

Interim Financial Report for the half year ended
December 31, 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 six months' period ended December 31, 2018.

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 December 31, 2018 (Rupees)	Six Months ended December 31, 2017 (Rupees)
Sales – net	9,424,382,568	7,471,960,234
Operating profit	744,964,187	610,193,208
Other Income	7,395,610	9,684,342
Finance Cost	(673,838,419)	(550,258,159)
Profit before tax	78,521,378	69,619,391
Loss after tax	(12,910,435)	(1,517,627)
Loss per share	(0.03)	(0.00)

Review of business during this period and future outlook

During this six months' period, the sales of the Company have increased by almost 26% as compared to the same period of the previous year. Operating profit of this six months' period has also increased by almost 26% when compared with the operating profit of the same quarter of last year. During this period with better capacity utilizations; all segments have posted some increase in sales. However, the denim division is still lagging behind its optimum capacity utilization based on the still difficult market conditions in Turkey.

The Global economic issues such as the "USA China trade war", general perception of the expected slowdown in the world economy together with uncertain situation domestically due to elections and the induction of a new Government has made this a difficult period for the Company's businesses. The sectors in which the Company is operating in, continue to become more competitive. Our Government is trying to help export oriented industries like your Company however, they have reduced the rates of DLTl generally by more than 50% from the previous rates.

In addition to this, payments from the Government for DLTl, Sales Tax refunds and other payables by the Government to the industry remained very slow. Consequently, the monies to be received from the Government has increased farther. This is causing liquidity issues and hurting the industry from being able to operate and grow optimally.

The competitively priced gas rates were finally made available to Punjab based industrial units from 16th October. It's still unclear exactly what finally will be made available in terms of Winter and Summer pricing of this gas but it's been a welcome relief that will certainly help the export industry in Punjab to become more competitive internationally.

During the period, the Pakistan Rupee devalued by 14 percent which has positive impact on sales of the Company. This resulted in increasing inflation and as a result rates increased from 7.92% to 11.55% for short term loans. The increased interest rates are expected to increase the financial charges in the future periods.

The Company is continuously working on exploring new markets and developing new products. The efforts in particular to try and farther diversify the Company's markets is ongoing but still in its infancy. It's difficult to find and build significant new market in a short span of time.

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The Company's corporate revitalization plan is progressing well. The creditors' scheme of arrangement which has been prepared by creditors was filed in the Honourable Lahore High Court (LHC) for its approval. On January 31, 2019, LHC has approved the scheme of arrangement. Through this scheme, 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 (after required approvals). Post restructuring, it is expected that the Company's debt levels should be sustainable. After implementation of the scheme it is expected that the debt obligations of the Company should be payable in a timely manner. Barring off course any uncontrollable external factors such as the local and global market conditions or other external negative impacts.

For the future, developing new markets is very important. The Company is trying but this is a slow and difficult process. The future also depends on Government policies towards export. 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.

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, the Company has questioned the decision of the expert. The Company has lodged its defense regarding the classification of its claim. Decision of the Court is now awaited.

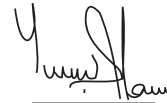
During the year ended June 30, 2018, the management, based on advice from the Company's legal counsel, has concluded that due to ongoing bankruptcy proceedings, the management of the affairs of MBL is under the Court appointed trustee. As a result, the Company has ceased to exercise control over activities of MBL. 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 the power to direct the activities of MBL. Hence the financial statements of the Company should not be consolidated with MBL.

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

On behalf of the Board of Directors



Chief Executive Officer



Director

Lahore

Date: February 25, 2019

ڈائریکٹرز کا جائزہ

ایگزیکٹو ڈائریکٹرز (کمپنی) کے ڈائریکٹرز ہمراہ انتظامیہ ٹیم کمپنی کی کلینف عبوری مالیاتی رپورٹ برائے شش ماہی مئی 31 2018 پیش کرتے ہیں۔

اہم سرگرمیاں

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

ایگزیکٹو ڈائریکٹرز (کمپنی) کے عملی مالیاتی نتائج درج ذیل ہیں۔

شش ماہی مئی 31 2017 (روپے)	شش ماہی مئی 31 2018 (روپے)	
7,471,960,234	9,424,382,568	فروڈنگلی (Net)
610,193,208	744,964,187	آپریٹنگ منافع
9,684,342	7,395,610	دیگر کمائی
(550,258,159)	(673,838,419)	مالیاتی اخراجات
69,619,391	78,521,378	منافع قبل از ٹیکس
(1,517,627)	(12,910,435)	خسارہ بعد از ٹیکس
(0.00)	(0.03)	خسارہ فی شیئر

