



**AZGARD NINE LIMITED**

Interim Financial Report  
for the quarter ended  
**September 30, 2017**  
(Un-audited)

## Contents

Company Information	2
Director's Review - English	3
Director's Review - Urdu	5
Condensed Interim Balance Sheet	7
Condensed Interim Profit and Loss Account	8
Condensed Interim Statement of Comprehensive Income	9
Condensed Interim Cash Flow Statement	10
Condensed Interim Statement of Changes in Equity	11
Condensed Interim Notes to the Financial Information	12

2 | Azgard Nine Limited

## 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  
Mr. Saghir Ahmad

### 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

### PROJECT LOCATIONS

Textile & Apparel

### REGISTERED OFFICE

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

### BANKERS

#### Relationship with conventional side

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

#### Relationship with Islamic window operations

Al Baraka Bank Pakistan Limited

### 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](http://www.azgard9.com)

### E-MAIL

[info@azgard9.com](mailto:info@azgard9.com)

## **Directors' Review**

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Condensed Interim Financial Report for the quarter ended September 30, 2017.

### **Principal Activities**

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

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

	<b>Quarter ended September 30, 2017 (Rupees)</b>	<b>Quarter ended September 30, 2016 (Rupees)</b>
Sales – net	3,573,918,467	2,768,847,426
Operating profit	309,038,312	114,851,176
Finance cost	(263,667,545)	(278,633,200)
Profit / (loss) before tax	49,236,363	(139,504,938)
Profit / (loss) after tax	15,029,447	(167,020,082)
Earnings / (loss) per share	0.03	(0.37)

### **Review of business during this period and future outlook**

During this first quarter, sales of the Company has increased by 29% as compared to same quarter of last year. Operating profit of this quarter is Rs. 309 million registering increase almost 2.7 times when compared with operating profit of same quarter 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 achieved after tax profit of Rs. 15 million while there was a loss of Rs. 167 million during the same quarter of last year. This is a big achievement and is the first net profit after tax for the Company since many periods.

The Company's 2<sup>nd</sup> financial restructuring is progressing well. After getting all the required consents, the scheme should then be filed in the High Court. As a result of this financial restructuring, 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.

Funds of Rs. 306.022 million due from sale of preference shares of Agritech Limited still have not been released. We hope that these can be released during the coming year.

The management is constantly working on reducing cost, developing innovative new products and developing new markets in order to compete in these very challenging conditions. A slow and gradual refurbishment and upgrade of some of the plant and machinery is ongoing. These new investments should help to farther increase efficiencies and reduce costs.

4 | Azgard Nine Limited

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

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. 452.529 million during year ended 30 June 2015.

During the proceeding of this bankruptcy, 48 parties filed their claim with The Court of Vicenza and all have been accepted by the Court. Total claims of Euro 7,893,794.48 have been accepted. 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 a subordinate claim. The Company has been advised by its legal counsel that, by law in Italy the company cannot be a priority claimant as it is the parent company 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. Recently the Court has appointed an expert to decide whether the claim of the Company should be accepted as unsecured claim or subordinate. The decision of this expert is now awaited.

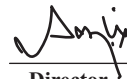
The board appreciates the cooperation of all the stakeholders in regards and hopes for their continued support in the future in order to continue to improve the Company's performance and bring it back into good health.

**On behalf of the Board of Directors**



Chief Executive Officer

Date: November 27, 2017



Director

## ڈائریکٹرز کا جائزہ

ایگزیکٹو ڈائریکٹرز (کمپنی) ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے سہ ماہی ختمہ 30 ستمبر 2017 پیش کرتے ہیں۔

### اہم سرگرمیاں

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

سہ ماہی ختمہ 30 ستمبر 2016 روپے	سہ ماہی ختمہ 30 ستمبر 2017 روپے	
2,768,847,426	3,573,918,467	فروختگی (Net)
114,851,176	309,038,312	آپریٹنگ منافع
(278,633,200)	(263,667,545)	مالیاتی اخراجات
(139,504,938)	49,236,363	منافع/خسارہ قبل از ٹیکس
(167,020,082)	15,029,447	منافع/خسارہ بعد از ٹیکس
(0.37)	0.03	منافع/خسارہ فی شیئر

