Half Yearly Report

December 31, 2015

AZGARD-9

Contents

Company Information

BOARD OF DIRECTORS

Mr. Farrukh Hussain
Chairman

Mr. Ahmed H. Shaikh
Chief Executive

Mr. Aehsun M.H. Shaikh

Mr. Nasir Ali Khan Bhatti

Mr. Usman Rasheed

Mr. Saghir Ahmed

Mr. Munir Alam

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Zahid Rafiq, FCA

AUDIT COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman

Mr. Aehsun M.H. Shaikh

Mr. Farrukh Hussain

HR & REMUNERATION COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman

Mr. Ahmed H. Shaikh

Mr. Aehsun M.H. Shaikh

BANKERS

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
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
Silk Bank Limited
Summit Bank Limited
Al Baraka Bank Pakistan Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Al Falah Limited
Bank Islami Pakistan
Bank of Khyber

BANKERS (Cont'd)

Bank Islamic Pakistan
Habib Metropolitan Bank
Bank of Khyber

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)42 111-786-645
Fax: +92(0)42 3576-1791

PROJECT LOCATIONS

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, Muzaffaragarh.
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

Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby presents the Company's Condensed Interim Financial Report for six months period ended 31 December 2015.

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 2015	Six Months ended 31 December 2014
Sales - Net	6,346,189,413	4,966,912,466
Operating profit	175,215,652	18,960,621
Other income	32,376,134	320,004,040
Other expenses	(50,764,821)	(61,698,005)
Finance Cost	(559,778,742)	(607,404,868)
Loss before Tax	(402,951,777)	(330,138,212)
Loss after Tax	(466,413,671)	(381,026,007)
Loss per share	(1.03)	(0.84)

Review of business during this period and future outlook

During this period the sales of the Company increased by over 27% over the same corresponding period of the previous year. Commensurate with this the operating profit of the Company also increased from 18.90 million to 175.2 million for the period. This positive trend clearly shows that the cost reduction and efficiency improvement initiatives of the management have started to bear fruit and have some positive effect on the operating performance of the Company. This is in spite of some the most challenging trading conditions where by most of the industry in Pakistan is in crisis facing and alarming position.

The global slowdown and energy crisis locally is still hurting the business of the Company. Day by day competition from neighboring countries is increasing. Margins have been squeezed and it appears that they will be farther compressed in times to come. To perform better in this environment, the Company is transforming itself. The Company is working on product development and exploring new markets. Marketing is being improved. Steps are being taken to reduce operational cost especially in the area of energy. The future outlook for textile sector is expected to remain tough. In this scenario, the whole industry is looking to the Government to support the textile industry of Pakistan and help it to become competitive globally.

On the restructuring side, progress continues. We are hopeful that the debt restructuring can be completed during this year. Through completion of this restructuring process, we are hopeful that the Company will have sustainable debt levels. After this restructuring, the Company should run its operations at more optimal levels by having sufficient working capital. We believe that the Company should become a positive cash generating entity if things go according to our plan after completion of this restructuring process.

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

on behalf of the Board

Chief Executive Officer

Lahore
25 February 2016

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
134-A, Abubakar Block
New Garden Town, Lahore,
Pakistan

Tel: + 92 (0) 42 35913595-7
+ 92 (0) 42 35440520
Fax: + 92 (0) 42 35440521

www.deloitte.com

Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Azgard Nine Limited (the Company) as at December 31, 2015, and the related condensed interim profit and loss account, condensed interim statement of comprehensive of income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts, for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2014 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

Scope of Review

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

Basis for Qualified Conclusion

a) as stated in notes 2.3 and 13 to the financial statements, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be 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. In these financial statements the long term debts have been classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 2,428 million as at the reporting date.

b) the Company has investment in term finance certificates ("TFC") of Agritech Limited ("AGL"). As per AGL latest available financial statements, its equity has completely eroded. Further, the Company has not received due amount of principal and mark-up since October 2012 against which aggregate impairment loss amounting to Rs. 66.39 million has been recorded in these financial statements. Accordingly, the carrying value of the Company's investment in TFCs of AGL as at 31 December 2015 amounting to Rs. 231.86 million and the related mark-up thereon amounting to Rs. 57.42 million as appearing in notes 8.1 and 9 respectively of these financial statements also appear doubtful of recovery. We were unable to determine the extent to which the amounts are likely to be recovered and time frame over which such recovery will be made.

