

Interim Financial Report  
for the nine months ended  
March 31, 2021 (Un-audited)

AZGARD NINE LIMITED

**AZGARD9**  
TOMORROW'S DENIM. TODAY!

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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. Abdul Hamid Ahmed Dagia  
Mr. Abid Hussain  
Mr. Muhammad Wasim Butt

### 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

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 35761791

### 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 IV

Atta Buksh Road, 18-KM, Off: Ferozepur Road,  
Mouza Atari Saroba, Tehseel Cantt, Lahore.  
Ph: +92(0) 333 0427020-1

### WEB PRESENCE

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

### E-MAIL

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

## Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Condensed Interim Financial Report for the nine months period ending on 31st, March 2021.

### 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):

	Nine Months ended 31 March 2021 (Rupees)	Nine Months ended 31 March 2020 (Rupees)
Sales – Net	15,634,159,606	14,941,389,345
Operating profit	1,145,467,614	1,395,016,867
Other income	92,265,031	103,418,655
Other expenses	(217,023,980)	(118,027,099)
Finance Cost	(716,572,364)	(974,304,431)
Profit before Tax	304,136,301	406,103,992
Profit after Tax	152,582,655	260,661,370
Earnings per share	0.31	0.57

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

During this nine months' period, the sales of the Company have increased by 4.6% as compared with the same period of the previous year. Impacts of the third wave of Covid-19 resulted in much less growth and lower production in the third quarter. Moreover, the cost of raw materials such as cotton, yarn and fabric have increased significantly in the period. Due to impacts of Covid-19 and the increasing input costs, the operating profit for these nine months closed at Rs.1,145.47 million, a decrease of almost 18% when compared with the operating profit of same period last year. On the other hand the finance cost of the Company reduced during the period as the rupee appreciated and thus an exchange gain is booked during this period on foreign currency loans.

Loss on sale of stitching unit of Rs. 196.37 million has been incorporated during the period in the head of other expenses. In spite of this loss and difficult times due to the ongoing pandemic, the Company has been able to achieve a before tax profit of Rs. 304.14 million for the nine months of the year 2020-21 as compared to profit of Rs. 406.10 million during the same period last year.

Implementation process of this scheme for Company's 2nd financial restructuring after approval of Lahore High Court on July 31, 2019 is ongoing. In this respect, during the period, stitching unit located at Ruhi Nala, Lahore has been sold. Proceeds from the rights issue and from the sale of the stitching unit are being kept in bank accounts maintained with escrow agent. After requisite approvals, the process of settlements will be run.

Through this scheme, it is anticipated that a significant portion of the principal portion of the debt and related mark-up would be settled. Post restructuring, it is expected that the company's debt levels will become sustainable. Once this scheme is fully implemented, it is hoped that the financial affairs of the Company would improve and the Company should be able to meet its financial obligations in a timely manner. Off course as always this is subject to uncontrollable external impacts such as a pandemic or some other "Black Swan" event.

#### 4 | Azzgard Nine Limited

The exchange rate is showing downward trend during last six months. Where, the value of the Pak Rupee is increasing against the US Dollar and other international currencies. The results of the Company are impacted negatively when the Pak Rupee appreciates. On the other hand, the challenges posed to the Company due to Corona virus is preventing the company from running at optimum capacities, in particular in the third quarter. This is causing capacity losses to the company.

Other factors that may impact the future performance of the Company is Government policies towards the textile sector. These include the decisions regarding gas and electricity availability and pricing and the timely repayment of refunds.

As the 3rd wave of Covid-19 spreads around the world a great deal of uncertainty still prevails especially in Europe. Vaccination levels in Europe are extremely low and the supply of approved vaccines in Europe is very limited. Therefore, it looks as if it will take Europe a lot longer to vaccinate a significant percentage of its population. Currently, many parts of Europe are in lock down with shops closed and have been since December 2020.

As most of the company's business is done with Europe the future outlook for the business of the Company is still hard to predict accurately. The demand in Europe depends a lot on normalization and easing of the restrictions imposed due to the pandemic. It is believed that once a greater percentage of the population is vaccinated, the business needs and demands should also normalize. It is hoped that this can be achieved in the near future.

Status of Disclosure in respect of Montebello S.R.L as mentioned in financial statements for year ended June 30, 2020, on the appeal of the Company. The matter of the Company's claim is in the Italian Supreme Court and now the decision of the Court is awaited. Disclosure in respect of consolidation of financial statements is provided in note 2.2 to the condensed interim financial report.

The Board would like to acknowledge the cooperation of all the stakeholders through these trying and uncertain times and it is hoped that with their continued support in the future as well, the Company's performance should continue to improve.

