



First Quarterly Report
2015



Contents

Company Information	2
Directors' Review	3
Condensed Interim Balance Sheet	4
Condensed Interim Profit and Loss Account	5
Condensed Interim Statement of Comprehensive Income	6
Condensed Interim Cash flow Statement	7
Condensed Interim Statement of Changes in Equity	8
Condensed Interim Notes to the Financial Information	9

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

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

Unit III

20 KM off Ferozpur 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 three months period ended 30 September 2015.

Principal Activities

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

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

	Three Months ended 30 September 2015	Three Months ended 30 September 2014
Sales - Net	2,768,888,208	2,270,719,360
Operating loss	(13,120,407)	(113,578,450)
Finance Cost	(304,587,373)	(319,446,190)
Loss before Tax	(248,605,366)	(115,496,592)
Loss after Tax	(276,354,691)	(137,558,095)
Loss per share	(0.61)	(0.30)

Review of business during this period and future outlook

During this quarter sales of the Company increased by around Rs. 500 million as compared with same quarter of year 2014. The Company has been able to reduce the operating losses during this quarter as compared to same quarter of year 2014. The business environment is challenging. The Company is transforming itself to perform better in this environment. The Company is working in areas like product development, better marketing and operational cost reductions especially in the area of energy. The future outlook for textile sector is expected to remain tough as competition from neighboring countries is luring. This is reducing the margin for manufacturers and hampering the demand supply ratio for textile goods.

On restructuring side, we have progressed a lot and we hope that debt restructuring would be accomplished during this year.

As projected, we are hopeful that through completion of this restructuring process, the Company will have sustainable debt levels and by maintaining sufficient working capital would run its operations at optimal levels. We believe that if things go according to plan, the Company should become a positive cash generating entity.

The board appreciates the cooperation of all the stakeholders in regards and is confident of continued support by all of them in strengthening the Company.

on behalf of the Board

Lahore
31 October 2015


Chief Executive Officer

Condensed Interim Balance Sheet (Un-audited)

As at 30 September 2015

		(Un-Audited) 30 September 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		(11,757,420,906)	(11,513,250,435)
		(4,083,482,168)	(3,839,311,697)
Surplus on revaluation of fixed assets		4,535,845,904	4,568,030,126
		452,363,736	728,718,429
Non-current liabilities			
Redeemable capital - secured	5	1,745,225,989	2,460,680,747
Long term finances - secured	6	936,490,016	956,454,823
Liabilities against assets subject to finance lease - secured		8,187,476	10,947,796
		2,689,903,481	3,428,083,366
Current liabilities			
Current portion of non-current liabilities		4,921,699,153	4,097,460,846
Short term borrowing		4,822,250,617	4,813,695,083
Trade and other payables		2,275,628,643	2,444,298,488
Interest / mark-up accrued on borrowings		3,094,583,308	2,919,538,952
Current taxation		77,213,791	73,332,563
Dividend payable		13,415,572	13,415,572
		15,204,791,084	14,361,741,504
Contingencies and commitments	7	18,347,058,301	18,518,543,299
ASSETS			
Non-current assets			
Property, plant and equipment		13,001,409,962	13,097,752,858
Long term investments	8	231,897,310	231,897,310
Trade debts - unsecured, considered good		63,875,853	61,949,527
Long term deposits - unsecured, considered good		18,791,047	18,791,047
		13,315,974,172	13,410,390,742
Current assets			
Stores, spares and loose tools		119,252,693	126,176,080
Stock-in-trade		1,705,361,040	1,940,504,163
Trade receivables		1,710,630,153	1,361,141,139
Advances, deposits, prepayments and other receivables		1,134,742,475	1,240,984,428
Short term investments	9	306,022,500	306,022,500
Cash and bank balances		55,075,268	133,324,247
		5,031,084,129	5,108,152,557
		18,347,058,301	18,518,543,299

The annexed notes 1 to 14 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 quarter ended 30 September 2015

