

Interim Financial Report for the quarter ended
September 30, 2019 (Un-audited)

19



AZGARD-9



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: Shahrāh-e-Roomi Lahore, 54600.
Ph: +92(0)42 35761794-5
Fax: +92(0)42 35761791

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

Unit IV

Atta Buksh Road, 18-KM, Off: Ferozepur Road,
Mouza Atari Saroba, Tehseel Cantt, Lahore.
Ph: +92(0) 333 0427020-1

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 the quarter ended September 30, 2019.

Principal Activities

The main business of your Company is the production and marketing of denim focused textile and apparel products, ranging from yarn to retail ready goods.

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

	Quarter ended September 30, 2019 (Rupees)	Quarter ended September 30, 2018 (Rupees)
Sales – net	4,722,761,674	3,970,366,130
Operating profit	439,709,963	301,411,863
Finance cost	(297,485,576)	(276,219,571)
Profit before tax	177,056,367	28,756,096
Profit / (loss) after tax	130,843,747	(9,774,674)
Earnings / (loss) per share	0.29	(0.02)

Review of business during this period and future outlook

During this first quarter, sales of the Company have been Rs. 4,722.76 million; registering a growth of Rs. 752.39 million, almost 19% as compared to the same quarter of last year. Our business is seasonal and the first quarter is normally a weak quarter. Consequently, this growth in the first quarter reflects a satisfactory result.

Operating profit of this quarter is Rs. 439.71 million an increase of Rs. 138.30 million, almost 46% when compared with the operating profit of same quarter of last year.

The Company has been able to achieve before tax profit of Rs. 177.06 million as compared to profit of Rs. 28.76 million during the same quarter of last year.

Refunds from Government remain a cause for concern. The Government has abolished zero rating for the sector and imposed 17% sales tax commencing 1st July. So far it has not been possible to implement the "FAST" refund system as was promised by the Government. This is a big risk to the liquidity of the Company if this is not resolved quickly. Rs. 246.78 million in sales tax refunds are due from the Government under this head for the quarter.

The scheme for Company's 2nd financial restructuring has been approved by Lahore High Court on July 31, 2019. Now implementation process of this scheme has started. Through this scheme, it is anticipated that 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 (subject to requisite approvals and regulatory consents). Post restructuring, it is expected that the Company's debt levels will become sustainable. Once this scheme has been fully implemented, it is hoped that the Company will be able to meet its debt obligations in a timely manner.

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The Company's overall performance has slowly and gradually improved. The management is cautiously optimistic regarding the affairs of the Company post implementation of the financial restructuring. Off course a lot depends on Government policies towards the sector including the timely refunds of due amounts. In the meantime, the management continues its efforts for cost reductions, develop innovative new products and try to find and develop new markets.

Regarding Montebello S.R.L. (MBL) as mentioned in the financial statements for year ended June 30, 2019, an appeal by the Company has been filed in the Supreme Court of Italy regarding the position of the company's claim. Their decision is now awaited regarding this matter

In addition to this, as mentioned in the financial statements for year ended June 30, 2019, based on the management's conclusion that the Company does not have the power to direct the activities of MBL, the financial statements of the Company are not being consolidated with MBL.

The Board is thankful and appreciates the support of all the stakeholders through difficult time. It is hoped that with their continued confidence and support, the Company's performance should continue to improve.

On behalf of the Board of Directors



Chief Executive Officer



Director

Lahore

Date: October 28, 2019

ڈائریکٹرز کا جائزہ

ایز کارڈ نائن لمیٹڈ (کمپنی) ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے سہ ماہی تختہ 30 ستمبر 2019 پیش کرتے ہیں۔

اہم سرگرمیاں

آپ کی کمپنی کی توجہ دھاگہ، ڈینم کپڑا اور تیار ڈینم بلوسات کی مصنوعات کی پیداوار اور مارکیٹنگ پر مرکوز ہے۔

ایز کارڈ نائن لمیٹڈ (سٹینڈ الون) کے عملی مالیاتی نتائج درج ذیل ہیں۔

سہ ماہی تختہ 30 ستمبر 2018 (روپے)	سہ ماہی تختہ 30 ستمبر 2019 (روپے)	
3,970,366,130	4,722,761,674	فروٹنگی (Net)
301,411,863	439,709,963	آپریٹنگ منافع
(276,219,571)	(297,485,576)	مالیاتی اخراجات
28,756,096	177,056,367	منافع قبل از ٹیکس
(9,774,674)	130,843,747	منافع / خسارہ بعد از ٹیکس
(0.02)	0.29	منافع / خسارہ فی شیئر

