

Interim Financial Report for the half year ended
December 31, 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 six months' period ended 31 December 2019.

Principal Activities

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

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

	Six Months ended 31 December 2019 (Rupees)	Six Months ended 31 December 2018 (Rupees)
Sales – Net	10,365,453,810	9,424,382,568
Operating profit	1,050,761,163	744,964,187
Other income	63,265,874	7,395,610
Other expenses	(118,027,099)	-
Finance Cost	(583,024,786)	(673,838,419)
Profitbefore Tax	412,975,152	78,521,378
Profit/(loss) after Tax	312,625,601	(12,910,435)
Earnings/(loss) per share	0.69	(0.03)

Review of business during this period and future outlook

During this six months' period, the sales of the Company have increased by almost 10% as compared to the same period of the previous year. Garments segment has been main contributor to this increase in sales.

Operating profit of this half year is Rs. 1,050.76 million an increase of almost 41% when compared with the operating profit of same period of last year. The Company has been able to achieve before tax profit of Rs. 412.98 million as compared to profit before tax of Rs. 78.52 million during the same period of last year.

Implementation process of the scheme for Company's 2nd financial restructuring that was approved by Lahore High Court on July 31, 2019 is going on. 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.

Despite the challenges that Company is facing, the Company's overall performance is slowly and gradually improving. 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 and decisions regarding gas and electricity rates. In the meantime, the management continues its efforts for cost reductions, developing new and innovative products and trying to find and develop new markets.

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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 appreciates the cooperation, support and help of all the stakeholders. It 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



Director

Lahore

Date: February 27, 2020

ڈائریکٹرز کا جائزہ

ایزگارڈ ٹائن لمیٹڈ (کمپنی) ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے شش ماہی مئی 31 دسمبر 2019 پیش کرتے ہیں۔

اہم سرگرمیاں

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

ایزگارڈ ٹائن لمیٹڈ (شینڈ لون) کے عملی مالیاتی نتائج درج ذیل ہیں۔

شش ماہی مئی 31 دسمبر 2018 (روپے)	شش ماہی مئی 31 دسمبر 2019 (روپے)	
9,424,382,568	10,365,453,810	فروختگی (Net)
744,964,187	1,050,761,163	آپریٹنگ منافع
7,395,610	63,265,874	دیگر کمائی
-	(118,027,099)	دیگر اخراجات
(673,838,419)	(583,024,786)	مالیاتی اخراجات
78,521,378	412,975,152	منافع قبل از ٹیکس
(12,910,435)	312,625,601	منافع / خسارہ بعد از ٹیکس
(0.03)	0.69	منافع / خسارہ فی شیئر

اس معیار کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

اس شش ماہی کے دوران کمپنی کی سیلز میں پچھلے سال کی اسی مدت کی نسبت تقریباً 10 فیصد کا اضافہ ہوا ہے۔ گارمنٹس کا شعبہ اس سیلز میں اضافہ کی بڑی وجہ ہے۔

آپریٹنگ منافع اس شش ماہی کا 1,050.76 ملین روپے ہے جو کہ پچھلے سال اسی شش ماہی کی نسبت تقریباً 41 فیصد زیادہ ہے۔ کمپنی قبل از ٹیکس منافع 412.98 ملین روپے حاصل کرنے میں کامیاب رہی، جبکہ پچھلے سال کی اسی شش ماہی کے دوران قبل از ٹیکس منافع 78.52 ملین روپے تھا۔

کمپنی کی دوسری مالیاتی تنظیم نولا ہور ہائیڈرو نے 31 جولائی 2019 کو منظور کر لیا ہے۔ اب اس مالیاتی تنظیم نو کو لاگو 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 از 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۔

چیلنجوں کے باوجود، جس کا سامنا کمپنی کو ہے، کمپنی کی مجموعی کارکردگی آہستہ آہستہ بہتر ہو رہی ہے۔ کمپنی کی انتظامیہ بعد از مالیاتی تنظیم نو، کمپنی کے معاملات میں بہتری کے لئے محتاط طور پر امید ہے۔۔۔ یقیناً بہت کچھ اس شعبے کی طرف حکومتی پالیسیوں پر منحصر ہے جس میں بروقت واجب الادا رقم کی واپسی اور گیس