		<i>(Un-Audited)</i> 01 July 2015 to September 2015	<i>(Un-Audited)</i> 01 July 2014 to September 2014
	Note	Rupees	Rupees
Sales - net		2,768,888,208	2,270,719,360
Cost of sales		<u>(2,572,944,781)</u>	<u>(2,147,326,444)</u>
Gross profit		195,943,427	123,392,916
Selling and distribution expenses		(106,323,018)	(124,476,108)
Administrative expenses		<u>(102,740,816)</u>	<u>(112,495,258)</u>
Loss from operations		(13,120,407)	(113,578,450)
Other income		69,102,414	317,528,048
Finance cost	10	<u>(304,587,373)</u>	<u>(319,446,190)</u>
Loss before taxation		(248,605,366)	(115,496,592)
Taxation		(27,749,325)	(22,061,503)
Loss after taxation		<u><u>(276,354,691)</u></u>	<u><u>(137,558,095)</u></u>
Loss per share - basic and diluted		<u><u>(0.61)</u></u>	<u><u>(0.30)</u></u>

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

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the quarter ended 30 September 2015

	<i>(Un-Audited)</i> 01 July 2015 to September 2015 <u>Rupees</u>	<i>(Un-Audited)</i> 01 July 2014 to September 2014 <u>Rupees</u>
Loss after taxation	(276,354,691)	(137,558,095)
<i>Other comprehensive (loss) / income for the period:</i>		
Gain realized on sale of available for sale financial assets	-	(292,434,976)
Total comprehensive loss for the period	<u>(276,354,691)</u>	<u>(429,993,071)</u>

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

Condensed Interim Cash flow Statement (Un-audited)

For the quarter ended 30 September 2015

	<i>(Un-Audited)</i> 01 July 2015 to September 2015	<i>(Un-Audited)</i> 01 July 2014 to September 2014
	Rupees	Rupees
Cash flow from operating activities		
Loss before taxation	(248,605,366)	(115,496,592)
Adjustments	405,110,938	139,310,290
Operating profit before working capital changes	156,505,572	23,813,698
Changes in working capital	(154,358,993)	(198,096,204)
Cash generated from/(used in) operations	2,146,579	(174,282,506)
Payments for:		
Interest / mark-up paid	(50,514,118)	(95,825,588)
Taxes paid	(23,868,098)	(23,700,392)
Net cash used in operating activities	(72,235,638)	(293,808,486)
Cash flows from investing activities		
Capital expenditure	(16,935,448)	(8,807,971)
Proceeds from disposal of fixed assets	6,632,718	-
Short term investments	-	393,977,500
Net cash (used in)/generated from investing activities	(10,302,730)	385,169,529
Cash flows from financing activities		
Liabilities against assets subject to finance lease	(2,760,321)	(2,106,916)
Short term borrowings-net	7,049,708	(16,049,872)
Net cash generated from/(used in) financing activities	4,289,388	(18,156,788)
Net (decrease)/increase in cash and cash equivalents	(78,248,980)	73,204,255
Cash and cash equivalents at the beginning of period	133,324,247	22,759,809
Cash and cash equivalents at the end of period	55,075,267	95,964,064