اس معیار کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

اس سہ ماہی کے دوران کمپنی کی بیلز 4,722.76 ملین روپے رہیں، جو کہ پچھلے سال کی سہ ماہی کی نسبت 752.39 ملین روپے کا اضافہ ہوا ہے جو کہ تقریباً 19 فیصد ہے۔ ہمارا کاروبار موسمیاتی ہے اور پہلی سہ ماہی عموماً "کمزور رہتی ہے۔ بہر حال پہلی سہ ماہی میں اضافہ اطمینان بخش نتیجہ ہے۔

آپریٹنگ منافع اس سہ ماہی کے دوران 138.30 اضافے کے ساتھ 439.71 ملین روپے رہا جو کہ پچھلے سال اسی سہ ماہی کی نسبت 46 فیصد زیادہ ہے۔ کمپنی قبل از ٹیکس منافع 177.06 ملین روپے حاصل کرنے میں کامیاب رہی، جبکہ پچھلے سال کی اسی سہ ماہی کے دوران قبل از ٹیکس منافع 28.76 ملین روپے تھا۔

حکومت کی طرف سے ریفرنڈم زکا نامنا تشریح کا باعث ہیں۔ حکومت نے اس سیکٹر کے لئے زیورینڈ کو ختم کر دیا ہے اور 1 جولائی سے 17 فیصد سیکلر ٹیکس لاگو کر دیا ہے۔ جیسا کہ حکومت کی طرف سے تیز ادا ٹیکسوں کا وعدہ کیا گیا وہ اب تک ممکن نہیں ہو سکا، اگر یہ تیزی سے حل نہ کیا گیا تو کمپنی کے لئے لیکویڈٹی کے مسائل پیدا ہوں گے۔ سیکلر ٹیکس ریفرنڈم کی مدد میں، اس سہ ماہی کے لئے حکومت کی طرف 246.78 ملین روپے قابل ادائیگی ہیں۔

کمپنی کی دوسری مالیاتی تنظیم نولا ہو رہا ٹیکورٹ نے 31 جولائی 2019 کو منظور کر لیا ہے۔ اب اس مالیاتی تنظیم نولا کو کرنے کا عمل شروع ہو چکا ہے۔ اس مالیاتی تنظیم نو سے، 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 ازاں مالیاتی تنظیم نو یا 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۔


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کمپنی کی مجموعی کارکردگی میں مسلسل بہتری آرہی ہے۔ کمپنی کی انتظامیہ بعد از مالیاتی تنظیم نو، کمپنی کے معاملات میں بہتری کے لئے محتاط طور پر امید ہے۔ پیٹک اس سب کا انحصار حکومت کی پالیسیوں پر ہے، بشمول ریفرنڈم کی بروقت ادائیگیاں۔ اس دوران انتظامیہ، لاگت میں مسلسل کمی کی کوشش کر رہی ہے، نئی مصنوعات تیار کر رہی ہے اور نئی منڈیوں کی تلاش اور اضافہ کر رہی ہے۔

جیسا کہ کمپنی کی مالیاتی اسٹیٹمنٹس سال 30 جون 2019 میں Montebello S.R.L.(MBL) کے بارے میں بیان کیا گیا ہے کہ کمپنی نے دعویٰ کی نوعیت کے تین کے لئے، اٹلی کی سپریم کورٹ میں اپیل دائر کی ہے۔ فی الحال عدالت کے فیصلے کا انتظار ہے۔ مزید جیسا کہ کمپنی کی مالیاتی اسٹیٹمنٹس سال 30 جون 2019 میں بیان کیا گیا ہے کہ انتظامیہ نے نتیجہ اخذ کیا کہ کمپنی MBL کے معاملات پر کنٹرول کھو چکی ہے، کمپنی کی مالیاتی اسٹیٹمنٹس MBL کے ساتھ یکجا نہیں کی جاسکتی۔

بورڈ اس مشکل وقت میں اپنے تمام شراکت داروں کے تعاون کا شکر گزار اور تعریف کرتا ہے۔ یہ امید کی جاتی ہے کہ ان کے مسلسل تعاون اور حمایت کی وجہ سے کمپنی کی کارکردگی میں بہتری آئے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے


