے 306 ملین کی رقم اب تک بقایا ہے اور امید کی جاتی ہے کہ یہ سرمایہ آئندہ سال حاصل ہو جائے گا۔

Montebello S.R.L (Subsidiary) اور یکجا مالیاتی سٹیٹمنٹ

جیسا کہ پچھلے مالیاتی سٹیٹمنٹس میں بیان کیا گیا ہے کہ سال 2015ء میں جمہوریہ اٹلی Vicenza کی عدالت نے پبلک پرائیویٹ ٹریڈنگ سٹاکس پر
Montebello S.R.L (MBL) کو بینک دیوالیہ تجویز کیا اور ٹریڈ تعینات کیا کہ وہ اس کے معاملات اور انتظام دیکھے۔ اس کو مد نظر رکھتے ہوئے کمپنی نے
ایمپیز منٹ مبلغ 452.53 ملین روپے دوران اختتام سال 30 جون 2015 کی کتابوں میں ظاہر کی۔

اس بینک دیوالیہ کارروائی کے دوران، 48 پارٹیز نے Vicenza کی عدالت میں دعویٰ جات دائر کیے جو کہ عدالت نے تمام تر منظور کر لئے۔ اس طرح کل
7,893,794.48 یورو کے دعویٰ جات کو تسلیم کر لیا گیا۔ ترجیحی دعویٰ جات کی ویلویو 3,929,380.36 ہے اور غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کی
ویلویو 3,964,414.12 یورو ہے۔ قانون کے مطابق ترجیحی دعویٰ جات کو پہلے ادا کیے جائیں گے اور پھر غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کو ادا کیے جائیں گے۔
MBL کی مادری کمپنی کی حیثیت سے اصل رقم و سود 3,835,343.89 یورو کا سب اور ڈینیٹ دعویٰ منظور ہو چکا ہے اور کمپنی کی قانونی مشیر نے کمپنی کو صلاح دی
ہے کہ کئی ترجیحی دعویٰ دائر نہیں ہو سکتی۔

کمپنی نے عدالت میں موقف اختیار کیا ہے کہ اس دعویٰ کو سب اور ڈینیٹ دعویٰ کے بجائے غیر محفوظ دعویٰ کے طور پر تسلیم کیا جائے۔ عدالت نے ایک ماہر کو تعینات کیا
کہ وہ فیصلہ کرے کہ کئی کا دعویٰ غیر محفوظ ہو یا سب اور ڈینیٹ ہو۔ اس ماہر کی رائے کے مطابق کمپنی کا دعویٰ سب اور ڈینیٹ ہی ہوگا۔ البتہ کمپنی نے ماہر کے فیصلے پر
سوال اٹھاتے ہوئے اپنے دفاع کیلئے عدالت سے اجازت طلب کی ہے۔ فی الحال عدالتی فیصلے کا انتظار ہے۔

بورڈ اپنے تمام شراکت دار بشمول انتظامیہ، عملہ اور کارکنوں کی مدد اور تعاون پر ان کا شکریہ گزار ہے نیز شراکت داروں کے مسلسل تعاون اور حمایت کی امید کرتے ہیں
جس کی وجہ سے کمپنی کی کارکردگی میں بہتری آئے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے

