



Making  
Conscious  
Denim  
PRESERVING PLANET

**AZGARD9**

Changing Perspective With Process

AZGARD NINE LIMITED

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Interim Financial Report  
for the half year ended  
December 31, 2021 (Un-audited)

## Contents

Company Information	2
Directors' Review - English	3
Directors' Review - Urdu	5
Independent Auditors' Review Report	7
Condensed Interim Statement of Financial Position	9
Condensed Interim Statement of Profit or Loss (Un-audited)	10
Condensed Interim Statement of Comprehensive Income (Un-audited)	11
Condensed Interim Statement of Cash Flows (Un-audited)	12
Condensed Interim Statement of Changes in Equity (Un-audited)	13
Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited)	14

## 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

Grant Thornton Anjum Rahman  
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  
Faysal Bank Limited  
Habib Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Silkbank Limited  
Summit Bank Limited  
Askari Bank Limited  
Bank Al Habib 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

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

### 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 31 December 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):

	Six Months ended 31 December 2021 (Rupees)	Six Months ended 31 December 2020 (Rupees)
Sales – Net	14,932,350,183	11,088,209,370
Operating profit	962,759,977	1,202,189,240
Other income	58,764,048	61,849,293
Other expenses	(65,188,213)	(222,690,644)
Finance Cost	(347,946,376)	(629,544,957)
Profit before Tax	608,389,436	411,802,932
Profit after Tax	460,065,648	303,263,687
Earnings per share	0.94	0.62

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

During this six months' period, the sales of the Company have increased by more than 34% as compared to the same period of the previous year. Operating profit of this half year is Rs. 962.76 million, a decrease of almost 20% when compared with the operating profit of same period last year. The Company has been able to achieve a before tax profit of Rs. 608.39 million; more than 47% increase as compared to same period of last year.

New textile policy confirming continuation of DLT scheme - duty drawback on local taxes and levies for year 2021-2022 has been approved by the ECC and the Federal Cabinet in their recent meetings. However, official notifications confirming this are still pending. Consequently, the Company has not recognised the positive effect expected of this on its income. By comparison, the results for period from July to December 2020 include a positive effect from DLT of Rs 143.3 million.

During the period, as part of restructuring scheme, bid pertaining to spinning unit located at Alipur road, Muzaffargarh has been finalized by scheme agent banks.

During the period, global trends of increasing costs and shortages of raw materials is observed. As a result, manufacturing cost of company has significantly increased. At present, it looks difficult to fully pass on the impact of these cost increases to the market. In addition, the huge increases in sea freight have also increased our costs significantly. These factors have reduced our margins.

#### 4 | Azgard Nine Limited

Future outlook of business of the Company is mainly reliant on the stability in raw material prices, currently these appear to not be settling down. So we fore see continued pressure on margins. Restructuring scheme of the Company has been implemented and the Company's debt levels should now be sustainable. To meet the sales growth, the Company is now trying to raise sufficient working capital financing.

Disclosure in respect of Montebello S.R.L is provided in note 2.2, 5.1.5 and 7.1 to the condensed interim financial report.

The board appreciates the cooperation, support and help of all the stakeholders through these difficult times. It is hoped that with their continued support in the future as well, we would continue to improve the Company's performance.

**On behalf of the Board of Directors**



**Chief Executive Officer**  
Lahore  
Date: February 26, 2022



**Director**

## ڈائریکٹرز کا جائزہ

ایگزیکوٹو ٹائمنگ (کمپنی) کے ڈائریکٹرز ہمراہ انتظامیہ ٹیم کمپنی کی کٹیف عبوری مالیاتی رپورٹ برائے سش ماہی مختتمہ 31 دسمبر 2021 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۔  
ایگزیکوٹو ٹائمنگ (سٹینڈ لون) کے عملی مالیاتی نتائج درج ذیل ہیں۔

سش ماہی مختتمہ 31 دسمبر 2020 (روپے)	سش ماہی مختتمہ 31 دسمبر 2021 (روپے)	
11,088,209,370	14,932,350,183	فروختگی (Net)
1,202,189,240	962,759,977	آپریٹنگ منافع
61,849,293	58,764,048	دیگر کمائی
(222,690,644)	(65,188,213)	دیگر اخراجات
(629,544,957)	(347,946,376)	مالیاتی اخراجات
411,802,932	608,389,436	منافع قبل از ٹیکس
303,263,687	460,065,648	منافع بعد از ٹیکس
0.62	0.94	منافع فی شیئر