### اس معیار کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

اس پہلی سہ ماہی کے دوران، پچھلے سال کی سیلز کے مقابلے میں اس سال کی سہ ماہی کی سیلز 29 فیصد زیادہ رہی ہے۔ پچھلے سال کی اسی سہ ماہی کے مقابلے میں اس سہ ماہی کا آپریٹنگ منافع 2.9 گنا اضافہ کے ساتھ 309 ملین روپے رہا۔ بہتر سیلز، انتظامیہ کی اخراجات میں کمی اور حکومت پاکستان کے برآمدگی ٹیکس کی وجہ سے کمپنی کا منافع بعد از ٹیکس 15 ملین روپے ہے، جبکہ پچھلے سال کی اسی سہ ماہی کے دوران 167 ملین روپے کا خسارہ تھا۔ کافی عرصہ کے بعد منافع بہت بڑی کامیابی ہے۔

کمپنی کی دوسری مالیاتی تنظیم نو میں بہتر پیش رفت ہوئی ہے۔ قرض دہندگان کی اجازت کے بعد اس مالیاتی تنظیم نو کو کوہاٹی کورٹ میں اجازت کے لئے جمع کروا دیا جائے گا۔ اس مالیاتی تنظیم نو کے ذریعہ پرنسپل اور متعلقہ مارک اپ کے ایک بڑے حصے کا ادائیگی/تصفیہ مختلف اثاثوں کو فروخت اور کمپنی کے رائٹ ایٹو (بعد از مطلوبہ اجازت اور ریویو لیسری اجازت نامہ) کر کے کیا جائے گا۔ بعد از مالیاتی تنظیم نو کمپنی توقع رکھتی ہے کہ اس کی حالت بہتر ہو جائے گی اور وہ اپنے قرضے اور مارک اپ دینے کے قابل ہو جائے گی۔

Agritech لمیٹڈ کے ترجیحی حصص 306.022 ملین کی فروخت باقی ہے کمپنی اس کا فی الحال انتظار کر رہی ہے اور یہ امید ہے کہ یہ تمام فنڈز آنے والے سال میں مل جائیں گے۔

انتظامیہ کی مسلسل خرچوں میں کمی کر رہی ہے، نئی قسم کی مصنوعات بنانے اور نئی منڈیاں تلاش کر رہی ہے تاکہ اس مشکل صورتحال میں حالات کا مقابلہ کر سکے۔ کمپنی مشینری میں بہتری لارہی ہے، اس سرمایہ کاری سے اخراجات کم ہو جائیں گے اور صلاحیت میں اضافہ ہوگا۔

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

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 ایگزیکٹو منٹ مبلغ 452.529 ملین روپے دوران اختتام سال 30 جون 2015 کی کتابوں میں ظاہری۔


اس بینک دیوالیہ کارروائی کے دوران، 48 پارٹیز نے Vicenza کی عدالت میں دعویٰ جات دائر کیے جو کہ عدالت نے تمام تر منظور کر لئے۔ اس طرح کل 7,893,794.48 یورو کے دعویٰ جات کو تسلیم کر لیا گیا۔ تینجی دعویٰ جات کی ویلیو 3,929,380.39 ہے اور غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کی ویلیو 3,964,414.12 یورو ہے۔ قانون کے مطابق تینجی 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 تینجی دعویٰ دائر نہیں ہو سکتی۔

کمپنی نے عدالت میں موقف اختیار کیا ہے کہ اس دعویٰ کو سب اور ڈینیٹ دعویٰ کے بجائے کم از کم غیر محفوظ دعویٰ کے طور پر تسلیم کیا جائے حال ہی میں 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 کے فیصلہ کا انتظار ہے۔

بورڈ اس معاملہ میں اسٹیک ہولڈرز کے تعاون کا شکریہ ادا کرتا ہے اور مستقبل میں بھی کمپنی کی کارکردگی کو بہتر بنانے میں ان کے تعاون کی امید کرتا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
ڈائریکٹر