اس معاہدے دوران کاروبار کا جائزہ اور مستقبل پر نظر

پچھلے سال کی شش ماہی کی سبزی کے مقابلے اس سال شش ماہی کی سبزی 26 فیصد زیادہ رہی، پچھلے سال کی شش ماہی کے آپریٹنگ منافع کے مقابلے اس سال شش ماہی کا آپریٹنگ منافع بھی 26 فیصد زیادہ رہا۔ اس عرصہ کے دوران بہتر پیداواری صلاحیت کی وجہ سے کمپنی کے تمام شعبہ جات کی سبزی میں اضافہ ہوا ہے۔ البتہ، ڈنیم کا شعبہ ترقی کی مشکل صورت حال کی وجہ سے پیداواری صلاحیت میں اضافہ میں پیچھے رہ گیا ہے۔

عالمی مالیاتی مسائل، جیسا کہ امریکہ چائینہ تجارتی جنگ کی وجہ سے عمومی خیال کیا جاتا ہے کہ عالمی اقتصادی حالات میں سست روی رہی گی اور ملک کے اندر ایکشن کے بعد کے حالات کی وجہ سے اور نئی حکومت کے وجود میں آنے کے بعد کمپنی کے کاروبار کے لئے مشکل حالات ہیں۔ کمپنی جس شعبہ میں کاروبار کر رہی ہے مسلسل مسابقتی طور پر مشکل ہوتا جا رہا ہے۔ ہماری حکومت برآمد کنندہ صنعت جیسا کہ آپ کی کمپنی ہے، کو مدد کی کوشش کر رہی ہے۔ البتہ حکومت نے DTL کے رٹس میں عمومی طور پر 50 فیصد تک کی کردی ہے۔

مزید حکومت کی طرف سے DTL، سبزی ٹیکس ریفنڈ اور حکومت کی طرف واجب الادا ایگیاں سست روی کا شکار ہے۔ جس کی وجہ سے حکومت کی طرف قابل وصول قومات میں اضافہ ہو گیا ہے، جو کہ لیکچو ڈیٹی مسائل اور صنعت کی بہتر صلاحیت پر کام کرنے کو نقصان پہنچا رہا ہے۔

آخر کار 16 اکتوبر سے پنجاب میں صنعتوں کو گیس کے نرخ دوسرے صوبوں کے برابر کر دئے گئے ہیں، یہ ابھی بھی واضح نہیں ہے کہ سردیوں اور گرمیوں کے لئے گیس کے نرخ کیا ہوں گے، لیکن یہ نرخ پنجاب کے برآمد کنندگان کو عالمی طور پر مقابلہ کے قابل بنائے گا۔

اس عرصہ کے دوران پاکستانی روپے کی قدر میں 14 فیصد کمی ہوئی ہے، جس نے کمپنی کی سبزی پر مثبت اثر ڈالا ہے۔ اس کی وجہ سے مہنگائی میں اضافہ ہوا ہے اور شرح سود مختصر مدت کے قرض کے لئے 7.92 فیصد سے بڑھ کر 11.55 فیصد ہو گیا ہے۔ شرح سود میں اضافہ کی وجہ سے توقع کی جاتی ہے کہ مستقبل میں مالیاتی اخراجات میں اضافہ ہوگا۔

کمپنی مسلسل نئی منڈیوں کی تلاش اور نئی مصنوعات تیار کر رہی ہے۔ یہ کاوش خاص طور پر کمپنی کی منڈی میں اضافہ میں جاری کوشش کی وجہ سے کی جائے گی، لیکن یہ لامحدود عمل ہے، اس کم وقت میں بڑی منڈی کی تلاش مشکل ہے۔

کمپنی کی مالیاتی تنظیم نو میں پیش رفت جاری ہے۔ قرض دہنگان کی طرف سے تیار کردہ انتظام کی منصوبہ بندی منظوری کے لئے لاہور ہائی کورٹ میں جمع کروائی گئی اور 31 جنوری 2019 کو لاہور ہائی کورٹ نے مالیاتی تنظیم نو کو منظور کر لیا 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 ادائیگی کی جاسکے گی۔ بعد از مالیاتی تنظیم نو یہ امید کی جاتی ہے کہ کمپنی کے قرضہ جات پائیدار سطح پر آجائیں گے۔ سکیم پر پورا طرح عملدرآمد ہونے کے بعد امید کی جاتی ہے کہ کمپنی اپنے قرضہ جات کی بروقت ادائیگی کے قابل ہو جائے گی۔ البتہ کوئی بھی غیر یقینی صورتحال اور مقامی اور عالمی منڈی کی صورت حال رکاوٹ کی وجہ اور منفی اثر ڈال سکتا ہے۔

