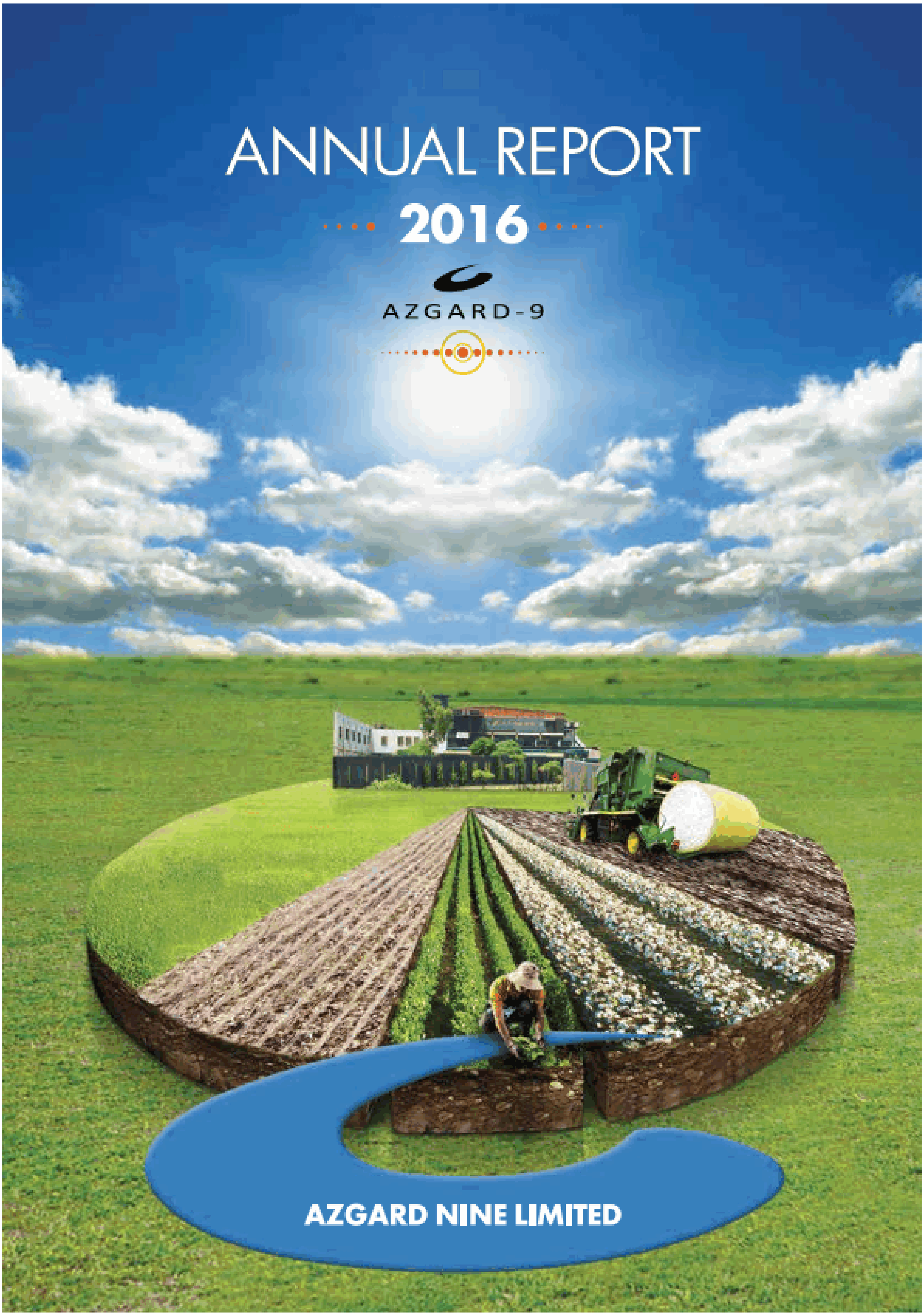
ANNUAL REPORT
2016
AZGARD-9
AZGARD NINE LIMITED

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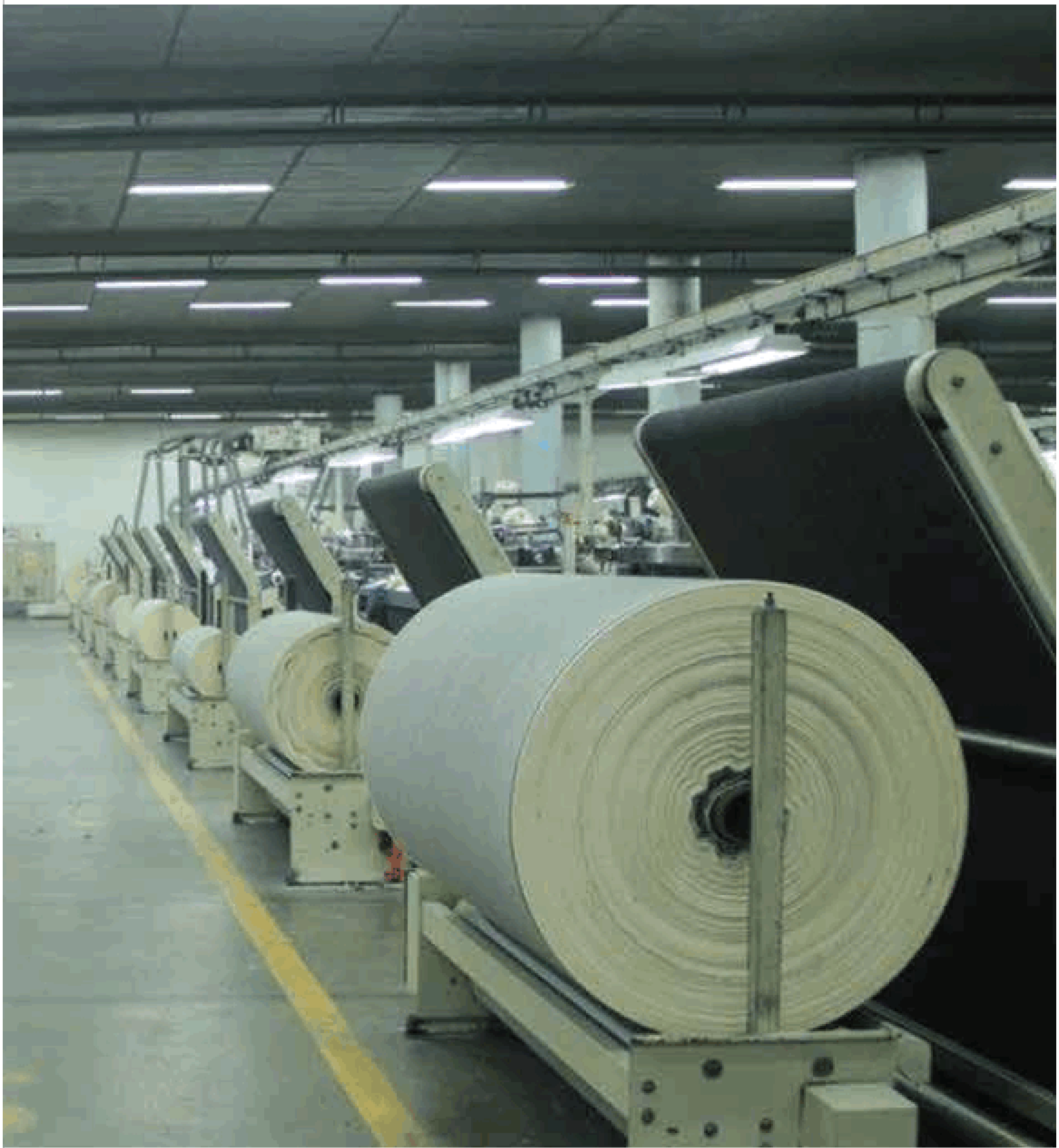
VISION

"To become a major global Fashion Apparel Company."



MISSION

"To retain a leadership position as the largest value added denim products Company in Pakistan."