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

c) as stated in note 10 to the financial statements, the Company has investment in preference shares ("shares") of AGL, designated as available for sale, and National Bank of Pakistan has agreed to purchase these shares at Rs. 5.25 per share (put-option) at a future date and subject to condition as defined in the put option agreement. The market value of these shares is Rs. 3.00 per share as at 31 December 2015. International Accounting Standard on Financial Instruments: Recognition and Measurement (IAS-39) requires investment classified as available for sale to be re-measured at market rate prevailing as at the balance sheet date with a resultant gain or loss to be recognized in other comprehensive income and to account for the put-option at fair value. However, the Company has not complied with the requirements of IAS-39 in relation to the valuation of shares and put-option. Had these shares been accounted for under IAS-39, carrying values of short term investment and available for sale reserve would have been lower by Rs. 131.15 million with corresponding increase in other comprehensive loss for the year by the same amount. We were unable to determine the value of put-option and the time frame over which it will become exercisable.

d) as stated in note 8.2.1 to the financial statements that on December 18, 2014, the Court of Vicenza, Italian Republic ("the Court") approved bankruptcy proposal of public prosecutor and appointed Trustee to manage the affairs of the wholly owned subsidiary, Montebello s.r.l. ("MBL"). The Company has recorded impairment allowance of Rs. 1,449.41 million against its investment in MBL and Rs. 452.53 million against the trade receivables from MBL financial statements. The management has represented through its legal counsel that the last date for submissions of claims against MBL is March 2016 according to the Italian Bankruptcy Law and accordingly the claims against MBL have yet to be determined and finalized. In view of the absence of a definite determination of the claims against MBL we are unable to satisfy ourselves as to the adequacy of the impairment recorded by the Company.

Qualified Conclusion

Based on our review, except for the effects on the interim financial information of the matters (a) to (d) described in basis of qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter:

Notwithstanding the matters as discussed in paragraphs (a) to (d) above, we draw attention to the matters that during the period ended 31 December 2015, the Company has incurred loss before tax of Rs. 403 million, its current liabilities exceeded its current assets by Rs. 10,706 million, and its accumulated losses stood at Rs. 11,917 million. These conditions, along with other matters as set forth in note 2.3 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. This interim financial information has however been prepared on a going concern basis for the reasons more fully explained in note 2.3 to the financial statements. Our conclusion is not qualified in respect of this matter.

Other Matter

The condensed interim financial information of the Company for the half year ended December 31, 2014 and the annual financial statements of the Company for the year ended June 30, 2015 were reviewed and audited by another firm of Chartered Accountants who vide their report dated February 27, 2015 and October 7, 2015 expressed a qualified conclusion and qualified opinion thereon respectively.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Talat Javed

Dated: 25 February 2016
Lahore

Condensed Interim Balance Sheet (Un-audited)

As at 31 December 2015

	Note	**Un-Audited 31 December 2015 Rupees**	Audited 30 June 2015 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		**3,125,220,038**	3,125,220,038
Accumulated loss		**(11,916,913,253)**	(11,513,250,435)
		(4,242,974,515)	(3,839,311,697)
Surplus on revaluation of fixed assets		**4,943,736,273**	4,568,030,126
		700,761,758	728,718,429
Non-current liabilities			
Redeemable capital - secured	*4*	**1,528,253,160**	2,460,680,747
Long term finances - secured	*5*	**684,154,274**	956,454,823
Liabilities against assets subject to finance lease - secured		**5,514,761**	10,947,796
		2,217,922,195	3,428,083,366
Current liabilities			
Current portion of non-current liabilities		**5,395,336,929**	4,097,460,846
Short term borrowing		**4,772,488,123**	4,813,695,083
Trade and other payables		**1,946,671,424**	2,444,298,488
Interest / mark-up accrued on borrowings		**3,251,783,635**	2,919,538,952
Current taxation		**78,345,654**	73,332,563
Dividend payable		**13,415,572**	13,415,572
		15,458,041,337	14,361,741,504
Contingencies and commitments	*6*		
		18,376,725,290	18,518,543,299
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	**13,337,434,835**	13,097,752,858
Long term investmens	*8*	**231,897,310**	231,897,310
Trade debts - unsecured, considered good		**35,644,836**	61,949,527
Long term deposits - unsecured, considered good		**18,982,596**	18,791,047
		13,623,959,577	13,410,390,742
Current assets			
Stores, spares and loose tools		**113,779,920**	126,176,080
Stock-in-trade		**1,701,599,992**	1,940,504,163
Trade receivables		**1,448,806,602**	1,361,141,139
Advances, deposits, prepayments and other receivables	*9*	**1,032,406,966**	1,240,984,428
Short term investments	*10*	**306,022,500**	306,022,500
Cash and bank balances		**150,149,733**	133,324,247
		4,752,765,713	5,108,152,557
		18,376,725,290	18,518,543,299