سماء حبیبی
ڈائریکٹر

چیف ایگزیکٹو آفیسر
لاہور
29 اپریل 2018ء

8 Azgard Nine Limited

**Condensed Interim Balance Sheet (Un-Audited)
As at March 31, 2018**

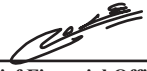
| | (Un-audited) March 31 2018 Rupees | (Audited) June 30 2017 Rupees |
|---|--|--|
| EQUITY AND LIABILITIES | 15,000,000,000 | 15,000,000,000 |
| Authorized share capital | | |
| Issued, subscribed and paid up capital | 4,548,718,700 | 4,548,718,700 |
| Reserves | 3,133,361,726 | 3,133,361,726 |
| Surplus on revaluation of fixed assets | 4,661,748,961 | 4,753,665,775 |
| Accumulated loss | (12,128,365,784) | (12,208,141,343) |
| | 215,463,603 | 227,604,858 |
| Non-current liabilities | | |
| Redeemable capital - secured | 4 | 155,501,806 |
| Long term finances - secured | 5 | 432,193,783 |
| Liabilities against assets subject to finance lease - secured | | 10,350,294 |
| Deferred liability | | 211,811,595 |
| | | 809,857,478 |
| Current liabilities | | |
| Current portion of non-current liabilities | | 7,338,148,401 |
| Short term borrowing | | 4,806,491,086 |
| Trade and other payables | | 1,646,845,855 |
| Interest / mark-up accrued on borrowings | | 4,720,502,806 |
| Unclaimed Dividend | | 13,197,557 |
| Current taxation | | 53,869,720 |
| | | 18,579,055,425 |
| Contingencies and commitments | 6 | 19,604,376,506 |
| | | 18,689,985,992 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 7 | 13,138,285,831 |
| Long term investments | 8 | 231,864,928 |
| Long term deposits - unsecured, considered good | | 37,036,295 |
| | | 13,407,187,054 |
| Current assets | | |
| Stores, spares and loose tools | | 133,663,179 |
| Stock-in-trade | | 2,352,856,611 |
| Trade receivables | | 1,065,081,718 |
| Advances, deposits, prepayments and other receivables | | 2,174,650,280 |
| Short term investments | | 306,022,500 |
| Cash and bank balances | | 164,915,164 |
| | | 6,197,189,452 |
| | | 5,268,014,807 |
| | | 19,604,376,506 |
| | | 18,689,985,992 |

The annexed notes from 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

Lahore


Chief Executive Officer


Director


Chief Financial Officer

Condensed Interim Profit and Loss Account (Un-Audited)
For the nine months and quarter ended March 31, 2018

| Note | 2018 | | 2017 | |
|---|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | July 2017 to March 2018 | January 2018 to March 2018 | July 2016 to March 2017 | January 2017 to March 2017 |
| | Rupees | Rupees | Rupees | Rupees |
| Sales - net | 11,136,121,565 | 3,685,299,911 | 9,143,323,246 | 3,202,962,507 |
| Cost of sales | (9,366,232,576) | (3,053,288,747) | (7,854,797,532) | (2,693,757,464) |
| Gross profit | 1,769,888,989 | 632,011,164 | 1,288,525,714 | 509,205,043 |
| Selling and distribution expenses | (463,867,949) | (158,878,059) | (360,779,462) | (129,018,989) |
| Administrative expenses | (384,492,627) | (140,659,320) | (326,828,412) | (116,449,522) |
| Profit from operations | 921,528,413 | 332,473,785 | 600,917,840 | 263,736,532 |
| Other income | 51,450,827 | 20,627,905 | 35,311,641 | 5,016,036 |
| Other expenses | - | - | (47,554,962) | (1,812,421) |
| Finance cost | 9 (878,968,161) | (328,710,002) | (684,334,748) | (236,189,997) |
| Profit / (loss) before taxation | 94,011,079 | 24,391,688 | (95,660,229) | 30,750,150 |
| Taxation | (106,152,334) | (35,015,316) | (89,286,681) | (30,515,536) |
| (Loss) / profit after taxation | (12,141,255) | (10,623,628) | (184,946,910) | 234,614 |
| Loss per share - basic and diluted | (0.03) | (0.02) | (0.41) | 0.00 |

The annexed notes from 1 to 14 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, 2018**

| | 2018 | | 2017 | |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | July 2017 to March 2018 | January 2018 to March 2018 | July 2016 to March 2017 | January 2017 to March 2017 |
| | Rupees | Rupees | Rupees | Rupees |
| (Loss) / profit after taxation | (12,141,255) | (10,623,628) | (184,946,910) | 234,614 |
| <i>Other comprehensive income for the period:</i> | | | | |
| Changes in fair value of available for sale financial assets | - | - | - | - |
| Gain realized on sale of available for sale financial assets | - | - | - | - |
| | - | - | - | - |
| Total comprehensive (loss) / profit for the period | (12,141,255) | (10,623,628) | (184,946,910) | 234,614 |