ڈائریکٹر


چیف ایگزیکٹو آفیسر
لاہور
28 اکتوبر 2019ء

Condensed Interim Statement of Financial Position (Un-audited)

As at September 30, 2019

	Note	(Un-audited) September 30 2019 Rupees	(Audited) June 30 2019 Rupees
EQUITY AND LIABILITIES			
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		3,135,487,572	3,135,487,572
Surplus on revaluation of fixed assets		4,818,734,975	4,849,769,249
Accumulated loss		(11,308,543,756)	(11,470,421,777)
		1,194,397,491	1,063,553,744
Non-current liabilities			
Liabilities against assets subject to finance lease - secured		6,983,401	7,568,143
Deferred liability		392,870,262	343,664,154
		399,853,663	351,232,297
Current liabilities			
Current portion of non-current liabilities		8,146,027,835	8,170,826,909
Short term borrowing		5,520,708,718	5,647,437,315
Trade and other payables		1,872,231,206	1,732,596,807
Contract Liabilities		74,216,666	43,666,216
Interest / mark-up accrued on borrowings		5,824,804,610	5,632,400,679
Dividend payable on preference shares		9,413,535	9,413,535
Unclaimed dividend on ordinary shares		3,763,905	3,763,905
Current taxation		22,140,793	31,594,839
		21,473,307,268	21,271,700,205
Contingencies and commitments	4	23,067,558,422	22,686,486,246
ASSETS			
Non-current assets			
Property, plant and equipment	5	10,137,680,556	10,167,664,715
Long term investments		231,864,928	231,864,928
Long term deposits		109,017,246	88,817,246
		10,478,562,730	10,488,346,889
Current assets			
Stores, spares and loose tools		128,008,213	130,500,130
Stock-in-trade		3,151,139,645	2,755,896,078
Trade receivables		2,735,201,683	3,217,169,884
Advances, deposits, prepayments and other receivables		2,813,754,486	2,150,507,130
Short term investments		306,022,500	306,022,500
Cash and bank balances		264,818,344	447,992,814
		9,398,944,871	9,008,088,536
Non-current assets held for sale		3,190,050,821	3,190,050,821
		23,067,558,422	22,686,486,246

The annexed notes from 1 to 12 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 quarter ended September 30, 2019


	(Un-audited) July 2019 to September 2019	(Un-audited) July 2018 to September 2018
Note	Rupees	Rupees
Sales - net	4,722,761,674	3,970,366,130
Cost of sales	(3,916,173,690)	(3,347,487,601)
Gross profit	806,587,984	622,878,529
Selling and distribution expenses	(224,761,378)	(195,565,427)
Administrative expenses	(142,116,643)	(125,901,239)
Profit from operations	439,709,963	301,411,863
Other income	34,831,980	3,563,804
Finance cost	(297,485,576)	(276,219,571)
Profit before taxation	177,056,367	28,756,096
Taxation	(46,212,620)	(38,530,770)
Profit / (loss) after taxation	130,843,747	(9,774,674)
Earnings / (loss) per share - basic and diluted	0.29	(0.02)

The annexed notes from 1 to 12 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 quarter ended September 30, 2019*

	(Un-audited) July 2019 to September 2019 Rupees	(Un-audited) July 2018 to September 2018 Rupees
Profit / (loss) after taxation	130,843,747	(9,774,674)
<i>Item that may not be subsequently reclassified to statement of Profit or loss</i>		
Other comprehensive income for the period	-	-
Total comprehensive income / (loss) for the period	<u>130,843,747</u>	<u>(9,774,674)</u>

The annexed notes from 1 to 12 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 quarter ended September 30, 2019*

	July 2019 to September 2019	July 2018 to September 2018
	Rupees	Rupees
Cash flow from operating activities		
Profit before taxation	177,056,367	28,756,096
Adjustments	428,181,073	423,236,616
Operating profit before working capital changes	605,237,440	451,992,712
Changes in working capital	(402,792,387)	(380,780,336)
Cash generated from operations	202,445,053	71,212,376
Payments for:		
Finance cost	(121,509,420)	(79,099,354)
Taxes	(55,666,756)	(39,541,311)
Post retirement benefits	(10,193,091)	(1,351,988)
Net cash generated from / (used in) operating activities	15,075,786	(48,780,277)
Cash flows from investing activities		
Capital expenditure	(62,565,755)	(55,026,860)
Proceeds from disposal of fixed assets	-	170,670
Net cash used in investing activities	(62,565,755)	(54,856,190)
Cash flows from financing activities		
Repayment of long term finances	(8,418,294)	(8,418,294)
Liabilities against assets subject to finance lease	(537,709)	(9,337,444)
Short term borrowings-net	(126,728,498)	56,878,201
Dividend paid	-	(18,584)
Net cash (used in) / generated from financing activities	(135,684,501)	39,103,879
Net decrease in cash and cash equivalents	(183,174,470)	(64,532,588)
Cash and cash equivalents at the beginning of period	447,992,814	142,395,327
Cash and cash equivalents at the end of period	264,818,344	77,862,739