اور بجلی کے نرخوں سے متعلق فیصلے شامل ہیں۔ 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 سٹیٹمنٹس سال 30 جون 2019 میں بیان کیا گیا ہے کہ کمپنی نے دعویٰ کی نوعیت کے تعین 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 سٹیٹمنٹس سال 30 جون 2019 میں بیان کیا گیا ہے کہ انتظامیہ نے نتیجہ اخذ کیا کہ کمپنی MBL کے معاملات پر کنٹرول کھوجی ہے، کمپنی کی مالیاتی سٹیٹمنٹس MBL کیساتھ یکجا نہیں کی جاسکتی۔

بورڈ اس مشکل وقت میں اپنے تمام شراکت داروں کے تعاون کا شکریہ ادا 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

27 فروری 2020ء



Deloitte Yousof Adil
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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AZGARD NINE LIMITED

Report on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Azgard Nine Limited** (the Company) as at December 31, 2019, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three-month period ended December 31, 2019 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in note 9.1 to these interim financial statements, 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 courts. 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 these interim financial statements by the Company.

Qualified Conclusion

Based on our review, except for the effects on these interim financial statements of the matter described in basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at December 31, 2019 and for the half year then ended, are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

Notwithstanding the matters as discussed in basis for qualified conclusion paragraph above, we draw attention to note 2.3 to these interim financial statements that during the period ended December 31, 2019, current liabilities of the Company exceeded its current assets by Rs. 8,419.89 million, and its accumulated losses stood at Rs. 11,104.29 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. These interim financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.3 to these interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Rana M. Usman Khan.

Deloitte Yousuf Adil

Chartered Accountants

Lahore

Date: February 27, 2020

Condensed Interim Statement of Financial Position

As at December 31, 2019

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
Note	Rupees	Rupees
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital	15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital	4,548,718,700	4,548,718,700
Reserves	3,135,487,572	3,135,487,572
Surplus on revaluation of fixed assets	4,796,269,184	4,849,769,249
Accumulated losses	(11,104,296,111)	(11,470,421,777)
	1,376,179,345	1,063,553,744
Non-current liabilities		
Redeemable capital - secured	5	-
Long term finances - secured	6	-
Lease liabilities	8,782,271	7,568,143
Deferred liability	408,305,646	343,664,154
	417,087,917	351,232,297
Current liabilities		
Current portion of non-current liabilities	8,048,396,436	8,170,826,909
Short term borrowings	5,184,324,936	5,647,437,315
Trade and other payables	1,818,268,869	1,732,596,807
Contract liabilities	40,795,383	43,666,216
Interest / mark-up accrued on borrowings	6,090,239,691	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
Provision for taxation	16,418,642	31,594,839
	21,211,621,397	21,271,700,205
Contingencies and commitments	7	-
	23,004,888,659	22,686,486,246
ASSETS		
Non-current assets		
Property, plant and equipments	8	10,162,876,281
Long term investments	9	12,608,052
Long term deposits and receivables	37,673,846	88,817,246
	10,213,158,179	10,488,346,889
Current assets		
Stores, spares and loose tools	120,230,050	130,500,130
Stock-in-trade	3,015,196,020	2,755,896,078
Trade debts	2,541,653,427	3,217,169,884
Advances, deposits, prepayments and other receivables	10	3,145,400,507
Short term investments	11	139,993,989
Receivable from National Bank of Pakistan (NBP)	12	306,022,500
Cash and bank balances	333,183,166	447,992,814
	9,601,679,659	9,008,088,536
Non-Current assets held for sale	3,190,050,821	3,190,050,821
	23,004,888,659	22,686,486,246

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-audited)
For the half year and quarter ended December 31, 2019