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Profit and Loss Account (Un-audited)

For the half year and quarter ended 31 December 2015

		2015		2014	
		July to December	**October to December**	*July to December*	*October to December*
	Note	**Rupees**	**Rupees**	Rupees	Rupees
Sales - net		**6,346,189,413**	**3,570,790,249**	4,966,912,466	2,696,193,106
Cost of sales		**(5,742,375,866)**	**(3,169,431,085)**	(4,456,752,937)	(2,309,426,493)
Gross profit		**603,813,547**	**401,359,164**	510,159,529	386,766,613
Selling and distribution expenses		**(227,043,669)**	**(120,720,648)**	(279,502,741)	(155,026,633)
Administrative expenses		**(201,554,226)**	**(98,813,410)**	(211,696,167)	(99,200,909)
Profit from operations		**175,215,652**	**181,825,106**	18,960,621	132,539,071
Other income		**32,376,134**	**11,547,505**	320,004,040	2,475,992
Other expenses		**(50,764,821)**	**(50,764,820)**	(61,698,005)	(61,698,005)
Finance cost	*11*	**(559,778,742)**	**(301,869,459)**	(607,404,868)	(287,958,678)
Loss before taxation		**(402,951,777)**	**(159,261,668)**	(330,138,212)	(214,641,620)
Taxation		**(63,461,894)**	**(35,813,968)**	(50,887,795)	(28,826,292)
Loss after taxation		**(466,413,671)**	**(195,075,635)**	(381,026,007)	(243,467,912)
Loss per share - basic and diluted		**(1.03)**	**(0.43)**	(0.84)	(0.54)

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year and quarter ended 31 December 2015

	2015		2014	
	July to December	**October to December**	July to December	October to December
	Rupees	**Rupees**	Rupees	Rupees
Loss after taxation	**(466,413,671)**	**(195,075,635)**	(381,026,007)	(243,467,912)
Other comprehensive (loss) / income for the period:				
Items that are or may be classified to Profit and Loss Account:				
Changes in fair value of available for sale financial assets	**-**	**-**	-	-
Gain realized on sale of available for sale financial assets	**-**	**-**	(292,434,976)	(292,434,976)
	-	**-**	(292,434,976)	(292,434,976)
Total comprehensive loss for the period	**(466,413,671)**	**(195,075,635)**	(673,460,983)	(535,902,889)

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Cash flow Statement (Un-audited)

For the half year ended 31 December 2015

	2015 July to December Rupees	2014 July to December Rupees
Cash flows from operating activities		
Loss before taxation	**(402,951,777)**	(330,138,212)
Interest/markup on borrowings	**559,778,742**	561,171,388
Loss on disposal of property, plant and equipment	**10,309,908**	533,498
Gain on disposal of investment	**-**	(292,434,977)
Interest Income	**(14,843,830)**	(15,985,985)
Provision for impairment of long term investments	**-**	17,104,790
Depreciation	**231,273,997**	246,682,883
	786,518,817	517,071,597
Profit before changes in working capital	**383,567,040**	186,933,385
Effect of Changes in Working Capital		
Stores, spares and loose tools	**12,396,160**	(18,145,503)
Stock in trade	**238,904,171**	(504,500,006)
Trade receivables	**(61,360,772)**	335,231,478
Advances, deposits, prepayments and other receivables	**220,584,566**	(369,396,686)
Trade and other payables	**(497,627,064)**	338,076,526
	(87,102,939)	(218,734,191)
Net cash generated from/ (used in) operations	**296,464,101**	(31,800,806)
Interest/markup paid	**(103,607,607)**	(144,418,076)
Interest received	**2,836,726**	-
Long term deposits	**(191,549)**	-
Income taxes paid	**(58,448,803)**	(53,288,768)
Net cash generated from/ (used) in operating activities	**137,052,868**	(229,507,650)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(50,192,461)**	(28,717,386)
Proceeds from disposal of fixed assets	**7,383,578**	17,662,770
Proceeds from sale of investment in Agritech	**-**	393,977,500
Net cash (used in)/ generated from investing activities	**(42,808,883)**	382,922,884
Cash flows from financing activities		
Repayment of liabilities against assets subject to finance lease	**(24,483,569)**	(7,357,928)
Repayment of long term finance	**(11,727,970)**	-
Payments of short term borrowings	**(41,206,960)**	(79,122,213)
Net cash used in from financing activities	**(77,418,499)**	(86,480,141)
Net increase in cash and cash equivalents	**16,825,486**	66,935,093
Cash and cash equivalents at the beginning of period	**133,324,247**	22,759,809
Cash and cash equivalents at the end of period	**150,149,733**	89,694,902