The annexed notes from 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

**Condensed Interim Cash flow Statement (Un-Audited)
For the nine months ended March 31, 2018**

| | 2018 July 2017 to March 2018 | 2017 July 2016 to March 2017 |
|---|------------------------------------|------------------------------------|
| | Rupees | Rupees |
| Cash flow from operating activities | | |
| Profit / (loss) before taxation | 94,011,079 | (95,660,229) |
| Adjustments | 1,301,892,000 | 1,024,970,220 |
| Operating profit before working capital changes | 1,395,903,079 | 929,309,991 |
| Changes in working capital | (810,155,379) | (230,192,701) |
| Cash generated from operations | 585,747,700 | 699,117,290 |
| Payments for: | | |
| Interest / mark-up | (222,124,940) | (159,099,374) |
| Taxes | (108,408,567) | (81,901,050) |
| Long term deposits | (15,430,000) | (811,600) |
| Post retirement benefits | (13,988,540) | - |
| Net cash generated from operating activities | 225,795,653 | 457,305,266 |
| Cash flows from investing activities | | |
| Capital expenditure | (309,054,697) | (285,765,718) |
| Proceeds from disposal of fixed assets | 825,000 | 2,320,370 |
| Net cash used in investing activities | (308,229,697) | (283,445,348) |
| Cash flows from financing activities | | |
| Repayment of long term finances | (25,254,882) | (25,254,880) |
| Liabilities against assets subject to finance lease | (572,417) | (19,928,489) |
| Short term borrowings-net | 114,172,683 | (92,241,351) |
| Dividend paid | (218,015) | - |
| Net cash generated from / (used in) financing activities | 88,127,369 | (137,424,720) |
| Net increase in cash and cash equivalents | 5,693,325 | 36,435,198 |
| Cash and cash equivalents at the beginning of period | 159,221,839 | 143,318,091 |
| Cash and cash equivalents at the end of period | 164,915,164 | 179,753,289 |

The annexed notes from 1 to 14 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, 2018

| | Reserves | | | | | | Total | Surplus on revaluation of fixed assets | Accumulated loss | Total equity |
|--|--|---------------|-------------------|-------------------------------------|-------------------------------------|---|---------------|--|------------------|---------------|
| | Issued, subscribed and paid-up capital | Share premium | Reserve on merger | Preference share redemption reserve | Available for sale financial assets | Post retirement benefits obligation reserve | | | | |
| As at June 30, 2016 - Audited | 4,548,718,700 | 2,358,246,761 | 105,152,005 | 661,250,830 | 569,610 | - | 3,125,219,206 | 4,879,013,899 | (12,199,924,175) | 353,027,630 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | - | - | - |
| Loss for the period ended March 31, 2017 | - | - | - | - | - | - | - | - | (184,946,910) | (184,946,910) |
| Other comprehensive income for the period ended March 31, 2017 | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive loss for the period ended March 31, 2017 | - | - | - | - | - | - | - | - | (184,946,910) | (184,946,910) |
| Transfer of incremental depreciation | - | - | - | - | - | - | - | (91,964,218) | 91,964,218 | - |
| Reversal of revaluation surplus on disposal of revalued assets | - | - | - | - | - | - | - | (2,322,651) | 2,322,651 | - |
| As at March 31, 2017 - Unaudited | 4,548,718,700 | 2,358,246,761 | 105,152,005 | 661,250,830 | 569,610 | - | 3,125,219,206 | 4,784,727,030 | (12,290,584,216) | 168,080,720 |
| As at June 30, 2017 - Audited | 4,548,718,700 | 2,358,246,761 | 105,152,005 | 661,250,830 | - | 8,712,130 | 3,133,361,726 | 4,753,665,775 | (12,208,141,343) | 227,604,858 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | - | - | - |
| Loss for the period ended March 31, 2018 | - | - | - | - | - | - | - | - | (12,141,255) | (12,141,255) |
| Other comprehensive income for the period ended March 31, 2018 | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive loss for the period ended March 31, 2018 | - | - | - | - | - | - | - | - | (12,141,255) | (12,141,255) |
| Transfer of incremental depreciation | - | - | - | - | - | - | - | (91,916,814) | 91,916,814 | - |
| Reversal of revaluation surplus on disposal of revalued assets | - | - | - | - | - | - | - | - | - | - |
| As at March 31, 2018 - Unaudited | 4,548,718,700 | 2,358,246,761 | 105,152,005 | 661,250,830 | - | 8,712,130 | 3,133,361,726 | 4,661,748,961 | (12,128,365,784) | 215,463,603 |

The annexed notes from 1 to 14 form an integral part of this condensed interim unconsolidated financial information.