مستقبل کے لئے نئی منڈیوں کی تلاش بہت ضروری ہے۔ کمپنی کوشش کر رہی ہے لیکن یہ سست اور مشکل عمل ہے۔ بہتر مستقبل کا اٹھار گورنمنٹ کی ایکسپورٹ پالیسیز پر 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 اپنا دفاع دائر کر دیا ہے۔ اس پر عدالت کے فیصلے کا انتظار ہے۔

سال مختتم 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 ٹری کے زیر اثر ہونے کی وجہ سے کمپنی MBL کے معاملات پر کنٹرول کھو چکی ہے۔ بیجا مالیاتی اسٹیٹمنٹس کیلئے عالمی مالیاتی رپورٹنگ اسٹیڈنڈرڈ 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 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

سماء حبیب
ڈائریکٹر

چیف ایگزیکٹو آفیسر
لاہور

25 فروری 2019ء

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Azgard Nine Limited** (the Company) as at December 31, 2018, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three-month period ended December 31, 2018 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

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

Basis for Qualified Conclusion

- a) as stated in note 2.4 to these interim financial statements, the Company could not make timely repayments of principal and interest / mark-up related to certain long term debts with unconditional right to call the loan in case of default in repayment and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard: Presentation of Financial Statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current. In these interim financial statements, these long term debts aggregating to Rs. 314.16 million have been classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 314.16 million as at the reporting date;
- b) the Company has investment in Term Finance Certificates ("TFC") of Agritech Limited ("AGL"). As per the latest available financial statements of AGL, its equity has completely eroded. Further, the Company has not received due amount of principal and mark-up since October 2012, against which aggregate impairment loss amounting to Rs. 66.39 million has been recorded in these interim financial statements. Accordingly, the carrying value of the Company's investment in TFCs of AGL as at December 31, 2018, amounting to Rs. 231.86 million and the related mark-up thereon amounting to Rs. 68.31 million as appearing in note 9.2 and 10 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, if any, and time frame over which such recovery will be made;

- c) as stated in note 11 to these interim financial statements, the Company has investment in preference shares ("shares") of AGL, with cost of Rs. 5.25 per share, designated as available for sale. The National Bank of Pakistan has agreed to repurchase these shares at Rs. 5.25 per share at a future date and subject to conditions as defined in the put option agreement. As per the latest available financial statements, AGL is in financial difficulties, is not able to timely service its long term debt and its equity has completely eroded. International Accounting Standard on Financial Instruments: Recognition and Measurement (IAS 39) requires the investments classified as available for sale to be re-measured, at market rate prevailing as at the balance sheet date, with a resultant gain or loss to be recognized in other comprehensive income and to separately account for the derivative at fair value. However, the Company has not complied with the requirements of IAS-39 and has measured the investment and the derivative at the option price. We were unable to determine the respective fair values of the investment in preference shares and the derivative by alternative means, and consequently we were unable to determine the amount of adjustments required, if any; and
- d) as stated in note 9.1 to these interim financial statements on December 18, 2014, the Court of Vicenza, Italian Republic ("the Court") approved bankruptcy proposal of public prosecutor and appointed Trustee to manage the affairs of the wholly owned subsidiary, Montebello s.r.l. ("MBL"). The Company has recorded impairment aggregating to Rs. 2,625.03 million against its investment in MBL and Rs. 452.53 million against the trade receivables from MBL. The management has represented through its legal counsel that the MBL bankruptcy is currently in process with Italian Bankruptcy court and its appointed liquidator and accordingly the assets of MBL are being realized for satisfaction of the claims filed against MBL. In view of the absence of definite determination of the claims / recoveries expected by the Company, we were unable to satisfy ourselves as to the appropriateness of the amounts recorded and related disclosures made in the financial statements by the Company.

Qualified Conclusion

Based on our review, except for the effects on these interim financial statements of the matters from (a) to (d) described in basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at December 31, 2018 and for the half year then ended, is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

Notwithstanding the matters as discussed in paragraphs (a) to (d) above, we draw attention to note 2.4 to these interim financial statements that during the period ended December 31, 2018, the Company has incurred loss after tax of Rs. 12.91 million and its current liabilities exceeded its current assets by Rs. 12,379.04 million, and its accumulated losses stood at Rs. 11,840.17 million. These conditions, along with other matters as set forth in the said note, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These interim financial statements 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.