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Condensed Interim Statement of Changes in Equity (Un-audited)

For the half year ended 31 December 2015

		Capital reserves				Revenue reserves		
	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve	Available for sale financial assets	Accumulated loss	Total reserves	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2014	4,548,718,700	2,358,246,761	105,152,005	661,250,830	293,005,123	(8,714,668,872)	(5,297,014,153)	(748,295,453)
Total comprehensive income for the period								
Loss for the half year ended 31 December 2014	-	-	-	-	-	(381,026,007)	(381,026,007)	(381,026,007)
Other comprehensive loss for the period ended 31 December 2104	-	-	-	-	(292,434,977)	-	(292,434,977)	(292,434,977)
Total comprehensive loss for the period ended 31 December 2014	-	-	-	-	(292,434,977)	(381,026,007)	(673,460,984)	(673,460,984)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	68,818,806	68,818,806	68,818,806
Reversal of revaluation surplus on disposal of fixed assets	-	-	-	-	-	4,720,035	4,720,035	4,720,035
As at 31 December 2014 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,146	(9,022,156,038)	(5,896,936,296)	(1,348,217,596)
As at 01 July 2015 - Audited	**4,548,718,700**	**2,358,246,761**	**105,152,005**	**661,250,830**	**570,442**	**(11,513,250,435)**	**(8,388,030,397)**	**(3,839,311,697)**
Total comprehensive income for the period								
Loss for the period ended 31 December 2015	-	-	-	-	-	**(466,413,671)**	**(466,413,671)**	**(466,413,671)**
Other comprehensive loss for the period ended 31 December 2015	-	-	-	-	-	-	-	-
Total comprehensive loss for the period ended 31 December 2015	-	-	-	-	-	**(466,413,671)**	**(466,413,671)**	**(466,413,671)**
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	**61,373,865**	**61,373,865**	**61,373,865**
Reversal of revaluation surplus on disposal of fixed assets						**1,376,988**	**1,376,988**	**1,376,988**
As at 31 December 2015 - Unaudited	**4,548,718,700**	**2,358,246,761**	**105,152,005**	**661,250,830**	**570,442**	**(11,916,913,253)**	**(8,791,693,215)**	**(4,242,974,515)**

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

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

For the half year ended 31 December 2015

1 Status and nature of business

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 productions 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 K.M. off Ferozpur Road, 6 K.M. Badian Road on Ruhi Nala, Der Khud, Lahore.

2 Basis of preparation

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. However for the current period, consolidated financial statements of the Company are not prepared separately due to the facts stated in note 8.2.1 and the exemption granted by Securities & Exchange Commission of Pakistan under section 237 of the Companies Ordinance, 1984, from consolidation of the Company's subsidiary for the period ended 31 December 2015.

2.2 Statement of compliance

This condensed interim financial information of the Company for the six month period ended 31 December 2015 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 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 30 June 2015.

Comparative balance sheet is extracted from annual audited financial statement for the year ended June 30, 2015 where are 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 six months ended on December 2014.

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

The condensed interim financial information is un-audited. However, a limited scope review has been performed by statutory auditor of the Company in accordance with Code of Corporate Governance and they have issued their review report thereon.