  
چیف ایگزیکٹو آفیسر

لاہور  
27 نومبر 2017

**Condensed Interim Balance Sheet (Un-audited)**

As at September 30, 2017

		(Un-audited) September 30 2017 Rupees	(Audited) June 30 2017 Rupees
<b>EQUITY AND LIABILITIES</b>			
Authorized share capital		<u>15,000,000,000</u>	<u>15,000,000,000</u>
Issued, subscribed and paid up capital		<u>4,548,718,700</u>	<u>4,548,718,700</u>
Reserves		<u>3,133,361,726</u>	<u>3,133,361,726</u>
Accumulated loss		<u>(12,162,387,756)</u>	<u>(12,208,141,343)</u>
		<u>(4,480,307,330)</u>	<u>(4,526,060,917)</u>
<b>Surplus on revaluation of fixed assets</b>		<u>4,722,941,633</u>	<u>4,753,665,775</u>
		<u>242,634,303</u>	<u>227,604,858</u>
<b>Non-current liabilities</b>			
Redeemable capital - secured	4	<u>200,303,481</u>	<u>199,795,928</u>
Long term finances - secured	5	<u>463,126,030</u>	<u>489,365,286</u>
Liabilities against assets subject to finance lease - secured		<u>11,428,507</u>	<u>11,944,118</u>
Deferred liability		<u>157,933,229</u>	<u>141,320,117</u>
		<u>832,791,247</u>	<u>842,425,449</u>
<b>Current liabilities</b>			
Current portion of non-current liabilities		<u>7,132,125,616</u>	<u>7,105,618,541</u>
Short term borrowing		<u>4,785,001,783</u>	<u>4,691,105,238</u>
Trade and other payables		<u>1,498,767,220</u>	<u>1,533,519,965</u>
Interest / mark-up accrued on borrowings		<u>4,380,273,484</u>	<u>4,220,170,414</u>
Dividend payable		<u>13,415,572</u>	<u>13,415,572</u>
Current taxation		<u>52,782,500</u>	<u>56,125,955</u>
		<u>17,862,366,175</u>	<u>17,619,955,685</u>
<b>Contingencies and commitments</b>	6	<u>18,937,791,725</u>	<u>18,689,985,992</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	<u>13,078,138,799</u>	<u>13,168,499,962</u>
Long term investments	8	<u>231,864,928</u>	<u>231,864,928</u>
Long term deposits - unsecured, considered good		<u>21,606,295</u>	<u>21,606,295</u>
		<u>13,331,610,022</u>	<u>13,421,971,185</u>
<b>Current assets</b>			
Stores, spares and loose tools		<u>141,366,803</u>	<u>132,545,743</u>
Stock-in-trade		<u>2,177,637,925</u>	<u>1,859,013,514</u>
Trade receivables		<u>1,139,575,386</u>	<u>1,240,968,769</u>
Advances, deposits, prepayments and other receivables		<u>1,647,947,993</u>	<u>1,570,242,442</u>
Short term investments		<u>306,022,500</u>	<u>306,022,500</u>
Cash and bank balances		<u>193,631,096</u>	<u>159,221,839</u>
		<u>5,606,181,703</u>	<u>5,268,014,807</u>
		<u>18,937,791,725</u>	<u>18,689,985,992</u>

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

Lahore

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer



**Condensed Interim Profit and Loss Account (Un-audited)**  
**For the quarter ended September 30, 2017**

		(Un-audited) July 2017 to September 2017	(Un-audited) July 2016 to September 2016
	Note	Rupees	Rupees
<b>Sales - net</b>		<b>3,573,918,467</b>	2,768,847,426
Cost of sales		<u>(2,988,932,498)</u>	<u>(2,431,163,259)</u>
<b>Gross profit</b>		<b>584,985,969</b>	337,684,167
Selling and distribution expenses		<u>(157,592,261)</u>	(109,026,279)
Administrative expenses		<u>(118,355,396)</u>	<u>(113,806,712)</u>
<b>Profit from operations</b>		<b>309,038,312</b>	114,851,176
Other income		<b>4,611,442</b>	24,277,086
Other expenses		<u>(745,846)</u>	-
Finance cost	9	<u>(263,667,545)</u>	<u>(278,633,200)</u>
<b>Profit / (loss) before taxation</b>		<b>49,236,363</b>	(139,504,938)
Taxation		<u>(34,206,916)</u>	(27,515,144)
<b>Profit / (loss) after taxation</b>		<u><b>15,029,447</b></u>	<u>(167,020,082)</u>
<b>Earnings / (loss) per share - basic and diluted</b>		<u><b>0.03</b></u>	<u>(0.37)</u>