**On behalf of the Board of Directors**



Chief Executive Officer

Lahore

Date: April 29, 2021



Director

## ڈائریکٹرز کا جائزہ

ایزگارڈ نائن لمیٹڈ (کمپنی) ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے نوامیہ تختہ 31 مارچ 2021 پیش کرتے ہیں۔

### اہم سرگرمیاں

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

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

نوامیہ تختہ 31 مارچ 2020 (روپے)	نوامیہ تختہ 31 مارچ 2021 (روپے)	
14,941,389,345	15,634,159,606	فروختگی (Net)
1,395,016,867	1,145,467,614	آپریٹنگ منافع
103,418,655	92,265,031	دیگر کمائی
(118,027,099)	(217,023,980)	دیگر اخراجات
(974,304,431)	(716,572,364)	مالیاتی اخراجات
406,103,992	304,136,301	منافع قبل از ٹیکس
260,661,370	152,582,655	منافع بعد از ٹیکس
0.57	0.31	منافع فی شیئر

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

اس نوامیہ کی مدت کے دوران، کمپنی کی سیکلز میں پچھلے سال کی اسی مدت کی نسبت 4.6 فیصد کا اضافہ ہوا ہے۔ کووڈ-19 کی تیسری لہر کے اثرات تیسری سہ ماہی میں کم نموار کم پیداوار کی وجہ سے ہیں۔ مزید یہ کہ، اس مدت کے دوران خام مال جیسا کہ کاشن، دھاگہ اور کپڑا کی قیمت میں نمایاں اضافہ ہوا ہے۔ کووڈ-19 کے اثرات اور پیداواری لاگت میں اضافہ کی وجہ سے آپریٹنگ منافع اس نوامیہ کا 1,145.47 ملین روپے ہے جو کہ پچھلے سال اسی نوامیہ کی نسبت تقریباً 18 فیصد کم ہے۔ دوسری طرف اس عرصہ کے دوران کمپنی کی مالیاتی اخراجات میں کمی ہوئی ہے کیونکہ روپیہ کی قدر میں اضافہ ہوا ہے اور اس طرح غیر ملکی قرضوں پر اس مدت کے دوران شرح تبادلہ میں منافع درج کیا ہے۔

196.37 ملین روپے سلائی پونٹ کی فروخت پر ہونے والے نقصان کو اسی عرصے میں دیگر اخراجات میں شامل کیا گیا ہے۔ اس خسارے اور جاری وبا کے مشکل حالات کے باوجود، کمپنی سال 2020-21 کے نوامیہ میں پچھلے سال اسی نوامیہ کے 406.10 ملین روپے منافع کے مقابلے 304.14 ملین روپے منافع قبل از ٹیکس حاصل کرنے میں کامیاب ہوئی ہے۔

31 جولائی 2019 کو لاہور ہائی کورٹ سے دوسری مالیاتی تنظیم نو کی منظوری کے بعد اب اس کو لاگو کرنے کا عمل شروع ہو چکا ہے۔ اس سلسلے میں، اس عرصے کے دوران، روپیہ نالہ، لاہور پر واقع سلائی پونٹ فروخت ہو چکا ہے۔ رائٹ اینٹو اور سلائی پونٹ کی فروخت سے حاصل ہونے والی رقم اسکرو ایجٹ کے قائم کردہ بینک اکاؤنٹ میں رکھ دی گئی ہے۔ مطلوبہ منظوری کے بعد قرض واجبات کی ادائیگیاں کی جائیں گی۔

اس اسکیم کے ذریعہ، یہ توقع کی جاتی ہے کہ قرض کی اصل رقم اور سود کے بڑے حصے کی ادائیگی ہو جائے گی۔ بعد از مالیاتی تنظیم نو یہ امید کی جاتی ہے کہ کمپنی کے قرضہ جات پائیدار سطح پر آجائیں گے۔ ایک بار یہ اسکیم مکمل نافذ ہونے پر، یہ امید کی جاتی ہے کہ کمپنی کے مالیاتی معاملات میں بہتری آئے گی اور کمپنی اپنے قرضہ جات کی بروقت ادائیگی کے قابل ہو جائے گی۔ بے شک اس سب کا انحصار نہ تو آج کے سوانہ کی بیرونی اثرات پر منحصر ہے۔

شرح تبادلہ میں گذشتہ چھ ماہ کے دوران نیچے کی طرف رجحان دیکھا جا رہا ہے۔ جہاں، امریکی ڈالر اور دیگر بین الاقوامی کرنسیوں کے مقابلہ پاک روپیہ کی قدر میں اضافہ ہو رہا ہے۔ پاک روپیہ کی قدر میں اضافہ کمپنی کے نتائج پر منفی اثر ڈالتا ہے۔ دوسری طرف، کرونا وائرس کی وجہ سے درپیش مشکلات خاص طور پر تیسری سہ ماہی میں کمپنی کو پھر پورا صلاحیت سے چلنے سے روک رہی ہے۔ یہ کمپنی کی صلاحیت میں نقصان کی وجہ بن رہی ہے۔

دیگر عناصر جو مستقبل میں کمپنی کی کارکردگی پر اثر انداز ہو سکتے ہیں وہ ٹیکسٹائل شعبے کی طرف حکومتی پالیسیاں ہیں، جس میں بروقت واجب الادا رقوم کی واپسی اور گیس اور بجلی کی دستیابی اور نرخوں سے متعلق فیصلے شامل ہیں۔