	2019		2018	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
Sales - net	10,365,453,810	5,642,692,136	9,424,382,568	5,454,016,438
Cost of sales	(8,526,028,755)	(4,609,855,065)	(7,971,566,727)	(4,624,079,126)
Gross profit	1,839,425,055	1,032,837,071	1,452,815,841	829,937,312
Selling and distribution expenses	(493,909,203)	(269,147,825)	(459,744,056)	(264,178,629)
Administrative expenses	(294,754,689)	(152,638,046)	(248,107,598)	(122,206,359)
Profit from operations	1,050,761,163	611,051,200	744,964,187	443,552,324
Other income	63,265,874	28,433,894	7,395,610	3,831,806
Other expenses	(23,325,208)	(23,325,208)	-	-
Impairment loss on financial asset	(94,701,891)	(94,701,891)	-	-
Finance cost	13 (583,024,786)	(285,539,210)	(673,838,419)	(397,618,848)
Profit before taxation	412,975,152	235,918,785	78,521,378	49,765,282
Taxation	(100,349,551)	(54,136,931)	(91,431,813)	(52,901,043)
Profit / (Loss) after taxation	312,625,601	181,781,854	(12,910,435)	(3,135,761)
Profit / (Loss) per share - basic and diluted	0.69	0.40	(0.03)	(0.01)

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)***For the half year and quarter ended December 31, 2019***

	2019		2018	
	July to	October to	July to	October to
	December	December	December	December
	Rupees	Rupees	Rupees	Rupees
Profit / (Loss) after taxation	312,625,601	181,781,854	(12,910,435)	(3,135,761)
<i>Other comprehensive (loss) / income for the period:</i>	-	-	-	-
Total comprehensive income / (loss) for the period	312,625,601	181,781,854	(12,910,435)	(3,135,761)

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Lahore



 Chief Executive Officer



 Director



 Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)**For the half year ended December 31, 2019**

	2019 July to December Rupees	2018 July to December Rupees
Cash flows from operating activities		
Profit before taxation	412,975,152	78,521,378
Adjustments for non-cash items:		
Finance cost on borrowings	583,024,786	673,838,419
Gain on disposal of property, plant and equipment	(219,138)	(99,014)
Provision for employee benefits	84,184,795	67,508,766
Depreciation	187,631,726	228,563,717
	854,622,169	969,811,888
Profit before changes in working capital	1,267,597,321	1,048,333,266
Effect of Changes in Working Capital		
Stores, spares and loose tools	10,270,080	14,159,783
Stock-in-trade	(259,299,942)	(410,502,345)
Trade debts	675,516,457	(890,685,009)
Advances, deposits, prepayments and other receivables	(915,630,490)	(188,583,783)
Trade and other payables	82,801,229	227,303,143
	(406,342,666)	(1,248,308,211)
Net cash generated from / (used in) operations	861,254,655	(199,974,945)
Payments for:		
Finance cost	(239,025,099)	(177,013,022)
Employee benefits	(19,543,303)	(9,291,931)
Income taxes	(115,525,748)	(81,566,567)
	(374,094,150)	(267,871,520)
Net cash generated from / (used in) operating activities	487,160,505	(467,846,465)
Cash flows from investing activities		
Capital expenditure	(180,662,535)	(109,770,017)
Long term deposits	51,143,400	-
Proceeds from disposal of fixed assets	264,780	170,670
Net cash (used in) investing activities	(129,254,355)	(109,599,347)
Cash flows from financing activities		
Lease Liabilities paid	(1,185,125)	(36,851,160)
Repayment of long term finance	(8,418,294)	(16,836,643)
Short term borrowings - net	(463,112,379)	643,523,357
Dividend paid	-	(18,583)
Net cash (used in) / generated from financing activities	(472,715,798)	589,816,971
Net (decrease) / increase in cash and cash equivalents	(114,809,648)	12,371,159
Cash and cash equivalents at the beginning of period	447,992,814	142,395,327
Cash and cash equivalents at the end of period	333,183,166	154,766,486

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

**Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended December 31, 2019**

	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Capital reserves	Post employment benefits obligation reserve	Surplus on revaluation of fixed asset	Revenue reserves	Total reserves	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at July 01, 2018 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,630,687,703	(11,888,540,649)	(4,119,983,873)	428,734,827
Total comprehensive income for the period	-	-	-	-	-	-	(12,910,435)	(12,910,435)	(12,910,435)
Loss for the half year ended December 31, 2018	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the period ended December 31, 2018	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period ended December 31, 2018	-	-	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of operating fixed assets	-	-	-	-	-	(61,277,879)	61,277,879	-	-
As at December 31, 2018 - Un-audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,569,409,824	(11,840,173,205)	(4,132,894,308)	415,824,392
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)	1,063,555,744
Total comprehensive income for the period	-	-	-	-	-	-	312,625,601	312,625,601	312,625,601
Profit for the half year ended December 31, 2019	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period ended December 31, 2019	-	-	-	-	-	-	-	-	-
Total comprehensive profit for the period ended December 31, 2019	-	-	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of operating fixed assets	-	-	-	-	-	(53,500,065)	53,500,065	-	-
As at December 31, 2019 - Un-audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	10,837,976	4,796,269,184	(11,104,296,111)	(3,172,539,355)	1,376,179,345

The annexed notes 1 to 19 form an integral part of these interim financial statements.



