



AZGARD NINE LIMITED

Interim Financial Report
for the half year ended
December 31, 2017
(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
Mr. Usman Rasheed
Mr. Munir Alam
Mr. Aamer Ghias
Ms. Maliha Sarda Azam

COMPANY SECRETARY

Mr. Muhammad Awais

CHIEF FINANCIAL OFFICER

Mr. Zahid Rafiq, FCA

AUDIT COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman
Mr. Usman Rasheed
Mr. Zahid Mahmood

HR & REMUNERATION COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman
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: Shahr-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 presents the Company's Condensed Interim Financial Report for six months' period ended 31 December 2017.

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):

	Six Months ended 31 December 2017 (Rupees)	Six Months ended 31 December 2016 (Rupees)
Sales – net	7,450,821,654	5,940,360,739
Operating profit	589,054,628	337,181,308
Other income	30,822,922	30,295,605
Other expenses	-	(45,742,541)
Finance cost	(550,258,159)	(448,144,751)
Profit/(loss) before Tax	69,619,391	(126,410,379)
Loss after Tax	(1,517,627)	(185,181,524)
Loss per share	(0.00)	(0.41)

Review of business during this period and future outlook

During this six months' period the sales of the Company have increased by almost 25% as compared to the same period of the previous year. Operating profit of this six months' period is Rs. 589 million registering increase almost 75% when compared with operating profit of same period of last year. Due to better sales performance and cost curtailments by management, supported by export package announced by Government of Pakistan, the Company has been able to limit the loss of the Company to Rs. 1.5 million while there was a loss of Rs. 185 million during the same period of last year.

Considering difficulties that the Company has gone through, better performance is commendable and depicts that days of better results would be back in near future. The efforts of the management are bearing fruits and the performance of the Company is improving in these tough times.

We are grateful to our Government for continuing rebate policy during this year. We would need to see how payments from this package is received before we can feel some relief. Competition from neighbouring countries like Bangladesh and India is still resulting in Pakistani producers to reduce rates and increase quality. Moreover, due to the ongoing global slowdown, there is no real growth at the retail level in the developed economies of the West.

The Company is revamping itself by continuously working on cost cutting projects, exploring new markets and developing new products. The improved results of this period already depict that these initiatives taken by the management have worked well to date.

The Company's corporate revitalization plan is progressing. The creditors' scheme of arrangement which has been prepared by creditors has been filed in the Honourable Lahore Court for its implementation. The Company feels that subsequent to the implementation of this financial restructuring, the Company should be able to operate at sustainable levels. 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.

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Funds of Rs. 306 million due from the sale of preference shares of Agritech Limited still have not been released. We hope that these can 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 appreciates the cooperation of all the stakeholders in regards and hopes for their continued support in the future in order to continue to improve the Company's performance.

On behalf of the Board of Directors



Chief Executive Officer

Lahore
26 February 2018



Director

ڈائریکٹرز کا جائزہ

ایگزیکٹو ڈائریکٹرز (کمپنی) کے ڈائریکٹرز ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے سش ماہی مئی 31 دسمبر 2017 پیش کرتے ہیں۔

اہم سرگرمیاں

آپ کی کمپنی کی توجہ دھاگہ، ڈیٹیم کپڑا اور تیار ڈیٹیم ملبوسات کی مصنوعات کی پیداوار اور مارکیٹنگ پر مرکوز ہے۔
ایگزیکٹو ڈائریکٹرز (سٹینڈ الون) کے عملی مالیاتی نتائج درج ذیل ہیں۔

سش ماہی مئی 31 دسمبر 2016 روپے	سش ماہی مئی 31 دسمبر 2017 روپے	
5,940,360,739	7,450,821,654	فروٹنگ (Net)
337,181,308	589,054,628	آپریٹنگ منافع
30,295,605	30,822,922	دیگر کمائی
(45,742,541)	-	دیگر اخراجات
(448,144,751)	(550,258,159)	مالیاتی اخراجات
(126,410,379)	69,619,391	منافع/خسارہ قبل از ٹیکس
(185,181,524)	(1,517,627)	خسارہ بعد از ٹیکس
(0.41)	(0.00)	خسارہ فی شیئر