The annexed notes from 1 to 12 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 quarter ended September 30, 2019**

	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Reserves	Post retirement benefits obligation reserve	Surplus on revaluation of fixed assets	Accumulated loss	Total reserves	Total equity
				Preference share redemption reserve					
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 loss for the quarter	-	-	-	-	-	-	-	-	-
Loss for the quarter ended September 30, 2018	-	-	-	-	-	-	(9,774,674)	(9,774,674)	(9,774,674)
Other comprehensive income for the quarter ended September 30, 2018	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the quarter ended September 30, 2018	-	-	-	-	-	-	(9,774,674)	(9,774,674)	(9,774,674)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(30,744,517)	30,744,517	-	-
As at September 30, 2018 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,599,943,186	(11,867,570,806)	(4,129,758,547)	418,960,153
As at July 01, 2019 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	10,837,976	4,849,769,249	(11,470,421,777)	(3,485,164,956)	1,063,553,744
Total comprehensive income for the quarter	-	-	-	-	-	-	-	-	-
Income for the quarter ended September 30, 2019	-	-	-	-	-	-	130,843,747	130,843,747	130,843,747
Other comprehensive income for the quarter ended September 30, 2019	-	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter ended September 30, 2019	-	-	-	-	-	-	130,843,747	130,843,747	130,843,747
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(31,034,274)	31,034,274	-	-
As at September 30, 2019 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	10,837,976	4,818,734,975	(11,308,543,756)	(3,354,321,209)	1,194,397,491

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



Lahore
Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited)
*For the quarter ended September 30, 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 Aiwane-Science, off Shahrah-e-Roomi, Lahore. The Company has four units with Unit I located at 2.5 km off Manga, Raiwand Road, District Kasur, Unit II at Alipur Road, Muzaffargarh, Unit III at 20 km off Ferozpur Road, 6 km Badian Road on Ruhi Nala, Der Khurd, Lahore, and Unit IV at Atta Buksh Road, 18 km, off Ferozpur Road, Mouza Atari Saroba, Tehseel Cantt, Lahore. Unit IV is rented facility. Unit I and IV are operational. Unit II and III are non-operational and are being held for sale.

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, 2019.

Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2019 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 quarter ended on September 30, 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. 12,074.36 million, including Rs. 14,451.69 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 11,308.54 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, continuation of textile package by Government of Pakistan 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 Honorable Lahore High Court (LHC) for approval. On July 31, 2019, LHC has approved the scheme of arrangement.

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.

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, 2019.

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, 2019.

4 Contingencies and commitments

4.1 Contingencies

There is no material change in the contingencies from preceding audited published financial statements of the Company for the year ended June 30, 2019.

		(Un-audited)	(Audited)
		September 30	June 30
		2019	2019
	Note	Rupees	Rupees
4.2 Commitments			
4.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		3,180,694	-
- purchase of raw material		<u>17,027,448</u>	50,110,319
		<u><u>20,208,142</u></u>	<u><u>50,110,319</u></u>

	(Un-audited) September 30 2019 Rupees	(Audited) June 30 2019 Rupees
4.2.2 Commitments for capital expenditure	<u>68,473,671</u>	<u>11,023,230</u>

5 Property, plant and equipment

Operating fixed assets	5.1 10,008,564,194	10,078,765,729
Capital work in progress	<u>129,116,362</u>	<u>88,898,986</u>
	<u>10,137,680,556</u>	<u>10,167,664,715</u>