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

Lahore

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

**Condensed Interim Statement of Comprehensive Income (Un-audited)***For the quarter ended September 30, 2017*

	(Un-audited) July 2017 to September 2017 Rupees	(Un-audited) July 2016 to September 2016 Rupees
<b>Profit / (loss) after taxation</b>	<b>15,029,447</b>	<b>(167,020,082)</b>
<b><i>Other comprehensive income for the period:</i></b>		
Changes in fair value of available for sale financial assets	-	-
Gain realized on sale of available for sale financial assets	-	-
	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b><u>15,029,447</u></b>	<b><u>(167,020,082)</u></b>

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

Lahore

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

**Condensed Interim Cash Flow Statement (Un-audited)***For the quarter ended September 30, 2017*

	(Un-audited) July 2017 to September 2017	(Un-audited) July 2016 to September 2016
	Rupees	Rupees
<b>Cash flow from operating activities</b>		
Profit / (loss) before taxation	49,236,363	(139,504,938)
Adjustments	400,649,427	385,778,041
<b>Operating profit before working capital changes</b>	<b>449,885,790</b>	246,273,103
Changes in working capital	<b>(338,510,332)</b>	(54,992,323)
Cash generated from operations	111,375,458	191,280,780
<b>Payments for:</b>		
Interest / mark-up	(73,090,126)	(49,570,186)
Taxes	(37,550,371)	(22,995,883)
Post retirement benefits	(8,811,617)	-
<b>Net cash (used in) / generated from operating activities</b>	<b>(8,076,657)</b>	118,714,711
<b>Cash flows from investing activities</b>		
Capital expenditure	(22,020,996)	(114,762,745)
Proceeds from disposal of fixed assets	825,000	-
<b>Net cash used in investing activities</b>	<b>(21,195,996)</b>	(114,762,745)
<b>Cash flows from financing activities</b>		
Repayment of long term finances	(8,418,293)	(8,299,628)
Liabilities against assets subject to finance lease	(20,848,823)	17,766,346
Short term borrowings-net	92,949,025	(30,773,113)
<b>Net cash generated from / (used in) financing activities</b>	<b>63,681,909</b>	(21,306,395)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>34,409,257</b>	(17,354,429)
<b>Cash and cash equivalents at the beginning of period</b>	<b>159,221,839</b>	143,318,091
<b>Cash and cash equivalents at the end of period</b>	<b>193,631,096</b>	125,963,662

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

Lahore  
  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

**Condensed Interim Statement of Changes in Equity (Un-audited)**  
**For the quarter ended September 30, 2017**

	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Capital reserves	Revenue reserves	Total reserves	Total equity		
				Preference share redemption reserve	Available for sale financial assets	Post retirement benefits obligation reserve	Accumulated loss		
As at July 01, 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	-	-	-	-	-	-	-	-	-
Loss for the quarter ended September 30, 2016	-	-	-	-	-	-	(167,020,082)	(167,020,082)	(167,020,082)
Other comprehensive loss for the quarter ended September 30, 2016	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the quarter ended September 30, 2016	-	-	-	-	-	-	(167,020,082)	(167,020,082)	(167,020,082)
Transfer of incremental depreciation from surplus s on revaluation of fixed assets	-	-	-	-	-	-	30,662,640	30,662,640	30,662,640
As at September 30, 2016 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	569,610	-	(12,386,281,617)	(9,211,062,411)	(4,662,343,711)
As at July 01, 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	-	-	-	-	-	-	15,029,447	15,029,447	15,029,447
Profit for the quarter ended September 30, 2017	-	-	-	-	-	-	-	-	-
Other comprehensive income for the quarter ended September 30, 2017	-	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter ended September 30, 2017	-	-	-	-	-	-	15,029,447	15,029,447	15,029,447
Transfer of incremental depreciation from surplus s on revaluation of fixed assets	-	-	-	-	-	-	30,724,140	30,724,140	30,724,140
As at September 30, 2017 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	-	8,712,130	(12,162,387,756)	(9,029,026,030)	(4,480,307,330)