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

Deloitte Young & Adil

Chartered Accountants

Lahore

Date: February 25, 2019

**Condensed Interim Statement of Financial Position
As at December 31, 2018**

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
Note	Rupees	Rupees
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital	15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital	4,548,718,700	4,548,718,700
Reserves	3,137,869,073	3,137,869,073
Surplus on revaluation of fixed assets	4,569,409,824	4,630,687,703
Accumulated losses	(11,840,173,205)	(11,888,540,649)
	415,824,392	428,734,827
Non-current liabilities		
Redeemable capital - secured	5 60,087,044	108,002,203
Long term finances - secured	6 211,554,394	381,987,672
Liabilities against assets subject to finance lease - secured	8,714,880	9,807,058
Deferred liability	290,259,216	232,042,381
	570,615,534	731,839,314
Current liabilities		
Current portion of non-current liabilities	7,727,299,525	7,439,381,488
Short term borrowings	5,234,376,131	4,590,852,774
Trade and other payables	2,073,858,255	1,846,555,112
Interest / mark-up accrued on borrowings	5,183,906,116	4,809,245,944
Dividend payable on preference shares	9,413,535	9,413,535
Unclaimed dividend on ordinary shares	3,764,422	3,783,005
Provision for taxation	17,240,024	7,374,778
	20,249,858,008	18,706,606,636
Contingencies and commitments		
	7 21,236,297,934	19,867,180,777
ASSETS		
Non-current assets		
Property, plant and equipments	8 13,096,581,861	13,215,447,217
Long term investments	9 231,864,928	231,864,928
Long term deposits - unsecured, considered good	37,036,296	37,036,296
	13,365,483,085	13,484,348,441
Current assets		
Stores, spares and loose tools	124,044,417	138,204,200
Stock-in-trade	2,878,572,257	2,468,069,912
Trade debts	2,245,514,417	1,354,829,408
Advances, deposits, prepayments and other receivables	10 2,161,894,772	1,973,310,989
Short term investments	11 306,022,500	306,022,500
Cash and bank balances	154,766,486	142,395,327
	7,870,814,849	6,382,832,336
	21,236,297,934	19,867,180,777

The annexed notes 1 to 18 form an integral part of these interim financial statements.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-audited)
For the half year and quarter ended December 31, 2018

	2018		2017	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
<i>Note</i>				
Sales - net	9,424,382,568	5,454,016,438	7,471,960,234	3,898,041,767
Cost of sales	(7,971,566,727)	(4,624,079,126)	(6,312,943,829)	(3,324,011,331)
Gross profit	1,452,815,841	829,937,312	1,159,016,405	574,030,436
Selling and distribution expenses	(459,744,056)	(264,178,629)	(304,989,890)	(147,397,629)
Administrative expenses	(248,107,598)	(122,206,359)	(243,833,307)	(125,477,911)
Profit from operations	744,964,187	443,552,324	610,193,208	301,154,896
Other income	7,395,610	3,831,806	9,684,342	5,818,746
Finance cost	(673,838,419)	(397,618,848)	(550,258,159)	(286,590,614)
Profit before taxation	78,521,378	49,765,282	69,619,391	20,383,028
Taxation	(91,431,813)	(52,901,043)	(71,137,018)	(36,930,102)
Loss after taxation	(12,910,435)	(3,135,761)	(1,517,627)	(16,547,074)
Loss per share - basic and diluted	(0.03)	(0.01)	(0.00)	(0.04)

The annexed notes 1 to 18 form an integral part of these interim financial statements.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer


Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year and quarter ended December 31, 2018


	2018		2017	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
Loss after taxation	(12,910,435)	(3,135,761)	(1,517,627)	(16,547,074)
<i>Other comprehensive income for the period:</i>	-	-	-	-
Total comprehensive loss for the period	(12,910,435)	(3,135,761)	(1,517,627)	(16,547,074)

The annexed notes 1 to 18 form an integral part of these interim financial statements.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)
For the half year ended December 31, 2018