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

اس سش ماہی کی مدت کے دوران کمپنی کی سبزی میں پچھلے سال کی اسی مدت کی نسبت تقریباً 34 فیصد کا اضافہ ہوا ہے۔ آپریٹنگ منافع اس سش ماہی کا 962.76 ملین روپے ہے جو کہ پچھلے سال اسی سش ماہی کی نسبت تقریباً 20 فیصد کم ہے۔ کمپنی 608.39 ملین روپے منافع قبل از ٹیکس حاصل کرنے میں کامیاب ہوئی ہے جو کہ پچھلے سال اسی سش ماہی کی نسبت 47 فیصد سے زیادہ اضافہ ہوا ہے۔

نئی ٹیکسٹائل پالیسی بشمول DLTL اسکیم، مقامی ٹیکسوں اور لیویز پر ڈیوٹی ڈرائیگ، کے تسلسل برائے سال 2021-2022 کو ای سی سی اور وفاقی کابینہ نے اپنے حالیہ اجلاسوں میں منظور کر دیا ہے۔ تاہم، اس کی تصدیق کرنے والی سرکاری نوٹیفیکیشنز ابھی تک زیر التواء ہیں۔ اس لئے، کمپنی نے اپنی آمدنی پر اس سے متوقع مثبت اثر کو شامل نہیں کیا ہے۔ پچھلے سال، جولائی سے دسمبر 2020 کے دورانیے کے نتائج پر DLTL سے 143.3 ملین روپے کا مثبت اثر شامل ہے۔

اس مدت کے دوران، تنظیم نو اسکیم کے حصے کے طور پر، علی پور، مظفر گڑھ، پراچہ اسپننگ یونٹ کی بولی سے متعلق ایڈجسٹ بیٹوں نے فائل کر دیا ہے۔

## 6 Azgard Nine Limited


اس عرصے کے دوران، بڑھتی ہوئی لاگت اور خام مال کی کمی کے عالمی رجحان دیکھا گیا ہے۔ اس کے نتیجے میں کمپنی کی مینوفیکچرنگ لاگت میں نمایاں اضافہ ہوا ہے۔ فی الحال، ایسا لگتا ہے مارکیٹ میں اس لاگت میں اضافے کے اثرات کو مکمل طور پر منتقل کرنا مشکل ہے۔ اس کے علاوہ، سمندری مال برداری میں بہت بڑے اضافے نے اخراجات میں نمایاں اضافہ کر دیا ہے۔ ان وجوہات نے کمپنی کے مارجنز میں کمی کر دی ہے۔


مستقبل کے نقطہ نظر سے کمپنی کے کاروبار کا انحصار بنیادی طور پر خام مال کی قیمتوں میں استحکام پر منحصر ہے، جو کہ فی الحال، یہ مستحکم نہیں ہو رہی ہیں۔ لہذا ہم کمپنی کے مارجنز پر مسلسل دباؤ دیکھ رہے ہیں۔ کمپنی کی تنظیم نو اسکیم لاگو ہو چکی ہے اور قرضہ جات اب پائیدار سطح پر آجائیں گے۔ فروخت میں اضافے کو پورا کرنے کے لئے، کمپنی ورکنگ کپینٹل فنانسنگ میں اضافے کی کوشش کر رہی ہے۔

Montebello S.R.L. کے بارے میں انکشاف کیجا مالیاتی بیٹنٹنس کے نوٹ 2.2، 5.1.5 اور 7.1 میں مہیا کئے گئے ہیں۔

بورڈ اس مشکل وقت میں اپنے تمام شراکت داروں کے تعاون، حمایت اور مدد کو سراہتا ہے۔ یہ امید کی جاتی ہے کہ ان کا مستقبل میں بھی مسلسل تعاون جاری رہے گا۔ ہم کمپنی کی کارکردگی میں بہتری کے لئے کوشاں ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
ڈائریکٹر

  
چیف ایگزیکٹو آفیسر

لاہور

26 فروری 2022ء

## INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF AZGARD NINE LIMITED

### REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Azgard Nine Limited as at December 31, 2021 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this 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 financial statements based on our review.

#### 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 7.1 to the annexed financial information that on December 18, 2014, the Court of Vicenza, Italian Republic had approved bankruptcy proposal of public prosecutor and appointed a Trustee to manage the affairs of Company's wholly owned subsidiary, Montebello s.r.l. ("MBL"). Resultantly, the Company has ceased recognizing and presenting MBL as its subsidiary and such investment is being presented as other investment against which impairment has also been recognized in full. During last year, the bankruptcy proceedings of MBL were purchased by Taybah Capital Limited (TCL), a Company registered in United Arab Emirates. On March 31, 2021, Taybah filed suit for a claim of EUR 7 million which is being defended by the Company. During this period, the Court of Vicenza has also accepted and awarded TCL's claim to the extent of EUR 2.049 million. The Company has filed appeal against this Order which is pending for adjudication.