2.3 Going concern assumption

During the six months period ended 31 December 2015, the company has incurred a loss before tax of Rs.402.9 million and as of that date its current liabilities exceeded its current assets by Rs. 10,705 million, including Rs. 7,763.40 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 11,917 million. These conditions cast a significant doubt about the Company's ability to continue as a going concern. These financial statements have however, been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the measures as explained in the succeeding paragraph and expectation of future profitability and more positive cash flows from operating activities.

The second round of financial restructuring of the Company is at advance stages. Further approvals from major lenders have been received during this period of six months. It is expected that the corporate restructuring plan of the company shall be approved by all the concerned and be implemented during the year 2016. The remaining funds of Rs. 306 million from the sale of Agritech shares are also expected to be received during this

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

For the half year ended 31 December 2015

year. These funds will be used for enhancing the operational capacities and bring them to optimal levels. Subsequent to restructuring and receipt of remaining working capital, the Company is hoping that target of sustainable capacity utilization would be achieved. Through these measures, the management is confident that the Company should become a profitable entity, subject to impact, if any, of uncontrollable external factors as the power crisis and global market conditions.

2.4 Financial liabilities

Due to factors mentioned in note 2.3 and note 13, the Company could not make timely repayments of principal and related mark-up of long term debts. Consequently, there has been non-compliance with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts, the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard 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. 2,428.1 million have been classified as long term as per the repayment schedules in the financial statements.

	Principal net of current maturity Rupees
Redeemable capital	
Term Finance Certificates - II	270,004,667
Term Finance Certificates - IV	449,795,279
Privately Placed Term Finance Certificates - VI	643,734,000
Privately Placed Term Finance Certificates	217,637,456
Privately Placed Term Finance Certificates	144,800,000
	1,725,971,402
Long term finances	
Deutsche Investitions - Und MBH (Germany)	683,989,623
Saudi Pak Industrial and Agricultural Company Limited	18,154,340
	702,143,963
	2,428,115,365

3 Accounting Policies and Estimates

The preparation of the condensed interim unconsolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Provisions and contingencies
- Fair value of investment in subsidiary

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

For the half year ended 31 December 2015

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 30 June 2015.

3.2 Investments

Available for Sale:

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available for sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss account. These are sub-categorized as follows:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Un-quoted

Investments in unquoted equity instruments are stated at cost less any identified impairment losses.Held-to-maturityHeld-to-maturity investments are initially recognized at acquisition cost, which includes transaction cost associated with the investment. Subsequently these are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrevocable amounts.

3.3 Certain new IFRSs and amendments to existing IFRSs are effective for periods beginning on or after July 01, 2015, which do not have any impact on this condensed interim financial information except for IFRS 13 "Fair Value Measurement".

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this condensed interim financial information except certain additional disclosures as given in note 14.

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

For the half year ended 31 December 2015

		(Un-audited) 31 December 2015	(Audited) 30 June 2015
		Rupees	Rupees
4	**Redeemable capital - secured**		
	Term Finance Certificates - II	**651,066,836**	651,066,836
	Term Finance Certificates - IV	**1,075,350,228**	1,083,768,528
	Term Finance Certificates - V	**527,682,637**	527,682,637
	Privately Placed Term Finance Certificates - VI	**3,218,670,000**	3,218,670,000
	Privately Placed Term Finance Certificates	**326,456,184**	326,456,184
	Privately Placed Term Finance Certificates	**217,200,000**	217,200,000
		6,016,425,885	6,024,844,185
	Deferred notional income	**(163,882,993)**	(276,319,941)
	Transaction cost	**(33,835,245)**	(37,909,372)
		5,818,707,647	5,710,614,872
	Less: Amount shown as current liability		
	Amount payable within next twelve months	**(4,290,454,487)**	(3,249,934,125)
		1,528,253,160	2,460,680,747
5	**Long term finances**		
	Deutsche Investitions - Und MBH (Germany)	**804,693,669**	799,424,561
	Saudi Pak Industrial and Agricultural Company Limited	**43,251,155**	43,251,155
	Citi Bank N.A Pakistan	**565,781,488**	567,539,466
	Meezan Bank Limited	**234,568,765**	234,602,579
		1,648,295,077	1,644,817,761
	Transaction costs	**(17,989,689)**	(18,618,079)
		1,630,305,388	1,626,199,682
	Less:Amount shown as current liability		
	Amount payable within next twelve months	**(946,151,114)**	(669,744,859)
		684,154,274	956,454,823