	2018	2017
	July to	July to
	December	December
	Rupees	Rupees
Cash flows from operating activities		
Profit before taxation	78,521,378	69,619,391
<i>Adjustments for non-cash items:</i>		
Finance cost	673,838,419	550,258,159
Gain on disposal of property, plant and equipment	(99,014)	(504,793)
Provision for employee benefits	67,508,766	52,324,327
Depreciation	228,563,717	225,002,980
	969,811,888	827,080,673
Profit before changes in working capital	1,048,333,266	896,700,064
Effect of Changes in Working Capital		
Stores, spares and loose tools	14,159,783	(3,554,238)
Stock-in-trade	(410,502,345)	(277,071,723)
Trade debts	(890,685,009)	193,300,592
Advances, deposits, prepayments and other receivables	(188,583,783)	(302,564,834)
Trade and other payables	227,303,143	(87,298,909)
	(1,248,308,211)	(477,189,112)
Net cash (used in) / generated from operations	(199,974,945)	419,510,952
<i>Payments for:</i>		
Finance cost	(177,013,022)	(136,609,232)
Long term deposits	-	(15,430,000)
Employee benefits	(9,291,931)	(12,475,542)
Income taxes	(81,566,567)	(73,212,848)
	(267,871,520)	(237,727,622)
Net cash (used in) / generated from operating activities	(467,846,465)	181,783,330
Cash flows from investing activities		
Capital expenditure	(109,770,017)	(112,693,105)
Proceeds from disposal of fixed assets	170,670	825,000
Net cash used in investing activities	(109,599,347)	(111,868,105)
Cash flows from financing activities		
Liabilities against assets subject to finance lease - net	(36,851,160)	(21,329,155)
Repayment of long term finance	(16,836,643)	(16,836,588)
Short term borrowings - net	643,523,357	(38,780,520)
Dividend paid	(18,583)	-
Net cash generated / (used in) from financing activities	589,816,971	(76,946,263)
Net increase / (decrease) in cash and cash equivalents	12,371,159	(7,031,038)
Cash and cash equivalents at the beginning of period	142,395,327	159,221,839
Cash and cash equivalents at the end of period	154,766,486	152,190,801

The annexed notes 1 to 18 form an integral part of these interim financial statements.

Lahore


 Chief Executive Officer


 Director


 Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended December 31, 2018

	Capital reserves			Revenue reserves		Total reserves		Total equity	
	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve	Post employment benefits obligation reserve	Surplus on revaluation of fixed asset	Accumulated loss		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 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)	(9,074,779,617)	(4,526,060,917)
Total comprehensive income for the period	-	-	-	-	-	-	(1,517,627)	(1,517,627)	(1,517,627)
Loss for the half year ended December 31, 2017	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the period ended December 31, 2017	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period ended December 31, 2017	-	-	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(61,277,885)	61,277,885	-	-
As at December 31, 2017 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	8,712,130	4,692,387,890	(12,148,381,085)	(9,076,297,244)	(4,527,578,544)
As at 01 July 2018 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,630,687,703	(11,888,540,649)	(4,119,983,873)	428,734,827
Total comprehensive income for the period	-	-	-	-	-	-	(12,910,435)	(12,910,435)	(12,910,435)
Loss for the period ended December 31, 2018	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the period ended December 31, 2018	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period ended December 31, 2018	-	-	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(61,277,879)	61,277,879	-	-
As at December 31, 2018 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	13,219,477	4,569,409,824	(11,840,173,205)	(4,132,894,308)	415,824,392

The annexed notes 1 to 18 form an integral part of these interim financial statements.

Lahore


Chief Executive Officer


Director


Chief Financial Officer

**Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited)
For the half year ended December 31, 2018**

1 Status and nature of business

Azgard Nine Limited ("the Company") is incorporated in Pakistan as a public limited company and is listed on Pakistan Stock Exchange Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwani-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 km off Ferozpur Road, 6 km Badian Road on Ruhi Nala, Der Khurd, Lahore.

2 Basis of preparation

2.1 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 comprehensive income, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial statements for the half year and quarter ended on December.

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

2.2 Separate financial statements

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 Montebello s.r.l. ("MBL") by the Court appointed trustee, the Company has ceased to exercise control over activities of MBL. Furthermore, in view of the guidance in International Financial Reporting Standard 10 "Consolidated Financial Statements", the management has concluded that the Company does not have power to direct the relevant activities of MBL. Resultantly, the Company has ceased recognising and presenting MBL as its subsidiary.

2.3 Going concern assumption

During the period, current liabilities exceeded its current assets by Rs. 12,379.04 million, including Rs. 13,732.81 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 11,840.17 million. These conditions cast doubt about the Company's ability to continue as a going concern. This financial information has, however, been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the fact that operationally the position of the Company is improving which is evident from the financial results of the Company for the period. These are attributable to utilization of better capacities, continuation of textile package by Government of Pakistan and cost controls by management and the Company expects to generate better results and maintain positive cash flows from operations in future.

