

**Tomorrow's Denim Today**

**AZGARD**

**AZGARD NINE LIMITED**

Interim Financial Report  
for the half year ended  
December 31, 2022 (Un-audited)

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## 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-i-Science  
Off: Shahrah-i-Roomi, Lahore-54600.  
Ph: +92(0)42 35761794-5  
Fax: +92(0)42 35761791

### KARACHI OFFICE

Suite 604, 6th Floor, Chappal Plaza,  
Hasrat Mohani Road, Karachi.  
Ph: +92(0)21 32400211

### BANKERS

#### *Relationship with conventional side*

JS Bank Limited  
MCB 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  
Faysal Bank 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

Atta Buksh Road, 18-KM, Off: Ferozepur Road,  
Mouza Atari Saroba, Tehseel Cantt, Lahore.  
Ph: +92(0)333 0427020-1

### E-MAIL

info@azgard9.com

### WEB PRESENCE

www.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 the six months ended December 31, 2022.

### Principal Activities

The main business of your Company is the production and marketing of denim-focused textile and apparel products, ranging from yarn to retail-ready goods.

Following are the operating financial results of Azgard Nine Limited (stand-alone):

	Six Months Ended December 31, 2022 (Rupees)	Six Months ended December 31, 2021 (Rupees)
Sales – net	14,449,181,476	14,932,350,183
Operating profit	656,760,001	962,759,977
Finance cost	(432,344,141)	(347,946,376)
Profit before tax	307,221,437	608,389,436
Profit after tax	140,448,193	460,065,648
Earnings per share	0.29	0.94

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

During the six months period, sales of the Company were Rs. 14,449.18 million; registering a decline of almost 3% as compared to the same period of last year. The operating profit of this period is Rs. 656.76 million as compared with the operating profit of Rs. 962.76 million for the same period of last year. The Company has a net profit after tax of Rs. 140.45 million compared to a profit of Rs. 460.07 million during the same period last year.

During the period, the textile sector experienced a crisis-like situation. Huge stocks were accumulated with global retailers. This is mainly due to the after-effects of the pandemic, the conflict in Ukraine, the rise in energy, food prices, and overall high inflation. The economic situation of our country is also very disturbing. At the start of this period, floods hit Pakistan causing massive damages and huge economic losses. The industry is now facing challenges due to low cotton crops and high prices. The situation has further worsened as the industry is facing delays in the release of imported shipments.

Interest rates have escalated rapidly in the country, the SBP rate on export refinance scheme (ERF) to support exports has also climbed. ERF rate was 3% in April 2022 while in Jan 23 it is 14%; this has increased the finance cost of the company. On the taxation side, super tax has resulted in an additional tax burden on the Company.

The future outlook of the textile sector is very challenging. The Eurozone growth projection in 2023 is just 0.3% and there is a high risk of recession. This is presenting a cost-of-living crisis and a gloomy outlook that is keeping consumers cautious about spending and thus demand is depressed. The default risk of Pakistan has significantly increased. The country's financial stability is now dependent upon new funding from the IMF. The PKR depreciation may favourably impact the Company, but increasing input costs of raw cotton and yarn may offset these gains.

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The Board would like to acknowledge the cooperation of all the stakeholders. We hope that with their continued support, the Company's performance will remain positive.

**On behalf of the Board of Directors**



**Chief Executive Officer**  
Lahore  
Date: February 27, 2023



**Director**

## ڈائریکٹرز کا جائزہ

ایڈگار ڈائن لیمنڈ (کمپنی) کے ڈائریکٹرز ہمراہ انتظامیہ ٹیم کمپنی کی کلینف عبوری مالیاتی رپورٹ برائے شش ماہی مختتمہ 31 دسمبر 2022 پیش کرتے ہیں۔

### اہم سرگرمیاں

آپ کی کمپنی کا بنیادی کاروبار دوا گہ سے لے کر خوردہ تیار سامان، ڈیٹیم کیڑ اور تیار ڈیٹیم ملبوسات کی مصنوعات کی پیداوار اور مارکیٹنگ پر مرکوز ہے۔ ایڈگار ڈائن لیمنڈ (شیئڈ لون) کے عملی مالیاتی نتائج درج ذیل ہیں۔