The Company has not made any provision on account of claim of EUR 7 million as well as recent Court order for EUR 2 million against the company in these interim financial statements. In absence of definite determination of these claims, we are unable to satisfy ourselves as to the appropriateness of amounts recorded and related disclosures made in these interim financial statements; and



- b) A creditors' scheme of arrangement (the Scheme) approved by the Honorable Lahore High Court (LHC) was implemented on April 29, 2021, during last year. As per this Scheme, new finances (sub Privately Placed Term Finance Certificates, New Zero Coupon Privately Placed Term Finance Certificates and Settlement Finance) replaced the existing liabilities (principal and mark-up) comprising of redeemable capital, long term finances and certain short-term borrowings of the Company. The new restructured finances are either zero coupon or at 5% markup i.e., below market rate. However, the Company has recognized these finances at their respective face values, instead of their fair values.

Had these finances been recognised at their fair value on the date of restructuring, equity of the Company would have increased by Rs. 3,029 million with a corresponding decrease in carrying value of such restructured finances as well as increase in finance cost of these six months by Rs. 134 million.

#### Qualified Conclusion

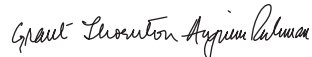
Based on our review, except for effects of the matters described in Basis for Qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements, are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting

#### Other Matters

We also draw attention towards that:

1. annual financial statements for the year ended June 30, 2021 were audited by another firm of auditors, whose report dated November 03, 2021 expressed qualified opinion thereon w.r.t non-amortisation of restructured financings and appropriateness of impairment of investment in MBL recorded and disclosures made in respect of claims lodged against the company during bankruptcy of MBL in those financial statements;
2. condensed interim financial statements for half year ended December 31, 2020 were reviewed by another firm of auditors, whose report dated February 26, 2021 expressed qualified conclusion thereon w.r.t appropriateness of impairment of investment and trade receivables of MBL recorded as well as related disclosures made in those interim financial statements; and
3. the figures of condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended December 31, 2021 in the annexed condensed financial statements have not been reviewed, as we are required to review only cumulative figures for the six-months period ended December 31, 2021.

The engagement partner on the review resulting in this independent auditors' review report is Imran Afzal.



Grant Thornton Anjum Rahman

Chartered Accountants

Date: February 28, 2022

Lahore

UDIN : RR202110212j85fucPkr

**Condensed Interim Statement of Financial Position**  
As at December 31, 2021

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	Rupees	Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</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		3,214,437,408	3,214,437,408
Surplus on revaluation of fixed assets		3,375,878,594	3,414,941,189
Accumulated loss		(3,049,326,695)	(3,548,454,938)
		8,454,742,677	7,994,677,029
<b>Non-current liabilities</b>			
Redeemable capital - secured	4	2,532,280,441	3,561,791,275
New Zero Coupon privately placed term finance certificates		5,103,510,000	5,103,510,000
Long term finances - secured		1,081,208,933	1,081,208,932
Lease liabilities		3,704,377	4,672,573
Deferred liability-gratuity		535,830,522	495,679,868
		9,256,534,273	10,246,862,648
<b>Current liabilities</b>			
Current portion of non-current liabilities		149,437,771	150,772,866
Short term borrowing	4	2,183,961,506	1,423,689,035
Trade and other payables		3,466,063,602	2,545,679,458
Contract liabilities		119,312,564	53,186,265
Interest / mark-up accrued on borrowings		292,902,947	200,066,382
Dividend payable on preference shares		9,413,535	9,413,535
Unclaimed dividend on ordinary shares		3,753,252	3,753,252
		6,224,845,177	4,386,560,793
<b>Contingencies and commitments</b>			
	5	23,936,122,127	22,628,100,470
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	10,499,198,808	10,232,590,972
Long term investments	7	12,608,052	12,608,052
Long term deposits and receivables		37,294,396	38,034,396
		10,549,101,256	10,283,233,420
<b>Current assets</b>			
Stores, spares and loose tools		164,455,456	148,644,939
Stock-in-trade	8	5,692,273,647	4,599,739,102
Trade receivables		2,661,808,473	2,418,068,551
Advances, deposits, prepayments and other receivables		2,761,543,879	2,514,947,274
Short term investments	9	139,993,989	139,993,989
Receivable from National Bank of Pakistan		306,022,500	306,022,500
Income tax recoverable		33,804,111	37,480,182
Funds for restructuring scheme		56,675,942	17,170,862
Cash and bank balances		306,442,874	898,799,651
		12,123,020,871	11,080,867,050
<b>Non-current assets held for sale</b>	10	1,264,000,000	1,264,000,000
		23,936,122,127	22,628,100,470

The annexed notes 1 to 16 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, 2021**