In addition to above, the financial restructuring of the Company is underway which is expected to significantly reduce the debt burden and finance cost of the Company. Accordingly, in order to reorganize and restructure the obligations of the Company, towards its creditors, the creditors have prepared and filed scheme of arrangement in the Honorable Lahore High Court (LHC) for approval, on January 31, 2019, which has been approved by LHC.

During this scheme of restructuring, Unit II and III would be sold and right issue (after required approvals) would be done. Proceeds from sale of these units and right issue would be utilized for repayment of loans of the Company. Post restructuring, it is anticipated that the Company's debt levels shall be sustainable and resultantly the debt obligations of the Company would be met on time, subject to impact, if any, of uncontrollable external factors such as the local and global market conditions.

2.4 Financial liabilities

Due to factors mentioned in note 2.3, 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 financial restructuring of the company is in progress. The long term debts of Rs. 314.16 million classified as long term as per the respective individual repayment schedules.

Principal net of current maturity Redeemable capital	Rupees
Privately Placed Term Finance Certificates	54,409,364
Privately Placed Term Finance Certificates	<u>36,200,000</u>
	90,609,364
Long term finances	
Deutsche Investitions - Und MBH (Germany)	<u>223,549,430</u>
	<u>314,158,794</u>

3 Changes in accounting standards

3.1 IFRS 15 - Revenue from contracts with customers

IFRS 15 - Revenue from contracts with customers', with effect from July 01, 2018, replaced various standards and guidance including 'IAS 18 - Revenue'. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations in a contract are satisfied.

The Company has determined that the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the period ended December 31, 2018.

3.2 IFRS 9 - Financial Instruments

SECP through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018. Applicability of this IFRS 9 has been subsequently deferred through SRO 229 (I)/2019, dated February 15, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial statements.

4 Accounting Policies and Estimates

4.1 The accounting policies and methods of computation adopted in the preparation of these interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018 except for those mentioned in note 3.1.

4.2 Judgments and estimates made by the management in the preparation of the condensed interim financial statements are the same as those applied in preparation of annual published financial statements of the Company for the year ended June 30, 2018.

	(Un-audited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
5 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Privately Placed Term Finance Certificates - IV	974,330,706	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>
	5,915,036,393	5,931,872,981
Less: Transaction cost	<u>(30,522,320)</u>	<u>(27,911,843)</u>
	5,884,514,073	5,903,961,138
Less: Current maturity presented under current liabilities	<u>(5,824,427,029)</u>	<u>(5,795,958,935)</u>
	<u>60,087,044</u>	<u>108,002,203</u>
6 Long term finances-Secured		
Deutsche Investitions - Und MBH (Germany)	1,117,747,147	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 Company Limited	<u>43,251,155</u>	<u>43,251,155</u>
	1,961,348,555	1,838,192,632
Less: Transaction costs	<u>(11,995,035)</u>	<u>(13,614,729)</u>
	1,949,353,520	1,824,577,903
Less: Current maturity presented under current liabilities	<u>(1,737,799,126)</u>	<u>(1,442,590,231)</u>
	<u>211,554,394</u>	<u>381,987,672</u>

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7 Contingencies and commitments

7.1 Contingencies

There is no material change in the status of contingencies as disclosed in the financial statements for the year ended June 30, 2018.

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
Note	Rupees	Rupees
7.2 Commitments		
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of raw material	65,966,580	15,229,387
- purchase of machinery	33,649,650	-
	99,616,230	15,229,387
7.2.2 Commitments for capital expenditure	15,636,860	16,103,163

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Rupees	Rupees
8 Property, plant and equipment		
Operating fixed assets	8.1 13,050,480,877	13,163,865,121
Capital work in progress	46,100,984	51,582,096
	13,096,581,861	13,215,447,217

8.1 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	8.1.1 115,251,129	629,008,627
Disposals during the period / year - Net book value	(71,656)	(591,943)
Depreciation charged during the period / year	(228,563,717)	(455,661,159)
Net book value as at the end of the period / year	13,050,480,877	13,163,865,121

Spinning Unit at Alipur Road, Muzafargarh (Unit II) and Garment Unit at 20 km, Ferozepur Road, Lahore (Unit III) of the Company would be sold through scheme of restructuring. In these financial statements, the Company has kept the classification of these assets as non-current assets. Restructuring agent bank is identifying active buyers and price negotiations are underway. Fair values of these assets are being evaluated. As per scheme of restructuring, the timeline for sale of these assets is 6 months and 15 days from date of filing of this scheme with registrar.

