

Interim Financial Report for the quarter ended
September 30, 2018 (Un-audited)



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: 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

PROJECT LOCATIONS

Textile & Apparel

Unit I

2.5 KM off Manga, Raiwind Road,
District Kasur.
Ph: +92(0)42 35384081
Fax: +92(0)42 35384093

Unit II

Alipur Road, Muzaffargarh.
Ph: +92(0)661 422503, 422651
Fax: +92(0)661 422652

Unit III

20 KM off Ferozepur Road,
6 KM Badian Road on Ruhi Nala,
Der Khurd, Lahore.
Ph: +92(0)42 38460333, 38488862

WEB PRESENCE

www.azgard9.com

E-MAIL

info@azgard9.com

Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Condensed Interim Financial Report for the quarter ended September 30, 2018.

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):

	Quarter ended September 30, 2018 (Rupees)	Quarter ended September 30, 2017 (Rupees)
Sales – net	3,970,366,130	3,573,918,467
Operating profit	301,411,863	309,038,312
Finance cost	(276,219,571)	(263,667,545)
Profit before tax	28,756,096	49,236,363
(Loss) / profit after tax	(9,774,674)	15,029,447
(Loss) / earnings per share	(0.02)	0.03

Review of business during this period and future outlook

During this first quarter, sales of the Company has increased by 11% as compared to the same quarter of last year. Sales has not been able to perform as well as expected. The situation in Turkey has impacted the sales of the denim division during this quarter. It is important to note that the garments business is also seasonal with first and third quarters being weaker. Therefore, garment sales are also less than what is expected in the second quarter. During this year, rate of Duty Drawback of taxes has also been decreased by Government significantly. This is also having a negative impact on the bottom line.

Operating profit of this quarter is Rs. 301.4 million; decrease of Rs. 7.6 million when compared with operating profit of same quarter of last year.

The Company has been able to achieve before tax profit of Rs. 28.8 million as compared to profit of Rs. 49.2 million during the same quarter of last year.

On the cost side for the Company it has been a difficult quarter. Cotton and yarn prices surged during July and August and then started to adjust downwards during September. This yarn price adjustment should start to reflect during the next quarter. Regarding the energy cost this has remained high in Punjab during the quarter. For the future periods, it is expected that based on Finance Supplementary (Amendment) Bill 2018, gas rates would become almost uniform for all provinces. Consequently, there should be relief for Punjab based textile companies. Clarification for mechanism in this regard is still being awaited.

The scheme for Company's 2nd financial restructuring is now in Lahore High Court for its approval. Once approved, 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.

For better future, a lot depends on Government policies towards export. The Turkey market looks very tough considering the present scenario. The Company would continue its struggle to regain this market. The Company is also trying to develop new markets but this is a slow and difficult process. In this competitive environment, the management has no option but to constantly strive for cost reductions, develop innovative new products and try to find and develop new markets.

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Update on status of Montebello S.R.L

As mentioned in financial statements for year ended June 30, 2018, during proceeding of the bankruptcy of Montebello S.R.L (MBL), the Company has questioned the decision of the expert and is seeking Court's permission to lodge its defense and decision of the Court is now awaited.

During the year ended June 30, 2018, the management, based on advice from the Company's legal counsel, has concluded that due to ongoing bankruptcy proceedings, the management of the affairs of MBL is under the Court appointed trustee. As a result, the Company has ceased to exercise control over activities of MBL and MBL is no more subsidiary of the Company. 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 activities of MBL. Therefore, financial statements for the first quarter ended September 30, 2018 have not been consolidated with MBL.

The Board is thankful and appreciates the support of all the stakeholders in regards. It is hoped that with their continued confidence, improvement in the Company's performance would be there.

On behalf of the Board of Directors



Chief Executive Officer



Director

Date: October 26, 2018

ڈائریکٹرز کا جائزہ

ایزگارڈ نائن لمیٹڈ (کمپنی) ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے سہ ماہی تختہ 30 ستمبر 2018 پیش کرتے ہیں۔

اہم سرگرمیاں

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

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

سہ ماہی تختہ 30 ستمبر 2017 (روپے)	سہ ماہی تختہ 30 ستمبر 2018 (روپے)	
3,573,918,467	3,970,366,130	فروٹنگی (Net)
309,038,312	301,411,863	آپریٹنگ منافع
(263,667,545)	(276,219,571)	مالیاتی اخراجات
49,236,363	28,756,096	منافع قبل از ٹیکس
15,029,447	(9,774,674)	خسارہ/منافع بعد از ٹیکس
0.03	(0.02)	خسارہ/منافع فی شیئر