کووڈ-19 کی تیسری لہر دنیا میں پھیل جانے کی وجہ سے غیر یقینی صورت حال خاص طور پر یورپ میں موجود ہے۔ یورپ میں ویکسینیشن بہت کم ہے اور منظور شدہ ویکسین کی سپلائی یورپ میں محدود ہے۔ لہذا، ایسا لگتا ہے کہ یورپ کو اپنی بیشتر آبادی کو ویکسینیشن کرنے میں بہت وقت لگے گا۔ فی الحال، دسمبر 2020 سے یورپ کے بہت سارے حصے میں لاک ڈاون کی وجہ سے دوکانیں بند ہیں۔


کیونکہ کمپنی کا بیشتر کاروبار یورپ کے ساتھ ہے، کمپنی کے مستقبل میں کاروبار کا درست اندازہ لگانا مشکل ہے۔ یورپ میں طلب کا انحصار واپا کی وجہ سے عائد پابندیوں کو معمول اور نرمی کرنے پر ہے۔ یہ یقین کیا جاتا ہے کہ ایک دفعہ بیشتر آبادی کے ویکسینیشن ہونے پر کاروبار کی ضروریات اور ڈیمانڈ معمول پر آجائیں گی۔ یہ امید کی جاتی ہے کہ یہ مستقبل قریب میں حاصل ہو جائے گا،

Montebello S.R.L. (MBL) کے بارے میں انکشافات جیسا کہ 30 جون 2020 کے مالیاتی بیٹیشن میں بیان کئے گئے ہیں، کمپنی کی اپیل پر، کمپنی کے وجود کا معاملہ اٹلی سپریم کورٹ میں ہے، فی الحال عدالت کے فیصلے کا انتظار ہے۔ بیجا مالیاتی بیٹیشن کے بارے میں انکشافات مالیاتی بیٹیشن کے نوٹ 2.2 میں مہیا کئے گئے ہیں۔

بورڈ اس مشکل اور غیر یقینی وقت میں اپنے تمام شراکت داروں کے تعاون کا شکریہ ادا کرتا ہے اور تعریف کرتا ہے۔ یہ امید کی جاتی ہے کہ ان کے مسلسل تعاون اور حمایت کی وجہ سے کمپنی کی کارکردگی میں بہتری آئے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
ڈائریکٹر

  
چیف ایگزیکٹو آفیسر  
لاہور  
29 اپریل 2021ء

**Condensed Interim Statement of Financial Position**

As at March 31, 2021

		(Un-audited) March 31 2021 Rupees	(Audited) June 30 2020 Rupees
<b>EQUITY AND LIABILITIES</b>			
Authorized share capital		15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital		4,913,753,370	4,913,753,370
Reserves		3,216,320,430	3,216,320,430
Surplus on revaluation of fixed assets		4,125,423,950	4,742,276,247
Accumulated loss		(10,982,942,977)	(11,752,377,928)
		1,272,554,773	1,119,972,119
<b>Non-current liabilities</b>			
Lease liabilities		4,828,457	7,117,689
Deferred liability		435,906,782	383,204,296
		440,735,239	390,321,985
<b>Current liabilities</b>			
Current portion of non-current liabilities		8,085,714,365	8,139,942,728
Short term borrowing		5,056,928,638	5,067,529,093
Trade and other payables		1,757,810,091	1,474,806,412
Contract Liabilities		92,588,568	48,380,353
Advance against Sale of Assets		-	206,250,000
Interest / mark-up accrued on borrowings		7,015,448,234	6,520,946,044
Dividend payable on preference shares		9,413,535	9,413,535
Unclaimed dividend on ordinary shares		3,753,253	3,763,905
Current taxation		4,246,974	-
		22,025,903,660	21,471,032,070
<b>Contingencies and commitments</b>	4	23,739,193,672	22,981,326,174
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	10,395,927,420	10,254,008,713
Long term investments		12,608,052	12,608,052
Long term deposits and receivables		38,034,396	38,034,396
		10,446,569,868	10,304,651,161
<b>Current assets</b>			
Stores, spares and loose tools		146,480,436	128,358,354
Stock-in-trade		3,591,985,468	3,190,805,924
Trade debts		2,048,022,232	2,225,064,263
Advances, deposits, prepayments and other receivables		3,200,315,399	2,147,978,705
Short term investments		139,993,989	139,993,989
Receivable from National Bank of Pakistan		306,022,500	306,022,500
Income tax recoverable		-	880,794
Funds for restructuring scheme		1,190,034,720	571,284,720
Cash and bank balances		512,067,847	787,189,396
		11,134,922,592	9,497,578,645
Non-current assets held for sale	6	2,157,701,212	3,179,096,368
		23,739,193,672	22,981,326,174

The annexed notes from 1 to 13 form an integral part of this condensed interim unconsolidated financial information.