اس معیار کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

پچھلے سال کی سش ماہی کی سبز کے مقابلے میں اس سال کی سش ماہی کی سبز تقریباً 25 فیصد زیادہ رہی ہے۔ کمپنی کا آپریٹنگ منافع اس سش ماہی کے دوران 589 ملین روپے رہا یا اضافہ پچھلے سال کی سش ماہی کے نسبت 75 فیصد زیادہ ہے۔ کمپنی کی بہتر سبز، انتظامیہ کی اخراجات میں کمی اور حکومت پاکستان کی جانب سے میا کر دہ برآمدگی ٹیکس کی بنا پر بعد از ٹیکس پچھلے سال کی سش ماہی کے خسارہ 185 ملین روپے کے مقابلے پر 1.5 ملین روپے رہا۔ ان مشکل حالات کو مد نظر رکھتے ہوئے، کمپنی کی بہتر کارکردگی قابل تحسین ہے اور اس کے علاوہ مستقبل قریب میں بہتر نتائج کی عکاس ہے اور انتظامیہ کی کاوشیں سود مند ہیں اور ان مشکل حالات میں کمپنی کی کارکردگی میں بہتری آ رہی ہے۔

ہم اس سال کے دوران ری بیٹ پالیسی کے تسلسل کے لئے حکومت کے بہت مشکور ہیں، یہ دیکھنا ہے کہ چھوٹی ادا بینگیاں کو اس پیکج میں کیسے عمل میں لایا جاتا ہے جو کہ ہمارے لئے باعث امداد ہو۔ حریف ہمسایہ ممالک، جیسا کہ بنگلہ دیش اور بھارت، ابھی بھی پاکستانی تیار کنندہ کو اپنی ٹیکسٹائل ملبوسات کی قیمتوں میں کمی اور معیار میں بہتری پر مجبور کر رہے ہیں۔ مزید یہ کہ جاری عالمی سست روی کی وجہ سے اور مغرب کی ترقی یافتہ معیشتوں میں خوردہ سطح پر کوئی حقیقی ترقی نہ ہے۔

کمپنی اپنی بحالی کے لئے اپنے طور پر مسلسل اخراجات میں کمی لارہی ہے اور نئی منڈیوں کو تلاش کر رہی ہے اور نئی مصنوعات بھی تیار کر رہی ہے۔ اس مدت میں بہتر نتائج یہ ظاہر کرتے ہیں کہ موجودہ وقت تک انتظامیہ کی کاوشیں سود مند ثابت ہو رہی ہیں۔

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 جیسا کہ مقامی اور بین الاقوامی مارکیٹ کے حالات ہیں کے مطابق اثرات نہ ہوں تو بعد از مالیاتی تنظیم نو کمپنی 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 لمیٹڈ کے شیئرز کی فروختگی سے 306 ملین کی رقم اب تک بقایا ہے۔ یہ سرمایہ آپریشنل صلاحیت کو بڑھانے اور بہتر سطح پر لانے کیلئے استعمال کیا جائیگا۔ ہم پر امید ہیں کہ یہ سرمایہ اسی سال حاصل ہو جائے گا۔

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

جیسا کہ پچھلے مالیاتی سٹیٹمنٹس میں بیان کیا گیا ہے کہ سال 2015ء میں جمہوریہ اٹلی Vicenza کی عدالت نے پبلک پرائیکٹ ٹرکی سفارش پر Montebello S.R.L (MBL) کو بینک دیوالیہ تجویز کیا اور ٹرٹی تعینات کیا کہ وہ اس کے معاملات اور انتظام دیکھے۔ اس کو مد نظر رکھتے ہوئے کمپنی نے ایکٹیز 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 ترمظور کر لئے۔ اس طرح کل 7,893,794.48 یورو کے دعویٰ جات کو تسلیم کر لیا گیا۔ ترمجی دعویٰ جات کی ویلیو 3,929,380.36 ہے اور غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کی ویلیو 3,964,414.12 یورو ہے۔ قانون کے مطابق ترمجی دعویٰ جات کو پہلے ادائیگی ہوگی اور پھر غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کو ادائیگی ہوگی۔ MBL کی مادری کمپنی کی حیثیت سے اصل رقم 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 کمپنی ترمجی 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 کمپنی 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 کی حمایت پر ان کا شکریہ ادا کرتا ہے۔ اور ان کی جانب سے مستقل میں 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 الہدیٰ
ڈائریکٹر