5.1 Operating fixed assets

Net book value as at the beginning of the period / year	10,078,765,729	13,163,865,121
Additions during the period / year	5.1.1 22,348,379	262,103,622
Surplus on revaluation during the period / year	-	302,830,477
Assets classified as held for sale	-	(3,190,050,821)
Disposals during the period / year - Net book value	-	(71,657)
Depreciation charged during the period / year	<u>(92,549,914)</u>	<u>(459,911,013)</u>
Net book value as at the end of the period / year	<u>10,008,564,194</u>	<u>10,078,765,729</u>

5.1.1 Additions- Cost**Assets owned by the Company**

Plant and Machinery	14,763,041	247,610,968
Furniture, fixtures and office equipment	2,819,760	3,652,350
Vehicles	-	1,145,840
Tools and equipments	2,405,743	5,755,006
Electric installations	2,359,835	3,939,458
	<u>22,348,379</u>	<u>262,103,622</u>

(Un-audited) July 2019 to September 2019	(Un-audited) July 2018 to September 2018
Rupees	Rupees

6 Finance cost*Interest / mark-up on:*

Redeemable capital & long term finances	112,903,697	104,251,300
Liabilities against assets subject to finance lease	267,204	1,223,643
Short term borrowings	118,923,383	96,147,549
	232,094,284	201,622,492
Amortization of transaction costs and unwinding effect of present value	3,337,888	5,184,186
Exchange loss on foreign currency borrowings	-	22,832,673
Bank discounting and other charges	62,053,404	46,580,220
	297,485,576	276,219,571

7 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 the year ended June 30, 2019, 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. Comparative disclosure of transactions and balances with related parties have been amended accordingly.

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

	(Un-audited) July 2019 to September 2019	(Un-audited) July 2018 to September 2018
	Rupees	Rupees
7.1 Transactions with related parties		
7.1.1 Key management personnel		
Short-term employee benefits	91,541,041	76,566,849
	(Un-audited)	(Audited)
	September 30	June 30
	2019	2019
7.2 Balances with related parties	Rupees	Rupees
7.2.1 Key Management Personnel		
Short term employee benefits payable	20,319,329	16,635,125

8 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 September 30, 2019			
Principal	Preference dividend / Interest / mark-	Total	
-----Rupees-----			
Redeemable capital	5,753,867,466	2,105,310,519	7,859,177,985
Long term finances	2,047,199,405	1,175,877,416	3,223,076,821
Preference shares	148,367,255	9,413,535	157,780,790
Short term borrowings	474,015,216	2,096,475,168	2,570,490,384
Bills payable	337,503,037	303,668,540	641,171,577
	8,760,952,379	5,690,745,179	14,451,697,558

As at June 30, 2019			
Principal	Preference dividend / Interest / mark-up	Total	
-----Rupees-----			
Redeemable capital	5,762,285,760	2,030,033,464	7,792,319,224
Long term finances	2,157,288,015	1,174,209,075	3,331,497,090
Preference shares	148,367,255	9,413,535	157,780,790
Short term borrowings	474,015,216	2,029,402,870	2,503,418,086
Bills payable	337,503,037	290,339,100	627,842,137
	8,879,459,283	5,533,398,044	14,412,857,327

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.

9 Segment information

9.1 Information about reportable segments

9.1.1 Segment revenues and results

	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	Sep-19 Rupees	Sep-18 Rupees	Sep-19 Rupees	Sep-18 Rupees	Sep-19 Rupees	Sep-18 Rupees	Sep-19 Rupees	Sep-18 Rupees	Sep-19 Rupees	Sep-18 Rupees
Revenue										
External revenues	443,647,725	496,590,460	1,603,255,418	1,363,336,732	2,675,858,530	2,110,438,918	-	-	4,722,761,674	3,970,366,130
Inter-segment revenues	148,287,822	101,605,500	902,253,622	689,771,693	3,793,351	1,869,596	(1,054,334,995)	(793,246,789)	-	-
Reportable segment revenue	591,935,547	598,195,960	2,505,509,240	2,053,108,445	2,679,651,881	2,112,308,514	(1,054,334,995)	(793,246,789)	4,722,761,674	3,970,366,130
Cost of sales										
- inter-segment	(148,287,822)	(101,605,500)	(902,253,622)	(689,771,693)	(3,793,351)	(1,869,596)	1,054,334,995	793,246,789	-	-
- external	(555,821,734)	(455,220,042)	(1,202,874,084)	(1,092,310,680)	(2,305,765,694)	(1,799,956,879)	-	-	(3,916,173,690)	(3,347,487,601)
Gross profit	36,113,813	41,370,418	400,381,334	271,026,073	370,092,836	310,482,039	-	-	806,587,984	622,878,529
Selling and distribution expenses	(9,566,028)	(7,293,364)	(82,914,917)	(80,953,353)	(132,290,433)	(107,318,709)	-	-	(224,761,378)	(195,565,427)
Administrative expenses	(24,290,062)	(23,223,581)	(58,950,946)	(48,140,088)	(58,867,535,43)	(54,537,647)	-	-	(142,116,643)	(125,901,239)
Segment results	(33,846,089)	(30,516,945)	(141,873,963)	(129,093,361)	(191,157,969)	(161,856,356)	-	-	(366,878,021)	(321,466,666)
Other income	2,267,723	10,853,472	258,507,371	141,932,711	178,934,867	148,625,683	-	-	439,709,963	301,411,863
Finance cost									34,831,980	3,563,804
Taxation									(297,485,576)	(276,219,571)
Profit after taxation									(46,212,620)	(38,530,770)
Inter-segment sales and purchases									130,843,747	(9,774,674)

