AZGARD-9

September 29, 2018 **FORM-3**

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

Financial Results for the Year Ended June 30, 2018

Dear Sir,

We have to inform you that the Board of Directors of our Company in their meeting held on September 29, 2018 at 11.00 am 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 financial results of the Company for the year ended June 30, 2018 are attached.

The Annual General Meeting of the Company will be held on October 26, 2018 at 10.00 am at Registered Office of the Company, Ismail Aiwan-i-Science, Off: Shahrah-i-Roomi, Lahore.

The Share Transfer Books of the Company will be closed from October 20, 2018 to October 26, 2018 (both days inclusive). Transfers received at the office of Company's Share Registrar M/s. Hameed Majeed Associates (Pvt.) Limited, H. M. House, 7-Bank Square, Lahore, Pakistan at the close of business on October 19, 2018 will be treated in time to attend and vote at the meeting.

The Annual Report of the Company will be transmitted through PUCARS atleast 21 days before holding of Annual General Meeting.

Yours Sincerely,

AZGARD NINE LIMITED
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MUHAMMAD AWAIS
Company Secretary

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

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The financial results* of Azgard Nine Limited for the year ended June 30, 2018 are as follows:

	June 30, 2018 Rupees	June 30, 2017 Rupees
Sales - net	**15,971,672,335**	12,802,374,277
Cost of sales	**(13,391,359,653)**	(10,916,714,003)
Gross Profit	**2,580,312,682**	1,885,660,274
Selling and distribution expenses	**(674,269,971)**	(517,315,341)
Administrative expenses	**(494,229,046)**	(436,342,363)
Profit from operations	**1,411,813,665**	932,002,570
Other income	**57,243,586**	36,274,618
Other expenses	**(15,740,844)**	(45,770,292)
Finance cost	**(1,154,240,369)**	(965,600,192)
Profit/(loss) before taxation	**299,076,038**	(43,093,296)
Taxation	**(102,453,416)**	(90,471,993)
Profit/(loss) after taxation	**196,622,622**	(133,565,289)
Earning/(loss) per share-basic and diluted	**0.43**	(0.29)

* The Company has reassessed its relationship with Montebello S.R.L ('MBL') previously a 100% owned subsidiary of the Company, and based on advice from the legal counsel, has concluded that as result of ongoing bankruptcy proceedings and management of the liquidation process of 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 also concluded that the Company does not have power to direct the relevant activities of MBL. Resultantly, effective from the current year, the Company has ceased recognizing and presenting MBL as its subsidiary.

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

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The Auditors have expressed following qualifications/emphasis in the audit report:

QUOTE

Qualified Opinion

We have audited the annexed financial statements of Azgard Nine Limited (the Company) which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity, for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that except as stated in paragraphs (b) to (d) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

Except for the effect of the matter described in paragraph (a) and the possible effects of the matters discussed in paragraphs (b) to (d) in the Basis for Qualified Opinion section of our report, in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

a) as stated in notes 3.4 and 42.2.2 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 the requirements of IAS - 1, current liabilities of the Company would have increased by Rs. 531.52 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 21.2 and 26 respectively to the financial statements also appear doubtful of recovery. We were unable to determine the extent to which the amounts are likely to be recovered, if any, and time frame over which such recovery will be made.

c) as stated in note 27.1 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.

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International Accounting Standard on Financial Instruments: Recognition and Measurement (IAS 39) requires the investments classified as available for sale to be re-measured, at market rate prevailing as at the balance sheet date, with a resultant gain or loss to be recognized in other comprehensive income and to separately account for the derivative at fair value. However, the Company has not complied with the requirements of IAS-39 and has measured the investment and the derivative at the option price. We were unable to determine the respective fair values of the investment in preference shares and the derivative by alternative means, and consequently we were unable to determine the amount of adjustments required, if any.

d) as stated in note 21.2.2 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 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, a trustee has been appointed to manage the bankruptcy and the claims against MBL have yet to be determined and finalized. In view of the absence of definite determination of the Company's claims against MBL, we were unable to satisfy ourselves as to the appropriateness of the impairment recorded by the Company.

Except as stated in (b) to (d) above, we conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 3.3 to the financial statements which describes that during the year the current liabilities of the Company have exceeded its current assets by Rs. 12,323.77 million, and its accumulated losses at the year end stand at Rs. 11,888.54 million. These conditions, along with other matters as set forth in note 3.3 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. The management of the Company have assessed its ability to continue as going concern taking into consideration positive cash flows generated from operating activities and expected impact of ongoing financial restructuring. Our opinion is not qualified in respect of this matter.

Unquote

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MUHAMMAD AWAIS
Company Secretary