Lahore
Chief Executive Officer



Chief Financial Officer

**Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited)
For the half year ended December 31, 2019**

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 four units with Unit I located at 2.5 km off Manga, Raiwind 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 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.

These condensed interim financial statements do 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 statements for the half year and quarter ended on December 31, 2018.

These condensed interim financial statements are being submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

2.2 Separate financial statements

These condensed interim financial statements are the separate financial statements of the Company. Consolidated condensed interim financial statements of the Company are 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 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.

2.3 Going concern assumption

During the period, current liabilities of the Company have exceeded its current assets by Rs. 8,419.89 million, financial liabilities include Rs. 14,769.52 million relating to overdue principal and mark-up thereon, and the accumulated loss stood at Rs. 11,104.29 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 January 31, 2019, which has been approved by LHC vide its order dated July 31, 2019 and is currently in implementation phase.

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 Changes in accounting standards

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these condensed interim financial statements except the following:

3.1 Impact of IFRS 16 - 'Leases'

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC-15, 'Operating Leases-Incentive', and SIC-27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a 'right of use' asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments.

Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

IFRS-16 Leases was issued by the IASB on January 13, 2016 and is effective for periods beginning on or after January 01, 2019, with earlier adoption permitted. The Company has adopted IFRS 16 from July 01, 2019. The Company has assessed that there is no impact of IFRS 16 on the Company's financial statements except nomenclature change which is summarized below:

Previously used nomenclature	Current nomenclature	Amount as per IAS 17	Amount as per IFRS 16
Assets subject to finance lease	Right of use assets	10,521,060	10,521,060
Liabilities against assets subject to finance lease	Lease liabilities	8,782,271	8,782,271

4 Accounting Policies and Estimates

4.1 The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2019 except for those mentioned in note 3.1.

4.2

Judgments and estimates made by the management in the preparation of the condensed interim financial statements are the same as those applied in preparation of annual audited financial statements of the Company for the year ended June 30, 2019.

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Rupees	Rupees
5 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Privately Placed Term Finance Certificates - IV	949,075,824	957,494,118
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
	5,889,781,511	5,898,199,805
Transaction cost	(45,679,310)	(26,735,194)
	5,844,102,201	5,871,464,611
Less: Current maturity presented under current liabilities	(5,844,102,201)	(5,871,464,611)
	-	-
	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Rupees	Rupees
6 Long term finances		
Deutsche Investitions - Und MBH (Germany)	1,222,777,441	1,313,686,607
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
	2,066,378,849	2,157,288,015
Transaction costs	(13,184,632)	(8,593,908)
	2,053,194,217	2,148,694,107
Less: Current maturity presented under current liabilities	(2,053,194,217)	(2,148,694,107)
	-	-

7 Contingencies and commitments**7.1 Contingencies**

There is no material change in the status of contingencies as disclosed in the financial statements for the year ended June 30, 2019.

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Rupees	Rupees
7.2 Commitments		
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of raw material	35,719,170	50,110,319
- purchase of machinery	7,523,694	-
- purchase of stores, spares and loose tools	34,972,389	-
	<u>78,215,253</u>	<u>50,110,319</u>
7.2.2 Commitments for capital expenditure	<u>70,908,187</u>	<u>11,023,230</u>