Lahore   
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer



**Condensed Interim Statement of Profit or Loss (Un-audited)  
For the nine months and quarter ended March 31, 2021**

	Note	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		July 2020 to March 2021	January 2021 to March 2021	July 2019 to March 2020	January 2020 to March 2020
		Rupees	Rupees	Rupees	Rupees
Sales - net		15,634,159,606	4,545,950,236	14,941,389,345	4,575,935,535
Cost of sales		(13,314,371,473)	(4,240,691,106)	(12,352,199,617)	(3,826,170,862)
<b>Gross profit</b>		<b>2,319,788,133</b>	<b>305,259,130</b>	<b>2,589,189,728</b>	<b>749,764,673</b>
Selling and distribution expenses		(750,788,429)	(217,147,808)	(758,062,391)	(264,153,188)
Administrative expenses		(423,532,090)	(144,832,948)	(436,110,470)	(141,355,781)
<b>Profit / (loss) from operations</b>		<b>1,145,467,614</b>	<b>(56,721,626)</b>	<b>1,395,016,867</b>	<b>344,255,704</b>
Other income		92,265,031	30,415,738	103,418,655	40,152,781
Other expenses		(20,628,826)	5,666,665	(23,325,208)	-
Loss on sale of stitching unit		(196,395,154)	-	-	-
Impairment loss on financial asset		-	-	(94,701,891)	-
Finance cost	7	(716,572,364)	(87,027,407)	(974,304,431)	(391,279,645)
<b>Profit / (loss) before taxation</b>		<b>304,136,301</b>	<b>(107,666,630)</b>	<b>406,103,992</b>	<b>(6,871,160)</b>
Taxation		(151,553,646)	(43,014,400)	(145,442,622)	(45,093,071)
<b>Profit / (loss) after taxation</b>		<b>152,582,655</b>	<b>(150,681,030)</b>	<b>260,661,370</b>	<b>(51,964,231)</b>
<b>Earnings / (loss) per share - basic and diluted</b>		<b>0.31</b>	<b>(0.31)</b>	<b>0.57</b>	<b>(0.11)</b>

The annexed notes from 1 to 13 form an integral part of this condensed interim unconsolidated financial information.

Lahore

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

**Condensed Interim Statement of Comprehensive Income (Un-audited)**  
**For the nine months and quarter ended March 31, 2021**

	(Un-audited)		(Un-audited)	
	July 2020 to March 2021	January 2021 to March 2021	Jul 2019 to March 2020	January 2020 to March 2020
	Rupees	Rupees	Rupees	Rupees
Profit / (loss) after taxation	152,582,655	(150,681,030)	260,661,370	(51,964,231)
<i>Items that may not be subsequently reclassified to statement of profit or loss</i>				
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>152,582,655</b>	<b>(150,681,030)</b>	<b>260,661,370</b>	<b>(51,964,231)</b>

The annexed notes from 1 to 13 form an integral part of this condensed interim unconsolidated financial information.

Lahore

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

**Condensed Interim Statement of Cash Flows (Un-audited)**  
For the nine months ended March 31, 2021

	<u>July 2020 to March 2021</u>	<u>July 2019 to March 2020</u>
	Rupees	Rupees
<b>Cash flow from operating activities</b>		
Profit before taxation	304,136,302	406,103,992
Adjustments	1,353,214,241	1,506,295,413
<b>Operating profit before working capital changes</b>	<u>1,657,350,543</u>	<u>1,912,399,405</u>
Changes in working capital	<u>(983,391,566)</u>	<u>(396,670,291)</u>
Cash generated from operations	<u>673,958,977</u>	1,515,729,115
<b>Payments for:</b>		
Finance cost	(276,299,448)	(356,516,145)
Income tax	(146,425,881)	(172,782,965)
Post retirement benefits	<u>(81,765,537)</u>	<u>(16,954,498)</u>
<b>Net cash generated from operating activities</b>	<u>169,468,111</u>	969,475,507
<b>Cash flows from investing activities</b>		
Capital expenditure	<u>(439,220,243)</u>	(384,719,002)
Proceeds from disposal of unit classified as held for sale	618,750,000	-
Proceeds from disposal of fixed assets	<u>7,530,000</u>	264,780
<b>Net cash generated from / (used in) investing activities</b>	<u>187,059,757</u>	(384,454,222)
<b>Cash flows from financing activities</b>		
Repayment of long term finances	-	(8,418,294)
Lease liabilities	<u>(2,288,319)</u>	967,644
Short term borrowings-net	<u>(10,600,447)</u>	(534,778,511)
Dividend paid	<u>(10,652)</u>	-
<b>Net cash generated used in financing activities</b>	<u>(12,899,418)</u>	(542,229,161)
<b>Net increase in cash and cash equivalents</b>	<u>343,628,451</u>	42,792,124
<b>Cash and cash equivalents at the beginning of period</b>	<u>1,358,474,116</u>	447,992,814
<b>Cash and cash equivalents at the end of period</b>	<u><u>1,702,102,567</u></u>	<u><u>490,784,938</u></u>

The annexed notes from 1 to 13 form an integral part of this condensed interim unconsolidated financial information.