COMPANY INFORMATION

BOARD OF DIRECTORS
Mr. Zahid Mahmood
Chairman
Mr. Ahmed H. Shaikh
Chief Executive
Mr. Nasir Ali Khan Bhatti
Mr. Usman Rasheed
Mr. Munir Alam
Mr. Aamer Ghias
Mr. Saghir Ahmad

COMPANY SECRETARY
Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER
Mr. Zahid Rafiq, FCA

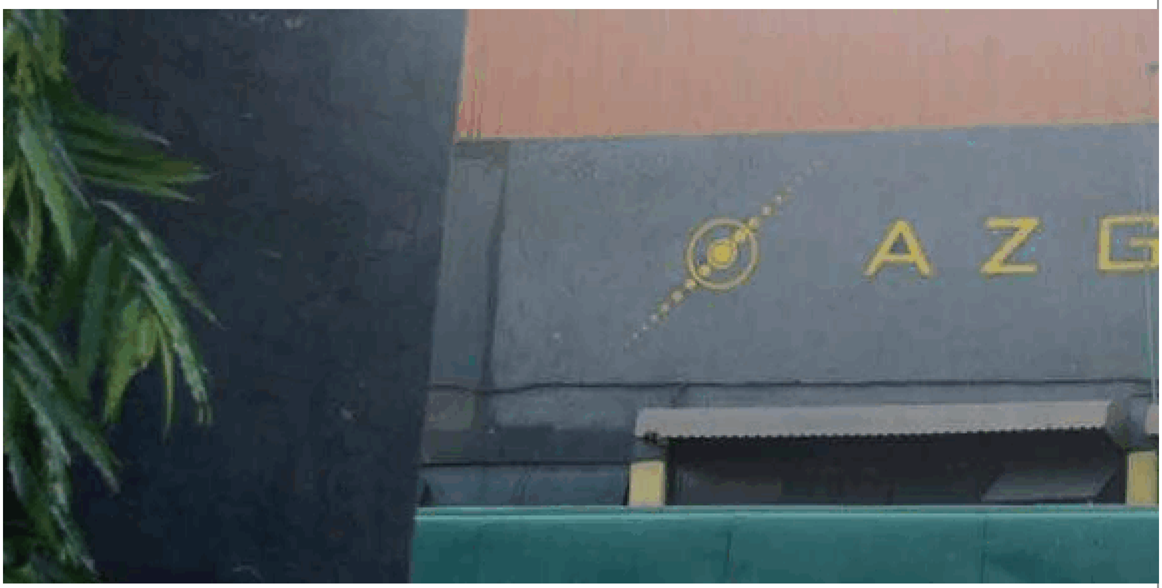
AUDIT COMMITTEE
Mr. Nasir Ali Khan Bhatti
Chairman
Mr. Usman Rasheed
Mr. Zahid Mahmood

HR & REMUNERATION COMMITTEE
Mr. Nasir Ali Khan Bhatti
Chairman
Mr. Ahmed H. Shaikh
Mr. Usman Rasheed

AUDITORS
Deloitte Yousuf Adil
Chartered Accountants

REGISTERED OFFICE
Ismail Aiwan-e-Science
Off Shahrah-e-Roomi Lahore, 54600.
Ph: +92(0)42 35761794-5
Fax: +92(0)42 35761791

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



BANKERS

Relationship with conventional side

JS Bank Limited
MCB Bank Limited
Citibank N.A
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
Silk Bank Limited
Summit Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Al Falah Limited
Bank Islami Pakistan
Habib Metropolitan Bank
Bank of Khyber

Relationship with Islamic window operations

Al Baraka Bank Pakistan Limited

PROJECT LOCATIONS

Textile & Apparel

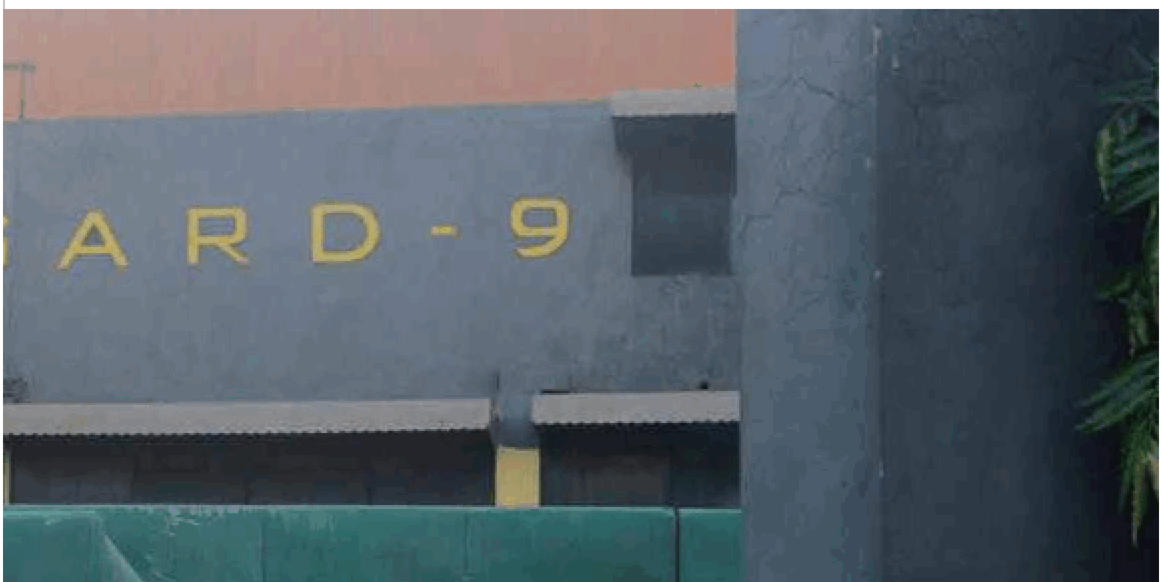
Unit I
2.5 KM off Manga, Raiwind Road,
District Kasur.
Ph: +92(0)42 35384081
Fax: +92(0)42 35384093

Unit II
Alipur Road, Muzaffargarh.
Ph: +92(0)661 422503, 422651
Fax: +92(0)661 422652

Unit III
20 KM off Ferozepur Road,
6 KM Badian Road on Ruhi Nala,
Der Khurd, Lahore.
Ph: +92(0)42 38460333, 38488862

WEB PRESENCE

www.azgard9.com



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Annual Report accompanied by the Audited Financial Statements for the year ended June 30, 2016.

Financial statements have been endorsed by the Chief Executive Officer and the Chief Financial Officer in accordance with the Code of Corporate Governance, having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

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 for the year ending on June 30, 2016 (Stand alone):

	Year ended June 30 2016 Rupees	Year ended June 30 2015 Rupees
Sales – net	13,176,284,444	10,701,888,196
Operating profit	599,786,053	115,119,649
Finance cost	(1,207,624,572)	(1,250,495)
Loss before tax	(683,601,570)	(2,828,250,081)
Loss after tax	(814,146,969)	(2,934,238,979)
Loss per share	(1.79)	(6.45)

Review for the year

According to Pakistan Bureau of Statistics, country's overall textile exports have decreased by 7.42 percent during this year when compared to the previous year.

The market remains fiercely competitive. With countries like Bangladesh continuing to grow rapidly and taking more market share on the "Global Apparel" space. While in Pakistan the cost of doing business continues to increase making it more difficult to compete.

The shortage in supply of electricity and gas continued to hurt the industry despite low oil prices. There has however been an improvement on energy side during the later part of the year when the Government decided to supply LNG continuously to the Punjab based industries, as an alternate to natural gas. This definitely helped the Company and Punjab based industries by and large.

Despite these challenges the Company managed to grow its sales handsomely by 23%. Operating profit has also grown tremendously to Rs.599.79 million as compared to Rs. 115.12 million for last year.
This clearly shows that the ongoing efforts of the management to improve operating efficiencies and reduce costs are yielding more positive results.

Receipt of the remaining working capital for the Company of Rs. 306.022 million is still awaited. It is hoped that it can now be release during this financial year. This should result in further improvements.

Financial Restructuring of Debts

As mentioned in financial statements, the Company initiated 2nd financial restructuring during 2014. Through this financial restructuring a major portion of principal and related mark-up would be settled through disposal of certain assets and right issue of the Company (subject to requisite approvals and regulatory consents). Post financial restructuring, the Company is expected to be in a better position and service the remaining loans and markups. This restructuring is now in advance stages. Most of the lenders have given their consent for this financial restructuring.