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

  
**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

**Lahore**

**Condensed Interim Selected Explanatory Notes to the Financial Information (Un-audited)**

*For the quarter ended September 30, 2017*

**1 Reporting entity**

Azgard Nine Limited ("the Company") was incorporated in Pakistan as a Public Limited Company and is listed on Pakistan Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture and sale of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 K.M off Manga, Raiwand Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20

**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 quarter ended September 30, 2017.

**2.2 Statement of compliance**

This condensed interim financial information of the Company for the quarter ended September 30, 2017 has been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of directives issued under the Companies Ordinance, 1984 have been followed.

The Companies Ordinance has been repealed after the Companies Act, 2017 was enacted on May 30, 2017. Subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No. 23 of November 04, 2017 that companies whose financial year / interim periods closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, this financial information has been prepared under the Companies Ordinance 1984.

The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the 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 September 30, 2016.

This condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

**2.3 Going concern assumption**

During the period, current liabilities exceeded its current assets by Rs. 12,256.18 million, including Rs. 12,366.08 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 12,162.38 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 quarter. These are attributable to cost curtailments, textile package announced during this quarter 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. Most of the lenders, by value, have already given their consent for this restructuring and after getting consent of certain remaining lenders, the scheme of restructuring will be filed with the High Court for approval. Post restructuring, it is anticipated that the Company's debt levels shall be sustainable and resultantly the debt obligations of the Company would be met on time, subject to impact, if any, of uncontrollable external factors such as the local and global market conditions.

#### 2.4 Financial liabilities

Due to factors mentioned in note 2.3 and note 11, the Company could not make timely repayments of principal and related mark-up of long term debts. Consequently, there has been non-compliance with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts, the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the management considers that since event of default has not been declared by the lenders and the Company has commenced discussions with its lenders for reprofiling of its debts, the long term debts of Rs. 706.70 million have been classified as long term as per the respective repayment schedules.

### 3 Accounting policies and estimates

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

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

### 4 Redeemable capital - secured

	(Un-audited) September 30, 2017	(Audited) June 30, 2017
	Rupees	Rupees
Term Finance Certificates - II	651,066,836	651,066,836
Privately Placed Term Finance Certificates - IV	1,016,422,176	1,024,840,470
Term Finance Certificates - V	527,682,637	527,682,637
Privately Placed Term Finance Certificates - VI	3,218,300,030	3,218,300,030
Privately Placed Term Finance Certificates	326,456,184	326,456,184
Privately Placed Term Finance Certificates	217,200,000	217,200,000
	<u>5,957,127,863</u>	<u>5,965,546,157</u>
Less: transaction costs	(26,219,929)	(26,727,482)
	<u>5,930,907,934</u>	<u>5,938,818,675</u>
Less: current maturity presented under current liabilities	(5,730,604,453)	(5,739,022,747)
	<u><u>200,303,481</u></u>	<u><u>199,795,928</u></u>