Lahore   
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Financial Officer

**Condensed Interim Statement of Changes in Equity (Un-audited)  
For the nine months ended March 31, 2021**

	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve	Post retirement benefits obligation reserve	Surplus on revaluation of fixed assets	Accumulated loss	Total reserves	Total equity
As at July 01, 2019 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	10,837,976	4,849,769,249	(11,470,821,777)	(3,485,164,956)	1,063,553,744
Total comprehensive income for the period	-	-	-	-	-	-	260,661,370	260,661,370	260,661,370
Income for the period ended March 31, 2020	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the period ended March 31, 2020	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period ended March 31, 2020	-	-	-	-	-	-	260,661,370	260,661,370	260,661,370
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(80,250,097)	80,250,097	-	-
As at March 31, 2020 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	10,837,976	4,769,519,152	(11,129,510,310)	(3,224,503,586)	1,324,215,114
As at July 01, 2020 - Audited	4,913,753,370	2,358,246,761	105,152,005	661,250,830	91,670,834	4,742,276,247	(11,752,377,928)	(3,793,781,251)	1,119,972,119
Total comprehensive income for the period	-	-	-	-	-	-	152,582,655	152,582,654	152,582,654
Income for the period ended March 31, 2021	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period ended March 31, 2021	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period ended March 31, 2021	-	-	-	-	-	-	152,582,655	152,582,654	152,582,654
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(77,294,169)	77,294,169	-	-
Reversal of revaluation deficit on disposal of fixed assets	-	-	-	-	-	(539,558,128)	539,558,128	-	-
As at March 31, 2021 - Unaudited	4,913,753,370	2,358,246,761	105,152,005	661,250,830	91,670,834	4,125,423,950	(10,982,942,977)	(3,641,198,697)	1,272,554,772

The annexed notes from 1 to 13 form an integral part of this condensed interim unaudited financial information.

**Lahore**



**Chief Executive Officer**



**Director**



**Chief Financial Officer**

## 12 | Azgard Nine Limited

### Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited) For the nine months ended March 31, 2021

#### 1. Reporting entity

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 Aiwan-i-Science, off Shahrah-i-Roomi, Lahore. The Company has four units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh, Unit III at 20 km off Ferozpur Road, 6 km Badian Road on Ruhi Nala, Der Khurd, Lahore and Unit IV at Atta Buksh Road, 18 km, off Ferozpur Road, Mouza Atari Saroba, Tehseel Cantt, Lahore. Unit IV is rented facility. Unit I and IV are operational, Unit II is non-operational and is being held for sale, whilst Unit III has been sold and the full payment from the sale amount has been received.

#### 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.

These condensed interim financial statements do 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 audited financial statements for the year ended June 30, 2020.

Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2020 whereas comparative statement of profit or loss, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial statements for the nine months and quarter ended on March 31, 2020.

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

These condensed interim financial statements are the separate financial statements of the Company. Consolidated condensed interim financial statements of the Company are 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 of the Company have exceeded its current assets by Rs. 8,716.08 million (June 30, 2020: Rs. 8,794.36 million), financial liabilities include Rs. 15,894.21 million (June 30, 2020: Rs. 15,406.37 million) relating to overdue principal and mark-up thereon, and the accumulated loss stand at Rs. 10,982.94 million (June 30, 2020: Rs. 11,752.37 million). These conditions may cast doubt about the Company's ability to continue as a going concern. These condensed interim 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 following factors:

### 2.3.1 Financial restructuring

The ongoing financial restructuring of the Company is in the final stages and is expected to significantly reduce the debt burden and finance cost of the Company. In this respect, the creditors' scheme of arrangement was approved by the Honorable Lahore High Court (LHC) vide order dated July 31, 2019. The financial restructuring was due to be finalized during year 19-20 however the time period has been extended due to COVID-19 and lockdown situation and is currently in the implementation phase. In accordance with the court approved scheme of the arrangement, the Company is required to raise funds through right issue and disposal of its two secondary units. In this respect proceeds from rights issue and sale of one of the units have been received and kept in bank accounts maintained with escrow agent for settlement.

### 2.3.2 Cashflows from operations

As part of assessing the Company's ability to continue as going concern, the management has analyzed the projected impact of financial restructuring on the financial position and cash flows of the Company. It is anticipated that the Company's restructured debt levels will be sustainable and the resulting obligations should be met on time subject to adverse impact, if any, of uncontrollable external factors such as the local and global market conditions.

The Company's cash flow have been impacted from disruptions due to COVID-19. After first waves of Covid-19, business of the Company again picked up from June 2020 but then was effected again from second and third the waves of Covid-19. As Europe is planning to achieve vaccination of 70% of population by end of summer this year, the Company hopes that business activities would improve in a few months' time. Hopefully during year 2021-22, better sales and profitability may be achieved. In this perspective, the management is of strong belief there is no going concern uncertainty due to COVID-19, at the moment.