اس معیاد کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

پچھلے سال کی سہ ماہی کی بیلز کے مقابلے اس سہ ماہی کی بیلز 11 فیصد زیادہ رہی، بیلز توقع کے مطابق نہیں ہوئیں۔ ترقی کے حالات نے اس سہ ماہی کے دوران ڈینم کے شعبہ کی بیلز پر اثر انداز ہوئے ہیں۔ یہاں پر یہ بھی قابل ذکر ہے کہ پہلی اور تیسری سہ ماہی میں گارمنٹس شعبہ کی موسمیاتی بیلز کم رہتی ہیں، چنانچہ اس سہ ماہی کی گارمنٹس کی بیلز دوسری سہ ماہی کی متوقع بیلز سے بھی کم رہی ہیں۔ اس سال کے دوران ٹیکسز پر ڈیوٹی ڈرا بیک بھی حکومت کی طرف سے بہت کم کر دیا گیا ہے جو کہ منفی اثرات کی وجہ بنتی ہے۔

آپریٹنگ منافع اس سہ ماہی کے دوران 301.4 ملین روپے رہا جو کہ پچھلے سال اسی سہ ماہی کی نسبت 7.6 ملین روپے کم رہا۔ کمپنی قبل از ٹیکس منافع 28.8 ملین روپے حاصل کرنے میں کامیاب رہی، جبکہ پچھلے سال کی اسی سہ ماہی کے دوران قبل از ٹیکس منافع 49.2 ملین روپے تھا۔

لاگت کی طرف دیکھیں تو یہ بہت مشکل سہ ماہی تھی۔ روٹی اور دھاگہ کی قیمتوں میں جولائی اور اگست میں اضافہ جبکہ ستمبر میں کمی دیکھی گئی۔ دھاگہ کی قیمت کے اثرات اگلی سہ ماہی میں ایڈجسٹس ہوں گے۔ توانائی کی لاگت پنجاب کے لئے اس سہ ماہی کے دوران زیادہ رہی ہیں۔ یہ توقع کی جاتی ہے کہ فنانس سپلیمنٹری (تریمی) بل 2018 کی وجہ سے گیس کی قیمت تمام صوبوں کے لئے تقریباً ایک جیسی ہوگی، جس کے تعین کے طریقہ کار کا انتظار ہے، جس کی وجہ سے پنجاب میں صنعتوں کو ریلیف ملے گا۔

دوسری مالیاتی تنظیم نو اجازت کے لئے لاہور ہائی کورٹ میں ہے، 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 ایٹو کے ذریعے ادا کی جاسکے گی۔ بعد از مالیاتی تنظیم نو یہ امید کی جاتی ہے کہ کمپنی کے قرضہ جات پاسپورٹ پر آجائیں گے۔ سکیم پر پورا طرح عملدرآمد ہونے کے بعد امید کی جاتی ہے کہ کمپنی اپنے قرضہ جات کی بروقت ادائیگی کے قابل ہو جائے گی۔

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بہتر مستقبل کا انحصار گورنمنٹ کی ایکسپورٹ پالیسی پر ہے۔ موجودہ حالات میں ترکی کی منڈی بہت مشکل ہے، کمپنی منڈی میں کھویا ہوا حصہ حاصل کرنے کیلئے کوشش کرتی رہے گی، کمپنی نئی منڈیاں تلاش کر رہی ہے جو کہ وقت طلب اور مشکل کام ہے۔ اس مقابلے کے ماحول میں انتظامیہ کے پاس کوئی اور چارہ نہیں کہ وہ اپنی لاگت میں مسلسل کمی کرے، نئی مصنوعات تیار کرے اور نئی منڈیوں کی تلاش اور اضافہ کرے۔