	(Un-audited) December 31, 2018	(Audited) June 30 2018
	Rupees	Rupees
8.1.1 Additions- Cost		
<u>Assets owned by the Company</u>		
Building on freehold land	-	100,257,466
Plant and Machinery	110,044,896	327,964,970
Furniture, fixtures and office equipment	1,427,749	8,080,519
Vehicles	1,031,840	1,535,475
Tools and equipment's	1,434,047	23,566,388
Electric installations	1,312,597	9,169,058
<u>Leased Assets</u>	-	158,434,751
	115,251,129	629,008,627

9 Long term investments

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

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
Note	Rupees	Rupees
Investment in Montebello s.r.l. ("MBL")	9.1 -	-
Investment in Agritech Limited TFC's	9.2 231,864,928	231,864,928
	231,864,928	231,864,928
9.1 Investment in Montebello s.r.l. ("MBL")		
6,700,000 ordinary shares with a capital of Euro 6,700,000		
Cost	2,625,026,049	2,625,026,049
Accumulated impairment	9.1.1 (2,625,026,049)	(2,625,026,049)
	-	-

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

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 subordinate claim. The Court has appointed an expert to decide whether claim of the Company should be accepted as unsecured claim or subordinate. The expert has given his opinion that claim of the Company should be subordinated. The Company has lodged defence against the decision of expert. Decision of the Court is now awaited.

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
Note	Rupees	Rupees
9.2 Investment in Agritech Limited TFC's		
53,259 (2017: 53,259) Term Finance Certificates of Rs. 5,000 each	9.2.1	
Cost	266,074,508	266,074,508
Less: impairment allowance	(34,209,580)	(34,209,580)
	231,864,928	231,864,928

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

10 Advances, deposits, prepayments and other receivables

It includes accrued markup income related to investment in TFCs of AGL of Rs. 68.31 million (June 30, 2018: Rs.68.31 million).

11 Short term investments

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

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Rupees	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 investment in 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.

	(Un-audited) July to December 2018	(Un-audited) July to December 2017
	Rupees	Rupees
12 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term financing	248,678,496	204,018,185
Liabilities against assets subject to finance lease	489,384	851,529
Short term borrowings	195,802,646	187,232,098
	444,970,526	392,101,812
Amortization of transaction costs	9,944,632	1,019,093
Foreign exchange loss on foreign currency borrowings	123,155,924	83,059,518
Bank discountings and other charges	95,767,337	74,077,736
	673,838,419	550,258,159

13 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 agreed terms.

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

	(Un-audited) July to December 2018	(Un-audited) July to December 2017
	Rupees	Rupees
13.1 Transactions with related parties		
13.1.1 Other related parties		
JS Bank Limited		
Mark-up expense	18,800,357	12,827,740
Mark-up paid	13,377,778	10,319,867
JS Value Fund Limited		
Mark-up expense	910,757	777,733
Unit Trust of Pakistan		
Mark-up expense	1,472,762	1,192,979
JS Large Cap Fund		
Mark-up expense	4,611,393	4,611,393
JS Global Capital Limited		
Mark-up expense	18,102,666	18,102,666
JS Principal Secure Fund		
Mark-up expense	1,856,535	1,856,535
JS Income Fund		
Mark-up expense	1,486,573	1,486,573
JS Growth Fund		
Mark-up expense	4,318,986	4,208,133
13.1.2 Key management personnel		
Short term employee benefits	155,822,215	210,518,569
	(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Rupees	Rupees
13.2 Balances with related parties		
13.2.1 Other related parties		
JS Bank Limited		
Redeemable capital - PPTFC IV	65,021,777	65,021,777
Short term borrowing	322,489,916	333,427,332
Mark-up payable	57,916,161	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	14,723,870	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	21,571,433	20,098,670
JS Large Cap Fund		
Redeemable capital - PPTFCs	83,160,000	83,160,000
Mark-up payable	36,615,462	32,029,131
JS Global Capital Limited		
Redeemable capital - PPTFCs	326,456,184	326,456,184
Mark-up payable	143,739,105	125,734,823
JS Principal Secure Fund		
Redeemable capital - PPTFCs	33,480,000	33,480,000
Mark-up payable	14,741,290	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	27,129,693	25,313,120
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	40,537,239	36,237,601

13.2.2 Key Management Personnel

Short term employee benefits payable	17,254,494	13,732,805
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14 Overdue debt finances