Future Outlook -Textile Business

The price of cotton has risen considerably this season. After being in a low range for the past two years. It appears unlikely that the entire increase in cost can be passed on to the consumers. Consequently some margin compression is expected during the year.
Moreover, the market conditions in Turkey are very disturbed after the failed coup attempt. This will also have a negative impact on the Company's business as Turkey is a major market.

Corporate Social Responsibility

The Management work towards empowering people by helping them develop the skills they need to succeed in a global economy. The Company equips communities with information, technology and the capacity to achieve improved health, education and livelihood outcomes.

Key to this approach is employees of the Company who generously give of their time, experience and talent to serve communities; Company encourages and facilitates them to do so.
Additionally the Company has many internationally recognized certifications focused on keeping the environment clean and high standards for labor welfare.

Earnings per share

The loss per share of the Company for the year ended June 30, 2016 was Rs 1.79 per share.

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended June 30, 2016.

Corporate governance & financial reporting framework

As required by the Code of Corporate Governance, the directors are pleased to report that:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The Board is satisfied that the Company is performing well as going concern under the Code of Corporate Governance.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding as on June 30, 2016 except for those disclosed in the financial statements.
- With effect from July 1, 2015, the Company has changed the post employment benefits policy. The Company has discontinued provident fund and in its place started gratuity scheme.
- No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.
- There is a material uncertainty about Company's ability to continue as a going concern; however these financial statements have been prepared on going concern assumption for reasons more fully disclosed in the financial statements.
- Directors, CEO, CFO and Company Secretary and their spouses and minor children did not carry out any transaction in shares of the Company during the year.
- The board has not arranged training programs for its directors during the year. However, the Company has planned Directors' Training Program for its directors in accordance with the requirements of PSX regulations.
- The statement of compliance with the best practices of code of corporate governance is provided in this annual report.

Board of Directors

The Board of directors of the Company is predominantly independent which ensures transparency and good corporate governance The Board comprises three independent directors including the Chairman, one Non executive director and three executive directors (including the Chief Executive Officer). The Non executive director bring to the Company his vast experience of business, governance and law, contributing valuable input and ensuring the Company's operations at a high standard of the principles of legal and corporate compliance.

During this year, five meetings of the Board of Directors held and the attendance by each director is as follows:

Name	Eligibility	Attended	
Mr. Ahmed H. Shaikh	5	5	
Mr. Aehsun M. H. Shaikh	4	0	
Mr. Nasir Ali Khan Bhatti	5	5	
Mr. Usman Rasheed	5	4	
Mr. Yasir Habib Hashmi	1	0	
Mr. Munir Alam	5	4	
Mr. Farrukh Hussain	5	4	
Mr. Saghir Ahmad	4	4	Appointed on 29.09.2015 in place of Mr. Yasir Habib Hashmi
Mr. Aamer Ghias	1	1	Appointed on 27.04.2016 in place of Mr. Aehsun M. H. Shaikh
Mr. Zahid Mahmood	0	0	Appointed on 27.06.2016 in place of Mr. Farrukh Hussain

HR & Remuneration Committee Meeting

Name of Directors	Eligibility	Attendance
Mr. Nasir Ali Khan Bhatti	1	1
Mr. Ahmed H. Shaikh	1	1
Mr. Usman Rasheed	1	1

Audit Committee

Name of Directors	Eligibility	Attendance	
Mr. Nasir Ali Khan Bhatti	5	5	
Mr. Aehsun M. H. Shaikh	5	0	
Mr. Farrukh Hussain	5	5	
Mr. Usman Rasheed	0	0	Appointed on 27.04.2016 in place of Mr. Aehsun M. H. Shaikh
Mr. Zahid Mahmood	0	0	Appointed on 27.06.2016 in place of Mr. Farrukh Hussain

Leaves of absence were granted to Directors who could not attend the respective meetings.

Montebelo S.R.L (subsidiary) and Consolidated financial statements

As mentioned in financial statements of the Company for the year ended June 30, 2015, the Court of Vicenza, Italian Republic granted bankruptcy proposal of public prosecutor and appointed trustee to manage affairs of Montebello S.R.L. (MBL). The creditors and other parties were asked to file their claims before March 4, 2016. Taking this into consideration, the Company provided impairment of balance amount of Rs. 452.529 million during year ended June 30, 2015.

During the proceeding of this bankruptcy, 48 parties filed their claims with The Court of Vicenza and all have been accepted by the Court. The company's claim of Euro 3,835,343.89 has been accepted on account of principal and interest as subordinate claim due to Azgard being the owner of MBL. By law Azgard cannot be a priority claimant.

Total claims of Euro 7,893,794.48 have been accepted. The value of priority claims is Euro 3,929,380.36 and the value of unsecured and subordinated claims of Euro 3,964,414.12. In accordance to the law, priority claims would be paid first and then unsecured and subordinated claims will be paid.

The directors have considered and decided that as financial statements of MBL are not available so its consolidation with the Company would not be possible. Exemption from preparation of consolidated financial statements under sub section 8 of section 237 of the Companies Ordinance, 1984 was applied to Securities and Exchange Commission of Pakistan (SECP). SECP has granted the subject exemption. Hence Consolidated financial statements of the Company are not included.

Auditors' observations

The auditors qualified their opinion in para a of audit report due to the fact that the Company could not make timely repayments of principal and interest / mark-up related to long term loans and certain financial and other covenants imposed by lenders could not be complied with. In this scenario, International Accounting Standard 1 - Presentation of Financial Statements requires that if an entity breaches a provision of long term loan, that liability becomes payable on demand and it should be classified as current. However, in our financial statements the long term debts continues to be classified as long term as per respective repayment schedule of loans. In this regard, the lenders have continued to show their confidence in the company and the management. Consequently they have not called their loans.

The auditors qualified their opinion in para b of audit report on carrying value investment in term finance certificates ("TFC") of Agritech Limited. The management is of the view that sale of these TFCs is part of 2nd restructuring and ultimate value of these TFCs would be available after completion of 2nd restructuring.

The auditors qualified their opinion in para c of audit report regarding Company's investment in preference shares ("shares") of AGL. The adjustments proposed by auditors are required by International Accounting Standard on Financial Instruments:

Recognition and Measurement (IAS-39). The management is of the view that as these shares would be sold in few months time under put option at same price at which the company has purchased through written agreement with National Bank of Pakistan. Recognition of fair value adjustment and derivative financial instrument for these shares during this year and reversing very next year would be confusing for users of financial statements.

The auditors qualified their opinion in para d of audit report due to non availability of details regarding MBL. As mentioned in note 19.1.1, the Company's claim has been accepted by The Court of Vicenza and details would be available once the proceeding of this bankruptcy would complete.

Auditors' observation in their audit report regarding Company's ability to continue as going concern due to liquidity issue. The Company as mentioned above is in process of second restructuring with completion of which portion of loans would be settled and remaining loans should be regularized.

Appointment of Auditors

Messers Deloitte Yousuf Adil, Chartered Accountants, (Deloitte) member firm of Deloitte Touche Tohmatsu Limited, a reputable Chartered Accountants firm completed its tenure of appointment with the Company and being eligible has offered its services for another term.

Audit committee

The Board of Directors constituted a fully functional Audit Committee comprising three members of whom two are Independent Directors and one is Non Executive Director. The terms of reference of the committee, inter alia, consist of ensuring transparent internal audits, accounting and control systems, reporting structure auditors as well as determining appropriate measures to safeguard the Company's assets.

Internal audit function

The Board set up an efficient and energetic internal control system with operational, financial and compliance controls to carry on the businesses of the Company. Internal audit findings are reviewed by the Audit Committee, and where necessary, action is taken on the basis of recommendations contained in the internal audit reports.

Shareholding pattern

The shareholding pattern as at June 30, 2016 including the information under the Code of Corporate Governance for ordinary shares is annexed.

Web presence

Annual and periodic financial statements of the Company are also available on the Azgard Nine website www.azgard9.com for the information of shareholders and others.

Acknowledgment

We express thanks to our valued customers for their support. Thanks to financial institutions for their cooperation and support. The Board also acknowledges the hard work and continuous dedication of all the employees of the Company.