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

جیسا کہ کمپنی کی مالیاتی اسٹیٹمنٹس سال 30 جون 2018 میں بیان کیا گیا ہے کہ Montebello S.R.L (MBL) کی بینک دیوالیہ کی کارروائی کے دوران کمپنی نے ماہر کے فیصلے پر سوال اٹھاتے ہوئے اپنے دفاع کیلئے اجازت طلب کی ہے۔ فی الحال عدالت کے فیصلے کا انتظار ہے۔ سال ختم 30 جون 2018ء کے دوران کمپنی کے لیگل کونسل کی رائے کے مطابق کمپنی نے نتیجہ اخذ کیا ہے کہ جاری شدہ بینک دیوالیہ کی کارروائی کی وجہ سے MBL کے معاملات عدالت کے مقرر کردہ ٹرسٹی کے زیر اثر ہونے کی وجہ سے کمپنی MBL کے معاملات پر کنٹرول کھو چکی ہے اور MBL کمپنی کے ماتحت نہیں رہی۔ سبجا مالیاتی اسٹیٹمنٹس کیلئے عالمی مالیاتی رپورٹنگ اسٹینڈرڈ 10 کی راہنمائی لیتے ہوئے انتظامیہ نے اخذ کیا ہے کہ MBL کے معاملات کمپنی کے زیر اثر نہیں، جس کی وجہ سے کمپنی کی مالیاتی اسٹیٹمنٹس برائے پہلی سہ ماہی ختم 30 ستمبر 2018 MBL کیساتھ یکجا نہیں کی جاسکتی۔

بورڈ اپنے تمام شراکت داروں کا شکر گزار ہے۔ نیز شراکت داروں کے مسلسل تعاون اور حمایت کی امید کرتے ہیں جس کی وجہ سے کمپنی کی کارکردگی میں بہتری آئے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے

سید اکیس
ڈائریکٹر

چیف ایگزیکٹو آفیسر

لاہور
26 اکتوبر 2018ء

Condensed Interim Statement of Financial Position (Un-audited)
As at September 30, 2018

	Note	(Un-audited) September 30, 2018 Rupees	(Audited) June 30, 2018 Rupees
EQUITY AND LIABILITIES			
Authorized share capital		<u>15,000,000,000</u>	15,000,000,000
Issued, subscribed and paid up capital		4,548,718,700	4,548,718,700
Reserves		3,137,869,073	3,137,869,073
Surplus on revaluation of fixed assets		4,599,943,186	4,630,687,703
Accumulated loss		<u>(11,867,570,806)</u>	(11,888,540,649)
		418,960,153	428,734,827
Non-current liabilities			
Redeemable capital - secured	4	103,345,132	108,002,203
Long term finances - secured	5	291,436,382	381,987,672
Liabilities against assets subject to finance lease - secured		9,237,508	9,807,058
Deferred liability		<u>259,105,921</u>	232,042,381
		663,124,943	731,839,314
Current liabilities			
Current portion of non-current liabilities		7,535,403,206	7,439,381,488
Short term borrowing		4,647,730,975	4,590,852,774
Trade and other payables		2,148,264,410	1,846,555,112
Interest / mark-up accrued on borrowings		4,978,349,298	4,809,245,944
Dividend payable on preference shares		9,413,535	9,413,535
Unclaimed dividend on ordinary shares		3,764,421	3,783,005
Current taxation		<u>6,364,238</u>	7,374,778
		19,329,290,083	18,706,606,636
Contingencies and commitments	6	<u>20,411,375,179</u>	<u>19,867,180,777</u>
ASSETS			
Non-current assets			
Property, plant and equipment	7	13,156,209,227	13,215,447,217
Long term investments	8	231,864,928	231,864,928
Long term deposits - unsecured, considered good		<u>37,036,296</u>	37,036,296
		13,425,110,451	13,484,348,441
Current assets			
Stores, spares and loose tools		126,003,390	138,204,200
Stock-in-trade		3,255,600,868	2,468,069,912
Trade receivables		1,196,102,480	1,354,829,408
Advances, deposits, prepayments and other receivables		2,024,672,751	1,973,310,989
Short term investments		306,022,500	306,022,500
Cash and bank balances		<u>77,862,739</u>	142,395,327
		6,986,264,728	6,382,832,336
		<u>20,411,375,179</u>	<u>19,867,180,777</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 Profit or Loss (Un-audited)
For the quarter ended September 30, 2018

		(Un-audited) July 2018 to September 2018 Rupees	(Un-audited) July 2017 to September 2017 Rupees
	Note		
Sales - net		3,970,366,130	3,573,918,467
Cost of sales		(3,347,487,601)	(2,988,932,498)
Gross profit		622,878,529	584,985,969
Selling and distribution expenses		(195,565,427)	(157,592,261)
Administrative expenses		(125,901,239)	(118,355,396)
Profit from operations		301,411,863	309,038,312
Other income		3,563,804	4,611,442
Other expenses		-	(745,846)
Finance cost	9	(276,219,571)	(263,667,545)
Profit before taxation		28,756,096	49,236,363
Taxation		(38,530,770)	(34,206,916)
(Loss) / profit after taxation		(9,774,674)	15,029,447
(Loss) / earnings per share - basic and diluted		(0.02)	0.03