شش ماہی مختتمہ 31 دسمبر 2021 (روپے)	شش ماہی مختتمہ 31 دسمبر 2022 (روپے)	
14,932,350,183	14,449,181,476	فروختگی (Net)
962,759,977	656,760,001	آپریٹنگ منافع
(347,946,376)	(432,344,141)	مالیاتی اخراجات
608,389,436	307,221,437	منافع قبل از ٹیکس
460,065,648	140,448,193	منافع بعد از ٹیکس
0.94	0.29	منافع فی شیئر

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

اس شش ماہی کی مدت کے دوران کمپنی کی سبز 14,449.18 ملین روپے رہیں، جن میں پچھلے سال اسی مدت کی نسبت تقریباً 3 فیصد کمی درج کی گئی ہے۔ پچھلے سال اسی مدت کے لئے 962.76 ملین روپے آپریٹنگ منافع کے مقابلے اس شش ماہی کا آپریٹنگ منافع 656.76 ملین روپے ہے۔ کمپنی کا پچھلے سال اسی مدت کے 460.07 ملین روپے منافع بعد از ٹیکس کے مقابلے اس شش ماہی کا منافع بعد از ٹیکس 307.22 ملین روپے ہے۔

اس عرصے کے دوران ٹیکسٹائل سیکٹر کو بحران جیسی صورت حال کا سامنا کیا۔ عالمی خوردہ فروشوں کے پاس بھاری اسٹاک جمع تھے۔ یہ بنیادی طور پر وبائی امراض کے بعد کے اثرات، یوکرین میں تنازعہ، توانائی میں اضافہ، خوراک کی قیمتوں اور مجموعی طور پر بلند افراط زر کی وجہ سے ہے۔ ہمارے ملک کی معاشی صورتحال بھی بہت پریشان کن ہے۔ اس مدت کے آغاز میں پاکستان میں سیلاب نے بڑے پیمانے پر جانی و مالی نقصان پہنچایا۔ کپاس کی کم فصل اور زیادہ قیمتوں کی وجہ سے انڈسٹری کو اب چیلنجز کا سامنا ہے۔ صورتحال مزید خراب ہو گئی ہے کیونکہ انڈسٹری کو درآمدی کھپ کے اجراء میں تاخیر کا سامنا ہے۔


ملک میں شرح سود میں تیزی سے اضافہ ہوا ہے۔ برآمدات کو سپورٹ کرنے کے لئے ایکسپورٹ ری فننس اسکیم (ERF) پرائیویٹ بینک کی شرح بھی بڑھ گئی ہے۔ اپریل 2022 میں ERF کی شرح 3 فیصد تھی جبکہ جنوری 2023 میں یہ 14 فیصد ہے۔ اس سے کمپنی کی مالیاتی لاگت میں اضافہ ہوا ہے۔ ٹیکسیشن کی طرف، سپر ٹیکس کے نتیجے میں کمپنی پراضافی ٹیکس کا بوجھ پڑا ہے۔

ٹیکسٹائل سیکٹر کا مستقبل کا نقطہ نظر بہت چیلنجنگ ہے۔ 2023 میں یوروزون کی ترقی کا تخمینہ صرف 0.3 فیصد ہے اور اس میں کساد بازاری کا زیادہ خطرہ ہے۔ یہ زندگی گزارنے کی لاگت کا بحران اور ایک اداس منظر پیش کر رہا ہے جو صارفین کو اخراجات کے بارے میں متاثر رکھے ہوئے ہے اور اس طرح مانگ

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میں کی واقع ہو رہی ہے۔ پاکستان کے ڈیفالٹ خطرے میں نمایاں اضافہ ہوا ہے۔ ملک کا مالی استحکام اب آئی ایم ایف نئی فنڈنگ پر منحصر ہے۔ پاکستانی روپے کی قدر میں کمی کمپنی پر مثبت اثر انداز ہو سکتی ہے۔ لیکن خام کپاس اور دھماگے کی بڑھتی ہوئی لاگت ان فوائد میں کمی لاسکتا ہے۔ بورڈ تمام اسٹیک ہولڈرز کے تعاون کو تسلیم کرنا چاہتا ہے۔ ہم امید کرتے ہیں کہ ان کے مسلسل تعاون سے کمپنی کی کارکردگی مثبت رہے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے



ڈائریکٹر



چیف ایگزیکٹو آفیسر

لاہور  
27 فروری 2023ء

## 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, 2022 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 these 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 10.1 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 (Taybah), 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 Taybah'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. 2,565 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. 128 million

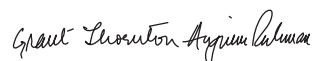
#### **Qualified Conclusion**

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 the fact that figures of condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended December 31, 2022 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, 2022.