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

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

For the quarter ended 30 September 2015

	Capital reserves				Revenue reserves		Total equity Rupees	
	Issued, subscribed and paid-up capital Rupees	Share premium Rupees	Reserve on merger Rupees	Preferences share redemption Rupees	Available for sale financial assets Rupees	Accumulated loss Rupees		Total reserves 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)	(748,295,455)
Total comprehensive income for the period	-	-	-	-	-	(137,558,095)	(137,558,095)	(137,558,095)
Loss for the quarter ended 30 September 2014	-	-	-	-	(292,434,976)	-	(292,434,976)	(292,434,976)
Other comprehensive loss for the quarter ended 30 September 2014	-	-	-	-	(292,434,976)	(137,558,095)	(429,993,071)	(429,993,071)
Total comprehensive loss for the quarter ended 30 September 2014	-	-	-	-	-	37,668,322	37,668,322	37,668,322
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	-	-
As at 30 September 2014	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,147	(8,814,558,645)	(5,689,338,902)	(1,140,620,202)
As at 01 July 2015	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	-	-	-	-	-	(276,354,691)	(276,354,691)	(276,354,691)
Loss for the quarter ended 30 September 2015	-	-	-	-	-	-	-	-
Other comprehensive loss for the quarter ended 30 September 2015	-	-	-	-	-	(276,354,691)	(276,354,691)	(276,354,691)
Total comprehensive loss for the quarter ended 30 September 2015	-	-	-	-	-	30,756,368	30,756,368	30,756,368
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	1,427,852	1,427,852	1,427,852
Transfer from surplus on revaluation of fixed assets on disposal	-	-	-	-	-	(8,632,200,868)	(8,632,200,868)	(4,083,462,168)
As at 30 September 2015	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,442	(11,757,420,906)	(8,632,200,868)	(4,083,462,168)

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



Lahore

CHIEF EXECUTIVE



DIRECTOR

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

For the quarter ended 30 September 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 Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture and sale of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 K.M off Manga, Raiwand Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 K.M off Ferozpur Road, 6 K.M Bandian Road on Ruhi Nala, Der Khud, Lahore

2 Basis of preparation

2.1 Separate financial statements

We have applied to the Securities and Exchange Commission of Pakistan (SECP) for exemption under subsection 8 of section 237 of the Companies Ordinance, 1984 from consolidation of the financial statements of company's subsidiary for the quarter ended 30 September 2015. As recently we have been granted this exemption for the year ended 30 June 2015 therefore, we expect to receive similar approval from SECP in due course of time.

2.2 Statement of compliance

This condensed interim unconsolidated financial report of the Company for the three months period ended 30 September 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 or 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.

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

2.3 Going concern assumption

During this quarter, current liabilities exceeded its current assets by Rs. 10,173.71 million, including Rs. 7,389.20 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 11,757.42 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 remaining funds of Rs. 306 million from the sale of Agritech shares are expected to be received within this year. These funds will be used for enhancing the operational capacities and bring them to sustainable levels. The second round of financial restructuring of the Company is at advance stages. The Company is hopeful that subsequent to restructuring and receipt of remaining working capital, the target of sustainable capacity utilization should be achieved. Management is confident that through these measures the Company should become a profitable entity, subject to impact, if any, of uncontrollable external factors as the power crisis and global market conditions.

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

For the quarter ended 30 September 2015

2.4 Financial liabilities

Due to factors mentioned in note 2.3 and note 12, 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. 4,745.05 million have been classified as long term as per the repayment schedules in the financial statements.

3 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 subsidiaries

4 Significant accounting policies

- 4.1 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.

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

For the quarter ended 30 September 2015

	(Un-Audited) 30 September 2015 Rupees	(Audited) 30 June 2015 Rupees
5 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Term Finance Certificates - III	1,083,768,528	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
	<u>6,024,844,185</u>	<u>6,024,844,185</u>
Deferred notional income	(214,903,583)	(276,319,941)
Transaction cost	(36,044,154)	(37,909,372)
	<u>5,773,896,448</u>	<u>5,710,614,872</u>
Amount payable within next twelve months	<u>(4,028,670,459)</u>	<u>(3,249,934,125)</u>
	<u>1,745,225,989</u>	<u>2,460,680,747</u>
6 Long term finances		
Deutsche Investitions - Und MBH (Germany)	825,840,207	799,424,561
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A	567,539,466	567,539,466
HSBC Middle East Limited	234,602,579	234,602,579
	<u>1,671,233,407</u>	<u>1,644,817,761</u>
Transaction costs	(18,359,660)	(18,618,079)
	<u>1,652,873,747</u>	<u>1,626,199,682</u>
Amount payable within next twelve months	<u>(716,383,731)</u>	<u>(669,744,859)</u>
	<u>936,490,016</u>	<u>956,454,823</u>

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

For the quarter ended 30 September 2015

7 Contingencies and commitments

7.1 Contingencies

7.1.1 There is no material change in the contingencies from preceding audited published financial statements of the Company for the quarter ended 30 September 2015.