On behalf of Board of Directors

Date: September 3, 2016

Chief Executive Officer

انٹرنل آڈٹ فنکشن

بورڈ نے کمپنی کے کاروبار کو جاری رکھنے کیلئے ایک موثر اور توانا انٹرنل کنٹرول سسٹم ہمراہ آپریشنل، مالیاتی اور کمپلائنس کنٹرول بنایا ہے۔ آڈٹ کمیٹی انٹرنل آڈٹ کے نتائج کا جائزہ لیتی ہے اور جہاں ضرورت ہو انٹرنل آڈٹ رپورٹ کی بنیاد پر ایکشن لیا جاتا ہے۔

شیئر ہولڈنگ پیٹرن

عمومی شیئر ہولڈنگ پیٹرن، کوڈ آف کارپوریٹ گورننس کے مطابق 30 جون 2016 منسلک کیا گیا ہے۔

ویب موجودگی

کمپنی کی سالانہ اور عبوری مالیاتی سٹیٹمنٹس، شیئر ہولڈز اور دیگر کی معلومات کیلئے ازگارڈ نائن کی ویب سائٹ www.azgard9.com پر موجود ہے۔

اعتراف

ہم اپنے قیمتی خریداروں کی حمایت پر ان کا شکریہ ادا کرتے ہیں۔ مالیاتی اداروں کے تعاون اور حمایت پر ان کا شکریہ ادا کرتے ہیں۔ بورڈ کمپنی کے ملازمین کا ان کی ان تھک محنت اور بلا تعطل لگن کا بھی اعتراف کرتا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

چیف ایگزیکٹو آفیسر

03 ستمبر 2016

Montebello S.R.L (Subsidiary) اور یکجا مالیاتی سٹیٹمنٹ

جیسا کہ 30 جون 2015ء کی مالیاتی سٹیٹمنٹس میں بیان کیا گیا ہے کہ جمہوریہ اٹلی Vicenza کی عدالت نے پبلک پراسیکیوٹر کی سفارش پر Montebello S.R.L (MBL) کو بنک دیوالیہ تجویز کیا ہے اور ٹرسٹی تعینات کیا ہے کہ وہ اس کے معاملات اور انتظام دیکھے۔ قرض دہندگان اور دیگر پارٹیز کو اپنے دعویٰ جات 04 مارچ 2016 سے قبل جمع کروانے کا کہا گیا تھا۔ اس کو مدنظر رکھتے ہوئے کمپنی نے امپیئرمنٹ مبلغ 452.529 ملین روپے دوران اختتام سال 30 جون 2015 کی کتابوں میں ظاہر کیا ہے۔

اس بنک دیوالیہ کارروائی کے دوران، 48 پارٹیز نے Vicenza کی عدالت میں دعویٰ جات دائر کیے جو کہ تمام عدالت نے منظور کر لیے ہیں۔ ایزگارڈ کو بطور MBL کے مالک مانتے ہوئے کمپنی کے 3,835,343.89 یورو کی اصل رقم اور مارک اپ کو Subordinate دعویٰ کے طور پر تسلیم کرلیا گیا ہے۔ قانون کے تحت ایزگارڈ کو ترجیحی مدعی نہیں ہوسکتا۔

کل 7,893,794.48 یورو کے دعویٰ جات کو تسلیم کرلیا گیا ہے۔ ترجیحی دعویٰ جات کی ویلیو 3,929,380.39 ہے اور غیر محفوظ اور سب اورڈینیٹ دعویٰ کی ویلیو 3,964,414.12 یورو ہے۔ قانون کے مطابق ترجیحی دعویٰ جات کو پہلے ادائیگی ہوگی اور پھر غیر محفوظ اور سب اورڈینیٹ دعویٰ جات کو ادائیگی ہوگی۔ ڈائریکٹرز نے فیصلہ کیا ہے کہ MBL کی مالیاتی سٹیٹمنٹس موجود نہیں ہیں لہٰذا اس کے نتائج کو کمپنی کے نتائج کیساتھ اکٹھا کرنا ممکن نہیں ہے۔ اکٹھی مالیاتی سٹیٹمنٹس کو سیکشن 237 سب سیکشن 8 کمپنیز آرڈیننس 1984 کے تحت تیاری سے استثنیٰ کیلئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کو درخواست دی گئی۔ SECP نے متعلقہ استثنیٰ کی اجازت دیدی۔ لہٰذا کمپنی کی اکٹھی مالیاتی سٹیٹمنٹس شامل نہیں ہیں۔

آڈیٹر کے مشاہدات

آڈیٹر نے آڈٹ رپورٹ کے پیرا a میں اپنی رائے دی کہ کمپنی نے وقت مقررہ پر اصل رقم اور طویل المیعادی قرضہ جات پر انٹرسٹ / مارک اپ نہیں دے سکی اور مخصوص مالیاتی اور دیگر وعدہ جات جو کہ قرض خواہ کی طرف سے عائد کئے گئے پر عملدرآمد نہیں کیا جاسکا۔ اس تناظر میں انٹرنیشنل اکاؤنٹنگ سٹینڈرڈ 1- پریزنٹیشن برائے مالیاتی سٹیٹمنٹ کی ضرورت ہے کہ کہ اگر کوئی کمپنی طویل المدت کی شقوں کو توڑتی ہے تو مطالبہ پر liability قابل ادائیگی ہے اور اس کو current درجہ بندی دی جائے گی۔ البتہ ہماری مالیاتی سٹیٹمنٹس میں طویل المدتی قرضہ جات کی درجہ بندی قرضہ کی واپسی کا شیڈول کے مطابق کی گئیں ہیں۔ اس سلسلہ میں قرض دہندگان نے کمپنی اور انتظامیہ پر اپنے اعتماد کا اظہار کیا ہے۔ نتیجتاً انہوں نے اپنا قرضہ واپس نہیں مانگا۔ آڈیٹر نے آڈٹ رپورٹ کے پیرا b میں Agritech لمیٹڈ کے ٹرم فنانس سرٹیفکیٹ ("TFC") میں سرمایہ کاری کے بارے میں اپنی رائے دی۔ انتظامیہ کا موقف ہے کہ ان TFC کی فروخت دوسری مالیاتی تنظیم نو کا حصہ ہے اور اس کی قیمت دوسری مالیاتی تنظیم نو کے بعد میسر ہوگی۔

آڈیٹر نے آڈٹ رپورٹ کے پیرا c میں کمپنی کی سرمایہ کاری AGL کے ترجیحی شیئر (شیئرز) کے بارے اپنی رائے دی۔ انٹرنیشنل اکاؤنٹنگ سٹینڈرڈ برائے مالیاتی انسٹرومنٹ: ریکوگنیشن اینڈ میئرمنٹ (IAS-39) کے مطابق آڈیٹر نے ایڈجسٹمنٹ تجویز کی ہے۔ انتظامیہ کا موقف ہے کہ یہ شیئرز کچھ مہینوں میں اسی قیمت پر فروخت کردیے جائیں گے جس کے تحت نیشنل بنک آف پاکستان کے ساتھ معاہدہ ہے۔ اس سال کے دوران فیئر ویلیو ایڈجسٹمنٹ اور ان شیئرز کو مالیاتی انسٹرومنٹ تسلیم کرلینا اور بالکل اگلے سال اس کی تبدیلی مالیاتی سٹیٹمنٹس کے استعمال کرنے والوں کو الجھائے گی۔ آڈیٹر نے آڈٹ رپورٹ کے پیرا d میں اپنی رائے دی کہ MBL کے بارے میں تفصیلات موجود نہیں ہیں۔
جیسا کہ نوٹ 19.1.1 میں بیان کیا گیا ہے کہ کمپنی کا دعویٰ Vicenza کی عدالت میں قبول کرلیا گیا ہے اور جب ایک دفعہ بنک دیوالیہ کارروائی مکمل ہوگی تو تفصیل دستیاب ہوگی۔
آڈیٹرز کی آڈٹ رپورٹ میں مشاہدے کے مطابق لیکوئیڈیٹی ایشو کی وجہ سے کمپنی کی حیثیت ہے کہ وہ جاری رہے گی غیر یقینی ہے۔ کمپنی نے جیسا کہ اوپر بیان کیا ہے کہ کمپنی اپنی دوسری مالیاتی تنظیم نو کے عمل میں ہے اس کے پورا ہونے کے ساتھ قرضہ جات کا کچھ حصہ ختم ہوجائے گا اور باقی قرضہ ریگولرائزڈ ہوجائے گا۔