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



**Grant Thornton Anjum Rahman**

Chartered Accountants

Date: February 27, 2023

Lahore

UDIN: RR202210212G8XUyqqaR

**Condensed Interim Statement of Financial Position**  
As at December 31, 2022

		(Un-audited) December 31 2022 Rupees	(Audited) June 30 2022 Rupees
<b>EQUITY AND LIABILITIES</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
Capital reserves		3,124,649,596	3,124,649,596
Surplus on revaluation of fixed assets		3,084,837,135	3,121,943,764
Accumulated loss		(1,889,431,244)	(2,066,986,066)
		9,233,808,857	9,093,360,664
<b>Non-current liabilities</b>			
Redeemable capital - secured	4	1,943,786,391	2,531,607,848
New Zero Coupon PPTFCs	5	4,981,165,000	5,103,510,000
Lease liabilities		1,075,435	1,315,856
Deferred liability - Gratuity		595,344,370	578,503,081
		7,521,371,196	8,214,936,785
<b>Current liabilities</b>			
Current portion of non-current liabilities	6	1,457,687,729	1,230,038,625
Short term borrowings	7	2,623,901,702	2,366,715,528
Trade and other payables		2,085,115,807	4,412,071,724
Contract liabilities		55,398,623	59,074,029
Interest / mark-up accrued on borrowings		321,774,722	256,390,303
Dividend payable on preference shares		9,413,535	9,413,535
Unclaimed dividend on ordinary shares		3,753,252	3,753,252
Provision for income tax - net		85,888,046	84,514,203
		6,642,933,416	8,421,971,199
		23,398,113,469	25,730,268,648
<b>Contingencies and Commitments</b>			
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<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	10,544,065,225	10,623,689,989
Long term investments	10	12,608,052	12,608,052
Long term deposits and receivables		40,936,972	40,936,972
		10,597,610,249	10,677,235,013
<b>Current assets</b>			
Store, spares and loose tools		167,542,232	165,899,678
Stock-in-trade		3,930,336,538	5,402,722,777
Trade receivables		3,936,078,612	4,433,340,225
Receivable against non-current assets held for sale	11	945,011,851	1,068,158,297
Advances, deposits, prepayments and other receivables		1,972,620,974	2,288,363,403
Short term investments		139,993,989	139,993,989
Receivable from National Bank of Pakistan		306,022,500	306,022,500
Funds for restructuring scheme		489,073,487	354,579,214
Cash and bank balances		913,823,037	893,953,552
		12,800,503,220	15,053,033,635
		23,398,113,469	25,730,268,648

The annexed notes from 1 to 17 form an integral part of this interim financial information.

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, 2022**


	Note	2022		2021	
		July to December	October to December	July to December	October to December
		Rupees	Rupees	Rupees	Rupees
<b>Sales - net</b>		<b>14,449,181,476</b>	<b>6,468,422,569</b>	14,932,350,183	7,465,020,673
Cost of sales		(12,715,609,666)	(5,955,310,485)	(12,803,505,573)	(6,328,790,419)
<b>Gross profit</b>		<b>1,733,571,810</b>	<b>513,112,084</b>	2,128,844,610	1,136,230,254
Selling and distribution expenses		(666,170,962)	(284,997,595)	(845,187,565)	(435,559,212)
Administrative expenses		(410,640,847)	(197,732,918)	(320,897,068)	(165,238,212)
<b>Profit from operations</b>		<b>656,760,001</b>	<b>30,381,571</b>	962,759,977	535,432,830
Other income		98,975,126	56,918,196	58,764,048	43,941,013
Other expenses		(16,169,549)	5,511,282	(65,188,213)	(20,544,949)
Finance cost	13	(432,344,141)	(197,525,406)	(347,946,376)	(180,552,965)
<b>Profit/(Loss) before taxation</b>		<b>307,221,437</b>	<b>(104,714,357)</b>	608,389,436	378,275,929
Taxation		(166,773,244)	(75,178,619)	(148,323,788)	(74,123,831)
<b>Profit/(Loss) after taxation</b>		<b>140,448,193</b>	<b>(179,892,976)</b>	460,065,648	304,152,098
<b>Earnings per share - basic and diluted</b>		<b>0.29</b>	<b>(0.37)</b>	0.94	0.62

The annexed notes from 1 to 17 form an integral part of this interim financial information.