## 14 Azgard Nine Limited

		(Un-audited) September 30, 2017	(Audited) June 30, 2017
		Rupees	Rupees
<b>5 Long term finances - secured</b>			
Deutsche Investitions - Und MBH (Germany)		873,051,150	844,036,091
Saudi Pak Industrial and Agricultural Company Limited		43,251,155	43,251,155
Citi Bank N.A (Pakistan)		565,781,488	565,781,488
Meezan Bank Limited		<u>234,568,765</u>	<u>234,568,765</u>
		<u>1,716,652,558</u>	<u>1,687,637,499</u>
Less: transaction costs		<u>(17,052,102)</u>	<u>(17,056,368)</u>
		<u>1,699,600,456</u>	<u>1,670,581,131</u>
Less: current maturity presented under current liabilities		<u>(1,236,474,426)</u>	<u>(1,181,215,845)</u>
		<u><u>463,126,030</u></u>	<u><u>489,365,286</u></u>
<b>6 Contingencies and commitments</b>			
<b>6.1 Contingencies</b>			
There is no material change in the contingencies from preceding audited published financial statements of the Company for the year ended June 30, 2017.			
		(Un-audited) September 30, 2017	(Audited) June 30, 2017
		Rupees	Rupees
<b>6.2 Commitments</b>	<b>Note</b>		
<b>6.2.1 Commitments under irrevocable letters</b>			
<b>of credit for:</b>			
- purchase of raw material		20,097,610	18,847,920
- purchase of machinery		<u>48,216,760</u>	<u>25,709,960</u>
		<u><u>68,314,370</u></u>	<u><u>44,557,880</u></u>
<b>6.2.2 Commitments for capital expenditure</b>		<u><u>85,997,406</u></u>	<u><u>9,256,578</u></u>
<b>7 Property, plant and equipment</b>			
Operating fixed assets	7.1	12,902,023,559	12,991,109,596
Capital work in progress		<u>176,115,240</u>	<u>177,390,366</u>
		<u><u>13,078,138,799</u></u>	<u><u>13,168,499,962</u></u>
<b>7.1 Operating fixed assets</b>			
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	23,296,124	332,271,172
Disposals during the period / year - Net book value		(320,213)	(4,559,345)
Depreciation charged during the period / year		<u>(112,061,948)</u>	<u>(454,054,577)</u>
<b>Net book value as at the end of the period / year</b>		<u><u>12,902,023,559</u></u>	<u><u>12,991,109,596</u></u>

	Note	(Un-audited)	(Audited)
		September 30, 2017	June 30, 2017
		Rupees	Rupees
<b>7.1.1 Additions- Cost</b>			
<b><i>Assets owned by the Company</i></b>			
Building on freehold land		5,248,619	17,780,911
Plant and Machinery		3,037,667	255,295,747
Furniture, fixtures and office equipment		3,206,292	5,530,847
Vehicles		1,471,475	983,550
Tools and equipments		8,440,902	27,502,559
Electric installations		1,891,169	10,392,558
<b><i>Leased Assets</i></b>		-	14,785,000
		<b>23,296,124</b>	<b>332,271,172</b>

**8 Long term investments**

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

Investment in Agritech Limited TFC's		231,864,928	231,864,928
Investment in subsidiary, Montebello s.r.l	8.1	-	-
		<b>231,864,928</b>	<b>231,864,928</b>

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

6,700,000 ordinary shares with a capital of Euro 6,700,000  
 Proportion of capital held: 100%  
 Activity: Textile and Apparel  
 Relationship: Subsidiary

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

8.1 As mentioned in previous financial statements of the Company, during year ended June 30, 2015, the Court of Vicenza, Italian Republic granted bankruptcy proposal of public prosecutor and appointed trustee to manage affairs of Montebello s.r.l. (MBL). Considering the liquidation, the Company provided impairment of balance amount of Rs. 452.529 million during year ended June 30, 2015.

During the proceeding of this bankruptcy, 48 parties filed their claim with The Court of Vicenza and all have been accepted by the Court. Total claims of Euro 7,893,794.48 have been accepted. 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 council 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 have been accepted on account of principal and interest as subordinate claim due to Company being the parent of MBL. The Company has been advised by its legal counsel that, by law Company cannot be a priority claimant.



16 Azgard Nine Limited

The Company has contested with the court that its claim should be accepted as at least unsecured claim rather than being subordinate claim. Recently the Court has appointed an expert to decide whether claim of the Company should be accepted as unsecured claim or subordinate. The decision of this expert is now awaited.

	(Un-audited) July 2017 to September 2017	(Un-audited) July 2016 to September 2016
	Rupees	Rupees
<b>9 Finance cost</b>		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term finances	97,870,697	94,704,917
Liabilities against assets subject to finance lease	589,299	554,675
Short term borrowings	94,029,831	97,972,550
	<b>192,489,827</b>	193,232,142
Amortization of transaction costs and unwinding effect of present value	511,819	39,282,426
Exchange loss on foreign currency borrowings	29,962,577	8,201,467
Bank discounting and other charges	40,703,322	37,917,165
	<b>263,667,545</b>	<b>278,633,200</b>