	2021		2020	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
<b>Note</b>				
<b>Sales - net</b>	<b>14,932,350,183</b>	<b>7,465,020,673</b>	11,088,209,370	5,886,661,986
Cost of sales	(12,803,505,573)	(6,328,790,419)	(9,073,680,367)	(4,869,616,174)
<b>Gross profit</b>	<b>2,128,844,610</b>	<b>1,136,230,254</b>	2,014,529,003	1,017,045,812
Selling and distribution expenses	(845,187,565)	(435,559,212)	(533,640,621)	(260,006,148)
Administrative expenses	(320,897,068)	(165,238,212)	(278,699,142)	(140,580,895)
<b>Profit from operations</b>	<b>962,759,977</b>	<b>535,432,830</b>	1,202,189,240	616,458,769
Other income	58,764,048	43,941,013	61,849,293	33,641,100
Other expenses	(65,188,213)	(20,544,949)	(26,295,488)	(7,440,335)
Loss on sale of non current asset held for sale	-	-	(196,395,156)	(196,395,156)
Finance cost	12 (347,946,376)	(180,552,965)	(629,544,957)	(304,505,282)
<b>Profit before taxation</b>	<b>608,389,436</b>	<b>378,275,929</b>	411,802,932	141,759,096
Taxation	(148,323,788)	(74,123,831)	(108,539,245)	(57,608,163)
<b>Profit after taxation</b>	<b>460,065,648</b>	<b>304,152,098</b>	303,263,687	84,150,933
<b>Earnings per share - basic and diluted</b>	<b>0.94</b>	<b>0.62</b>	0.62	0.17

The annexed notes 1 to 16 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, 2021**

	2021		2020	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
<b>Profit for the period</b>	<b>460,065,648</b>	<b>304,152,098</b>	303,263,687	84,150,933
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>460,065,648</b>	<b>304,152,098</b>	303,263,687	84,150,933

The annexed notes 1 to 16 form an integral part of these interim financial statements.

Lahore

		
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<b>Chief Executive Officer</b>	<b>Director</b>	<b>Chief Financial Officer</b>

**Condensed Interim Statement of Cash Flows (Un-audited)**  
For the half year ended December 31, 2021

	2021 July to December	2020 July to December
	<u>Rupees</u>	<u>Rupees</u>
<b>Cash flows from operating activities</b>		
Profit before taxation	608,389,435	411,802,932
Adjustments	457,630,063	1,114,807,518
<b>Operating profit before working capital changes</b>	<b>1,066,019,498</b>	1,526,610,450
Changes in working capital	(614,635,761)	(1,323,019,499)
Cash generated from operations	451,383,737	203,590,951
<b>Refunds / (Payments) for:</b>		
Finance cost	(56,328,932)	(182,472,787)
Income tax	(144,647,748)	(95,373,238)
Post retirement benefits	(41,534,467)	(64,728,772)
Long term deposits	740,000	-
<b>Net cash from/(used in) operating activities</b>	<b>209,612,590</b>	(138,983,846)
<b>Cash flows from investing activities</b>		
Capital expenditure incurred	(515,926,273)	(135,123,091)
Proceeds from disposal of fixed assets	28,735,043	626,280,000
<b>Net cash (used in)/from investing activities</b>	<b>(487,191,230)</b>	491,156,909
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(2,303,291)	(1,495,274)
Increase/(decrease) in Short term borrowings-net	(272,969,766)	52,228,079
<b>Net cash (used in)/from financing activities</b>	<b>(275,273,057)</b>	50,732,805
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(552,851,697)</b>	402,905,868
<b>Cash and cash equivalents at the beginning of period</b>	<b>915,970,513</b>	1,016,477,278
<b>Cash and cash equivalents at the end of period</b>	<b>363,118,816</b>	1,419,383,146

The annexed notes 1 to 16 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, 2021**

	Capital reserves					Revenue 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 assets	Accumulated loss	Total reserves	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
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
Profit for the half year ended December 31, 2020	-	-	-	-	-	-	303,263,687	303,263,687	303,263,687
Other comprehensive income for the period ended December 31, 2020	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period ended December 31, 2020	-	-	-	-	-	-	303,263,687	303,263,687	303,263,687
Transfer of incremental depreciation from surplus on revaluation of operating fixed assets	-	-	-	-	-	(51,518,752)	51,518,752	-	-
Transfer of surplus on disposal of revalued assets	-	-	-	-	-	(539,558,128)	539,558,128	-	-
As at December 31, 2020 - Unaudited	4,913,753,370	2,358,246,761	105,152,005	661,250,830	91,670,834	4,151,199,367	(10,858,037,361)	(3,490,517,564)	1,423,235,806
<b>As at July 01, 2021 - Audited</b>	<b>4,913,753,370</b>	<b>2,358,246,761</b>	<b>105,152,005</b>	<b>661,250,830</b>	<b>89,787,812</b>	<b>3,414,941,189</b>	<b>(3,548,454,938)</b>	<b>3,080,923,659</b>	<b>7,994,677,029</b>
Profit for the half year ended December 31, 2021	-	-	-	-	-	-	460,065,648	460,065,648	460,065,648
Other comprehensive income for the period ended December 31, 2021	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period ended December 31, 2021	-	-	-	-	-	-	460,065,648	460,065,648	460,065,648
Transfer (disposal) of revalued assets and incremental depreciation from surplus on revaluation of operating fixed assets	-	-	-	-	-	(99,062,595)	99,062,595	-	-
<b>As at December 31, 2021 - Unaudited</b>	<b>4,913,753,370</b>	<b>2,358,246,761</b>	<b>105,152,005</b>	<b>661,250,830</b>	<b>89,787,812</b>	<b>3,375,878,594</b>	<b>(3,049,326,695)</b>	<b>3,540,989,307</b>	<b>8,454,742,677</b>