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, 2022**

	2022		2021	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
<b>Profit/(Loss) after taxation</b>	<b>140,448,193</b>	<b>(179,892,976)</b>	460,065,648	304,152,098
<i>Items that may not be subsequently reclassified to statement of profit or loss</i>				
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>140,448,193</b>	<b>(179,892,976)</b>	460,065,648	304,152,098

The annexed notes from 1 to 17 form an integral part of this interim financial information.

Lahore

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

  
\_\_\_\_\_  
Director

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

**Condensed Interim Statement of Cash Flows (Un-audited)**  
For the half year ended December 31, 2022

	<b>July 2022 to December 2022</b>	<b>July 2021 to December 2021</b>
	Rupees	Rupees
<b>Cash flows from operating activities</b>		
Profit before taxation	307,221,437	608,389,435
Adjustments	512,808,048	457,630,063
<b>Operating profit before working capital changes</b>	<b>820,029,485</b>	1,066,019,498
Changes in working capital	3,866,584	(614,635,761)
Cash generated from operations	823,896,069	451,383,737
<b>Other adjustments for:</b>		
Interest/markup/return paid	(130,538,866)	(56,328,932)
Taxes paid	(165,399,400)	(144,647,748)
WPPF paid	(70,985,799)	-
Post retirement benefits paid	(82,521,739)	(41,534,467)
Decrease in long term deposits	-	740,000
	<b>(449,445,804)</b>	(241,771,147)
<b>Net cash from operating activities</b>	<b>374,450,265</b>	209,612,590
<b>Cash flows from investing activities</b>		
Capital expenditure incurred during the period	(114,004,811)	(515,926,273)
Proceeds from sale of non-current assets	123,146,446	-
Proceeds from disposal of fixed assets	-	28,735,043
<b>Net cash from/(used in) investing activities</b>	<b>9,141,635</b>	(487,191,230)
<b>Cash flows from financing activities</b>		
Repayment of redeemable capital	(60,360,000)	-
Repayment of new zero coupon PPTFCs	(122,345,000)	-
Repayment of lease liabilities	(219,314)	(2,303,291)
Decrease in short term borrowings-net	(156,803,928)	(272,969,766)
<b>Net cash used in financing activities</b>	<b>(339,728,242)</b>	(275,273,057)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>43,863,658</b>	(552,851,697)
<b>Cash and cash equivalents at the beginning of period</b>	<b>1,125,302,080</b>	915,970,513
<b>Cash and cash equivalents at the end of period</b>	<b>1,169,165,738</b>	363,118,816

The annexed notes from 1 to 17 form an integral part of this interim financial information.

Lahore

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

**Condensed Interim Statement of Changes in Equity (Un-audited)**  
**For the half year ended December 31, 2022**

	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve	Total reserves	Surplus on revaluation of fixed assets	Accumulated loss	Total equity
As at 01 Jul, 2021 - Audited	4,913,753,370	2,358,246,761	105,152,005	661,250,830	3,124,649,596	3,414,941,189	(3,458,667,126)	7,994,677,029
Net profit for the period ended Dec 31, 2021	-	-	-	-	-	-	460,065,648	460,065,648
Other comprehensive income for the period ended Dec 31, 2021	-	-	-	-	-	-	-	-
Total comprehensive income for the period ended Dec 31, 2021	-	-	-	-	-	-	460,065,648	460,065,648
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(39,062,595)	39,062,595	-
<b>As at Dec 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>3,124,649,596</b>	<b>3,375,878,594</b>	<b>(2,959,538,883)</b>	<b>8,454,742,677</b>
As at Jul 01, 2022 - Audited	4,913,753,370	2,358,246,761	105,152,005	661,250,830	3,124,649,596	3,121,943,764	(2,066,986,066)	9,093,360,664
Net profit for the period ended December 31, 2022	-	-	-	-	-	-	140,448,193	140,448,193
Other comprehensive income for the period ended Dec 31, 2022	-	-	-	-	-	-	-	-
Total comprehensive income for the period ended Dec 31, 2022	-	-	-	-	-	-	140,448,193	140,448,193
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	(37,106,629)	37,106,629	-
<b>As at Dec 31, 2022 - 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>3,124,649,596</b>	<b>3,084,837,135</b>	<b>(1,889,431,244)</b>	<b>9,233,808,857</b>

Rupees

The annexed notes from 1 to 17 form an integral part of this interim financial information.