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Rupees	Rupees
8 Property, plant and equipment		
Operating fixed assets	10,050,127,552	10,078,765,729
Capital work in progress	112,748,729	88,898,986
	<u>10,162,876,281</u>	<u>10,167,664,715</u>
8.1 Operating fixed assets		
Net book value as at the beginning of the period / year	10,078,765,728	13,163,865,121
Additions during the period / year	159,039,193	262,103,622
Revaluation Surplus	-	302,830,475
Disposals during the period / year - Net book value	(45,643)	(71,656)
Assets classified as held for sale	-	(3,190,050,821)
Depreciation charged during the period / year	(187,631,726)	(459,911,013)
Net book value as at the end of the period / year	<u>10,050,127,552</u>	<u>10,078,765,728</u>
8.1.1 Additions- cost		
<u>Assets owned by the Company</u>		
Building	8,960,975	-
Plant and Machinery	97,047,909	247,610,968
Furniture, fixtures and office equipment	13,798,610	3,652,350
Vehicles	1,010,565	1,145,840
Tools and equipments	22,862,932	5,755,006
Electric installations	12,575,202	3,939,458
<u>Right of use asset</u>	<u>2,783,000</u>	-
	<u>159,039,193</u>	<u>262,103,622</u>

8.1.2 It includes right of use asset amounting to Rs. 10.52 million (June 30, 2019: 8.75 million).

9. Long term investments

These represent investments in equity and debt securities, classified as fair value through other comprehensive income financial assets. Particulars of investments are as follows:

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	<i>Note</i>	Rupees	Rupees
Investment in Montebello s.r.l. ("MBL")	9.1	-	-
Investment in Agritech Limited TFC's	9.2	12,608,052	231,864,928
		12,608,052	231,864,928

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

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

Cost	9.1.1	2,625,026,049	2,625,026,049
Accumulated impairment		(2,625,026,049)	(2,625,026,049)
		-	-

9.1.1 As disclosed in the note 2.2, the management, based on advice from the Company's legal counsel, has determined that the MBL has ceased to be a subsidiary of the Company.

MBL has gone into liquidation process and the Court of Vicenza has appointed a trustee to manage the affairs of MBL. During the bankruptcy proceedings, 48 parties filed their claims 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 with the law, priority claims would be paid first and then unsecured and subordinated claims will be paid. The Company's claim aggregating to Euro 3,835,344 has been accepted on account of principal and interest as subordinate claim due to the 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 subordinate claim. The Court has appointed an expert to decide whether claim of the Company should be accepted as unsecured claim or subordinate. The expert has given his opinion that claim of the Company should be subordinated. The Company questioned the decision of expert in the Court and lodged its defense regarding the classification of its claim. On 15 July 2019, the Court rejected the defense of the Company and has upheld the decision of expert. The Company has filed appeal in Italian Supreme Court.

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	<i>Note</i>	Rupees	Rupees
9.2 Other investments - unquoted			
<u>Agritech Limited</u>			
25,237 (2019 : 53,259) Term Finance Certificates of Rs. 5,000 each		126,080,519	266,074,508
Less: impairment allowance		(113,472,467)	(34,209,580)
	9.2.1	12,608,052	231,864,928

9.2.1 These represent Term Finance Certificates ("TFCs") 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 TFCs are pledged as security with providers of debt finance, therefore these have been presented as long term investment. During the current period, the Company has recognized an impairment loss of Rs. 79.26 million as per the Expected Credit Loss model of IFRS 9 - 'Financial Instruments'.

These are secured by charge over property, plant and equipment of AGL.

10 Advances, deposits, prepayments and other receivables

It includes accrued mark-up income related to investment in TFCs of AGL of Rs. 52.87 million (June 30, 2019: Rs.68.31 million).

		(Un-audited)	(Audited)
		December 31,	June 30,
		2019	2019
	<i>Note</i>	Rupees	Rupees
11 Short term investments			
28,022 Term Finance Certificates (Rs. 5,000 each) of Agritech Limited	11.1	139,993,989	-
58,290,000 fully paid Preference Shares (Rs. 5.25 each) of Agritech Limited	11.2	-	306,022,500
		<u>139,993,989</u>	<u>306,022,500</u>

11.1 During the current period, the Company's creditors' scheme of arrangement for restructuring of liabilities have been approved and its implementation is in process. 28,022 TFCs amounting to Rs. 139.99 million are due to be settled with the lenders and these TFCs have been classified as short term investments.

11.2 This represents investment in preference shares of Agritech Limited received as part consideration against sale of ordinary shares of Agritech Limited to National Bank of Pakistan.