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, 2018**

	(Un-audited) July 2018 to September 2018 Rupees	(Un-audited) July 2017 to September 2017 Rupees
(Loss) / profit after taxation	(9,774,674)	15,029,447
<i>Items that are or may be subsequently reclassified to statement of profit or loss</i>		
Changes in fair value of available for sale financial assets	-	-
Gain realized on sale of available for sale financial assets	-	-
	-	-
Total comprehensive (loss) / profit for the period	(9,774,674)	15,029,447

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 Cash Flows (Un-Audited)
For the quarter ended September 30, 2018

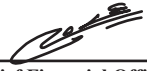
	(Un-audited) July 2018 to September 2018 Rupees	(Un-audited) July 2017 to September 2017 Rupees
Cash flow from operating activities		
Profit before taxation	28,756,096	49,236,363
Adjustments	423,236,616	400,649,427
Operating profit before working capital changes	451,992,712	449,885,790
Changes in working capital	(380,780,336)	(338,510,332)
Cash generated from operations	71,212,376	111,375,458
Payments for:		
Finance cost	(79,099,354)	(73,090,126)
Taxes	(39,541,311)	(37,550,371)
Post retirement benefits	(1,351,988)	(8,811,617)
Net cash used in operating activities	(48,780,277)	(8,076,656)
Cash flows from investing activities		
Capital expenditure	(55,026,860)	(22,020,996)
Proceeds from disposal of fixed assets	170,670	825,000
Net cash used in investing activities	(54,856,190)	(21,195,996)
Cash flows from financing activities		
Repayment of long term finances	(8,418,294)	(8,418,293)
Liabilities against assets subject to finance lease	(9,337,444)	(20,848,823)
Short term borrowings-net	56,878,201	92,949,025
Dividend paid	(18,584)	-
Net cash generated from financing activities	39,103,879	63,681,909
Net (decrease) / increase in cash and cash equivalents	(64,532,588)	34,409,257
Cash and cash equivalents at the beginning of period	142,395,327	159,221,839
Cash and cash equivalents at the end of period	77,862,739	193,631,096

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, 2018

	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve	Post retirement benefits obligation reserve	Surplus on revaluation of fixed assets	Accumulated loss	Total reserves	Total equity
As at July 01, 2017 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	8,712,130	4,753,665,775	(12,208,141,343)	(4,321,113,842)	227,604,858
Total comprehensive income for the period	-	-	-	-	-	-	15,029,447	15,029,447	15,029,447
Income 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 on revaluation of fixed assets	-	-	-	-	-	(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	4,722,941,635	(12,162,387,756)	(4,306,084,995)	242,634,305
As at July 01, 2018 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,630,687,703	(11,888,540,649)	(4,119,983,873)	428,734,827
Total comprehensive loss for the quarter	-	-	-	-	-	-	(9,774,674)	(9,774,674)	(9,774,674)
Loss for the quarter ended September 30, 2018	-	-	-	-	-	-	-	-	-
Other comprehensive income for the quarter ended September 30, 2018	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the quarter ended September 30, 2018	-	-	-	-	-	-	(9,774,674)	(9,774,674)	(9,774,674)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(30,744,517)	30,744,517	-	-
As at September 30, 2018 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,599,943,186	(11,867,570,806)	(4,129,758,547)	418,960,153

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

Lahore


 Director


 Chief Financial Officer

**Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-Audited)
For the quarter ended September 30, 2018**

1 Reporting entity

Azgard Nine Limited ("the Company") is incorporated in Pakistan as a Public Limited Company and is listed on Pakistan Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 km off Manga, Raiwand 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 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 MBL by the Court appointed trustee, the Company has ceased to exercise control over activities of MBL. Furthermore, in view of the guidance in International Financial Reporting Standard 10 "Consolidated Financial Statements", the management has concluded that the Company does not have power to direct the relevant activities of MBL. Resultantly, the Company has ceased recognising and presenting MBL as its subsidiary.

2.2 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information does not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2018.

Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2018 whereas comparative statement of profit or loss, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial information for the quarter ended on September 30, 2017.

This condensed interim financial information is being submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

2.3 Going concern assumption

During the period, current liabilities exceeded its current assets by Rs. 12,343.02 million, including Rs. 13,399.21 million relating to overdue principal and mark-up thereon, and its

accumulated loss stood at Rs. 11,867.57 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. 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.