Chief Executive Officer



Director



Chief Financial Officer

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### Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited) For the half year ended December 31, 2022

#### 1. Legal status and nature of business

Azgard Nine Limited ("the Company") was incorporated in Pakistan as a Public Limited Company on April 7, 2004 and listed on Pakistan Stock Exchange Limited. The Company is a composite of spinning, weaving, dyeing and stitching divisions engaged in the manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has two production units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, and Unit II (rented facility) located at Atta Buksh Road, 18-km, off Ferozepur road, Mouza Atari Saroba, Tehseel Cantt, Lahore.

#### 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:

- 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, 2022.

Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2022 whereas comparative statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows are extracted from un-audited condensed interim financial statements for the half year ended on December 31, 2021.

These condensed interim financial statements are being submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

#### 3. Accounting policies and estimates

**3.1** The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2022.

**3.2** Judgements and estimates made by the management in the preparation of the condensed interim financial statements are the same as those applied in preparation of annual published financial statements of the Company for the year ended June 30, 2022.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	Rupees	Rupees
<b>4 Redeemable capital-secured</b>			
Privately Placed Term Finance Certificates		250,602,457	250,602,457
Privately Placed Term Finance Certificates		166,732,493	166,732,493
Sub-Privately Placed Term Finance Certificates	4.1	1,665,425,000	2,029,275,000
Sub-Sukuk certificates		193,520,000	193,520,000
		<u>2,276,279,950</u>	<u>2,640,129,950</u>
Less: Transaction costs		(104,865,564)	(108,522,102)
		<u>2,171,414,386</u>	<u>2,531,607,848</u>
Less: current maturity		(227,627,995)	-
		<u>1,943,786,391</u>	<u>2,531,607,848</u>

4.1 During the period, Sub PPTFCs in respect of MCB Bank Limited and JS Bank Limited (related party) amounting to Rs. 363.85 million have been redeemed through their conversion into working capital facilities. In accordance with terms of restructuring, the Company has option for such conversions.

5. During the period, New Zero Coupon PPTFCs amounting to Rs. 122.35 million have been settled.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	Rupees	Rupees
<b>6 Current portion of non-current liabilities</b>			
Preference shares of Rs .10 each		148,367,255	148,367,255
Long term finances - secured	6.1	1,081,208,932	1,081,208,932
Redeemable capital		227,627,995	-
Lease liabilities		483,547	462,438
		<u>1,457,687,729</u>	<u>1,230,038,625</u>

6.1 This is to be settled from sale proceeds of Muzaffargarh unit (Note 11).

#### 7 Short term borrowings

Running finance		233,730,788	123,230,686
Term Loans		2,313,468,613	2,157,263,513
Morabaha / LPO		4,535,182	4,535,181
Bills Payable		72,167,119	81,686,148
		<u>2,623,901,702</u>	<u>2,366,715,528</u>

#### 8. Contingencies and commitments

##### 8.1 Contingencies

8.1.1 There is no material change in the status of contingencies as disclosed in the annual audited financial statements for the year ended June 30, 2022.



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		(Un-audited) December, 31 2022 Rupees	(Audited) June 30, 2022 Rupees
<b>8.2</b>	<b>Commitments</b>		
<b>8.2.1</b>	<b>Commitments under irrevocable letters of credit for:</b>		
	- purchase of plant, machinery and loose tools	9,061,149	5,932,467
	- purchase of raw material	-	21,540,615
		<u>9,061,149</u>	<u>27,473,082</u>
<b>8.2.2</b>	<b>Commitments for Capital Expenditure</b>	<u>87,106,359</u>	<u>123,873,495</u>
<b>8.2.3</b>	Counter Guarantees given by the Company to its bankers as at the reporting date amount to Rs. 228.56 million (June 30, 2022: Rs. 228.56 million).		
<b>8.2.4</b>	Bills discounted as at reporting date aggregated to Rs. 811.35 million (June 30, 2022: Rs. 4,216.53 million).		
	Note	(Un-audited) July to Dec 2022 Rupees	(Audited) June 30, 2022 Rupees
<b>9</b>	<b>Property, plant and equipment</b>		
	Operating fixed assets	9.1 10,287,940,859	10,317,504,205
	Right of use assets	1,362,557	1,513,952
	Capital work in progress	254,761,809	304,671,832
		<u>10,544,065,225</u>	<u>10,623,689,989</u>
<b>9.1</b>	<b>Operating fixed assets</b>		
	Net book value as at the beginning of the period / year	10,317,504,205	9,938,195,993
	Additions during the period / year - cost	163,914,838	822,783,575
	Assets transfer from leased to own	-	4,849,858
	Disposals during the period / year - Net book value	-	(68,844,322)
	Depreciation charged during the period / year	(193,478,184)	(379,480,898)
	<b>Net book value as at the end of the period / year</b>	<u>10,287,940,859</u>	<u>10,317,504,206</u>
<b>9.1.1</b>	<b>Additions- Cost</b>		
	Building on freehold land	-	8,611,453
	Plant and Machinery	91,407,963	739,500,150
	Others	72,506,875	74,671,972
		<u>163,914,838</u>	<u>822,783,575</u>