Lahore

Chief Executive Officer


Director


Chief Financial Officer

**Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited)
For the nine months ended March 31, 2018**

1 Reporting entity

Azgard Nine Limited ("the Company") was 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 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. 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 exemption has been granted by Securities and Exchange Commission of Pakistan from consolidation of financial report of Company's subsidiary for the nine months ended March 31, 2018.

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, 2017.

Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2017 whereas comparative profit and loss account, statement of changes in equity and comparative cash flow statement are stated from un-audited condensed interim financial information for the nine months ended on March 31, 2017.

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. 12,381.87 million, including Rs. 13,103.49 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 12,128.37 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 cost curtailments, textile package announced during this period and enhanced

14 Azgard Nine Limited

capacity utilizations 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 Honorable Lahore High Court for approval. 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. 630.46 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 this condensed interim unconsolidated financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2017.

3.2 Judgments and estimates made by the management in the preparation of the condensed interim financial information are the same as those applied in preparation of annual published financial statements of the Company for the year ended June 30, 2017.

| | (Un-audited) March 31 2018 | (Audited) June 30 2017 |
|--|----------------------------------|------------------------------|
| | Rupees | Rupees |
| 4 Redeemable capital - secured | | |
| Term Finance Certificates - II | 651,066,836 | 651,066,836 |
| Privately Placed Term Finance Certificates - IV | 999,585,587 | 1,024,840,470 |
| 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 |
| Privately Placed Term Finance Certificates | 217,200,000 | 217,200,000 |
| | <u>5,940,291,274</u> | <u>5,965,546,157</u> |
| Less: transaction costs | <u>(25,716,921)</u> | <u>(26,727,482)</u> |
| | <u>5,914,574,353</u> | <u>5,938,818,675</u> |
| Less: current maturity presented under current liabilities | <u>(5,759,072,547)</u> | <u>(5,739,022,747)</u> |
| | <u>155,501,806</u> | <u>199,795,928</u> |

| | | (Un-audited) March 31 2018 | (Audited) June 30 2017 |
|---|-------|----------------------------------|------------------------------|
| | Note | Rupees | Rupees |
| 5 Long term finances - secured | | | |
| Deutsche Investitions - Und MBH (Germany) | | 998,314,705 | 844,036,091 |
| 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>1,841,916,113</u> | 1,687,637,499 |
| Less: transaction costs | | <u>(17,047,834)</u> | (17,056,368) |
| | | <u>1,824,868,279</u> | 1,670,581,131 |
| Less: current maturity presented under current liabilities | | <u>(1,392,674,496)</u> | (1,181,215,845) |
| | | <u><u>432,193,783</u></u> | <u><u>489,365,286</u></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, 2017. | | | |
| 6.2 Commitments | | | |
| 6.2.1 Commitments under irrevocable letters of credit for: | | | |
| - purchase of stores, spare and loose tools | | 10,807,936 | - |
| - purchase of raw material | | 23,203,016 | 18,847,920 |
| - purchase of machinery | | 106,943,785 | 25,709,960 |
| | | <u>140,954,737</u> | <u>44,557,880</u> |
| 6.2.2 Commitments for capital expenditure | | <u>36,648,266</u> | <u>9,256,578</u> |
| 7 Property, plant and equipment | | | |
| Operating fixed assets | 7.1 | 12,884,536,065 | 12,991,109,596 |
| Capital work in progress | | <u>253,749,766</u> | 177,390,366 |
| | | <u><u>13,138,285,831</u></u> | <u><u>13,168,499,962</u></u> |
| 7.1 Operating fixed assets | | | |
| Net book value as at the beginning of the period / year | | 12,991,109,596 | 13,117,452,346 |
| Additions during the period / year | 7.1.1 | 232,695,299 | 332,271,172 |
| Disposals during the period / year - Net book value | | (320,207) | (4,559,345) |
| Depreciation charged during the period / year | | <u>(338,948,623)</u> | (454,054,577) |
| Net book value as at the end of the period / year | | <u><u>12,884,536,065</u></u> | <u><u>12,991,109,596</u></u> |

