AZGARD-9

FORM-3

November 03, 2017

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Financial Results for the Year Ended June 30, 2017

Dear Sir,

We have to inform you that the Board of Directors of our Company in their meeting held on November 03, 2017 at 02.00 pm at Registered Office, Ismail Aiwan-i-Science, Off: Shahrah-i-Roomi, Lahore, recommended the following:

(i) **CASH DIVIDEND** Nil

AND/OR

(ii) **BONUS SHARES** Nil

AND/OR

(iii) **RIGHT SHARES** Nil

AND/OR

(iv) **ANY OTHER ENTITLEMENT/CORPORATE ACTION** None

AND/OR

(v) **ANY OTHER PRICE-SENSITIVE INFORMATION** None

The stand-alone financial results of the Company for the year ended June 30, 2017 are attached.

The Annual General Meeting of the Company will be held on November 27, 2017 at 10.00 am at Ismail Aiwan-i-Science, Off: Shahrah-i-Roomi, Lahore.

The Share Transfer Books of the Company will be closed from November 21, 2017 to November 27, 2017 (both days inclusive). Transfers received at the office of Company's Share Registrar M/s. Hameed Majeed Assosciates (Pvt.) Limited, H. M. House, 7-Bank Square, Lahore, Pakistan at the close of business on November 20, 2017 will be treated in time to attend and vote at the meeting.

We will be sending you 200 copies of printed accounts for distribution amongst the TRE Certificate Holders of the Exchange 21 days before the date of AGM.

Yours Sincerely,

AZGARD NINE LIMITED
AZGARD-9

MUHAMMAD AWAIS
Company Secretary

C.C:
The Executive Director (Enforcement)
Securities and Exchange Commission of Pakistan
NIC Building, Jinnah Avenue, Blue Area, Islamabad.

AZGARD-9

The stand-alone* financial results of Azgard Nine Limited for the year ended June 30, 2017 are as follows:

	June 30, 2017 Rupees	June 30, 2016 Rupees
Sales - net	**12,802,374,277**	13,176,284,444
Cost of sales	**(10,916,714,003)**	(11,677,125,552)
Gross Profit	**1,885,660,274**	1,499,158,892
Selling and distribution expenses	**(517,315,341)**	(489,222,252)
Administrative expenses	**(436,342,363)**	(410,150,587)
Profit from operations	**932,002,570**	599,786,053
Other income	**36,274,618**	36,884,373
Other expenses	**(45,770,292)**	(112,647,424)
Finance cost	**(965,600,192)**	(1,207,624,572)
Loss before taxation	**(43,093,296)**	(683,601,570)
Taxation	**(90,471,993)**	(130,545,399)
Loss after taxation	**(133,565,289)**	(814,146,969)
Loss per share-basic and diluted	**(0.29)**	(1.79)

* The Securities and Exchange Commission of Pakistan has granted approval for exemption under Section 228 of the Companies Act, 2017 from consolidation of the financial statements of the Company for the year ended June 30, 2017.

<u>The Auditors have qualified their opinion in the Audit Report as follows:</u>

a) as stated in notes 2.4 and 41.2.2 to the financial statements, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be complied. The International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period, with the effect that the liability becomes payable on demand, it should classify the liability as current. In these financial statements, the long term debts have been classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 732.94 million and long term liabilities would have decreased correspondingly as at the reporting date;

b) the Company has investment in Term Finance Certificates ("TFCs") of Agritech Limited ("AGL"). As per the latest available financial statements of AGL, its equity has completely eroded. Further, the Company has not received due amount of principal and mark-up since October 2012, against which aggregate impairment loss amounting to Rs. 66.39 million has been recorded in these financial statements. Accordingly, the carrying value of the Company's investment in TFCs of AGL as at year end, amounting to Rs. 231.86 million and the related mark-up thereon amounting to Rs. 68.31 million as appearing in notes 19.3 and 25 respectively to the financial statements also appear doubtful of recovery. We were

AZGARD NINE LIMITED AZGARD-9

AZGARD-9

unable to determine the extent to which the amounts are likely to be recovered, if any, and time frame over which such recovery will be made.

c) as stated in note 26.1 to the financial statements, the Company has investment in preference shares ("shares") of AGL, with cost of Rs. 5.25 per share, designated as available for sale. The National Bank of Pakistan has agreed to repurchase these shares at Rs. 5.25 per share at a future date and subject to conditions as defined in the put option agreement. As per the latest available financial statements, AGL is in financial difficulties, is not able to timely service its long term debt and its equity has completely eroded. International Accounting Standard on Financial Instruments: Recognition and Measurement (IAS-39) requires the investments classified as available for sale to be re-measured, at market rate prevailing as at the balance sheet date, with a resultant gain or loss to be recognized in other comprehensive income and to separately account for the derivative at fair value. However, the Company has not complied with the requirements of IAS-39 and has measured the investment and the derivative at the option price. We are unable to determine the respective fair values of the investment in preference shares and the derivative by alternative means, and consequently we were unable to determine the amounts of adjustments required, if any.

d) as stated in note 19.1.1 to the financial statements that on December 18, 2014, the Court of Vicenza, Italian Republic ("the Court") approved bankruptcy proposal of public prosecutor and appointed Trustee to manage the affairs of the wholly owned subsidiary, Montebello s.r.l. ("MBL"). The Company has recorded impairment allowance of Rs. 2,625.03 million against its investment in MBL and Rs. 452.53 million against the trade receivables from MBL. The management has represented through its legal counsel that the bankruptcy is currently in process with Italian Bankruptcy Court and it has appointed liquidator and accordingly the claims against MBL have yet to be determined and finalized. In view of the absence of definite determination of the claims against MBL, we were unable to satisfy ourselves as to the appropriateness of the impairment recorded by the Company.

The Auditors have drawn attention to note 2.3 to the financial statements which describes that during the year ended June 30, 2017, the Company has incurred loss before tax of Rs. 43.09 million, its current liabilities exceeded the current assets by Rs. 12,351.94 million, and its accumulated losses stand at Rs. 12,208.14 million. These conditions, along with other matters as set forth in note 2.3 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.3 to the financial statements. Their opinion is not qualified in respect of this matter.

Alteration in Articles of Association:

The Board of Directors has recommended alteration in the Articles of Association of the Company to incorporate provisions for E-Voting in compliance with the Companies (E-Voting) Regulations, 2016 issued by the Securities and Exchange Commission of Pakistan. The proposed alteration/special resolution along with necessary statement shall be communicated in Notice of Annual General Meeting.

AZGARD NINE LIMITED AZGARD-9

MUHAMMAD AWAIS
Company Secretary

AZGARD NINE LIMITED
ISMAIL AIWAN-I-SCIENCE, OFF SHAHRAH-I-ROOMI, LAHORE-54600, PAKISTAN.
PH: +92 (0) 42 35761794-5 FAX: + 92 (0) 42 35761791
WEBSITE: WWW.AZGARD9.COM