		(Un-audited)	(Audited)
		December 31,	June 30,
		2019	2019
	<i>Note</i>	Rupees	Rupees
12 Receivable from National Bank of Pakistan (NBP)			
Against put option agreement for repurchase of preference shares of Agritech Limited	12.1	<u>306,022,500</u>	-

12.1 This represents receivable from The National Bank of Pakistan ("NBP") against a put option exercised by the Company under an agreement, dated June 25, 2014, for the repurchase of preference shares of Agritech Limited.

Under the agreement 58.29 million preference shares of Agritech Limited were transferred to the Company as security by NBP to be repurchased at an agreed price of Rs. 5.25 per share upon exercise of put option by the Company. As the Company has exercised the put option as stipulated in the agreement which has been duly acknowledged / accepted by NBP. The Company has derecognized its investment in preference shares of Agritech Limited and has recognised a receivable from NBP aggregating to Rs. 306.02 million.

	(Un-audited) July to December 2019	(Un-audited) July to December 2018
	Rupees	Rupees
13 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term financing	290,524,681	248,678,496
Liabilities against assets subject to finance lease	604,681	489,384
Short term borrowings	235,979,491	195,802,646
	527,108,853	444,970,526
Amortization of transaction costs	5,956,252	9,944,632
Foreign exchange (gain) / loss on foreign currency borrowings	(90,909,165)	123,155,924
Bank discountings and other charges	140,868,846	95,767,337
	583,024,786	673,838,419

14 Transactions and balances with related parties.

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

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 to December 2019	(Un-audited) July to December 2018
	Rupees	Rupees
14.1 Transactions with related parties		
14.1.1 Key management personnel		
Short-term employee benefits	184,916,906	155,822,215
	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Rupees	Rupees
14.2 Balances with related parties		
14.2.1 Key management personnel		
Short-term employee benefits payable	20,522,707	16,635,125

15 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 December 31, 2019		
	Principal	Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	5,799,172,148	2,216,688,119	8,015,860,268
Long Term Finances	2,066,378,850	1,229,968,793	3,296,347,643
Bills Payable	337,503,037	316,991,683	654,494,720
Short term Borrowings	474,015,216	2,171,023,491	2,645,038,707
Preference Shares	148,367,250	9,413,535	157,780,785
	8,825,436,501	5,944,085,622	14,769,522,123
	As at June 30, 2019		
	Principal	Interest / mark-up	Total
	Rupees	Rupees	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
Bills Payable	337,503,037	290,339,100	627,842,137
Short term Borrowings	474,015,216	2,029,402,870	2,503,418,086
Preference Shares	148,367,255	9,413,535	157,780,790
	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 progress. Petition of the creditors for the restructuring of the overdue principal as well as interest / mark-up accrued has been approved by LHC which is currently in implementation phase.