| | | (Un-audited) March 31 2018 | (Audited) June 30 2017 |
|--|------|----------------------------------|------------------------------|
| | Note | Rupees | Rupees |
| 7.1.1 Additions- Cost | | | |
| <u>Assets owned by the Company</u> | | | |
| Building on freehold land | | 97,293,005 | 17,780,911 |
| Plant and Machinery | | 108,774,301 | 255,295,747 |
| Furniture, fixtures and office equipment | | 6,229,779 | 5,530,847 |
| Vehicles | | 1,471,475 | 983,550 |
| Tools and equipments | | 15,565,909 | 27,502,559 |
| Electric installations | | 3,360,830 | 10,392,558 |
| <u>Leased Assets</u> | | - | 14,785,000 |
| | | 232,695,299 | 332,271,172 |

8 Long term investments

These represent investments in equity and debt securities. These have been 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 subsidiary, Montebello s.r.l | 8.1 | - | - |
| | | 231,864,928 | 231,864,928 |

8.1 Investment in Montebello s.r.l ("MBL")

6,700,000 ordinary shares with a capital of Euro 6,700,000

Proportion of capital held: 100%

Activity: Textile and Apparel

Relationship: Subsidiary

| | | |
|----------------------------------|------------------------|------------------------|
| Cost | 2,625,026,049 | 2,625,026,049 |
| Accumulated impairment | | |
| Opening balance | (2,625,026,049) | (2,625,026,049) |
| Charged during the period / year | - | - |
| | (2,625,026,049) | (2,625,026,049) |
| | - | - |

8.1.1 As mentioned in previous financial statements of the Company, during year ended June 30, 2015, the Court of Vicenza, Italian Republic granted bankruptcy proposal of public prosecutor and appointed trustee to manage affairs of Montebello s.r.l. (MBL). Considering the liquidation, the Company provided impairment of balance amount of Rs. 452.53 million during year ended June 30, 2015.

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 2017 to March 2018 | (Un-audited) July 2016 to March 2017 |
|---|--|--|
| | Rupees | Rupees |
| 9 Finance cost | | |
| <i>Interest / mark-up on:</i> | | |
| Redeemable capital & long term finances | 315,209,163 | 267,480,067 |
| Liabilities against assets subject to finance lease | 1,739,508 | 2,630,665 |
| Short term borrowings | 276,850,598 | 287,938,456 |
| | 593,799,269 | 558,049,188 |
| Amortization of transaction costs and unwinding effect of present value | 1,019,094 | 80,261,811 |
| Exchange loss / (gain) on foreign currency borrowings | 155,491,782 | (31,487,873) |
| Bank discounting and other charges | 128,658,016 | 77,511,622 |
| | 878,968,161 | 684,334,748 |

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.

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

10.1 Transactions with related parties

10.1.1 Other related parties - associated companies

JS Bank Limited

| | | |
|---------------------|------------|------------|
| Mark-up expense | 16,532,278 | 16,256,769 |
| Fee paid to Trustee | 1,130,000 | 1,500,000 |
| Mark-up Paid | 15,902,061 | 15,256,505 |

JS Value Fund Limited

| | | |
|-----------------|-----------|-----------|
| Mark-up expense | 1,161,304 | 1,157,084 |
|-----------------|-----------|-----------|

Unit Trust of Pakistan

| | | |
|-----------------|-----------|-----------|
| Mark-up expense | 1,776,518 | 1,980,617 |
|-----------------|-----------|-----------|

JS Large Cap Fund

| | | |
|-----------------|-----------|-----------|
| Mark-up expense | 6,866,965 | 6,866,965 |
|-----------------|-----------|-----------|

JS Global Capital Limited

| | | |
|-----------------|------------|------------|
| Mark-up expense | 26,957,231 | 26,957,231 |
|-----------------|------------|------------|

JS Principal Secure Fund

| | | |
|-----------------|-----------|-----------|
| Mark-up expense | 2,764,622 | 2,764,622 |
|-----------------|-----------|-----------|

JS Income Fund

| | | |
|-----------------|-----------|-----------|
| Mark-up expense | 2,214,911 | 2,417,416 |
|-----------------|-----------|-----------|