**10. 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:

		<b>(Un-audited)</b> <b>July to Dec</b> <b>2022</b>	<b>(Audited)</b> <b>June 30,</b> <b>2022</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
Investment in Montebello s.r.l ("MBL")	10.1	-	-
Investment in Agritech Limited TFCs		<b>12,608,052</b>	<b>12,608,052</b>
		<b>12,608,052</b>	<b>12,608,052</b>
<b>10.1 Investment in Montebello s.r.l. ("MBL")</b>			
6,700,000 ordinary shares with a capital of Euro 6,700,000 cost		<b>2,625,026,049</b>	2,625,026,049
Accumulated impairment		<b>(2,625,026,049)</b>	<b>(2,625,026,049)</b>
		-	-

**10.1.1** MBL had gone into liquidation process and bankruptcy/liquidation process of MBL is completed. The value of priority claims included therein are of Euro 3,929,380.36 and the value of unsecured and subordinated claims are of Euro 3,964,414.12. The Company has been advised by its legal counsel that, in accordance with the law, priority claims would be paid first and then unsecured and subordinated claims will be paid. The Company's claim aggregating to Euro 3,835,344 has been accepted on account of principal and interest as subordinated claim due to the Company being the parent of MBL at that time.

The Company contested with the Court of Vicenza that its claim should be accepted as at least unsecured claim rather than being subordinated claim. The Court of Vicenza did not accept plea of Company to change classification of its claim. The company filed an appeal in Italian Supreme Court which is pending. However, as per lawyer's opinion chances of recovery of the Company's claim are remote as bankruptcy process of MBL by the Court of Vicenza has been completed.

**10.1.2** 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 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. The Court of Vicenza had accepted and awarded last year TCL's claim of Euro 2,048,783. The Company has filed an appeal against this order, in Venice Court of Appeal, which is pending for adjudication.

**11. Non-current assets held for sale**

The Spinning Unit at Alipur Road, Muzaffargarh was sold during last year. An amount of Rs. 1,068 million was receivable at 30 June 2022. During the period, an amount of Rs. 123 million has been received. Title of land and building is in the name of Azgard Nine Limited and original property documents are with agent bank.

**12. Transactions and balances with related parties**

Related parties from the Company's perspective comprise associated undertakings, key management personnel (including Chief Executive Officer and directors) 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 transactions and balances with related parties are as follows:

	<b>(Un-audited) July to Dec 2022</b>	<b>(Un-audited) July to Dec 2021</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>12.1 Transactions with related parties</b>		
<b>12.1.1 Other related parties</b>		
<b>JS Bank Limited</b>		
Mark-up expense	<b>2,155,337</b>	1,566,528
Fee paid to Trustee	<b>1,500,000</b>	1,500,000
Mark-up paid	<b>1,018,510</b>	-
<b>Unit Trust of Pakistan</b>		
Mark-up expense	<b>770,584</b>	770,584
Markup paid/ settled	<b>595,377</b>	-
<b>JS Large Cap Fund</b>		
Mark-up expense	<b>2,056,184</b>	2,056,184
Markup paid/ settled	<b>1,600,306</b>	1,600,306
<b>JS Global Capital Limited</b>		
Mark-up expense	<b>8,071,839</b>	8,071,839
Markup paid/ settled	<b>6,282,226</b>	6,282,226
<b>JS Principal Secure Fund</b>		
Mark-up expense	<b>827,815</b>	827,815
Markup paid/ settled	<b>644,279</b>	644,279
<b>JS Income Fund</b>		
Mark-up expense	<b>948,084</b>	948,084
Markup paid/ settled	<b>732,501</b>	-
<b>JS Growth Fund</b>		
Mark-up expense	<b>2,449,669</b>	2,449,669
Markup paid/ settled	<b>1,901,641</b>	1,235,446