آڈیٹرز کی تعیناتی

میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، (Deloitte) ممبرز فرم آف Deloitte Touche Tohmatsu Limited، ایک باعزت چارٹرڈ اکاؤنٹنٹس فرم نے کمپنی کے ساتھ اپنی تقرری کی مدت مکمل کی ہے اور اہل ہونے کے ساتھ اپنی خدمات کو اگلی مدت کیلئے پیش کیا ہے۔

آڈٹ کمیٹی

بورڈ آف ڈائریکٹرز پر مشتمل ایک مکمل افعال آڈٹ کمیٹی تین ممبران پر مشتمل ہے جس میں سے دو غیر جانبدار ڈائریکٹرز ہیں اور ایک نان ایگزیکٹو ڈائریکٹر ہے۔ کمیٹی کی ٹرم آف ریفرنس یقینی شفاف انٹرنل آڈٹ، اکاؤنٹنگ اور انتظامی کنٹرول رپورٹنگ سٹرکچر آڈیٹرز کیساتھ کمپنی کے اثاثہ جات کو محفوظ کرنے کیلئے مناسب اقدامات کرے گی۔

بورڈ آف ڈائریکٹرز

کمپنی کے بورڈ کے زیادہ ڈائریکٹرز غیر جانبدار ہیں جو کہ ٹرانسپرنسی اور اچھی کارپوریٹ گورننس کی وجہ بنتے ہیں۔ بورڈ میں تین غیر جانبدار ڈائریکٹرز بشمول چیئرمین، ایک نان ایگزیکٹو ڈائریکٹر اور تین ایگزیکٹو ڈائریکٹرز (بشمول چیف ایگزیکٹو آفیسر) ہیں۔ نان ایگزیکٹو ڈائریکٹر کمپنی کیلئے کاروبار، گورننس اور قانون کا وسیع تجربہ رکھتا ہے۔ قیمتی مشورہ دیتا ہے اور کمپنی کے اونچے درجہ کے معاملات کے قانونی اصولوں اور کارپوریٹ کمپلائنس کو یقینی بناتا ہے۔

بورڈ آف ڈائریکٹرز کی سال کے دوران پانچ میٹنگز منعقد ہوئی ہیں اور ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

نام	اہلیت	حاضری	کیفیت
جناب احمد ایچ شیخ	5	5	
جناب احسن ایم ایچ شیخ	4	0	
جناب ناصر علی خان بھٹی	5	5	
جناب عثمان رشید	5	4	
جناب یاسر حبیب ہاشمی	1	0	
جناب منیر عالم	5	4	
جناب فرخ حسین	5	4	
جناب صغیر احمد	4	4	جناب یاسر حبیب ہاشمی کی جگہ 2015-09-29 کو تعینات ہوئے
جناب عامر غیاث	1	1	جناب احسن ایم ایچ شیخ کی جگہ 2016-04-27 کو تعینات ہوئے
جناب زاہد محمود	0	0	جناب فرخ حسین کی جگہ 2016-06-27 کو تعینات ہوئے

ایچ آر اور معاوضہ کمیٹی

نام	اہلیت	حاضری
جناب ناصر علی خان بھٹی	1	1
جناب احمد ایچ شیخ	1	1
جناب عثمان رشید	1	1

آڈٹ کمیٹی

نام	اہلیت	حاضری	کیفیت
جناب ناصر علی خان بھٹی	5	5	
جناب احسن ایم ایچ شیخ	5	0	
جناب فرخ حسین	5	5	
جناب عثمان رشید	0	0	جناب احسن احمد شیخ کی جگہ 2016-04-27 کو تعینات ہوئے
جناب زاہد محمود	0	0	جناب فرخ حسین کی جگہ 2016-06-27 کو تعینات ہوئے

جو ڈائریکٹرز متعلقہ اجلاسوں میں شرکت نہیں کر سکے ان کی غیر حاضری کو چھٹی قرار دیا گیا

مستقبل کے نقطہ نظر سے ٹیکسٹائل کاروبار

اس دفعہ کپاس کی قیمتیں بہت بڑھ چکی ہیں جبکہ پچھلے دو سالوں میں قیمتیں کم تھیں۔ یہ مشکل ہے کہ قیمتوں میں بڑھوتری سے تمام کا تمام خرچہ کنزیومر کو پڑے جس کے نتیجہ میں خدشہ ہے کہ اس سال میں منافع کم ہو سکتا ہے۔ جبکہ ترکی کی مارکیٹ کی حالت ناکام بغاوت کے بعد بہت خراب ہے کیونکہ ترکی کمپنی کی بڑی مارکیٹ ہے اور اس کے منفی اثرات مرتب ہو سکتے ہیں۔

کارپوریٹ سماجی ذمہ داری

عالمی معیشت میں کامیابی کے لئے انتظامیہ لوگوں کو ضروری مہارت میں بااختیار بنانے کی طرف کام کر رہی ہے۔ کمپنی نے انفارمیشن ٹیکنالوجی، بہتر صحت، تعلیم اور رہائش، ذریعہ معاش سے حاصل ہونے والی آمدن میں سماج کو بااختیار بنایا ہے۔ اس قلیدی نقطہ نظر سے کمپنی کے ملازمین دل کھول کر اپنا وقت، تجربہ اور مہارت سماج کی خدمت میں صرف کرتے ہیں؛ کمپنی ایسا کرنے میں ان کی حوصلہ افزائی کرتی ہے۔ اضافی طور پر کمپنی ماحول کو صاف ستھرا رکھنے اور مزدوروں کی فلاح و بہبود کیلئے بہت سے عالمی اداروں کے منظور شدہ سرٹیفکیٹ رکھتی ہے۔

خسارہ فی شیئر

مختتمہ سال 30 جون 2016 میں کمپنی کا خسارہ فی شیئر مبلغ 1.79 روپے تھا۔

منافع

بورڈ آف ڈائریکٹرز نے مختتمہ سال 30 جون 2016 کے لئے مندرجہ بالا وجوہات کی بناء پر کوئی منافع تجویز نہیں کیا۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ ڈھانچہ

کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے ڈائریکٹرز رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں:

- کمپنی کی انتظامیہ کی طرف سے تیار شدہ مالیاتی سٹیٹمنٹس معاملات کی حالت، اس آپریشن کے نتائج، کیش فلو اور ایکوٹی کے متعلق صحیح طور پر بتاتی ہیں۔
- کمپنی کے اکاؤنٹس کو مناسب طریقے میں رکھا گیا ہے۔
- مالیاتی سٹیٹمنٹس کی تیاری تسلسل کیساتھ متعلقہ اکاؤنٹنگ پالیسی کے تحت ہے اور اکاؤنٹنگ حسابات، مناسب اور محتاط فیصلہ پر کئے گئے ہیں۔
- عالمی مالیاتی رپورٹنگ معیارات پاکستان میں لاگو ہیں اور مالیاتی سٹیٹمنٹس کی تیاری میں ان کو اپنایا گیا ہے اور کسی قسم کی کمی کی صورت میں مناسب وضاحت کی گئی ہے۔
- کمپنی کے اندرونی کنٹرول میں موثر طریقہ سے عمل درآمد اور نگرانی کی گئی ہے۔
- بورڈ مطمئن ہے کہ کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے کام میں بہتری ہے اور کمپنی مزید کام کر سکتی ہے۔
- سٹاک ایکسچینج کے لسٹنگ ریگولیشن کے تحت کارپوریٹ گورننس کے احسن طریقوں کو اپنانے میں بڑا فرق نہیں ہے۔
- پچھلے چھ سال کے قلیدی آپریٹنگ اور مالیاتی اعداد و شمار منسلک کئے گئے ہیں۔
- 30 جون 2016 تک ٹیکسز، ڈیوٹیز، لیویز اور بقایاجات کی مد میں کوئی ادائیگی بقایا نہیں ہے ماسوائے ان کے جو مالیاتی سٹیٹمنٹس میں بیان کی گئی ہیں۔
- یکم جولائی 2015 سے کمپنی نے پوسٹ ایمپلائمنٹ بینیفٹ پالیسی کو تبدیل کر چکی ہے۔ کمپنی پروویڈنٹ فنڈ کو ختم کرکے گریجویٹی سکیم کو لاگو کر چکی ہے۔
- مالیاتی سال کے اختتام سے لیکر ڈائریکٹرز کی رپورٹ کی تیاری تک کوئی بڑی تبدیلی جس کا مالیاتی حالت پر اثر ہو، نہیں ہے۔
- کمپنی کو جاری رکھنے کیلئے غیر یقینی صورتحال ہو سکتی ہے البتہ یہ مالیاتی سٹیٹمنٹس اس مفروضہ پر تیار کی گئی ہیں کہ کمپنی جاری رہے گی وجوہات کو مالیاتی سٹیٹمنٹس میں مکمل طور پر بیان کیا گیا ہے۔
- کمپنی کے شیئرز میں ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکرٹری اور ان کی بیگمات اور نابالغ بچوں نے سال کے دوران میں کوئی بھی ٹرانسیکشن نہیں کی۔
- بورڈ نے سال کے دوران کوئی بھی ٹریننگ کا بندوبست نہیں کیا البتہ PSX ریگولیشن کے مطابق ڈائریکٹرز ٹریننگ پروگرام کا انعقاد کا منصوبہ بنا چکی ہے۔
- کوڈ آف کارپوریٹ گورننس کے تحت بہترین طریقوں کی سٹیٹمنٹ آف کمپلائنس اس سالانہ رپورٹ میں مہیا کی گئی ہے۔