**10 Transactions and balances with related parties**

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

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

**10.1 Transactions with related parties**

**10.1.1 Other related parties**

<b>JS Bank Limited</b>		
Mark-up expense	5,658,653	5,355,067
Markup Paid	7,487,081	1,831,562
<b>JS Value Fund Limited</b>		
Mark-up expense	388,000	397,259
<b>Unit Trust of Pakistan</b>		
Mark-up expense	596,051	665,025
<b>JS Large Cap Fund</b>		
Mark-up expense	2,305,696	2,305,696
<b>JS Global Capital Limited</b>		
Mark-up expense	9,051,333	9,051,333
<b>JS Principal Secure Fund</b>		
Mark-up expense	928,267	928,267
<b>JS Income Fund</b>		
Mark-up expense	742,521	814,990
<b>JS Growth Fund</b>		
Mark-up expense	2,103,344	2,111,060
<b>10.1.2 Key management personnel</b>		
Short-term employee benefits	105,840,660	83,315,880

	(Un-audited) September 30, 2017	(Audited) June 30, 2017
	Rupees	Rupees
<b>10.2 Balances with related parties</b>		
<b>10.2.1 Other related parties</b>		
<b>JS Bank Limited</b>		
Redeemable capital - PPTFC IV	65,021,777	65,021,777
Short term borrowing	330,014,211	332,955,019
Mark-up payable	38,280,797	41,405,599
<b>JS Value Fund Limited</b>		
Redeemable capital - TFC II	19,523,024	19,523,024
Redeemable capital - TFC VI	12,900,000	12,900,000
Mark-up payable	12,590,190	11,814,661
<b>Unit Trust of Pakistan</b>		
Redeemable capital - TFC V	31,980,766	31,980,766
Redeemable capital - PPTFC VI	19,265,000	19,265,000
Mark-up payable	18,015,723	17,705,343
<b>JS Large Cap Fund</b>		
Redeemable capital - PPTFCs	83,160,000	83,160,000
Mark-up payable	22,881,531	22,881,531
<b>JS Global Capital Limited</b>		
Redeemable capital - PPTFCs	326,456,184	326,456,184
Mark-up payable	89,824,643	89,824,643
<b>JS Principal Secure Fund</b>		
Redeemable capital - PPTFCs	33,480,000	33,480,000
Mark-up payable	9,212,045	9,212,045
<b>JS Pension Savings Fund</b>		
Redeemable capital - PPTFC VI	3,850,000	3,850,000
<b>JS Income Fund</b>		
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	22,768,520	22,165,378
<b>JS Growth Fund</b>		
Redeemable capital - TFC II	16,269,187	16,269,187
Redeemable capital - TFC VI	10,750,000	10,750,000
Redeemable capital - PPTFCs	64,200,000	64,200,000
Mark-up payable	28,156,499	27,510,225
<b>10.2.2 Key Management Personnel</b>		
Short term employee benefits payable	23,480,677	20,083,937

**11 Overdue debt finances**

The Company is facing liquidity shortfall due to the facts disclosed in note 2.3 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

<b>As at September 30, 2017</b>			
	<b>Principal</b>	<b>Preference dividend / Interest / mark-up</b>	<b>Total</b>
-----Rupees-----			
Redeemable capital	5,415,467,420	1,526,863,059	<b>6,942,330,478</b>
Long term finances	1,712,113,973	806,466,857	<b>2,518,580,830</b>
Preference shares	148,367,255	9,413,535	<b>157,780,790</b>
Short term borrowings	495,957,216	1,637,982,241	<b>2,133,939,457</b>
Bills payable	337,503,037	275,954,109	<b>613,457,146</b>
	<b><u>8,109,408,901</u></b>	<b><u>4,256,679,801</u></b>	<b><u>12,366,088,701</u></b>

As mentioned in note 2.3 second round of financial restructuring is in progress. For the said purpose, the management is negotiating with the debt financiers for waiver of over due interest / mark-up accrued, and disposal of its low performing assets for settlement of overdue principal of its long term debts.

**12 Corresponding figures**

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

**13 Date of authorization**

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on November 27, 2017.

**14 General**

Figures have been rounded off to the nearest rupee

Lahore

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

## Note

A series of horizontal dotted lines for writing notes.





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