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Rupees	Rupees
<b>12.2 Balances with related parties</b>		
<b>JS Bank Limited</b>		
Sub PPTFCs	-	48,280,000
Term Loan/Settlement Finance under restructuring Scheme	13,870,315	13,870,315
New Zero Coupon PPTFCs	-	63,025,000
Short Term Borrowings	111,305,000	-
Mark-up payable	1,203,882	1,229,881
<b>Unit Trust of Pakistan</b>		
Sub PPTFCs	23,750,000	23,750,000
Term Loan/Settlement Finance under restructuring Scheme	6,822,073	6,822,073
New Zero Coupon PPTFCs	49,485,000	49,485,000
Mark-up payable	780,152	604,945
<b>JS Large Cap Fund</b>		
Redeemable capital - PPTFCs	63,837,358	63,837,358
Term Loan/Settlement Finance under restructuring Scheme	17,739,525	17,739,525
New Zero Coupon PPTFCs	59,745,000	59,745,000
Mark-up payable	2,046,874	1,590,996
<b>JS Global Capital Limited</b>		
Redeemable capital - PPTFCs	250,602,457	250,602,457
Term Loan/Settlement Finance under restructuring Scheme	69,638,980	69,638,980
New Zero Coupon PPTFCs	234,545,000	234,545,000
Mark-up payable	8,035,289	6,245,676
<b>JS Principal Secure Fund</b>		
Redeemable capital - PPTFCs	25,700,755	25,700,755
Term Loan/Settlement Finance under restructuring Scheme	7,141,887	7,141,887
New Zero Coupon PPTFCs	24,050,000	24,050,000
Mark-up payable	824,066	640,531
<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/Settlement Finance under restructuring Scheme	8,394,214	8,394,214
New Zero Coupon PPTFCs	62,040,000	62,040,000
Mark-up payable	959,909	744,327
<b>JS Growth Fund</b>		
Redeemable capital - PPTFCs	49,282,809	49,282,809
Sub PPTFCs	26,575,000	26,575,000
Term Loan/Settlement Finance under restructuring Scheme	21,330,137	21,330,137
New Zero Coupon PPTFCs	107,080,000	107,080,000
Mark-up payable	2,453,280	1,905,252

	<b>(Un-audited) July to December 2022</b>	<b>(Un-audited) July to December 2021</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>13 Finance Cost</b>		
Interest/ mark-up on:		
Redeemable capital & Long term finances	<b>94,812,680</b>	119,990,912
Lease liabilities	<b>104,734</b>	175,061
Short term borrowings	<b>101,005,871</b>	26,693,688
	<b>195,923,285</b>	146,859,661
Amortization of transaction costs	<b>7,697,538</b>	6,781,401
Bank discounting and other charges	<b>228,723,318</b>	194,305,314
	<b>432,344,141</b>	347,946,376

14 Segment information  
14.1 Information about reportable segments

14.1.1 Segment revenues and results

	Spinning segment		Weaving segment		Garment segment		Eliminations		Total	
	December-22 Rupees	December-21 Rupees	December-22 Rupees	December-21 Rupees	December-22 Rupees	December-21 Rupees	December-22 Rupees	December-21 Rupees	December-22 Rupees	December-21 Rupees
<b>Revenues</b>										
External	1,756,609,160	1,585,905,694	3,927,233,092	6,131,756,279	8,765,339,224	7,214,688,210	-	-	14,449,181,476	14,932,350,183
Inter-segment	58,916,284	909,136,880	2,747,160,474	2,348,601,395	643,698	30,466,420	(2,806,720,456)	(3,388,204,695)	-	-
	1,815,525,444	2,495,042,574	6,674,393,566	8,480,357,674	8,765,982,922	7,245,154,630	(2,806,720,456)	(3,388,204,695)	14,449,181,476	14,932,350,183
<b>Cost of sales</b>										
External	(1,679,899,709)	(1,167,046,809)	(3,141,959,140)	(5,093,706,034)	(7,889,710,817)	(6,542,752,730)	2,806,720,456	3,388,204,695	(12,715,609,666)	(12,803,505,573)
Inter-segment	(58,916,284)	(909,136,880)	(2,747,160,474)	(2,348,601,395)	(643,698)	(30,466,420)	-	-	-	-
	(1,738,815,993)	(2,076,183,689)	(5,889,119,614)	(7,442,307,429)	(7,894,354,515)	(6,573,219,150)	2,806,720,456	3,388,204,695	(12,715,609,666)	(12,803,505,573)
<b>Gross profit</b>	76,669,451	418,858,885	785,273,952	1,038,050,245	871,628,407	671,935,480	-	-	1,733,571,810	2,128,844,610
Selling and distribution expenses	(32,208,488)	(29,521,702)	(243,333,613)	(456,165,613)	(390,028,861)	(359,500,250)	-	-	(666,170,962)	(845,187,565)
Administrative expenses	(86,614,078)	(55,169,501)	(124,645,200)	(112,953,030)	(199,381,249)	(152,774,537)	-	-	(410,640,847)	(320,897,068)
	(118,822,566)	(84,691,203)	(367,979,133)	(569,118,643)	(590,010,110)	(512,274,787)	-	-	(1,076,811,809)	(1,166,084,633)
<b>(Loss)/ Profit from operations</b>	(42,153,115)	334,167,682	417,294,819	468,931,602	281,618,297	159,660,693	-	-	656,760,001	962,759,977
Other income									98,975,126	58,764,048
Other expenses									(16,169,549)	(65,388,213)
Finance cost									(432,344,141)	(347,546,376)
Taxation									(166,773,244)	(148,232,788)
<b>Profit after taxation</b>									140,448,193	460,065,648