چیف ایگزیکٹو آفیسر

لاہور
26 فروری 2018ء

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Azgard Nine Limited (the Company) as at December 31, 2017, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts, for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

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

Basis for Qualified Conclusion:

- a) as stated in note 2.5 to the interim financial information, the Company could not make timely repayments of principal and interest / mark-up related to certain long term debts with unconditional right to call the loan in case of default in repayment and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard: Presentation of Financial Statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current. In this interim financial information these long term debts aggregating to Rs. 644.16 million have been classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 644.16 million as at the reporting date;
- b) the Company has investment in Term Finance Certificates ("TFC") of Agritech Limited ("AGL"). As per the latest available financial statements of AGL, its equity has completely eroded. Further, the Company has not received due amount of principal and mark-up since October 2012, against which aggregate impairment loss amounting to Rs. 66.39 million has been recorded in this interim financial information. Accordingly, the carrying value of the Company's investment in TFCs of AGL as at December 31, 2017, amounting to Rs. 231.86 million and the related mark-up thereon amounting to Rs. 68.31 million as appearing in notes 8.1 and 9 respectively of this interim financial information also appear doubtful of recovery. We were unable to determine the extent to which the amounts are likely to be recovered, if any, and time frame over which such recovery will be made;
- c) as stated in note 10 to the interim financial information, the Company has investment in preference shares ("shares") of AGL, with cost of Rs. 5.25 per share, designated as available for sale, and National Bank of Pakistan has agreed to repurchase these shares at Rs. 5.25 per share at a future date and subject to conditions as defined in the put option agreement. As per the latest available financial statements of AGL, it is in financial difficulties, is not able to timely service its long term debt and its equity has completely eroded. International

Accounting Standard Financial Instruments: Recognition and Measurement (IAS-39) requires the investments classified as available for sale to be re-measured, at market rate prevailing as at the balance sheet date, with a resultant gain or loss to be recognized in other comprehensive income and to account for the derivative at fair value. However, the Company has not complied with the requirements of IAS-39 and has measured the investment and the derivative at the option price. We were unable to determine the respective fair values of the investment in preference shares and the derivative by alternative means, and consequently were unable to determine the amount of adjustments required;

- d) as stated in note 8.2.1 to the interim financial information that on December 18, 2014, the Court of Vicenza, Italian Republic ("the Court") approved bankruptcy proposal of public prosecutor and appointed Trustee to manage the affairs of the wholly owned subsidiary, Montebello s.r.l. ("MBL"). The Company has recorded impairment aggregating to Rs. 2,652.03 million against its investment in MBL and Rs. 452.53 million against the trade receivables from MBL. The management has represented through its legal counsel that the MBL bankruptcy is currently in process with Italian Bankruptcy court and its appointed liquidator and accordingly the assets of MBL are being realized for satisfaction of the claims filed against MBL. In view of the absence of definite determination of the claims / recoveries expected by the Company, we are unable to satisfy ourselves as to the appropriateness of the amounts recorded and related disclosures made in the interim financial information by the Company.

Qualified Conclusion

Based on our review, except for the effects on the interim financial information of the matters from (a) to (d) described in basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2017 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter:

Notwithstanding the matters as discussed in paragraphs (a) to (d) above, we draw attention to note 2.4 to the interim financial information that during the period ended December 31, 2017, the Company has incurred loss after tax of Rs. 1.518 million and its current liabilities exceeded its current assets by Rs. 12,332 million, and its accumulated losses stood at Rs. 12,148 million. These conditions, along with other matters as set forth in the said note, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. This interim financial information has however been prepared on a going concern basis for the reasons more fully explained in note 2.4. Our conclusion is not qualified in respect of this matter.