16 Segment information

16.1 Information about reportable segments

	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	Dec-19 Rupees	Dec-18 Rupees	Dec-19 Rupees	Dec-18 Rupees	Dec-19 Rupees	Dec-18 Rupees	Dec-19 Rupees	Dec-18 Rupees	Dec-19 Rupees	Dec-18 Rupees
16.1.1 Segment revenues and results										
Revenue										
External revenues	985,330,846	1,074,373,302	3,379,688,243	3,275,568,292	6,000,434,721	5,074,440,374	-	-	10,365,453,810	9,424,382,568
Inter-segment revenues	294,477,626	155,455,714	1,770,536,266	1,470,531,903	7,698,188	4,660,301	(2,072,712,740)	(1,630,648,118)	-	-
Reportable segment revenue	1,279,808,472	1,229,829,016	5,150,225,169	4,746,100,195	6,008,132,909	5,079,101,475	(2,072,712,740)	(1,630,648,118)	10,365,453,810	9,424,382,568
Cost of sales										
- inter-segment	(294,477,626)	(155,455,714)	(1,770,536,266)	(1,470,531,903)	(7,698,188)	(4,660,301)	2,072,712,740	1,630,648,118	-	-
- external	(901,207,383)	(952,507,810)	(2,566,535,478)	(2,714,687,862)	(5,058,285,894)	(4,264,371,055)	-	-	(8,526,028,755)	(7,971,566,727)
(1,195,685,009)	(1,147,963,524)	(4,337,072,405)	(4,185,219,765)	(5,065,984,082)	(5,065,984,082)	(4,269,031,556)	2,072,712,740	1,630,648,118	(8,526,028,755)	(7,971,566,727)
Gross profit	84,123,463	81,865,492	813,152,765	560,880,430	942,148,827	810,069,919	-	-	1,839,425,055	1,452,815,841
Selling and distribution expenses	(19,476,988)	(16,504,271)	(170,264,398)	(167,931,892)	(304,167,817)	(275,307,893)	-	-	(493,909,203)	(493,744,056)
Administrative expenses	(52,324,868)	(44,381,942)	(122,596,698)	(89,695,219)	(119,833,763)	(114,030,437)	-	-	(294,754,689)	(248,107,598)
(71,801,856)	(60,886,213)	(292,860,456)	(257,627,111)	(424,001,580)	(389,338,330)	-	-	-	(788,663,892)	(707,851,654)
Segment results	12,321,607	20,979,279	520,292,309	303,253,319	518,147,247	420,731,589	-	-	1,050,761,163	744,964,187
Other income	-	-	-	-	-	-	-	-	63,265,874	7,395,610
Other expenses	-	-	-	-	-	-	-	-	(23,325,208)	-
Impairment loss on financial asset	-	-	-	-	-	-	-	-	(94,701,891)	-
Finance cost	-	-	-	-	-	-	-	-	(583,024,786)	(673,838,419)
Taxation	-	-	-	-	-	-	-	-	(100,349,551)	(91,431,813)
Profit after taxation	-	-	-	-	-	-	-	-	312,625,601	(12,910,435)

16.1.2 Inter-segment sales and purchases

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

16.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19	Dec-19	Jun-19
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
16.1.4 Assets										
Total assets for reportable segments	4,238,164,846	4,761,899,330	9,027,833,102	9,198,182,947	8,798,266,571	7,705,319,195	(541,382,287)	(554,079,771)	21,522,882,232	21,111,321,701
Property, plant and equipment - common	-	-	-	-	-	-	-	-	1,023,381,886	1,037,277,117
Long term investments	-	-	-	-	-	-	-	-	12,608,052	231,864,928
Receivable from National Bank of Pakistan	-	-	-	-	-	-	-	-	306,022,500	-
Short term investments	-	-	-	-	-	-	-	-	139,993,989	306,022,500
	4,238,164,846	4,761,899,330	9,027,833,102	9,198,182,947	8,798,266,571	7,705,319,195	(541,382,287)	(554,079,771)	23,004,888,659	22,866,486,246
16.1.5 Liabilities										
Total liabilities for reportable segments	481,742,294	387,510,160	975,045,992	969,264,571	1,365,141,337	1,330,409,697	(541,382,287)	(554,079,771)	2,280,547,336	2,133,104,656
Corporate liabilities - common	-	-	-	-	-	-	-	-	19,348,161,978	19,489,827,846
	481,742,294	387,510,160	975,045,992	969,264,571	1,365,141,337	1,330,409,697	(541,382,287)	(554,079,771)	21,628,709,314	21,622,932,502

16.1.6 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	July to December	
	2019	2018
Rupees	Rupees	Rupees
Foreign revenue		
Asia	805,447,604	1,625,123,692
Europe	7,157,847,255	5,421,227,444
North America	-	36,084,469
Africa	4,850,071	6,883,980
Other countries	1,499,328,167	1,263,551,313
	9,467,473,097	8,352,880,898
Local revenue		
Pakistan	570,027,929	809,103,657
	10,037,501,026	9,161,984,555
(Un-audited)		
December 31		(Audited)
2019		Jun 30,
Rupees		2019
	10,213,158,179	10,488,346,889

16.1.7 Non-current assets

Pakistan

17 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, 2019			
	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
- Long term investment	-	12,608,052	-	12,608,052
- Short term investment	-	139,993,989	-	139,993,989
	-	152,602,041	-	152,602,041
	June 30, 2019			
	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
- Long term investment	-	231,864,928	-	231,864,928
- Short term investment	-	-	306,022,500	306,022,500
	-	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.

18 Date of authorization

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on February 27, 2020.

19 General

Figures have been rounded off to the nearest rupee.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer



AZGARD-9



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