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### 3. Accounting policies and estimates

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2020.

3.2 Judgments and estimates made by the management in the preparation of the condensed interim financial information are the same as those applied in preparation of annual published financial statements of the Company for the year ended June 30, 2020.

### 4. Contingencies and commitments

#### 4.1 Contingencies

There is no material change in the status of contingencies as disclosed in the financial statements for the year ended June 30, 2020, except for the accrued expense relating to Gas Infrastructure Development Cess (GIDC) amounting to Rs. 155.61 million which was Rs. 123.84 million as at June 30, 2020

		(Un-audited) March 31 2021	(Audited) June 30 2020
	Note	Rupees	Rupees
<b>4.2 Commitments</b>			
<b>4.2.1 Commitments under irrevocable letters of credit for:</b>			
- purchase of stores, spare and loose tools		4,154,381	33,199,186
- purchase of machinery		159,571,137	-
- purchase of raw material		82,529,217	27,599,517
		<u>246,254,735</u>	<u>60,798,703</u>
<b>4.2.2 Commitments for capital expenditure</b>		<u>186,080,399</u>	<u>57,177,007</u>

### 5 Property, plant and equipment

Operating fixed assets	5.1	10,141,324,406	9,996,709,467
Right of use asset		7,962,406	9,367,534
Capital work in progress		246,640,608	247,931,712
		<u>10,395,927,420</u>	<u>10,254,008,713</u>

#### 5.1 Operating fixed assets

Net book value as at the beginning of the period / year		10,006,077,001	10,078,765,729
Additions during the period / year	5.1.1	440,511,345	312,688,535
Disposals during the period / year - Net book value		(12,151,650)	(4,499,195)
Depreciation charged during the period / year		(285,149,882)	(380,878,068)
<b>Net book value as at the end of the period / year</b>		<u>10,149,286,814</u>	<u>10,006,077,001</u>

	(Un-audited) March 31 2021	(Audited) June 30 2020
Note	Rupees	Rupees
<b>5.1.1 Additions- Cost</b>		
<b><i>Assets owned by the Company</i></b>		
Building on freehold land	83,759,098	23,751,887
Plant and Machinery	327,539,090	187,980,912
Furniture, fixtures and office equipment	3,852,430	17,223,139
Vehicles	3,307,050	8,983,300
Tools and equipments	17,457,683	28,815,060
Electric installations	4,595,994	43,151,230
<b><i>Right of use asset</i></b>	-	2,783,000
	<b>440,511,345</b>	<b>312,688,528</b>

**6 Non- current assets held for sale**

Carry amount as at the beginning of the period / year	3,179,096,368	3,190,050,821
Fair value adjustment during the period / year	-	(10,954,453)
Disposals during the period / year - Net book value	<b>(1,021,395,156)</b>	-
<b>Net book value as at the end of the period / year</b>	<b>2,157,701,212</b>	<b>3,179,096,368</b>

As mentioned in note 2.3, in accordance with the approved scheme of arrangement, stitching unit of the Company located at Ruhi Nala, Lahore has been sold during this period.

	(Un-audited) July 2020 to March 2021	(Un-audited) July 2019 to March 2020
	Rupees	Rupees
<b>7 Finance cost</b>		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term finances	295,929,228	430,128,944
Lease liabilities	531,671	952,727
Short term borrowings	272,617,232	341,516,853
	<b>569,078,131</b>	772,598,524
Amortization of transaction costs	1,628,139	7,383,526
Exchange gain on foreign currency borrowings	<b>(50,723,660)</b>	(19,741,480)
Bank discounting and other charges	196,589,754	214,063,861
	<b>716,572,364</b>	974,304,431



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### 8. Transactions and balances with related parties

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

During the year ended June 30, 2020, the holding of Jahangir Siddiqui and Company Limited (JSCL) in the Company has increased from 19.96% to 24.86% and consequently JSCL and its group companies are now considered as related parties. Comparative disclosure of transactions and balances with related parties have been amended accordingly.

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

	<b>(Un-audited)</b> <b>July 2020 to</b> <b>March 2021</b>	<b>(Un-audited)</b> <b>July 2019 to</b> <b>March 2020</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>8.1 Transactions with related parties</b>		
<b>8.1.1 Other related parties</b>		
<b>JS Bank Limited</b>		
Mark-up expense	<b>4,593,167</b>	25,653,755
Fee paid to Trustee	<b>1,500,000</b>	1,500,000
Mark-up Paid	-	19,282,825
<b>JS Value Fund Limited</b>		
Mark-up expense	<b>1,542,747</b>	2,160,984
<b>Unit Trust of Pakistan</b>		
Mark-up expense	<b>2,078,426</b>	3,521,552
<b>JS Large Cap Fund</b>		
Mark-up expense	<b>6,866,965</b>	6,892,027
<b>JS Global Capital Limited</b>		
Mark-up expense	<b>26,957,231</b>	27,055,615
<b>JS Principal Secure Fund</b>		
Mark-up expense	<b>2,764,622</b>	2,774,712
<b>JS Income Fund</b>		
Mark-up expense	<b>2,660,813</b>	4,337,323
<b>JS Growth Fund</b>		
Mark-up expense	<b>6,586,960</b>	7,121,505
<b>8.1.2 Key management personnel</b>		
Short-term employee benefits	<b>269,682,290</b>	270,539,079

