



September 28, 2019

**FORM-3**

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

**Financial Results for the Year Ended June 30, 2019**

Dear Sir,

We have to inform you that the Board of Directors of our Company in their meeting held on September 28, 2019 at 11.00 am at Registered Office, Ismail Aiwani-Science, Off: Shahrah-i-Roomi, Lahore, recommended the following:

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

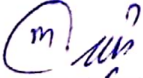

The financial results of the Company for the year ended June 30, 2019 are attached.

The Annual General Meeting of the Company will be held on October 28, 2019 at 11.00 am at Registered Office of the Company, Ismail Aiwani-Science, Off: Shahrah-i-Roomi, Lahore.

The Share Transfer Books of the Company will be closed from October 22, 2019 to October 28, 2019 (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 21, 2019 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,

  
  
**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**

REGISTERED OFFICE: ISMAIL AIWANI-SCIENCE, OFF SHAHRAH-I-ROOMI, LAHORE-54600, PAKISTAN.  
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The financial results\* of Azgard Nine Limited for the year ended June 30, 2019 are as follows:

	June 30, 2019 Rupees	June 30, 2018 Rupees
<b>Sales - net</b>	<b>20,214,970,742</b>	15,982,435,319
Cost of sales	<u>(16,726,690,730)</u>	<u>(13,391,359,653)</u>
<b>Gross Profit</b>	<b>3,488,280,012</b>	2,591,075,666
Selling and distribution expenses	<b>(911,073,423)</b>	(674,269,971)
Administrative expenses	<b>(513,699,624)</b>	(494,229,046)
<b>Profit from operations</b>	<b>2,063,506,965</b>	1,422,576,649
Other income	<b>26,418,318</b>	46,480,602
Other expenses	<b>(60,320,842)</b>	(15,740,844)
Finance cost	<b>(1,528,303,279)</b>	(1,154,240,369)
<b>Profit before taxation</b>	<b>501,301,162</b>	299,076,038
Taxation	<b>(195,988,871)</b>	(102,453,416)
<b>Profit after taxation</b>	<b>305,312,291</b>	196,622,622
<b>Earning per share-basic and diluted</b>	<b>0.67</b>	0.43

\* 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 financial year ended June 30, 2019 have not been consolidated with MBL.



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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, 2019, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows 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 (a) 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 possible effects of the matters discussed in paragraphs (a) 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, 2019 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 2.4 and 40.2.2 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 with. 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, for the current year, the Company has classified the long term debts as current and complied with the requirements of IAS 1, however, for the comparative period, these long term debts have been classified as non-current according to the individual loan repayment schedules. For the comparative period, had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 531.32 million;
- 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 the financial statements. Accordingly, the carrying value of the Company's investment in TFCs of AGL as at June 30, 2019, amounting to Rs. 231.86 million and the related mark-up thereon amounting to Rs. 68.31 million as appearing in note 21.2 and 26 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;



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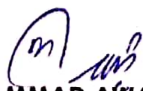

- c) as stated in note 27.1 to the financial statements, the Company has investment in preference shares ("shares") of AGL, with cost of Rs. 5.25 per share, designated as fair value through other comprehensive income, and National Bank of Pakistan has agreed to repurchase these shares at Rs. 5.25 per share at a future date and subject to conditions as defined in the put option agreement. As per the latest available financial statements of AGL, it is in financial difficulties, is not able to timely service its long term debts and its equity has completely eroded. International Financial Reporting Standard on Financial Instruments: (IFRS 9) requires the investments classified as fair value through OCI to be re-measured, at market rate prevailing as at the reporting date, with the resultant gain or loss to be recognized in statement of comprehensive income and to account for the derivative at fair value. However, the Company has not complied with the requirements of IFRS 9 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 were unable to determine the amount of adjustments required; and
- 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 the wholly owned subsidiary, Montebello s.r.l. ("MBL"). The Company has recorded impairment aggregating to Rs. 2,652.03 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 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 are unable to satisfy ourselves as to the appropriateness of the amounts recorded and related disclosures made in the financial statement by the Company.

Except as stated in (a) 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 Auditor's 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 2.3 to the financial statements which describes that during the year the current liabilities of the Company have exceeded its current assets by Rs. 12,263.61 million, and its accumulated losses stand at Rs. 11,470.42 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. The management of the Company have assessed its ability to continue as going concern taking into consideration the improvement in results generated from operating activities and expected impact of ongoing financial restructuring. Our opinion is not qualified in respect of this matter.

**Unquote**

  
  
**MUHAMMAD AWAIIS**  
Company Secretary

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