Chartered Accountants

Deloitte Usman Khan

Engagement Partner:

Rana M. Usman Khan

Dated: 26 February 2018
Lahore

**Condensed Interim Balance Sheet
As at 31 December 2017**

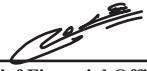
	Un-Audited 31 December 2017 Rupees	Audited 30 June 2017 Rupees
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital	15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital	4,548,718,700	4,548,718,700
Reserves	3,133,361,726	3,133,361,726
Accumulated losses	(12,148,381,085)	(12,208,141,343)
	(4,466,300,659)	(4,526,060,917)
Surplus on revaluation of fixed assets	4,692,387,890	4,753,665,775
	226,087,231	227,604,858
Non-current liabilities		
Redeemable capital - secured	4 155,501,806	199,795,928
Long term finances - secured	5 445,893,371	489,365,286
Liabilities against assets subject to finance lease - secured	10,897,125	11,944,118
Deferred liability	181,168,902	141,320,117
	793,461,204	842,425,449
Current liabilities		
Current portion of non-current liabilities	7,266,131,274	7,105,618,541
Short term borrowing	4,653,537,885	4,691,105,238
Trade and other payables	1,446,221,056	1,533,519,965
Interest / mark-up accrued on borrowings	4,549,740,730	4,220,170,414
Dividend payable	13,415,572	13,415,572
Current taxation	54,050,125	56,125,955
	17,983,096,642	17,619,955,685
Contingencies and commitments	6	18,689,985,992
	19,002,645,077	18,689,985,992
ASSETS		
Non-current assets		
Property, plant and equipments	7 13,082,869,882	13,168,499,962
Long term investments	8 231,864,928	231,864,928
Long term deposits - unsecured, considered good	37,036,295	21,606,295
	13,351,771,105	13,421,971,185
Current assets		
Stores, spares and loose tools	136,099,981	132,545,743
Stock-in-trade	2,136,085,237	1,859,013,514
Trade debts	1,047,668,177	1,240,968,769
Advances, deposits, prepayments and other receivables	9 1,872,807,276	1,570,242,442
Short term investments	10 306,022,500	306,022,500
Cash and bank balances	152,190,801	159,221,839
	5,650,873,972	5,268,014,807
	19,002,645,077	18,689,985,992

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore


Chief Executive Officer


Director


Chief Financial Officer

**Condensed Interim Profit and Loss Account (Un-Audited)
For the half year and quarter ended 31 December 2017**

	2017		2016	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
<i>Note</i>				
Sales - net	7,450,821,654	3,876,903,187	5,940,360,739	3,171,513,313
Cost of sales	(6,312,943,829)	(3,324,011,331)	(5,161,040,068)	(2,729,876,809)
Gross profit	1,137,877,825	552,891,856	779,320,671	441,636,504
Selling and distribution expenses	(304,989,890)	(147,397,629)	(231,760,473)	(122,734,194)
Administrative expenses	(243,833,307)	(125,477,911)	(210,378,890)	(96,572,178)
Profit from operations	589,054,628	280,016,316	337,181,308	222,330,132
Other income	30,822,922	26,957,326	30,295,605	6,018,519
Other expenses	-	-	(45,742,541)	(45,742,541)
Finance cost	<i>II</i> (550,258,159)	(286,590,614)	(448,144,751)	(169,511,551)
Profit / (Loss) before taxation	69,619,391	20,383,028	(126,410,379)	13,094,559
Taxation	(71,137,018)	(36,930,102)	(58,771,145)	(31,256,001)
Loss after taxation	(1,517,627)	(16,547,074)	(185,181,524)	(18,161,442)
Loss per share - basic and diluted	(0.00)	(0.04)	(0.41)	(0.04)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the half year and quarter ended 31 December 2017

	2017		2016	
	July to December Rupees	October to December Rupees	July to December Rupees	October to December Rupees
Loss after taxation	(1,517,627)	(16,547,074)	(185,181,524)	(18,161,442)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(1,517,627)	(16,547,074)	(185,181,524)	(18,161,442)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

