



February 25, 2019

FORM-7

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

Financial Results for the Half Year Ended December 31, 2018

Dear Sir,

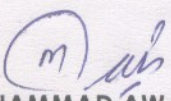

We have to inform you that the Board of Directors of our Company in their meeting held on February 25, 2019 at 11.00 am at Registered Office, Ismail Aiwan-i-Science, Off: Shahrah-e-Roomi, Lahore, recommended the following:

(i) CASH DIVIDEND	AND/OR	Nil
(ii) BONUS SHARES	AND/OR	Nil
(iii) RIGHT SHARES	AND/OR	Nil
(iv) ANY OTHER ENTITLEMENT/CORPORATE ACTION	AND/OR	None
(v) ANY OTHER PRICE-SENSITIVE INFORMATION		None

The financial results of the Company for the half year ended December 31, 2018 are attached.

The Quarterly Report of the Company will be transmitted through PUCARS separately, within the specified time.

Yours Sincerely,



MUHAMMAD AWAIS
Company Secretary

C.C:

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

AZGARD NINE LIMITED

ISMAIL AIWAN-I-SCIENCE, OFF SHAHRAH-I-ROOMI, LAHORE-54600, PAKISTAN.
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AZGARD-9



The financial results* of Azgard Nine Limited for the half year ended December 31, 2018 are as follows:

	Half Year Ended (Jul-Dec)		Second Quarter Ended (Oct-Dec)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	--- Rupees ---		--- Rupees ---	
Sales - net	9,424,382,568	7,471,960,234	5,454,016,438	3,898,041,767
Cost of sales	(7,971,566,727)	(6,312,943,829)	(4,624,079,126)	(3,324,011,331)
Gross Profit	1,452,815,841	1,159,016,405	829,937,312	574,030,436
Selling and distribution expenses	(459,744,056)	(304,989,890)	(264,178,629)	(147,397,629)
Administrative expenses	(248,107,598)	(243,833,307)	(122,206,359)	(125,477,911)
Profit from operations	744,964,187	610,193,208	443,552,324	301,154,896
Other income	7,395,610	9,684,342	3,831,806	5,818,746
Finance cost	(673,838,419)	(550,258,159)	(397,618,848)	(286,590,614)
Profit before taxation	78,521,378	69,619,391	49,765,282	20,383,028
Taxation	(91,431,813)	(71,137,018)	(52,901,043)	(36,930,102)
Loss after taxation	(12,910,435)	(1,517,627)	(3,135,761)	(16,547,074)
Loss per share - basic and diluted	(0.03)	(0.00)	(0.01)	(0.04)

* 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 financial year ended June 30, 2018, the Company has ceased recognizing and presenting MBL as its subsidiary. Therefore, financial statements for the half year ended December 31, 2018 have not been consolidated with MBL.



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The Auditors have expressed following qualifications/emphasis in the Review Report:

QUOTE

Basis for Qualified Conclusion

- a) as stated in note 2.4 to these interim financial statements, the Company could not make timely repayments of principal and interest / mark-up related to certain long term debts with unconditional right to call the loan in case of default in repayment and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard: 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 interim financial statements, these long term debts aggregating to Rs. 314.16 million 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. 314.16 million as at the reporting date;
- b) the Company has investment in Term Finance Certificates ("TFC") 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 interim financial statements. Accordingly, the carrying value of the Company's investment in TFCs of AGL as at December 31, 2018, amounting to Rs. 231.86 million and the related mark-up thereon amounting to Rs. 68.31 million as appearing in note 9.2 and 10 respectively of these 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 11 to these interim 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 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; and
- d) as stated in note 9.1 to these interim financial statements 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 aggregating to 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 MBL bankruptcy is currently in process with Italian Bankruptcy court and its appointed





AZGARD-9



liquidator and accordingly the assets of MBL are being realized for satisfaction of the claims filed against MBL. In view of the absence of definite determination of the claims/recoveries expected by the Company, we were unable to satisfy ourselves as to the appropriateness of the amounts recorded and related disclosures made in the financial statements by the Company.

Qualified Conclusion

Based on our review, except for the effects on these interim financial statements of the matters from (a) to (d) described in basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at December 31, 2018 and for the half year then ended, is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

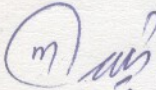

Emphasis of matter

Notwithstanding the matters as discussed in paragraphs (a) to (d) above, we draw attention to note 2.4 to these interim financial statements that during the period ended December 31, 2018, the Company has incurred loss after tax of Rs. 12.91 million and its current liabilities exceeded its current assets by Rs. 12,379.04 million, and its accumulated losses stood at Rs. 11,840.17 million. These conditions, along with other matters as set forth in the said note, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These interim financial statements has however been prepared on a going concern basis for the reasons more fully explained in note 2.3 to the financial statements. Our conclusion is not qualified in respect of this matter.

Unquote

OTHER MATTER(S) CONSIDERED BY THE BOARD

The Board of Directors discussed the Scheme of Arrangement led by the Creditors to reorganize and restructure the obligations of the Company towards its creditors. The Board noted that although concerned Honorable Judge of the Honorable Lahore High Court has announced the approval of said Scheme of Arrangement in the Court, however, written order has still not been received by the Company. Therefore, the matter will be further considered upon receipt of written order from the Honorable Court. The Board shall take necessary steps that may be required, from time to time, to be taken by the Board for the implementation of said Scheme of Arrangement as per order of the Honorable Court.



MUHAMMAD AWAIS
Company Secretary

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