JS Growth Fund

| | | |
|-----------------|-----------|-----------|
| Mark-up expense | 6,269,091 | 6,265,574 |
|-----------------|-----------|-----------|

10.1.2 Key management personnel

| | | |
|------------------------------|-------------|-------------|
| Short-term employee benefits | 185,955,815 | 148,710,015 |
|------------------------------|-------------|-------------|

| | (Un-audited) | (Audited) |
|---|---------------------|-------------|
| | March 31 | June 30 |
| | 2018 | 2017 |
| | Rupees | Rupees |
| 10.2 Balances with related parties | | |
| 10.2.1 Other related parties | | |
| JS Bank Limited | | |
| Redeemable capital - PPTFC IV | 65,021,777 | 65,021,777 |
| Short term borrowing | 328,501,199 | 332,955,019 |
| Mark-up payable | 50,760,148 | 41,405,599 |
| 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 | 13,410,093 | 11,814,661 |
| Unit Trust of Pakistan | | |
| Redeemable capital - TFC V | 31,980,766 | 31,980,766 |
| Redeemable capital - PPTFC VI | 19,265,000 | 19,265,000 |
| Mark-up payable | 19,481,862 | 17,705,343 |
| JS Large Cap Fund | | |
| Redeemable capital - PPTFCs | 83,160,000 | 83,160,000 |
| Mark-up payable | 27,467,862 | 22,881,531 |
| JS Global Capital Limited | | |
| Redeemable capital - PPTFCs | 326,456,184 | 326,456,184 |
| Mark-up payable | 107,828,925 | 89,824,643 |
| JS Principal Secure Fund | | |
| Redeemable capital - PPTFCs | 33,480,000 | 33,480,000 |
| Mark-up payable | 11,058,490 | 9,212,045 |
| JS Pension Savings Fund | | |
| Redeemable capital - PPTFC VI | 3,850,000 | 3,850,000 |
| JS Income Fund | | |
| Redeemable capital - TFC II | 7,369,942 | 7,369,942 |
| Redeemable capital - TFC V | 31,980,766 | 31,980,766 |
| Redeemable capital - PPTFC VI | 24,135,000 | 24,135,000 |
| Mark-up payable | 24,544,172 | 22,165,378 |
| 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 - PPTFCs | 64,200,000 | 64,200,000 |
| Mark-up payable | 32,380,426 | 27,510,225 |
| 10.2.2 Key Management Personnel | | |
| Short term employee benefits payable | 13,611,022 | 11,581,072 |

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, 2018 | | | |
|-----------------------|--|----------------------|-----------------------|
| Principal | Preference dividend / Interest / mark-up | Total | |
| -----Rupees----- | | | |
| Redeemable capital | 5,668,463,184 | 1,669,802,270 | 7,338,265,454 |
| Long term finances | 1,841,916,113 | 902,325,191 | 2,744,241,304 |
| Preference shares | 148,367,255 | 9,413,535 | 157,780,790 |
| Short term borrowings | 474,015,216 | 1,752,300,273 | 2,226,315,489 |
| Bills payable | 337,503,037 | 299,387,058 | 636,890,095 |
| | <u>8,470,264,805</u> | <u>4,633,228,327</u> | <u>13,103,493,132</u> |
| As at June 30, 2017 | | | |
| Principal | Preference dividend / Interest / mark-up | Total | |
| -----Rupees----- | | | |
| Redeemable capital | 5,288,513,410 | 1,494,669,312 | 6,783,182,722 |
| Long term finances | 1,678,560,330 | 751,919,393 | 2,430,479,723 |
| Preference shares | 148,367,255 | 9,413,535 | 157,780,790 |
| Short term borrowings | 506,919,216 | 1,580,390,102 | 2,087,309,318 |
| Bills payable | 338,903,037 | 262,603,192 | 601,506,229 |
| | <u>7,961,263,248</u> | <u>4,098,995,534</u> | <u>12,060,258,782</u> |

As mentioned in note 2.3 of the financial information that financial restructuring is in progress. For the said purpose, the petition has been filed with the Honorable Lahore High Court by the creditors for restructuring of over due principal as well as interest / mark-up accrued.

12 Corresponding figures

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

13 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on April 29, 2018.

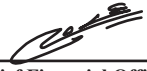
14 General

Figures have been rounded off to the nearest rupee.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer



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