**Condensed Interim Cash flow Statement (Un-Audited)
For the half year ended 31 December 2017**

	2017 July to December	2016 July to December
	Rupees	Rupees
Cash flows from operating activities		
Profit / (loss) before taxation	69,619,391	(126,410,379)
Interest / markup on borrowings	550,258,159	448,144,751
Gain on disposal of property, plant and equipment	(504,793)	(535,705)
Provision for doubtful debts	-	45,742,541
Interest Income	(7,661,242)	(5,698,820)
Provision for employee benefits	52,324,327	48,359,682
Depreciation	225,002,980	225,663,150
	819,419,431	761,675,599
Profit before changes in working capital	889,038,822	635,265,220
Effect of Changes in Working Capital		
Stores, spares and loose tools	(3,554,238)	(6,663,662)
Stock in trade	(277,071,723)	89,823,789
Trade debts	193,300,592	2,610,307
Advances, deposits, prepayments and other receivables	(302,564,834)	(46,873,132)
Trade and other payables	(87,298,909)	(205,560,595)
	(477,189,112)	(166,663,293)
Net cash generated from operations	411,849,710	468,601,927
Interest / markup paid	(136,609,232)	(114,548,973)
Interest received	7,661,242	5,698,820
Long term deposits	(15,430,000)	(811,600)
Employee benefits paid	(12,475,542)	(17,909,192)
Income taxes paid	(73,212,848)	(51,598,092)
Net cash generated from operating activities	181,783,330	289,432,890
Cash flows from investing activities		
Capital expenditure	(112,693,105)	(126,763,160)
Proceeds from disposal of fixed assets	825,000	656,000
Net cash used in investing activities	(111,868,105)	(126,107,160)
Cash flows from financing activities		
Liabilities against assets subject to finance lease - net	(21,329,155)	(21,740,886)
Repayment of long term finance	(16,836,588)	(16,836,588)
Short term borrowings - net	(38,780,520)	(97,061,631)
Net cash used in financing activities	(76,946,263)	(135,639,105)
Net (decrease) / increase in cash and cash equivalents	(7,031,038)	27,686,625
Cash and cash equivalents at the beginning of period	159,221,839	143,318,091
Cash and cash equivalents at the end of period	152,190,801	171,004,716

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore


 Chief Executive Officer


 Director



 Chief Financial Officer

**Statement of Changes in Equity (Un-Audited)
For the half year ended 31 December 2017**

	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Capital reserves	Available for sale financial assets	Post employment benefits obligation reserve	Revenue reserves	Total reserves	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2016 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	569,610	-	(12,199,924,175)	(9,074,704,969)	(4,525,986,269)
Total comprehensive income for the period	-	-	-	-	-	-	(185,181,524)	(185,181,524)	(185,181,524)
Loss for the period ended 31 December 2016	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period ended 31 December 2016	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period ended 31 December 2016	-	-	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	61,325,278	61,325,278	61,325,278
As at 31 December 2016 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	569,610	-	(12,323,780,421)	(9,198,561,215)	(4,649,842,515)
As at 01 July 2017 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	-	8,712,130	(12,208,141,343)	(9,074,779,617)	(4,526,060,917)
Total comprehensive income for the period	-	-	-	-	-	-	(1,517,627)	(1,517,627)	(1,517,627)
Loss for the period ended 31 December 2017	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period ended 31 December 2017	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period ended 31 December 2017	-	-	-	-	-	-	(1,517,627)	(1,517,627)	(1,517,627)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	61,277,885	61,277,885	61,277,885
As at 31 December 2017 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	-	8,712,130	(12,148,381,085)	(9,015,019,359)	(4,466,300,659)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore


Chief Executive Officer


Chief Financial Officer

**Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited)
For the half year ended 31 December 2017**

1 Status and nature of business

Azgard Nine Limited ("the Company") is incorporated in Pakistan as a public limited company and is listed on Pakistan Stock Exchange 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 Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 km off Ferozpur Road, 6 km Badian Road on Ruhi Nala, Der Khurd, Lahore.

2 Basis of preparation

2.1 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 period ended December 31, 2017.

2.2 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. The Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, the Securities and Exchange Commission of Pakistan (SECP) has notified through Circular No. 23 on October 04, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Further Institute of Chartered Accountants of Pakistan (ICAP) vide its circular 17 of 2017 has clarified that preparation of financial statements includes preparation of interim financial information for periods ending on or before December 31, 2017. Therefore this condensed interim financial information has been prepared in accordance with the requirements of repealed Companies Ordinance 1984.