6 Contingencies and commitments

6.1 Contingencies

For the current period, the Company has not accrued expense relating to Gas Infrastructure Development Cess ("GIDC") for the period from 1st July 2015 to 31 December 2015, amounting to Rs. 20 million. This practise was followed by the Company, in lieu of stay orders granted by Hourable High Court of Lahore against GIDC arrears in SNGPL bills. Also, as per legal advisor, the Company prima facie has arguable case and a favourable decision is expected.

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

For the half year ended 31 December 2015

		Note	(Un-audited) 31 December 2015 Rupees	(Audited) 30 June 2015 Rupees
6.2	**Commitments**			
6.2.1	**Commitments under irrevocable letters of credit for:**			
	- purchase of stores, spare and loose tools		**21,484,000**	824,409
	- purchase of raw material		**22,568,009**	35,019,747
			44,052,009	35,844,156
6.2.2	Commitments for capital expenditure		**33,502,950**	-
7	**Property, plant and equipment**			
	Operating fixed assets	*7.1*	**13,299,601,037**	13,069,941,110
	Capital work in progress		**37,833,798**	27,811,748
			13,337,434,835	13,097,752,858
7.1	**Operating fixed assets**			
	Net book value as at the beginning of the period / year		**13,069,941,110**	13,501,345,326
	Additions during the period / year	*7.1.1*	**40,170,412**	108,675,391
	Surplus on revaluation during the period	*7.1.2*	**438,456,999**	-
	Disposals during the period / year - Net book value		**(17,693,487)**	(55,922,511)
	Depreciation charged during the period / year		**(231,273,997)**	(484,157,096)
	Net book value as at the end of the period / year		**13,299,601,037**	13,069,941,110
7.1.1	**Additions- Cost**			
	Assets owned by the Company			
	Plant and Machinery		**19,608,821**	77,617,271
	Building on freehold land		**8,608,378**	2,903,402
	Furniture, fixtures and office equipment		**2,683,444**	839,571
	Vehicles		**2,486,900**	-
	Tools and equipments		**4,895,002**	3,127,660
	Electric installations		**1,887,867**	2,954,117
	Leased Assets		**-**	21,233,370
			40,170,412	108,675,391

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

For the half year ended 31 December 2015

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

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

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

Details of the Company's assets and information about fair value hierarchy as at December 31, 2015 are as follows.

	Level 1	Level 2	Level 3	Total
		Rupees	Rupees	Rupees
Land	-	2,154,390,000	-	2,154,390,000
Building	-	3,026,026,515	-	3,026,026,515
Plant and Machinery	-	7,699,811,034	-	7,699,811,034
Total	-	12,880,227,549	-	12,880,227,549

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

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:

	Note	(Un-audited) 31 December 2015	(Audited) 30 June 2015
		Rupees	Rupees
Other investments		32,382	32,382
Investment in Agritech Limited TFC's	8.1	231,864,928	231,864,928
Investment in Montebello s.r.l	8.2	-	-
		231,897,310	231,897,310

8.1 Investment in Agritech Limited TFC's

53,259 Term Finance Certificates of Rs. 5,000 each (2014: 53,259 Term Finance Certificates of Rs. 5,000 each)

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

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

For the half year ended 31 December 2015

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

	(Un-audited) 31 December 2015	(Audited) 30 June 2015
	Rupees	Rupees
8.2 Investment in Montebello s.r.l ("MBL")		
6,700,000 ordinary shares with a capital of Euro 6,700,000		
Proportion of capital held: 100%		
Activity: Textile and Apparel		
Relationship: Subsidiary		
Cost	-	2,625,026,049
Accumulated impairment		
Opening balance	-	(1,175,618,378)
Charged during the year	-	(1,449,407,671)
	-	(2,625,026,049)
	-	-

8.2.1 Due to economic recession in Europe many of MBL customers defaulted on their payments. Suits of recovery were filed and litigations are in process. However, this resulted in liquidity crisis for MBL. In order to reduce costs, MBL took various steps to reduce costs including reducing the work force. Certain laid off employees lodged compensation claims on MBL. Shortage of liquidity continued to have adverse impacts on the overall position of MBL including delays in discharging its liabilities. Creditors have lodged recovery suits against the MBL.