	(Un-Audited) 30 September 2015	(Audited) 30 June 2015
	Rupees	Rupees
7.2 Commitments		
7.2.1 Commitments under irrevocable letters of credit for:		
- purchase of stores, spare and loose tools	-	824,409
- purchase of raw material	<u>58,726,044</u>	<u>35,019,747</u>
	<u>58,726,044</u>	<u>35,844,156</u>
7.2.2 Commitments for capital expenditure	<u>27,962,401</u>	<u>-</u>

8 Long term investments

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

	(Un-Audited) 30 September 2015	(Audited) 30 June 2015
	Rupees	Rupees
Other investments	32,382	32,382
Investment in AGL TFC,s	<u>231,864,928</u>	<u>231,864,928</u>
	<u>231,897,310</u>	<u>231,897,310</u>

9 Short term investments

9.1 Short term investment comprise 58.29 Million preference shares with value of Rs. 5.25 per shares.
(30 Jun 2015: 58.29 Million preference shares with value of Rs. 5.25 Per share)

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

For the quarter ended 30 September 2015

	(Un-Audited) July to September 2015	(Un-Audited) July to September 2014
	Rupees	Rupees
10 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term financing	102,253,115	115,578,072
Liabilities against assets subject to finance lease	586,246	-
Short term borrowings	96,014,326	123,604,524
Provident Fund	-	390,712
Worker's Profit Participation Fund	1,087,230	1,787,115
	199,940,917	241,360,423
Unwinding of receivable discounting	(11,726,215)	-
Amortization of transaction costs and deferred notional income	63,539,996	75,907,738
Foreign exchange loss / (gain) on long term loan	27,921,473	(35,947,002)
Bank charges & commission	24,911,201	38,125,031
	<u>304,587,373</u>	<u>319,446,190</u>

11 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:

	(Un-Audited) July to September 2015	(Un-Audited) July to September 2014
	Rupees	Rupees
11.1 Transactions with related parties		
11.1.1 Subsidiary - Montebello s.r.l		
Sale of goods	-	30,580,299
11.1.2 Post-employment benefit plans		
Contribution to employees provident fund	-	28,095,726
11.1.3 Key management personnel		
Short-term employee benefits	76,176,719	27,959,078

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

For the quarter ended 30 September 2015

	(Un-Audited) 30 September 2015	(Audited) 30 June 2015
	Rupees	Rupees
11.2 Balances with related parties		
11.2.1 Subsidiary - Montebello s.r.l		
Trade receivables	-	-
11.2.2 Post-employment benefit plans		
Payable to employees provident fund	-	46,236,228
11.2.3 Key Management Personnel		
Short term employee benefits payable	25,392,240	15,369,518

12 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 30 September 2015		
	Principal Rupees	Interest / mark-up	Total Rupees
Redeemable Capital	2,208,265,151	1,061,463,806	3,269,728,958
Long term finances	1,105,092,289	527,128,049	1,632,220,338
Bills payable	368,641,744	215,885,319	584,527,063
Short term borrowings	584,325,000	1,160,616,558	1,744,941,558
Preference shares	148,367,255	-	148,367,255
Preference Dividend	-	9,413,535	9,413,535
	<u>4,414,691,440</u>	<u>2,974,507,267</u>	<u>7,389,198,706</u>

13 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on 31 October 2015.

14 General

Figures have been rounded off to the nearest rupee.


AZGARD-9



Contact Info.

Head Office:

Ismail Aiwan-e-Science Off Shahrahe-Roomi Lahore, 54600

Ph: +92 (0)42 3576-1794-5

Fax: +92 (0) 3576-1791

www.azgard9.com