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 period ended on December 31, 2016.

2.3 Standards, amendments and interpretations to published approved accounting standards

There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2018. None of these amendments are expected to have a significant effect on this condensed interim financial information of the Company except for IFRS 9: Financial Instruments, which will replace IAS 39: Financial Instruments: Recognition and Measurement of Financial assets and Financial liabilities and IFRS 15: Revenue from Contract with Customers, which will replace IAS 18: Revenue. The Securities and Exchange Commission of Pakistan (SECP) has notified that IFRS 9 and IFRS 15 would be applicable for periods beginning on or after July 01, 2018. Management is in a process of determining impact of the said standards on the future financial statements.

2.4 Going concern assumption

During the period, current liabilities exceeded its current assets by Rs. 12,332 million, including Rs. 12,274 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 12,148 million. These conditions cast a significant 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, continuation of textile package during this period and enhanced 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.

2.5 Financial liabilities

Due to factors mentioned in note 2.4 and note 13, 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 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 the event of default has not been declared by the lenders and the Company has commenced discussions with its lenders for reprofiling of its debts, the long term debts of Rs. 644.16 million have been classified as long term as per the respective repayment schedules.

	Principal net of current maturity Rupees
Redeemable capital	
Privately Placed Term Finance Certificates	108,818,728
Privately Placed Term Finance Certificates	72,400,000
	<u>181,218,728</u>
Long term finances	
Deutsche Investitions - Und MBH (Germany)	462,941,204
	<u>644,159,932</u>

3 Accounting policies and estimates

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements for the year ended June 30, 2017.

3.2 Judgments and estimates made by the management in the preparation of this 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.

16 Azgard Nine Limited

	(Un-audited) 31 December 2017	(Audited) 30 June 2017
	Rupees	Rupees
4 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Privately Placed Term Finance Certificates - IV	1,008,003,882	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	<u>217,200,000</u>	<u>217,200,000</u>
	5,948,709,569	5,965,546,157
Transaction cost	<u>(25,716,921)</u>	<u>(26,727,482)</u>
	5,922,992,648	5,938,818,675
Less: Current maturity presented under current liabilities	<u>(5,767,490,842)</u>	<u>(5,739,022,747)</u>
	155,501,806	199,795,928
5 Long term finances - secured		
Deutsche Investitions - Und MBH (Germany)	925,882,442	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	<u>43,251,155</u>	<u>43,251,155</u>
	1,769,483,850	1,687,637,499
Transaction costs	<u>(17,047,834)</u>	<u>(17,056,368)</u>
	1,752,436,016	1,670,581,131
Less: Current maturity presented under current liabilities	<u>(1,306,542,645)</u>	<u>(1,181,215,845)</u>
	<u>445,893,371</u>	<u>489,365,286</u>
6 Contingencies and commitments		
6.1 Contingencies		
There is no material change in the status of contingencies as disclosed in the financial statements for the year ended June 30, 2017.		
	(Un-audited) 31 December 2017	(Audited) 30 June 2017
	Rupees	Rupees
6.2 Commitments		
6.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	14,263,668	-
- purchase of raw material	20,292,303	18,847,920
- purchase of machinery	<u>108,373,190</u>	<u>25,709,960</u>
	<u>142,929,161</u>	<u>44,557,880</u>
6.2.2 Commitments for capital expenditure	<u>89,817,005</u>	<u>9,256,578</u>
7 Property, plant and equipment		
Operating fixed assets	7.1 12,931,161,013	12,991,109,596
Capital work in progress	151,708,869	177,390,366
	<u>13,082,869,882</u>	<u>13,168,499,962</u>

(Un-audited)	(Audited)
31 December	30 June
2017	2017

7.1 Operating fixed assets

	Rupees	Rupees
Net book value as at the beginning of the period / year	12,991,109,596	13,117,452,346
Additions during the period / year	7.1.1 165,374,604	332,271,172
Surplus on revaluation during the period / year	7.1.2 -	-
Disposals during the period / year - Net book value	(320,207)	(4,559,345)
Depreciation charged during the period / year	(225,002,980)	(454,054,577)
Net book value as at the end of the period / year	<u>12,931,161,013</u>	<u>12,991,109,596</u>