During the year ended 30 June 2015, Court of Vicenza, Italian Republic granted bankruptcy proposal of public prosecutor and appointed trustee to manage affairs of MBL. The creditors and other parties have been asked to file their claims thirty days before the next hearing in which debts of MBL are to be examined. 4th March 2016 is the last date for filing of claims with the trustee. The Company is in process of preparation and filing of its claim. Currently details of the claims filed to date are not available. In view of pending liquidation which chocked the entire operations of MBL, the Company provided for the impairment of balance amount of investment held in MBL. Consequently, the trade receivables from MBL also being considered doubtful, have been fully provided in the financial statements for the year ended 30 June 2015. Further, MBL being a limited liability company, the management does not expect any additional liability on the company arising in respect of the bankruptcy proceeding of MBL.

9 Advances, deposits, prepayments and other receivables

It includes accrued markup income related to investment in TFCs of AGL of Rs. 57.42 million (June 2015: Rs.45.3 million).

10 Short term investments

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

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

For the half year ended 31 December 2015

	(Un-audited) 31 December 2015 Rupees	(Audited) 30 June 2015 Rupees
58,290,000 fully paid Preference shares of Rs. 5.25 each		
Cost	**306,022,500**	306,022,500
Fair value adjustment	**-**	-
	306,022,500	306,022,500

This represents 58,290,000 preference shares of Agritech Limited received as part consideration against sale of ordinary shares of Agritech Limited to National Bank of Pakistan. The Company has a put option to sell these shares to NBP at the purchase price i.e. Rs. 5.25 per share.

	July to December 2015 Rupees	July to December 2014 Rupees
11 Finance cost		
Interest / mark-up on:		
Redeemable capital & long term financing	**192,356,919**	234,254,798
Liabilities against assets subject to finance lease	**694,574**	313,613
Short term borrowings	**209,041,810**	243,171,518
Provident Fund	**1,267,076**	6,317,573
Worker's Profit Participation Fund	**-**	3,643,691
Bank charges & commission	**403,360,378**	487,701,193
Amortization of transaction costs and deferred notional income	**117,139,466**	146,041,555
Foreign exchange loss / (gain) on long term loan	**6,786,985**	(92,985,298)
Bank charges & commission	**32,491,912**	66,647,418
	559,778,742	607,404,868

12 Transactions and balances with related parties

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

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

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

For the half year ended 31 December 2015

		July to December 2015	July to December 2014
		Rupees	Rupees
12.1	**Transactions with related parties**		
12.1.	**Subsidiary - Montebello s.r.l**		
	Sale of goods	-	30,641,588
12.1.2	**Other related parties**		
	JS Bank Limited		
	Redeemable capital repaid		-
	Mark-up expense	**10,218,039**	10,494,774
	Mark-up paid	**10,437,207**	5,739,777
	JS Value Fund Limited		
	Redeemable capital - TFC II repayment	-	-
	Mark-up expense	**838,982**	1,121,012
	Unit Trust of Pakistan		
	Mark-up expense	**1,333,414**	1,815,141
	JS Large Cap Fund		
	Mark-up expense	**4,611,393**	4,611,393
	Mark-up paid	-	6,814,894
	JS Global Capital Limited		
	Mark-up expense	**18,102,666**	18,102,666
	Mark-up paid	-	26,752,817
	JS Principal Secure Fund		
	Mark-up expense	**1,856,535**	1,856,535
	Mark-up paid	-	2,743,659
	JS Income Fund		
	Mark-up expense	**1,650,130**	2,238,323
	JS Growth Fund		
	Mark-up expense	**4,259,174**	4,494,199
	Mark-up paid	-	5,261,138
12.1.3	**Post-employment benefit plans**		
	Contribution to employees provident fund	-	59,333,685
12.1.4	**Key management personnel**		
	Short-term employee benefits	**167,277,396**	143,921,670