The LHC had formed a Commission to hold a meeting with the creditors, and to obtain their consent on scheme of arrangement. The said meeting was held on May 14, 2018., the Commission has filed its final report to the LHC.

2.4 Financial liabilities

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

However, the management considers that since event of default has not been declared by the lenders and the scheme of arrangement has been filed by the creditors in the honourable Lahore High Court for approval of financial restructuring of debts of Company, the long term debts of Rs. 441.14 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, 2018.
- 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, 2018.

	(Un-audited) September 30 2018 Rupees	(Audited) June 30 2018 Rupees
4 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Privately Placed Term Finance Certificates - IV	982,748,999	991,167,294
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>
	5,923,454,686	5,931,872,981
Less: transaction costs	<u>(32,568,913)</u>	<u>(27,911,843)</u>
	5,890,885,773	5,903,961,138
Less: current maturity presented under current liabilities	<u>(5,787,540,641)</u>	<u>(5,795,958,935)</u>
	<u>103,345,132</u>	<u>108,002,203</u>
5 Long term finances - secured		
Deutsche Investitions - Und MBH (Germany)	1,017,423,896	994,591,224
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 Investment Company Limited	<u>43,251,155</u>	<u>43,251,155</u>
	1,861,025,304	1,838,192,632
Less: transaction costs	<u>(13,790,788)</u>	<u>(13,614,729)</u>
	1,847,234,516	1,824,577,903
Less: current maturity presented under current liabilities	<u>(1,555,798,134)</u>	<u>(1,442,590,231)</u>
	<u>291,436,382</u>	<u>381,987,672</u>
6 Contingencies and commitments		
6.1 Contingencies		

There is no material change in the contingencies from preceding audited published financial statements of the Company for the year ended June 30, 2018.

		(Un-audited) September 30 2018 Rupees	(Audited) June 30 2018 Rupees
6.2 Commitments			
6.2.1 Commitments under irrevocable letters of credit for:			
- purchase of raw material		31,159,999	15,229,387
		<u>31,159,999</u>	<u>15,229,387</u>
6.2.2 Commitments for capital expenditure		<u>8,634,205</u>	<u>16,103,163</u>
7 Property, plant and equipment			
Operating fixed assets	7.1	13,092,912,852	13,163,865,121
Capital work in progress		63,296,375	51,582,096
		<u>13,156,209,227</u>	<u>13,215,447,217</u>
7.1 Operating fixed assets			
Net book value as at the beginning of the period / year		13,163,865,121	12,991,109,596
Additions during the period / year	7.1.1	43,312,581	629,008,627
Disposals during the period / year - Net book value		(71,656)	(591,943)
Depreciation charged during the period / year		(114,193,194)	(455,661,159)
Net book value as at the end of the period / year		<u>13,092,912,852</u>	<u>13,163,865,121</u>
7.1.1 Additions- Cost			
<u>Assets owned by the Company</u>			
Building on freehold land		-	100,257,466
Plant and Machinery		41,401,573	327,964,970
Furniture, fixtures and office equipment		375,590	8,080,519
Vehicles		1,031,840	1,535,475
Tools and equipments		170,928	23,566,388
Electric installations		332,650	9,169,058
<u>Leased Assets</u>		-	158,434,751
		<u>43,312,581</u>	<u>629,008,627</u>
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) September 30 2018 Rupees	(Audited) June 30 2018 Rupees
Investment in Agritech Limited TFC's	231,864,928	231,864,928
Other investments, Montebello s.r.l	8.1 -	-
	<u>231,864,928</u>	<u>231,864,928</u>

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

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

Cost	2,625,026,049	2,625,026,049
Accumulated impairment	<u>(2,625,026,049)</u>	<u>(2,625,026,049)</u>
	-	-

8.1.1 MBL has gone into liquidation process and the Court of Vicenza has appointed a trustee to manage the affairs of MBL.

During the bankruptcy proceeding, 48 parties filed their claims with the Court and all have been accepted by the Court aggregating to Euro 7.89 million. The value of priority claims included therein are of Euro 3.93 million and the value of unsecured and subordinated claims are of Euro 3.96 million. The Company has been advised by its legal counsel that, in accordance to the law, priority claims would be paid first and then unsecured and subordinated claims will be paid. The Company's claim aggregating to Euro 3.84 million has been accepted on account of principal and interest as subordinate claim due to Company being the parent of MBL.