The annexed notes 1 to 16 form an integral part of these interim financial statements.

**Lahore**

**Chief Executive Officer**



**Director**



**Chief Financial Officer**



## 14 | Azgard Nine Limited

### Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited) For the half year ended December 31, 2021

#### 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 Aiwan-i-Science, off Shahrah-i-Roomi, Lahore. The Company has three units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh, Unit III at Atta Buksh Road, 18 km, off Ferozpur Road, Mouza Atari Saroba, Tehsil Cantt, Lahore. Unit III is rented facility. Unit I and III are operational, Unit II is non-operational and being classified as held for sale.

#### 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, 2021.

Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2021 whereas comparative statement of profit or loss, statement of changes in equity and statement of cash flows are extracted from un-audited condensed interim financial statements for the quarter ended on December 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 Basis of non preparation of consolidated accounts

The Company had following subsidiary at the start of the year ended June 30, 2018:

Name of company	Country of incorporation	Shareholding
Montebello s.r.l. ("MBL")	Italy	100%

As mentioned in annual financial statements of the company, during the year ended June 30, 2015, the Court of Vicenza, Italian Republic (the court) granted bankruptcy proposal of the Italian public prosecutor and appointed trustee to manage affairs of MBL.

During the year June 30, 2018, the management, based on advice from the Company's legal counsel, had concluded that as result of ongoing bankruptcy proceedings and management of affairs of MBL by the Court-appointed trustee, the Company has ceased to exercise control over activities of MBL. Further, 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 relevant activities of MBL. Resultantly, effective from the financial year ended June 30, 2018, the Company ceased recognizing and presenting MBL as its subsidiary.

During 2021, M/s. Taybah Capital Limited, a company based in United Arab Emirates, has purchased liquidation process of MBL and resultantly, the Bankruptcy/liquidation process of MBL has been completed.

### 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, 2021.
- 3.2** Judgements 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, 2021.

	Note	(Un-audited)	(Audited)
		December 31, 2021	June 30, 2021
<b>4. Redeemable capital-secured</b>		<b>Rupees</b>	<b>Rupees</b>
Privately Placed Term Finance Certificates		<b>250,602,457</b>	250,602,457
Privately Placed Term Finance Certificates		<b>166,732,493</b>	166,732,493
Sub-Privately Placed Term Finance Certificates	4.1	<b>2,029,275,000</b>	3,056,480,000
Sub-Sukuk certificates		<b>193,520,000</b>	193,520,000
		<b>2,640,129,950</b>	3,667,334,950
Less: transaction costs		<b>(107,849,509)</b>	(105,543,675)
		<b>2,532,280,441</b>	<b>3,561,791,275</b>

- 4.1** During the period, redeemable capital in respect of Silk Bank Limited and Summit Bank Limited amounting to Rs. 998 million has been converted into short term SBP funded facilities (ERF) while an amount of Rs. 28.78 million has been waived off by the banks.

### 5. Contingencies and commitments

#### 5.1 Contingencies

- 5.1.1** The Company has not accrued expense of Rs. 98.19 million relating to Gas Infrastructure Development Cess ("GIDC") billed to the Company prior to the promulgation of The Gas Infrastructure Development Cess, 2015. (June 30, 2021 : Rs. 98.19 million). This is in lieu of stay order granted by Honourable Lahore High Court against GIDC arrears in SNGPL bills. As per advice of the Company's legal advisor, the management is of the view that it has arguable case and a favourable decision is expected.