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

Building on freehold land	96,997,387	17,780,911
Plant and Machinery	48,963,112	255,295,747
Furniture, fixtures and office equipment	4,625,580	5,530,847
Vehicles	1,471,475	983,550
Tools and equipments	10,895,014	27,502,559
Electric installations	2,422,036	10,392,558
<u>Leased Assets</u>	-	14,785,000
	<u>165,374,604</u>	<u>332,271,172</u>

7.1.2 The Company follows the revaluation model for its Land and Building and Plant & Machinery. The fair value measurement of Land & Building as at December 31, 2015 was performed by Arif Evaluations, independent valuer not related to the Company. Arif Evaluations is on panel of Pakistan Banks Association as 'Any Amount' asset valuator. It is also on panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations.

The fair value measurement of Plant and Machinery as at June 30, 2014 was performed by Mericon Consultants, independent valuer not related to the Company. Mericon Consultants was on panel of Pakistan Banks Association as 'Any Amount' asset valuator. It is also on panel of State Bank of Pakistan and possesses appropriate qualification and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations.

The fair value of the assets was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property / project, condition, size, utilization, and other relevant factors.

Details of the Company's assets and information about fair value hierarchy as at December 31, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
Land	-	2,154,390,000	-	2,154,390,000
Building	-	3,001,079,319	-	3,001,079,319
Plant and Machinery	-	7,388,789,917	-	7,388,789,917
Total	-	<u>12,544,259,236</u>	-	<u>12,544,259,236</u>

There were no transfers between levels of fair value hierarchy during the period.

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:

		(Un-audited) 31 December 2017	(Audited) 30 June 2017
	<i>Note</i>	Rupees	Rupees
Investment in Agritech Limited TFC's	8.1	231,864,928	231,864,928
Investment in Montebello s.r.l	8.2	-	-
		231,864,928	231,864,928

8.1 Investment in Agritech Limited (AGL) TFC's

53,259 Term Finance Certificates of Rs. 5,000 each
(June 30, 2017: 53,259 Term Finance Certificates
of Rs. 5,000 each)

Cost	266,074,508	266,074,508
Less: impairment allowance	(34,209,580)	(34,209,580)
	231,864,928	231,864,928

These represent Term Finance Certificates ("TFCs") of Rs. 5,000 each issued by AGL and carry return at six months KIBOR plus 1.75% and are redeemable in thirteen unequal semi-annual installments starting from July 14, 2013. Since majority of TFC's are pledged as security with providers of debt finance, therefore these have been presented as long term investment.

8.2 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
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Accumulated impairment

Opening balance	(2,625,026,049)	(2,625,026,049)
Charged during the period	-	-
	(2,625,026,049)	(2,625,026,049)

- 8.2.1** As mentioned in previous financial statements of the Company, 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 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.

9 Advances, deposits, prepayments and other receivables

It includes accrued markup income related to investment in TFCs of AGL of Rs. 68.31 million (June 30, 2017: Rs.68.31 million).

10 Short term investments - available for sale

These represent investments in preference shares of AGL. These have been classified as 'available for sale' financial assets.

	(Un-audited) 31 December 2017 Rupees	(Audited) 30 June 2017 Rupees
58,290,000 fully paid Preference shares of Rs. 5.25 each		
Cost	306,022,500	306,022,500
Fair value adjustment	-	-
	<u>306,022,500</u>	<u>306,022,500</u>

This represents investment in preference shares of AGL received as part consideration against sale of ordinary shares of AGL to National Bank of Pakistan (NBP). The Company has a put option to sell these shares to NBP at the purchase price i.e. Rs. 5.25 per share.