(Un-audited)	(Audited)
March 31	June 30
2021	2020
Rupees	Rupees

**8.2 Balances with related parties****8.2.1 Other related parties****JS Bank Limited**

Redeemable capital - PPTFC IV	65,021,777	65,021,777
Mark-up payable	67,514,416	57,983,213

**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	20,208,435	18,665,687

**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	30,013,815	27,935,389

**JS Large Cap Fund**

Redeemable capital - PPTFCs	83,160,000	83,160,000
Mark-up payable	59,045,878	50,349,393

**JS Global Capital Limited**

Redeemable capital - PPTFCs	326,456,184	326,456,184
Mark-up payable	231,792,835	197,653,567

**JS Principal Secure Fund**

Redeemable capital - PPTFCs	33,480,000	33,480,000
Mark-up payable	23,771,717	20,270,535

**JS Pension Savings Fund**

Redeemable capital - PPTFC VI	3,850,000	3,850,000
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**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	37,642,499	34,981,685

**JS Growth Fund**

Redeemable capital - TFC II	16,269,187	16,269,187
Redeemable capital - TFC VI	10,750,000	10,750,000
Redeemable capital - PPTFCs	64,200,000	64,200,000
Mark-up payable	62,424,121	54,424,761

**8.2.2 Key Management Personnel**

Short term employee benefits payable	22,221,462	17,105,095
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**9. 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 March 31, 2021**

Principal	Preference dividend / Interest / mark-up	Total
-----------	--	-------

-----Rupees-----

Redeemable capital	5,889,781,512	2,580,735,946	8,470,517,458
Long term finances	2,117,172,765	1,451,010,821	3,568,183,586
Preference shares	148,367,250	9,413,535	157,780,785
Short term borrowings	474,015,216	2,506,547,213	2,980,562,429
Bills payable	337,503,037	379,667,588	717,170,625
	<u>8,966,839,780</u>	<u>6,927,375,103</u>	<u>15,894,214,883</u>

**As at June 30, 2020**

Principal	Preference dividend / Interest / mark-up	Total
-----------	--	-------

-----Rupees-----

Redeemable capital	5,844,476,830	2,397,092,713	8,241,569,543
Long term finances	2,167,896,426	1,362,494,844	3,530,391,270
Preference shares	148,367,250	9,413,535	157,780,785
Short term borrowings	474,015,216	2,321,757,645	2,795,772,861
Bills payable	337,503,037	343,348,334	680,851,371
	<u>8,972,258,759</u>	<u>6,434,107,071</u>	<u>15,406,365,830</u>

As mentioned in note 2.3, second round of financial restructuring is in process.

## 10 Segment information

## 10.1 Information about reportable segments

	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	March-21 Rupees	March-20 Rupees	March-21 Rupees	March-20 Rupees	March-21 Rupees	March-20 Rupees	March-21 Rupees	March-20 Rupees	March-21 Rupees	March-20 Rupees
<b>10.1.1 Segment revenues and results</b>										
<b>Revenue</b>										
External revenues	1,374,215,184	1,404,543,769	5,461,396,453	5,010,145,893	8,798,547,969	8,526,699,683	(3,081,458,084)	(2,995,161,342)	15,634,159,606	14,941,389,345
Inter-segment revenues	531,800,068	458,919,390	2,545,633,645	2,525,296,627	4,024,371	10,945,325	-	-	-	-
	1,906,015,252	1,863,463,159	8,007,030,098	7,535,442,520	8,802,572,340	8,537,645,008	(3,081,458,084)	(2,995,161,342)	15,634,159,606	14,941,389,345
<b>Cost of sales</b>										
- inter-segment	(531,800,068)	(458,919,390)	(2,545,633,645)	(2,525,296,627)	(4,024,371)	(10,945,325)	3,081,458,084	2,995,161,342	-	-
- external	(1,231,684,818)	(1,282,667,188)	(4,371,904,457)	(3,874,081,909)	(7,710,782,198)	(7,195,450,320)	-	-	(13,314,371,473)	(12,352,199,617)
	(1,763,484,886)	(1,741,586,578)	(6,917,538,102)	(6,399,378,536)	(7,714,806,569)	(7,206,395,645)	3,081,458,084	2,995,161,342	(13,314,371,473)	(12,352,199,617)
<b>Gross profit</b>	142,530,366	121,876,581	1,089,491,996	1,136,063,984	1,087,765,771	1,331,249,363	-	-	2,319,788,133	2,589,189,728
Selling and distribution expenses	(24,906,008)	(33,608,559)	(233,379,310)	(254,938,986)	(492,803,111)	(469,514,545)	-	-	(750,788,429)	(758,062,391)
Administrative expenses	(92,846,357)	(85,957,091)	(155,087,931)	(167,681,144)	(177,597,802)	(185,472,351)	-	-	(453,532,090)	(456,110,470)
	(117,752,365)	(119,565,650)	(388,467,241)	(422,620,131)	(670,400,913)	(651,987,080)	-	-	(1,174,320,519)	(1,194,172,861)
<b>Segment results</b>	24,778,001	2,310,931	703,024,755	713,443,854	417,664,858	679,262,083	-	-	1,445,467,614	1,395,016,867
Other income									92,265,031	103,418,655
Loss on sale of non-current assets held for sale									(96,395,154)	(94,701,891)
Other expenses									(20,628,826)	(23,325,208)
Impairment loss on financial asset									-	(94,701,891)
Finance cost									(716,572,364)	(974,304,431)
Taxation									(151,553,646)	(145,442,622)
<b>Profit after taxation</b>									152,582,657	260,661,370