## 16 | Azgard Nine Limited

- 5.1.2** The Company has issued indemnity bonds amounting to Rs. 1.82 billion (June 30, 2021: 1.63 billion) in favour of the Collector of Customs and Sales Tax department in lieu of levies under various statutory notifications which are likely to be released after fulfillment of terms of related notifications.
- 5.1.3** NAB Court reference has been filed on September 9, 2017, in relation to previous settlement (first restructuring) of the Company's financing arrangements during 2012, whereby 18 financial institutions had partially rescheduled / settled the Company's liabilities against its investment held in shares of Agritech Limited. During the period, Honorable Supreme Court has quashed reference of NAB court.
- 5.1.4** Other multiple cases involving point of law are subject to adjudication before Honorable Lahore High Court and other forums. However, individually these are not so significant and the management expects favourable outcome of such cases.
- 5.1.5** Taybah Capital Limited ("TCL"), a company based in United Arab Emirates, has taken over the liquidation process of M/S Montebello S.R.L (MBL). Through writ of summon dated March 31, 2021, TCL has instituted claim of EUR 7 million on account of quantification of damages against the Company. The Company has engaged legal advisor for contesting this case in the Court of Venice, Italy.

TCL also joined the liquidation proceedings in the Court of Vicenza, Italy. During this period, the Court of Vicenza has accepted and awarded TCL's claim to the extent of Euro 2,048,783.63. The Company has filed appeal against this Order which is pending for adjudication.

As per advice of legal counsel of the Company, recent decision regarding Euro 2.05 million is part of overall claim of Euro 7 million of TCL. The Company is expected to get relief from both cases. Hence, no provision against both cases is recorded in this interim financial information.

	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>December 31,</b>	<b>June 30,</b>
	<b>2021</b>	<b>2021</b>
<b>5.2 Commitments</b>		
<b>5.2.1 Commitments under irrevocable letters of credit for:</b>	<b>Rupees</b>	<b>Rupees</b>
- purchase of Plant, machinery and loose tools	<b>24,023,471</b>	82,158,945
- purchase of raw material	<b>36,579,412</b>	65,028,427
	<b>60,602,883</b>	147,187,372
<b>5.2.2 Commitments for capital expenditure</b>	<b>132,521,571</b>	200,921,358
<b>5.2.3</b> Counter Guarantees given by the Company to its bankers as at the reporting date amount to Rs. 228.58 million (June 30, 2021: Rs. 266.44 million).		
<b>5.2.4</b> Bills discounted as at reporting date aggregated to Rs. 2,887.03 million (June 30, 2021: Rs. 2,627.60 million).		
<b>6 Property, plant and equipment</b>		
Operating fixed assets	<b>10,031,573,910</b>	9,938,195,993
Right of use assets	<b>6,744,626</b>	7,494,027
Capital work in progress	<b>460,880,272</b>	286,900,952
	<b>10,499,198,808</b>	10,232,590,972

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Rupees	Rupees
<b>6.1 Operating fixed assets</b>		
Net book value as at the beginning of the period / year	9,938,195,993	9,996,709,467
Additions during the period / year	341,946,947	723,085,460
Surplus on revaluation during the period / year	-	(383,159,621)
Disposals during the period / year - Net book value	(63,417,759)	(15,072,284)
Depreciation charged during the period / year	(185,151,271)	(383,367,029)
<b>Net book value as at the end of the period / year</b>	<b>10,031,573,910</b>	<b>9,938,195,993</b>
<b>6.1.1 Additions- Cost</b>		
<b><u>Assets owned by the Company</u></b>		
Building on freehold land	8,611,453	118,241,378
Plant and Machinery	295,894,457	563,590,403
Others	37,441,037	41,253,679
	<b>341,946,947</b>	<b>723,085,460</b>

## 7. Long term investments

These represent investments in equity and debt securities, classified as fair value through other comprehensive income financial assets.

Particulars of investments are as follows:

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	Rupees	Rupees
<b>7.1 Investment in Montebello s.r.l ("MBL")</b>	7.1.1	-	-
Investment in Agritech Limited TFCs		12,608,052	12,608,052
		<b>12,608,052</b>	<b>12,608,052</b>
<b>7.1.1 Montebello s.r.l. ("MBL")</b>			
6,700,000 ordinary shares with capital of Euro 6,700,000 cost		2,625,026,049	2,625,026,049
Accumulated impairment		(2,625,026,049)	(2,625,026,049)
		-	-

### 7.1.2 Investment in Montebello s.r.l ("MBL")

The Company had the following subsidiary at start of the year ended June 30, 2018:

7.1.3 Name of company	Country of incorporation	Shareholding
Montebello s.r.l. ("MBL")	Italy	100%

**7.1.4** As disclosed in the note 2.2, bankruptcy/liquidation process of MBL is completed. The Company's claim was accepted as subordinate claim due to Company being the parent of MBL at that time. The Company was 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 contested with the Court of Vicenza that its claim should be accepted as at least unsecured claim rather than being subordinate claim. The Court of Vicenza did not accepted plea of the Company to change classification of its claim. The Company filed an appeal in Italian Supreme Court against such decision of the Court of Vicenza. Although the proceedings of Italian Supreme Court are still underway, however, as per lawyer's opinion chances of any recovery from the Company's claim are remote as bankruptcy process of MBL by the Court of Vicenza has been completed.