	(Un-audited) July to December 2017 Rupees	(Un-audited) July to December 2016 Rupees
11 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term financing	204,018,185	174,978,350
Liabilities against assets subject to finance lease	851,529	1,799,282
Short term borrowings	187,232,098	191,711,607
	<u>392,101,812</u>	<u>368,489,239</u>
Amortization of transaction costs	1,019,093	59,757,291
Exchange loss / (gain) on foreign currency borrowings	83,059,518	(42,306,811)
Bank discounting and other charges	74,077,736	62,205,032
	<u>550,258,159</u>	<u>448,144,751</u>

12 Transactions and balances with related parties

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

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

12.1 Transactions with related parties - associated companies**12.1.1 Other related parties****JS Bank Limited**

Mark-up expense	12,827,740	7,025,002
Mark-up paid	10,319,867	4,440,741

JS Value Fund Limited

Mark-up expense	777,733	781,087
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Unit Trust of Pakistan

Mark-up expense	1,192,979	1,330,049
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	(Un-audited) July to December 2017 Rupees	(Un-audited) July to December 2016 Rupees
JS Large Cap Fund		
Mark-up expense	4,611,393	4,611,393
JS Global Capital Limited		
Mark-up expense	18,102,666	18,102,666
JS Principal Secure Fund		
Mark-up expense	1,856,535	1,856,535
JS Income Fund		
Mark-up expense	1,486,573	1,624,910
JS Growth Fund		
Mark-up expense	4,208,133	4,210,928
12.1.2 Key management personnel		
Short-term employee benefits	210,518,569	166,368,248
	(Un-audited) 31 December 2017 Rupees	(Audited) 30 June 2017 Rupees
12.2 Balances with related parties - associated companies		
12.2.1 Other related parties		
JS Bank Limited		
Redeemable capital - PPTFC IV	65,021,777	65,021,777
Short term borrowing	334,308,345	332,955,019
Mark-up payable	44,293,930	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	13,026,522	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	18,898,322	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

	(Un-audited) 31 December 2017 Rupees	(Audited) 30 June 2017 Rupees
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	23,815,834	22,165,378
JS Growth Fund		
Redeemable capital - TFC II	16,269,187	16,269,187
Redeemable capital - PPTFC VI	10,750,000	10,750,000
Redeemable capital - PPTFCs	64,200,000	64,200,000
Mark-up payable	32,060,783	27,510,225

12.2.2 Key Management Personnel

Short term employee benefits payable	23,301,948	20,083,937
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13 Overdue debt finances

The Company is facing liquidity shortfall due to the facts disclosed in note 2.4 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	As at 31 December 2017		
	Principal	Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable capital	5,676,881,478	1,629,425,946	7,306,307,424
Long term finances	1,769,483,850	851,109,372	2,620,593,222
Bills payable	337,503,037	287,446,708	624,949,745
Short term borrowings	474,015,216	1,691,466,968	2,165,482,184
Preference shares	148,367,250	-	148,367,250
Dividend on preference shares	-	9,413,535	9,413,535
	8,406,250,831	4,468,862,529	12,875,113,360

As mentioned in note 2.4 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.

14 Reconciliation of liabilities arising from financing activities

	Audited June 30, 2017 Rupees	Availed during the period Rupees	Repaid during the period Rupees	Foreign exchange losses- Non cash Rupees	Un-audited December 31, 2017 Rupees
Redeemable capital - secured	5,965,546,157	-	(16,836,588)	-	5,948,709,569
Long term finances - secured	1,687,637,499	-	-	81,846,351	1,769,483,850
Liabilities against assets subject to finance lease - secured	48,956,812	27,000,000	(21,329,155)	-	54,627,657
Short term borrowing	4,691,105,238	1,127,628,215	(1,166,408,735)	1,213,167	4,653,537,885
	12,393,245,706	1,154,628,215	(1,204,574,478)	83,059,518	12,426,358,961

15 Fair value of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's financial assets which are carried at fair value:

December 31, 2017				
	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
	-	231,864,928	306,022,500	537,887,428
June 30, 2017				
	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
	-	231,864,928	306,022,500	537,887,428

Level 2 debt investments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

The amount of Rs. 306 million in Level 3 represents 58,290,000 preference shares of AGL (June 30, 2017: 306 million) received as part consideration against sale of ordinary shares of AGL to NBP. The Company has a put option to sell these shares to NBP at the purchase price of Rs. 5.25, depending on certain underlying conditions being met. The Company has recognized these shares at Rs. 5.25 instead of their quoted market value.

16 Date of authorization

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on 26 February 2018.

17 General

Figures have been rounded off to the nearest rupee.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer



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