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

	As at December 31, 2018		
	Principal	Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	5,733,817,666	1,872,322,058	7,606,139,724
Long Term Finances	1,961,348,555	1,042,668,861	3,004,017,416
Bills Payable	337,503,037	249,398,377	586,901,414
Short term Borrowings	474,015,216	1,903,957,087	2,377,972,303
Preference Shares	148,367,250	9,413,535	157,780,785
	<u>8,655,051,724</u>	<u>5,077,759,918</u>	<u>13,732,811,642</u>
	As at June 30, 2018		
	Principal	Interest / mark-up	Total
	Rupees	Rupees	Rupees
Redeemable Capital	5,705,349,573	1,743,363,497	7,448,713,069
Long Term Finances	1,838,192,632	931,987,305	2,770,179,937
Bills Payable	337,503,037	235,949,100	573,452,137
Short term Borrowings	474,015,216	1,826,598,019	2,300,613,235
Preference Shares	148,367,255	9,413,535	157,780,790
	<u>8,503,427,712</u>	<u>4,747,311,456</u>	<u>13,250,739,168</u>

As mentioned in note 2.3, second round of financial restructuring is in progress. For the said purpose, petition of the creditors for restructuring of the overdue principal as well as interest / mark-up accrued has been approved by LHC.

15 Fair value of assets

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

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

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

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

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
- Freehold Land	-	2,154,390,000	-	2,154,390,000
-Buildings on Freehold Land	-	2,929,262,551	-	2,929,262,551
-Plant and Machinery	-	7,440,595,578	-	7,440,595,578
	-	<u>12,756,113,057</u>	<u>306,022,500</u>	<u>13,062,135,557</u>
	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
- Freehold Land	-	2,154,390,000	-	2,154,390,000
-Buildings on Freehold Land	-	2,966,341,824	-	2,966,341,824
-Plant and Machinery	-	7,497,920,903	-	7,497,920,903
	-	<u>12,850,517,655</u>	<u>306,022,500</u>	<u>13,156,540,155</u>

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 2018: 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.

16 Segment information
16.1 Information about reportable segments

	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees		Rupees		Rupees		Rupees		Rupees	
Revenue										
External revenues	1,074,373,302	807,127,436	3,275,568,292	3,203,892,579	5,074,440,974	3,460,940,219	-	-	9,424,382,568	7,471,960,234
Inter-segment revenues	155,455,714	78,445,400	1,470,531,903	1,242,536,390	4,660,501	2,016,027	(1,630,648,118)	(1,322,997,817)	-	-
Reportable segment revenue	1,229,829,016	885,572,836	4,746,100,195	4,446,428,969	5,079,101,475	3,462,956,246	(1,630,648,118)	(1,322,997,817)	9,424,382,568	7,471,960,234
Cost of sales										
- intersegment	(155,455,714)	(78,445,400)	(1,470,531,903)	(1,242,536,390)	(4,660,501)	(2,016,027)	1,630,648,118	1,322,997,817	-	-
- external	(992,507,810)	(806,801,073)	(2,714,687,862)	(2,613,874,503)	(4,264,371,055)	(2,892,268,253)	-	-	(7,971,566,727)	(6,312,943,829)
	(1,147,963,524)	(885,246,473)	(4,185,219,765)	(3,856,410,893)	(4,269,031,556)	(2,894,284,280)	1,630,648,118	1,322,997,817	(7,971,566,727)	(6,312,943,829)
Gross profit	81,865,492	326,363	560,880,430	590,018,076	810,069,919	568,671,966	-	-	1,452,815,841	1,159,016,405
Selling and distribution expenses	(16,504,271)	(14,361,929)	(167,931,892)	(144,279,046)	(275,307,893)	(146,348,915)	-	-	(459,744,056)	(304,989,890)
Administrative expenses	(44,381,942)	(40,819,966)	(89,695,219)	(100,792,427)	(114,030,437)	(102,220,894)	-	-	(248,107,598)	(243,833,307)
	(60,886,213)	(55,181,915)	(257,627,111)	(245,071,473)	(389,338,330)	(248,569,809)	-	-	(707,851,654)	(548,823,197)
Segment results	20,979,279	(54,855,552)	303,253,319	344,946,603	420,731,589	320,102,157	-	-	744,964,187	610,193,208
Other income									7,395,610	9,684,342
Finance cost									(673,838,419)	(550,258,159)
Taxation									(91,431,813)	(71,137,018)
Loss after taxation									(12,910,435)	(1,517,627)

16.1.2 Inter-segment sales and purchases

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

16.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

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17 Date of authorization

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on February 25, 2019.

18 General

Corresponding figures has been re-arranged, where necessary for the purpose of comparison.
Figures have been rounded off to the nearest rupee.

Lahore



Chief Executive Officer



Director



Chief Financial Officer



AZGARD-9



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