		<b>(Un-audited)</b> <b>December 31,</b> <b>2021</b>	<b>(Audited)</b> <b>June 30,</b> <b>2021</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>8 Stock in trade</b>			
Raw material		<b>1,843,736,180</b>	1,663,621,735
Work in process		<b>2,327,831,649</b>	1,804,241,914
Finished goods		<b>1,520,705,818</b>	1,131,875,453
		<b><u>5,692,273,647</u></b>	<b><u>4,599,739,102</u></b>
<b>9 Short term investments</b>			
28,022 Term Finance Certificates (Rs. 5,000 each) of Agritech Limited	<b>9.1</b>	<b><u>139,993,989</u></b>	<b><u>139,993,989</u></b>

**9.1** During last year, the Company's creditors' scheme of arrangement for restructuring of liabilities has been implemented on April 29, 2021. A part of this scheme, 28,022 TFCs amounting to Rs. 139.99 million are due to be settled with the lenders within one year and these TFCs have been classified as short term investments.

**10.** In accordance with approved scheme of arrangement, one unit of the Company (spinning unit located at Muzaffargarh) is classified as Non-Current Asset Held for Sale at reporting date. During the period, bid offer of Rs. 1,420 million has been accepted by the scheme agent bank.

**11. 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.

Details of transaction and balances with related parties are as follows:

<b>11.1 Transactions with related parties</b>	<b>(Un-audited) July to December 2021</b>	<b>(Un-audited) July to December 2020</b>
<b>11.1.1 Other related parties</b>	<b>Rupees</b>	<b>Rupees</b>
<b>JS Bank Limited</b>		
Mark-up expense	1,566,528	3,138,171
Trusteeship Fee Paid	1,500,000	500,000
<b>JS Value Fund Limited</b>		
Mark-up expense	470,324	1,105,457
<b>Unit Trust of Pakistan</b>		
Mark-up expense	770,584	1,403,763
<b>JS Large Cap Fund</b>		
Mark-up expense	2,056,184	4,611,393
Markup Paid/ Settled	1,600,306	-
<b>JS Global Capital Limited</b>		
Mark-up expense	8,071,839	18,102,666
Markup Paid/ Settled	6,282,226	-
<b>JS Principal Secure Fund</b>		
Mark-up expense	827,815	1,856,535
Markup Paid/ Settled	644,279	-
<b>JS Income Fund</b>		
Mark-up expense	948,084	1,821,073
<b>JS Growth Fund</b>		
Mark-up expense	1,979,344	4,481,236
Markup Paid/ Settled	1,235,446	-
<b>11.1.2 Key management personnel</b>		
Short-term employee benefits	198,536,877	169,681,068
	<b>(Un-audited) December 31, 2021</b>	<b>(Audited) June 30, 2021</b>
<b>11.2 Balances with related parties</b>	<b>Rupees</b>	<b>Rupees</b>
<b>JS Bank Limited</b>		
Sub PPTFCs	48,280,000	48,280,000
Term Loan	13,870,315	13,870,315
New Zero Coupon PPTFCs	63,025,000	63,025,000
Mark-up payable	2,102,894	534,900
<b>JS Value Fund Limited</b>		
Sub PPTFCs	14,495,000	14,495,000
Term Loan	4,164,612	4,164,612
New Zero Coupon PPTFCs	33,250,000	33,250,000
Mark-up payable	631,359	160,595