The Company has contested with the Court that its claim should be accepted as at least unsecured claim rather than being subordinated claim. The Court appointed an expert to decide whether claim of the Company should be accepted as unsecured claim or subordinated. The expert has given his opinion that claim of the Company should be subordinated. The Company has questioned the decision of expert in the Court and sought permission to lodge defense. Decision of the Court is now awaited.

	(Un-audited) July 2018 to September 2018 Rupees	(Un-audited) July 2017 to September 2017 Rupees
9 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term finances	104,251,300	97,870,697
Liabilities against assets subject to finance lease	1,223,643	589,299
Short term borrowings	96,147,549	94,029,831
	201,622,492	192,489,827
Amortization of transaction costs and unwinding effect of present value	5,184,186	511,819
Exchange loss on foreign currency borrowings	22,832,673	29,962,577
Bank discounting and other charges	46,580,220	40,703,322
	<u>276,219,571</u>	<u>263,667,545</u>

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. Other related parties comprise of JSCL with equity investment in the Company and its group companies. 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:

	(Un-audited) July 2018 to September 2018 Rupees	(Un-audited) July 2017 to September 2017 Rupees
10.1 Transactions with related parties		
10.1.1 Other related parties		
JS Bank Limited		
Mark-up expense	8,595,299	5,658,653
Mark-up Paid	6,200,132	7,487,081
JS Value Fund Limited		
Mark-up expense	417,686	388,000
Unit Trust of Pakistan		
Mark-up expense	676,485	596,051
JS Large Cap Fund		
Mark-up expense	2,305,696	2,305,696
JS Global Capital Limited		
Mark-up expense	9,051,333	9,051,333
JS Principal Secure Fund		
Mark-up expense	928,267	928,267
JS Income Fund		
Mark-up expense	834,162	742,521
JS Growth Fund		
Mark-up expense	2,128,082	2,103,344
10.1.2 Key management personnel		
Short-term employee benefits	76,566,849	70,834,100

	(Un-audited) September 30 2018 Rupees	(Audited) June 30 2018 Rupees
10.2 Balances with related parties		
10.2.1 Other related parties		
JS Bank Limited		
Redeemable capital - PPTFC IV	65,021,777	65,021,777
Short term borrowing	329,749,128	333,427,332
Mark-up payable	54,888,748	52,493,581
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	14,230,798	13,813,112
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	20,775,155	20,098,670
JS Large Cap Fund		
Redeemable capital - PPTFCs	83,160,000	83,160,000
Mark-up payable	32,029,131	32,029,131
JS Global Capital Limited		
Redeemable capital - PPTFCs	326,456,184	326,456,184
Mark-up payable	125,734,823	125,734,823
JS Principal Secure Fund		
Redeemable capital - PPTFCs	33,480,000	33,480,000
Mark-up payable	12,894,845	12,894,845
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	26,147,282	25,313,120
JS Growth Fund		
Redeemable capital - TFC II	16,269,187	16,269,187
Redeemable capital - TFC VI	10,750,000	10,750,000
Redeemable capital - PPTFCs	64,200,000	64,200,000
Mark-up payable	36,585,673	36,237,601
10.2.2 Key Management Personnel		
Short term employee benefits payable	17,008,605	13,732,805

11 Overdue debt finances

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

As at September 30, 2018			
	Principal	Preference dividend / Interest / mark-up	Total
-----Rupees-----			
Redeemable capital	5,696,931,278	1,788,680,259	7,485,611,537
Long term finances	1,861,025,304	971,205,856	2,832,231,160
Preference shares	148,367,250	9,413,535	157,780,785
Short term borrowings	474,015,216	1,862,665,193	2,336,680,409
Bills payable	337,503,037	249,398,377	586,901,414
	8,517,842,085	4,881,363,220	13,399,205,305
As at June 30, 2018			
	Principal	Preference dividend / Interest / mark-up	Total
-----Rupees-----			
Redeemable capital	5,705,349,572	1,743,363,497	7,448,713,069
Long term finances	1,838,192,632	931,987,305	2,770,179,937
Preference shares	148,367,255	9,413,535	157,780,790
Short term borrowings	474,015,216	1,826,598,019	2,300,613,235
Bills payable	337,503,037	235,949,100	573,452,137
	8,503,427,712	4,747,311,456	13,250,739,168

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

12 Corresponding figures

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

13 Date of authorization

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

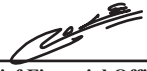
14 General

Figures have been rounded off to the nearest rupee.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer



Contact info:
Registered/Head Office:

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