14.1.2 Inter-segment sales and purchases

Inter-segment sales and purchases have been eliminated from total figures.

14.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

	Spinning segment		Weaving segment		Garment segment		Eliminations		(Un-audited)		(Audited)
	December-22	June-22	December-22	June-22	December-22	June-22	December-22	June-22	December-22	June-22	June-22
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>14.1.4 Assets</b>											
Total assets for reportable segments	3,483,048,531	3,814,968,054	10,144,848,667	11,577,232,162	8,506,300,487	9,229,862,388	(688,848,802)	(856,643,165)	21,945,349,883	23,795,419,421	
Property, plant and equipment - common	-	-	-	-	-	-	-	-	1,105,065,558	1,121,645,472	
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	-	-	-	-	-	-	-	-	489,073,487	554,579,214	
	<b>3,483,048,531</b>	<b>3,814,968,054</b>	<b>10,144,848,667</b>	<b>11,577,232,162</b>	<b>8,506,300,487</b>	<b>9,229,862,388</b>	<b>(688,848,802)</b>	<b>(856,643,165)</b>	<b>23,998,113,469</b>	<b>25,730,268,648</b>	
<b>14.1.5 Liabilities</b>											
Total liabilities for reportable segments	503,527,944	682,054,945	1,187,613,887	2,904,562,790	1,646,732,769	2,370,221,958	(688,848,802)	(856,643,165)	2,749,025,798	5,100,196,528	
Corporate liabilities - common	-	-	-	-	-	-	-	-	11,415,278,813	11,489,576,438	
	<b>503,527,944</b>	<b>682,054,945</b>	<b>1,187,613,887</b>	<b>2,904,562,790</b>	<b>1,646,732,769</b>	<b>2,370,221,958</b>	<b>(688,848,802)</b>	<b>(856,643,165)</b>	<b>14,164,304,611</b>	<b>16,589,772,966</b>	

**14.1.6 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	(Un-audited)	(Audited)
	July to December	July to December
	2022	2021
	Rupees	Rupees
<b>Foreign revenue</b>		
Asia	1,231,184,439	1,505,653,829
Europe	9,024,320,911	9,087,494,072
North America	20,230,959	20,230,959
South America	15,622,601	21,086,513
Africa	-	15,332,623
Other countries	3,077,556,126	2,754,891,754
	<b>13,348,884,077</b>	<b>13,804,689,750</b>
<b>Local revenue</b>		
Pakistan	990,065,220	1,039,815,949
Net rebate	110,232,179	87,840,484
	<b>1,100,297,400</b>	<b>1,127,656,433</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	December-22	June-22
	Rupees	Rupees
<b>14.1.7 Non-current assets</b>		
Pakistan	10,597,610,249	10,677,235,013

**15. Corresponding figures**

Corresponding figures have been rearranged, where necessary, for the purpose of comparison. However, no significant reclassification has been made.

**16. Date of authorization**

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on February 27, 2023.

**17. General**

Figures have been rounded off to the nearest rupee.

Lahore



Chief Executive Officer



Director



Chief Financial Officer





# AZGARD9

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