ممبران کیلئے ڈائریکٹرز رپورٹ:۔

ایزگارڈ نائن لمیٹڈ (کمپنی) کے ڈائریکٹرز انتظامی ٹیم کے ہمراہ کمپنی کی سالانہ رپورٹ برائے سال 30 جون 2016 پیش کر رہے ہیں۔

کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے حسابات تصدیق شدہ منجانب چیف ایگزیکٹو آفیسر اور چیف فنانشل آفیسر جس کی بورڈ آڈٹ کمیٹی نے سفارش کی اور بورڈ آف ڈائریکٹرز نے پیش کرنے کی اجازت دی۔

اہم سرگرمیاں

آپ کی کمپنی کی توجہ دھاگہ، ڈینم کپڑا اور تیار ڈینم ملبوسات کی مصنوعات کی پیداوار اور مارکیٹنگ پر مرکوز ہے۔

ایزگارڈ نائن لمیٹڈ (کمپنی) کے آپریٹنگ مالیاتی نتائج برائے سال 30 جون 2016 درج ذیل ہیں۔

تفصیلات	سال مختتمہ 30 جون 2016 (روپے)	سال مختتمہ 30 جون 2015 (روپے)
فروختگی (Net)	13,176,284,444	10,701,888,196
آپریٹنگ منافع	599,786,053	115,119,649
مالیاتی اخراجات	(1,207,624,572)	(1,182,711,373)
نقصان قبل از ٹیکس	(683,601,570)	(2,828,250,081)
نقصان بعد از ٹیکس	(814,146,969)	(2,934,238,979)
خسارہ فی شیئر	(1.79)	(6.45)

سالانہ جائزہ

پاکستان بیورو آف سٹیٹسٹکس کے مطابق پچھلے سال کی نسبت مجموعی ملکی ٹیکسٹائل کی برآمدات 7.42 فیصد سے کم ہوگئی ہیں

بنگلہ دیش جیسے ممالک میں اضافہ تیزی سے جاری ہے اور "عالمی ملبوسات" کی مارکیٹ زیادہ حصہ لے رہا ہیں۔ جبکہ پاکستان میں اس کاروبار کو کرنے کے اخراجات بڑھ رہے ہیں جس کی وجہ سے مقابلہ بڑھتا جا رہا ہے۔

بجلی کی کمی اور گیس کی منقطع ہونے کی وجہ سے انڈسٹری کو نقصان پہنچا ہے حالانکہ تیل کی قیمتیں کم ہوگئی ہیں۔ تاہم سال کے آخری حصہ میں جب حکومت نے نیچرل گیس کے متبادل ایل این جی کی ترسیل کو مسلسل بنیادوں پر پنجاب انڈسٹری کو دینے کا فیصلہ کیا تو پچھلے سال کی نسبت توانائی میں کچھ بہتری آئی ہے۔ جس نے یقینی طور پر کمپنی اور پنجاب کی انڈسٹری کو بڑی حد تک مدد کی ہے۔

ان چیلنجز کے باوجود کمپنی نے اپنی فروختگی کو 23 فیصد تک بڑھائی ہے۔ پچھلے سال کی نسبت آپریٹنگ منافع مبلغ 115.12 ملین روپے سے واضح طور پر بڑھ کر اس سال مبلغ 599.79 ملین روپے ہوگیا ہے۔

جو کہ صاف موجودہ مینجمنٹ کی کاوشوں کو نتیجہ ہے۔ آپریٹنگ صلاحیات میں اضافے اور اخراجات میں کمی نے مثبت نتائج دیئے ہیں۔

کمپنی اپنے ورکنگ کیپٹل کی مد میں مبلغ 306.022 ملین روپے کی وصولی کا فی الحال انتظار کر رہی ہے اور یہ امید ہے کہ یہ تمام موجودہ مالیاتی سال میں مل جائے گی، یہ مزید بہتری کی وجہ بنے گی۔

قرضہ جات کی مالیاتی تنظیم نو

جیسا کہ کمپنی کی مالیاتی سٹیٹمنٹس میں بیان کیا گیا ہے کہ کمپنی نے دوسری مالیاتی تنظیم نو 2014ء میں شروع کی۔ اس مالیاتی تنظیم نو کے ذریعہ پرنسل اور متعلقہ مارک اپ کے ایک بڑے حصہ کا ادائیگی / تصفیہ مختلف اثاثوں کو فروخت اور کمپنی کے رائٹ ایشو (بعد از مطلوبہ اجازت اور ریگولیٹری اجازت نامہ) کر کے کیا جائے گا۔ بعد از مالیاتی تنظیم نو کمپنی توقع رکھتی ہے کہ اس کی حالت بہتر ہو جائے گی اور وہ اپنے قرضے اور مارک اپ دینے کے قابل ہو جائے گی۔ یہ مالیاتی تنظیم نو اب اگلے مرحلہ میں ہے۔ زیادہ تر قرض دہندگان نے اس مالیاتی تنظیم نو کے لئے اجازت دیدی ہے۔

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of AZGARD NINE LIMITED (the "Company") will be held on Saturday, October 29, 2016 at 10:00 A.M at the Registered Office of the Company Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2015;
2. To receive, consider and adopt the financial statements for the year ended June 30, 2016 together with Directors' and Auditors' Reports thereon;
3. To consider appointment of external auditors for the financial year ending June 30, 2017.
4. To discuss any other business that may be brought forward with the permission of the chair.

Special Business

5. To consider, and if thought fit, to pass the following resolution as Ordinary Resolution:

   "RESOLVED that the Company be and is hereby authorized to circulate the annual balance sheet and profit and loss account, auditor's report, directors report, notice of AGM etc. (Annual Audited Accounts), to its members through CD/DVD/USB instead of in hardcopy at their registered addresses".

By Order of the Board

September 03, 2016
LAHORE

(Muhammad Ijaz Haider)
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 22, 2016 to October 29, 2016. (both days inclusive).
2. The Preference Shareholders are not entitled to attend the meeting.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her place. Proxies, complete in every respect, in order to be effective, must be received at the Registered Office of the Company not less than forty eight (48) hours before the time of the meeting.
4. Members who have not yet submitted photocopy of computerized national Identity Card (CNIC) to the Company are requested to send the same at the earliest.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. FOR ATTENDING THE MEETING:

i. In case of individuals, the accounts holders and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his original CNIC or Passport at the time of attending the Meeting.

ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. FOR APPOINTING PROXIES:

i. In case of individuals, the account holders and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirements.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of CNIC or the passport of the beneficial owner and the proxy shall be furnished with the proxy form.

iv. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Share holders are requested to notify any change in their addresses immediately to Company's Shares Registrar M/s Hameed Majeed Associates (Pvt.) Ltd. H. M. House, 7 Bank Square, Lahore.

Statement under Section 160 of the Companies Ordinance, 1984

This statement is annexed to the Notice of the 23rd Annual General Meeting of Azgard Nine Limited to be held on October 29, 2016 at which certain Special Business is to be transacted. The purpose of this statement is to set forth the material facts concerning such Special Business.

ITEM (5) OF THE AGENDA

To give effect to the notification S.R.O 470(I)/2016 of the Securities and Exchange Commission of Pakistan ("SECP"), shareholder's approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company however, shall place on its website, a standard request form to enable those members requiring a hardcopy of the Annual Report instead of through CD/DVD/USB, to intimate the Company of their requirement.

None of the directors of the Company have any direct or indirect interest in the above said special business.

FINANCIAL HIGHLIGHTS

Six Years at a glance

	Year ended June 30 2016	Year ended June 30 2015	Year ended June 30 2014	Year ended June 30 2013	Year ended June 30 2012	Eighteen months ended June 30, 2011
Operating performance (Rs. 000)						
Sales - Net	13,176,284	10,701,888	13,301,847	13,719,626	11,524,279	17,602,765
Export Sales-Gross	11,737,168	9,087,740	11,140,090	11,715,767	9,823,943	14,469,060
Local Sales-Gross	1,323,912	1,534,400	2,085,594	2,038,185	1,771,498	2,859,903
Gross profit / (Loss)	1,499,159	1,063,159	962,331	461,580	(1,118,047)	180,213
Operating profit / (Loss)	599,786	115,120	(31,003)	(1,054,167)	(2,536,243)	(530,541)
Profit / (Loss) before tax	(683,602)	(2,828,250)	(1,992,912)	1,101,484	(5,960,621)	(4,528,951)
Profit / (Loss) after tax	(814,147)	(2,934,239)	(2,125,556)	963,945	(6,076,575)	(4,702,240)
Financial Position (Rs. 000)						
Total equity	(4,525,986)	(3,839,312)	(748,295)	1,262,286	4,471,164	10,269,064
Surplus on revaluation of property plant and equipment	4,879,014	4,568,030	4,703,688	3,470,587	3,596,276	3,724,870
Long term debt	7,688,228	7,710,024	7,846,278	7,830,878	11,512,029	8,468,567
Property, plant and equipment	13,194,251	13,097,753	13,537,284	12,953,017	13,395,217	13,835,133
Financial analysis						
Current ratio (times)*	0.48	0.50	0.59	0.67	1.27	1.48
Debt to equity (ratio)	96:4	91:9	66:34	62:38	59:41	38:62
Profitability analysis						
Operating profit to sales (%)	4.55	1.08	(0.23)	(7.68)	(22.01)	(3.01)
Earnings per share (Rs.)	(1.79)	(6.45)	(4.67)	2.12	(13.36)	(10.40)

* (excluding current portion of long term debt)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. The Board at present includes:

Category	Names
Independent Directors	Nasir Ali Khan Bhatti, Aamer Ghias, Zahid Mahmood
Executive Directors	Ahmed H. Shaikh, Saghir Ahmad, Munir Alam,
Non-executive Directors	Usman Rasheed

The independent directors meet the criteria of independence under clause 5.19.1.(b) of the CCG.

Election of Directors due on 25 August 2012 could not be held so far due to a stay order of the Honorable Civil Court of Lahore ("the Court"). The impediment report in this regard under section 177 of the Companies Ordinance, 1984 had also been filed with SECP. Resultantly, the Board is continuing until their successors are not elected. Since the matter is sub judice, therefore, provisions of the code of corporate governance of PSX regulation no. 5.19.1(d) with respect to composition of the Board is not mandatory so far on the existing Board of Directors. This will however, be applicable on the Company after the election of directors. The Company will hold election of Directors once the sub judice matter is decided by the Court.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the Company are registered as taxpayers and non of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI.

4. A casual vacancy occurring on the Board on September 29, 2015, April 27, 2016 and June 27, 2016 were filled up by the directors within 90 days.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has not arranged training programs for its directors during the year. However, the company has planned Director' Training Program for its directors in accordance with the requirements of PSX regulations.

10. The Board has approved appointment of CEO including remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises three members, all are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

18. The board has set up an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and conversant with the policies and procedures of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of Board of Directors

Date: September 03, 2016

Chief Executive Officer

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
134-A, Abubakar Block
Pakistan

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REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Azgard Nine Limited ("the Company") for the year ended June 30, 2016 to comply with the requirements of the code contained in the regulations of the Pakistan Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Reference	Description
Paragraph 1	Election of Directors were not held due to a stay order of the Honourable Civil Court of Lahore.

Deloitte Yousuf Adil.

Date: September 03, 2016

Lahore

Chartered Accountants
Engagement Partner:
(Talat Javed)

Member of
Deloitte Touche Tohmatsu Limited

FINANCIAL STATEMENTS

Deloitte.

Deloitte Yousuf Adil
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Azgard Nine Limited ("the Company") as at 30 June 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming parts thereof, for the year ended and we state that, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of Company's management to establish and maintain a system of internal controls, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except as described in paragraph (d) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our qualified opinion and, after due verification, we report that:

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 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, 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. 1,339.81 million as at the reporting date;

b) the Company has investment in the 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 ending, 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 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 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, 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 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 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 are unable to determine the amounts of adjustments required.

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

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. 1,449.41 million against its investment in MBL and Rs. 452.53 million against the trade receivables from MBL financial statements. 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 by the Company.

e) except for the matters discussed in paragraphs (a) to (d) above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

f) in our opinion:
i. except for the matters discussed in paragraphs (a) to (d) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in accordance with accounting policies consistently applied except for the changes stated in note 3.5 to the financial statements with which we concur;
ii. the expenditure incurred during the year was for the purpose of the Company's business; and
iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

g) except for the effects on the financial statements of the matters discussed in paragraphs (a) to (c) above and the possible effect of the matter discussed in paragraph (d) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

h) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Notwithstanding the matters as discussed in paragraphs (a) to (d) above, we draw attention to the matter that during the year ended 30 June 2016, the Company has incurred loss before tax of Rs. 683.6 million and its current liabilities exceeded its current assets by Rs. 11,804.04 million, and its accumulated losses stood at Rs. 12,199.92 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. Our opinion is not qualified in respect of this matter.

The annual financial statements of the Company for the year ended June 30, 2015 were audited by another firm of Chartered Accountants who vide their report dated October 7, 2015 expressed a qualified opinion thereon respectively.

Deloitte Yousuf Adil.

Chartered Accountants
Engagement Partner:
Talat Javed

Date: September 03, 2016

Lahore

Azgard Nine Limited

Balance Sheet

As at June 30, 2016

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Authorized share capital	5	15,000,000,000	15,000,000,000
Share capital and reserves			
Issued, subscribed and paid up capital	5	4,548,718,700	4,548,718,700
Reserves	6	3,125,219,206	3,125,220,038
Accumulated loss		(12,199,924,175)	(11,513,250,435)
		(4,525,986,269)	(3,839,311,697)
Surplus on revaluation of fixed assets	7	4,879,013,896	4,568,030,126
		353,027,627	728,718,429
Non-current liabilities			
Redeemable capital - secured	8	569,990,116	2,460,680,747
Long term finances - secured	9	645,410,117	956,454,823
Liabilities against assets subject to finance lease - secured	10	-	10,947,796
Deferred liability	11	72,304,556	-
		1,287,704,789	3,428,083,366
Current liabilities			
Current portion of non-current liabilities	12	6,496,782,456	4,097,460,846
Short term borrowing	13	4,782,488,627	4,813,695,083
Trade and other payables	14	1,659,746,105	2,444,298,488
Interest / mark-up accrued on borrowings	15	3,599,534,431	2,919,538,952
Dividend payable	16	13,415,572	13,415,572
Current taxation	27	78,264,470	73,332,563
		16,630,231,661	14,361,741,504
Contingencies and commitments	17		
		18,270,964,077	18,518,543,299
ASSETS			
Non-current assets			
Property, plant and equipment	18	13,194,251,156	13,097,752,858
Long term investments	19	231,896,478	231,897,310
Long term deposits - unsecured, considered good	20	18,632,696	18,791,047
Trade debts - unsecured, considered good	21	-	61,949,527
		13,444,780,330	13,410,390,742
Current assets			
Stores, spares and loose tools	22	128,867,511	126,176,080
Stock-in-trade	23	1,769,136,595	1,940,504,163
Trade debts	24	1,177,074,507	1,361,141,139
Advances, deposits, prepayments and other receivables	25	1,301,764,543	1,240,984,428
Short term investments	26	306,022,500	306,022,500
Cash and bank balances	28	143,318,091	133,324,247
		4,826,183,747	5,108,152,557
		18,270,964,077	18,518,543,299

The annexed notes 1 to 51 form an integral part of these financial statements.