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

9.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	September-19 Rupees	June-19 Rupees	September-19 Rupees	June-19 Rupees	September-19 Rupees	June-19 Rupees	September-19 Rupees	June-19 Rupees	September-19 Rupees	June-19 Rupees
9.1.4 Assets										
Total assets for reportable segments	4,126,471,490	3,829,684,020	9,263,930,997	9,211,758,588	8,836,984,273	8,621,428,715	(889,831,966)	(554,079,771)	21,637,554,794	21,108,791,550
Property, plant and equipment - common	-	-	-	-	-	-	-	-	892,116,200	1,039,807,268
Long term investments	-	-	-	-	-	-	-	-	231,864,928	231,864,928
Short term investments	-	-	-	-	-	-	-	-	306,022,500	306,022,500
	<u>4,126,471,490</u>	<u>3,829,684,020</u>	<u>9,263,930,997</u>	<u>9,211,758,588</u>	<u>8,836,984,273</u>	<u>8,621,428,715</u>	<u>(889,831,966)</u>	<u>(554,079,771)</u>	<u>23,067,558,422</u>	<u>22,686,486,246</u>
9.1.5 Liabilities										
Total liabilities for reportable segments	361,063,754	387,510,160	1,075,737,104	969,264,571	1,505,526,682	1,330,409,697	(889,831,966)	(554,079,771)	2,352,495,574	2,133,104,657
Corporate liabilities - common	-	-	-	-	-	-	-	-	19,520,665,358	19,489,827,846
	<u>361,063,754</u>	<u>387,510,160</u>	<u>1,075,737,104</u>	<u>969,264,571</u>	<u>1,505,526,682</u>	<u>1,330,409,697</u>	<u>(889,831,966)</u>	<u>(554,079,771)</u>	<u>21,873,160,932</u>	<u>21,622,932,503</u>

9.1.6 Geographical information

The segments of the Company are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Pakistan. In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue

Foreign revenue

Asia	398,266,426	624,669,189
Europe	3,351,669,765	2,291,266,411
North America	-	10,366,465
Other countries	611,502,693	538,545,391
	<u>4,361,438,884</u>	<u>3,464,847,456</u>

Local revenue

Pakistan	259,822,976	388,886,546
	<u>4,621,261,860</u>	<u>3,853,734,002</u>

(Un-audited)	
September 30, 2019	10,478,562,730
June 30, 2019	10,488,346,889
	<u>10,478,562,730</u>

9.1.7 Non-current assets

Pakistan	10,478,562,730
	<u>10,478,562,730</u>

July to Sep 19	1,075,737,104
July to Sep 18	1,075,737,104
	<u>1,075,737,104</u>

September 30, 2019	10,478,562,730
June 30, 2019	10,488,346,889
	<u>10,478,562,730</u>

10 Corresponding figures

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

11 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on October 28, 2019.

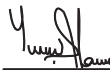
12 General

Figures have been rounded off to the nearest rupee.

Lahore



Chief Executive Officer



Director



Chief Financial Officer



AZGARD-9



Contact info:
Registered/Head Office:
AZGARD NINE LIMITED
Ismail Aiwan-i-Science,
Off: Shahrah-i-Roomi,
Lahore-54600, Pakistan.
Ph: +92 (0) 42 35761794-5
Fax: + 92 (0) 42 35761791
www.azgard9.com