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

For the half year ended 31 December 2015

		(Un-audited) 31 December 2015	(Audited) 30 June 2015
		Rupees	Rupees
12.2	**Balances with related parties**		
12.2.1	**Subsidiaries - Montebello s.r.l**		
	Trade receivables	-	-
12.2.2	**Other related parties**		
	JS Bank Limited		
	Redeemable capital - PPTFC IV	**65,021,777**	65,021,777
	Short term borrowing	**328,072,636**	331,985,379
	Mark-up payable	**32,121,982**	32,378,222
	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	**9,496,203**	8,574,031
	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	**13,841,366**	12,504,868
	JS Large Cap Fund		
	Redeemable capital - PPTFCs	**83,160,000**	83,160,000
	Mark-up payable	**9,147,600**	4,561,269
	JS Global Capital Limited		
	Redeemable capital - PPTFCs	**326,456,184**	326,456,184
	Mark-up payable	**35,910,180**	17,905,898
	JS Principal Secure Fund		
	Redeemable capital - PPTFCs	**33,480,000**	33,480,000
	Mark-up payable	**3,682,800**	1,836,355
	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	**17,426,183**	15,741,565

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

For the half year ended 31 December 2015

	(Un-audited) 31 December 2015	(Audited) 30 June 2015
	Rupees	Rupees
JS Growth Fund		
Redeemable capital - TFC II	**16,269,187**	16,269,187
Redeemable capital - PPTFC VI	**10,750,000**	10,750,000
Redeemable capital - PPTFCs	**64,200,000**	64,200,000
Mark-up payable	**14,975,502**	10,666,352
12.2.3 Post-employment benefit plans		
Payable to employees provident fund	-	46,236,228
12.2.4 Key Management Personnel		
Short term employee benefits payable	**18,911,606**	15,369,518

13 Overdue debt finances

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

	As at 31 December 2015		
	Principal	**Interest / mark-up**	**Total**
	Rupees	**Rupees**	**Rupees**
Preference Shares	**148,367,250**	**-**	**148,367,250**
Dividend on Preference Shares	**-**	**9,413,535**	**9,413,535**
Long Term Finances	**1,192,893,227**	**568,207,560**	**1,761,100,787**
Redeemable Capital	**2,361,928,970**	**1,151,240,415**	**3,513,169,385**
Short term Borrowings	**572,691,216**	**1,227,643,421**	**1,800,334,637**
Bills Payable	**367,320,485**	**163,745,848**	**531,066,333**
	4,643,201,148	**3,120,250,779**	**7,763,451,927**

The Company is discussing with the providers of debt for a second round of restructuring and debt re-profiling. For the said purpose, the management is considering negotiating with the debt financiers for waiver of over due interest / mark-up accured, and disposal of its low performing assets for settlement of overdue principal of its long term debts.

14 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, eitherdirectly (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 Funds/Company's financial assets which are carried at fair value:

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

For the half year ended 31 December 2015

	December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rs	**Rs**	**Rs**	**Rs**
Fair value through profit or loss	-	-	-	-
Financial assets - at fair value				
Available for sale: Listed Securities				
- Colony Mills Limited	**14,382**	-	-	**14,382**
- JS Value Funds	**18,000**			**18,000**
- Agritech Limited	-	**231,864,928**	**306,022,500**	**537,887,428**
Held to maturity	-	-	-	-
	32,382	**231,864,928**	**306,022,500**	**537,919,810**

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	Rs	Rs	Rs	Rs
Fair value through profit or loss	-	-	-	-
Financial assets - at fair value				
Available for sale: Listed Securities				
- Colony Mills Limited	14,382	-	-	14,382
- JS Value Funds	18,000			18,000
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
Held to maturity	-	-	-	-
	32,382	231,864,928	306,022,500	537,919,810

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

The amount of Rs. 306 million in Level 3 represents 58,290,000 preference shares of Agritech Limited (June 2015: 306 million) received as part consideration against sale of ordinary shares of Agritech Limited to National Bank of Pakistan. The Company has a put option to sell these shares to NBP at the purchase price of Rs. 5.25, depending on certain underlying conditions being met. The Company has recognized these shares at Rs. 5.25 instead of their quoted market value.

15 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on 25 February 2016.

16 General

Figures have been rounded off to the nearest rupee.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Notes

Notes

AZGARD-9

Contact Info.

Head Office:

Ismail Aiwan-e-Science Off Shahrah-e-Roomi Lahore, 54600
Ph: +92 (0)42 3576-1794-5
Fax: +92 (0) 3576-1791
www.azgard9.com