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Rupees	Rupees
<b>Unit Trust of Pakistan</b>		
Sub PPTFCs	23,750,000	23,750,000
Term Loan	6,822,073	6,822,073
New Zero Coupon PPTFCs	49,485,000	49,485,000
Mark-up payable	1,034,425	263,120
<b>JS Large Cap Fund</b>		
Redeemable capital - PPTFCs	63,837,358	63,837,358
Term Loan	17,739,525	17,739,525
New Zero Coupon PPTFCs	59,745,000	59,745,000
Mark-up payable	1,159,898	703,601
<b>JS Global Capital Limited</b>		
Redeemable capital - PPTFCs	250,602,457	250,602,457
Term Loan	69,638,980	69,638,980
New Zero Coupon PPTFCs	234,545,000	234,545,000
Mark-up payable	4,553,340	2,762,085
<b>JS Principal Secure Fund</b>		
Redeemable capital - PPTFCs	25,700,755	25,700,755
Term Loan	7,141,887	7,141,887
New Zero Coupon PPTFCs	24,050,000	24,050,000
Mark-up payable	466,972	283,268
<b>JS Pension Savings Fund</b>		
New Zero Coupon PPTFCs	3,850,000	3,850,000
<b>JS Income Fund</b>		
Sub PPTFCs	29,220,000	29,220,000
Term Loan	8,394,214	8,394,214
New Zero Coupon PPTFCs	62,040,000	62,040,000
Mark-up payable	1,272,700	323,729
<b>JS Growth Fund</b>		
Redeemable capital - PPTFCs	49,282,809	49,282,809
Sub PPTFCs	12,080,000	12,080,000
Term Loan	17,165,525	17,165,525
New Zero Coupon PPTFCs	73,830,000	73,830,000
Mark-up payable	1,421,609	677,021
	(Un-audited)	(Un-audited)
<b>12 Finance Cost</b>	<b>July to December</b>	<b>July to December</b>
	<b>2021</b>	<b>2020</b>
	Rupees	Rupees
Interest / mark-up on:		
Redeemable capital & Long term finances	119,990,912	249,550,396
Lease liabilities	175,061	392,254
Short term borrowings	26,693,688	182,900,373
	146,859,661	432,843,023
Amortization of transaction costs	6,781,401	1,628,138
Exchange loss on foreign currency borrowings	-	64,423,264
Bank discounting and other charges	194,305,314	130,650,532
	<u>347,946,376</u>	<u>629,544,957</u>



13.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

	Spinning segment		Weaving segment		Garment segment		Eliminations		Total	
	December 31, 2021	June 30, 2021	December 31, 2021	June 30, 2021	December 31, 2021	June 30, 2021	December 31, 2021	June 30, 2021	December 31, 2021	June 30, 2021
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>13.1.4 Assets</b>										
Total assets for reportable segments	3,670,165,310	3,637,594,249	10,718,379,899	9,790,119,996	8,736,175,969	8,457,287,142	(823,721,709)	(702,171,202)	22,300,998,869	21,182,830,185
Property, plant and equipment - common	-	-	-	-	-	-	-	-	1,119,822,778	969,474,882
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	-	-	-	-	-	-	-	-	56,675,942	17,170,862
	<b>3,670,165,310</b>	<b>3,637,594,249</b>	<b>10,718,379,899</b>	<b>9,790,119,996</b>	<b>8,736,175,969</b>	<b>8,457,287,142</b>	<b>(823,721,709)</b>	<b>(702,171,202)</b>	<b>23,996,122,190</b>	<b>22,828,100,470</b>
<b>13.1.5 Liabilities</b>										
Total liabilities for reportable segments	509,679,906	538,598,443	2,074,322,183	1,303,501,349	2,374,094,819	1,967,785,509	(823,721,709)	(702,171,202)	4,134,375,199	3,107,714,099
Corporate liabilities - common	-	-	-	-	-	-	-	-	11,347,004,151	11,525,709,342
	<b>509,679,906</b>	<b>538,598,443</b>	<b>2,074,322,183</b>	<b>1,303,501,349</b>	<b>2,374,094,819</b>	<b>1,967,785,509</b>	<b>(823,721,709)</b>	<b>(702,171,202)</b>	<b>15,481,379,490</b>	<b>14,633,423,441</b>

13.1.6 Geographical information

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.

Revenue	July to December 2021		July to December 2020	
	December 2021	June 2021	December 2020	June 2020
	Rupees	Rupees	Rupees	Rupees
<b>Revenue</b>				
<b>Export revenue</b>				
Asia	1,905,653,829	1,155,237,736	7,308,955,288	7,308,955,288
Europe	9,087,494,072	-	-	-
North America	20,250,959	-	-	-
South America	2,986,9313	-	-	-
Africa	15,877,733	14,577,373	-	-
Others	2,759,893,756	1,811,076,911	-	-
	<b>13,804,689,750</b>	<b>10,289,947,308</b>		
<b>Local revenue</b>				
Pakistan	1,039,819,949	571,137,383	87,840,485	227,224,679
Net rebate & discount	87,840,485	227,224,679	11,088,209,370	11,088,209,370
	<b>14,932,350,184</b>	<b>11,088,209,370</b>		
(Un-audited)				
December 31, 2021				
Assets	10,549,101,256	10,283,233,420		
Liabilities				
December 31, 2021				
Assets	10,549,101,256	10,283,233,420		
Liabilities				
December 31, 2020				
Assets	10,549,101,256	10,283,233,420		
Liabilities				
December 31, 2020				

**14. Corresponding figures**

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

**15. Date of authorization**

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on February 26, 2022.

**16. General**

Figures have been rounded off to the nearest rupee.

Lahore



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



\_\_\_\_\_  
Director



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








# AZGARD9

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 azgard9ltd