## 10.1.2 Inter-segment sales and purchases

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

## 10.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

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	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	March-21	June-20	March-21	June-20	March-21	June-20	March-21	June-20	March-21	June-20
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>10.1.4 Assets</b>										
Total assets for reportable segments	4,297,996,102	4,072,911,649	9,697,233,660	9,127,739,013	7,498,134,140	8,205,168,666	(890,473,621)	(456,307,547)	21,112,890,280	20,949,511,781
Property, plant and equipment - common	-	-	-	-	-	-	-	-	977,644,131	1,001,905,132
Long term investments	-	-	-	-	-	-	-	-	12,608,052	12,608,052
Receivable from National Bank of Pakistan	-	-	-	-	-	-	-	-	306,022,500	306,022,500
Short term investments	-	-	-	-	-	-	-	-	139,993,989	139,993,989
Funds for restructuring scheme	4,297,996,102	4,072,911,649	9,697,233,660	9,127,739,013	7,498,134,140	8,205,168,666	(890,473,621)	(456,307,547)	1,190,034,720	571,284,720
	<b>4,297,996,102</b>	<b>4,072,911,649</b>	<b>9,697,233,660</b>	<b>9,127,739,013</b>	<b>7,498,134,140</b>	<b>8,205,168,666</b>	<b>(890,473,621)</b>	<b>(456,307,547)</b>	<b>23,339,193,672</b>	<b>22,981,326,174</b>
<b>10.1.5 Liabilities</b>										
Total liabilities for reportable segments	349,178,900	248,173,024	1,016,362,640	1,138,085,473	1,318,652,999	1,195,867,553	(380,473,621)	(456,307,547)	2,303,720,919	2,125,818,503
Corporate liabilities - common	-	-	-	-	-	-	-	-	20,162,917,979	19,735,535,552
	<b>349,178,900</b>	<b>248,173,024</b>	<b>1,016,362,640</b>	<b>1,138,085,473</b>	<b>1,318,652,999</b>	<b>1,195,867,553</b>	<b>(380,473,621)</b>	<b>(456,307,547)</b>	<b>22,466,638,898</b>	<b>21,861,354,055</b>
<b>10.1.6 Geographical information</b>										
The segments of the Company are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Pakistan. In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.										
<b>Revenue</b>										
<i>Foreign revenue</i>										
Asia	1,366,005,480	1,257,908,538								
Europe	102,763,706.38	10,040,174,384								
South America	26,167,105	4,732,665								
Africa	2,436,143,470	8,850,084								
Other countries	14,104,685,693	2,367,741,177								
<i>Local revenue</i>										
Pakistan	1,061,051,055	866,401,365								
	<b>15,165,736,748</b>	<b>14,546,008,113</b>								
(Un-audited)										
March-21		(Audited)								
June-20										
Rupees										
<b>10.1.7 Non-current assets</b>										
Pakistan	10,446,569,868	10,304,651,161								

	March-21	March-20
	Rupees	Rupees
Asia	1,366,005,480	1,257,908,538
Europe	102,763,706.38	10,040,174,384
South America	26,167,105	4,732,665
Africa	2,436,143,470	8,850,084
Other countries	14,104,685,693	2,367,741,177
<i>Local revenue</i>		
Pakistan	1,061,051,055	866,401,365
	<b>15,165,736,748</b>	<b>14,546,008,113</b>

(Un-audited)  
March-21  
June-20  
Rupees

(Audited)  
March-21  
June-20  
Rupees

10,446,569,868 10,304,651,161

**11. Corresponding figures**

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

**12. Date of authorization**

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on April 29, 2021.

**13. General**

Figures have been rounded off to the nearest rupee.

Lahore

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Financial Officer









# AZGARD9

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