Lahore | Chief Executive | Director

Azgard Nine Limited

Profit and Loss Account

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	29	13,176,284,444	10,701,888,196
Cost of sales	30	(11,677,125,552)	(9,638,729,320)
Gross profit		1,499,158,892	1,063,158,876
Selling and distribution expenses	31	(489,222,252)	(559,249,474)
Administrative expenses	32	(410,150,587)	(388,789,753)
Profit from operations		599,786,053	115,119,649
Other income	33	36,884,373	342,306,588
Other expenses	34	(112,647,424)	(2,035,217,206)
Finance cost	35	(1,207,624,572)	(1,250,459,112)
Loss before taxation		(683,601,570)	(2,828,250,081)
Taxation	36	(130,545,399)	(105,988,898)
Loss after taxation		(814,146,969)	(2,934,238,979)
Loss per share - basic and diluted	37	(1.79)	(6.45)

The annexed notes 1 to 51 form an integral part of these financial statements.

Lahore

Chief Executive

Director

Azgard Nine Limited

Statement of Comprehensive Income

For the year ended June 30, 2016

	2016 Rupees	2015 Rupees
Loss after taxation	**(814,146,969)**	(2,934,238,979)
Items that may be subsequently reclassified to Profit and Loss Account:		
Change in fair value of available for sale financial assets	(832)	295
Gain realized on sale of available for sale financial assets	-	(292,434,976)
	(832)	(292,434,681)
Total comprehensive income for the year	**(814,147,801)**	(3,226,673,660)

The annexed notes 1 to 51 form an integral part of these financial statements.

Lahore

Chief Executive

Director

Azgard Nine Limited

Cash Flow Statement

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
Cash generated from operations	38	479,053,939	175,922,024
Interest / mark-up paid		(129,849,623)	(148,219,550)
Taxes paid		(125,613,492)	(110,517,371)
Long term deposits		158,351	462,000
Net cash generated from / (used) in operating activities		223,749,175	(82,352,897)
Cash flows from investing activities			
Capital expenditure		(144,388,196)	(82,421,612)
Proceeds from disposal of property, plant and equipment		10,214,897	373,770
Proceeds from sale of investment in Agritech Limited		-	393,977,500
Net cash (used in) / generated from investing activities		(134,173,299)	311,929,658
Cash flows from financing activities			
Repayment or long term finance		(25,254,882)	-
Repayment of liabilities against assets subject to finance lease		(12,453,728)	(7,268,210)
Net decrease in short term borrowings		(95,353,169)	(130,591,158)
Net cash used in financing activities		(133,061,779)	(137,859,368)
Net decrease in cash and cash equivalents		(43,485,903)	91,717,393
Cash and cash equivalents at beginning of the year		(613,631,425)	(705,348,818)
Cash and cash equivalents at end of the year	39	(657,117,328)	(613,631,425)

The annexed notes 1 to 51 form an integral part of these financial statements.

Lahore

Chief Executive

Director

Azgard Nine Limited

Statement of Changes in Equity

For the year ended June 30, 2016

	Issued, subscribed and paid-up capital	Share premium	Capital reserves: Reserve on merger	Preference share redemption reserve	Available for sale financial assets	Accumulated losses	Revenue reserves: Total reserves	Total equity
	Rupees							
As at July 01, 2014	4,548,718,700	2,358,246,761	105,152,005	661,250,830	293,005,123	(8,714,668,872)	(5,297,814,153)	(748,395,453)
Total comprehensive income for the year								
Loss for the year ended June 30, 2015	-	-	-	-	-	(2,934,238,979)	(2,934,238,979)	(2,934,238,979)
Other comprehensive income for the year ended June 30, 2015	-	-	-	-	(292,434,681)	-	(292,434,681)	(292,434,681)
Total comprehensive income for the year	-	-	-	-	(292,434,681)	(2,934,238,979)	(3,226,673,660)	(3,226,673,660)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	138,189,570	138,189,570	138,189,570
Reversal of revaluation surplus on disposal of fixed assets	-	-	-	-	-	7,467,846	7,467,846	7,467,846
As at June 30, 2015	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,442	(11,513,250,435)	(8,388,030,397)	(3,839,311,697)
As at July 01, 2015	**4,548,718,700**	**2,358,246,761**	**105,152,005**	**661,250,830**	**570,442**	**(11,513,250,435)**	**(8,388,030,397)**	**(3,839,311,697)**
Total comprehensive income for the year								
Loss for the year ended June 30, 2016	-	-	-	-	-	(814,146,969)	(814,146,969)	(814,146,969)
Other comprehensive income for the year ended June 30, 2016	-	-	-	-	(832)	-	(832)	(832)
Total comprehensive income for the year ended June 30, 2016	-	-	-	-	(832)	(814,146,969)	(814,147,801)	(814,147,801)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	123,689,506	123,689,506	123,689,506
Reversal of revaluation surplus on disposal of fixed assets	-	-	-	-	-	1,783,693	1,783,693	1,783,693
As at June 30, 2016	**4,548,718,700**	**2,358,246,761**	**105,152,005**	**661,250,830**	**569,610**	**(12,199,924,175)**	**(9,074,704,969)**	**(4,525,986,269)**

The annexed notes 1 to 51 form an integral part of these financial statements.

Lahore

Chief Executive

Director

Notes to the Financial Statements

For the year ended June 30, 2016

1 Reporting entity

Azgard Nine Limited ("the Company") is incorporated in Pakistan as a public limited company and is listed on Pakistan Stock Exchange Limited. The Company is a composite spinning, weaving, dyeing and stitching unit 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 three production units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 km off Ferozpur Road, 6 km Badian Road on Ruhi Nala, Der Khurd, Lahore.

Previously, the shares of the Company were quoted on Karachi Stock Exchange. However, due to integration of Karachi, Lahore and Islamabad stock exchanges into Pakistan Stock Exchange (PSX), with effect from January 11, 2016, the shares of the company are quoted on PSX.

2 Basis of preparation

2.1 Separate Financial Statements

These financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. For the current year, consolidated financial statements of the Company have not been prepared separately due to the fact stated in note 19.1.1 and the exemption granted by Securities and Exchange Commission of Pakistan (SECP) under subsection 8 of section 237 of the Companies Ordinance, 1984 from consolidation of the Company's subsidiary for the year ended June 30, 2016.

The Company has the following subsidiary:

Name of company	Country of incorporation	Shareholding
Montebello s.r.l. ("MBL")	Italy	100%

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as are notified by the SECP. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.3 Going concern assumption

This year despite a hard year for textile industry, the Company has performed better in sales and operational side. The profit from operations during the year is Rs. 599. 79 million as compared to Rs. 115.12 million for the year ended June 30, 2015. However, due to high finance cost of Rs. 1,207.63 million, there is a loss for the year of Rs. 683.60 million (2015: Rs. 2,828.25 million). Due to continuous financial difficulties, current liabilities of the Company have exceeded current assets by Rs. 11,804.04 million as at June 30, 2016. (2015: Rs. 9,253.59 million), including Rs. 9,166.19 million (2015: Rs. 6,577.46 million) relating to overdue principal and mark-up thereon, and accumulated loss stood at Rs. 12,199.92 million (2015: 11,513.25 million). These conditions cast a 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. The assumption that the Company would continue as a going concern is based on the measures explained in the succeeding paragraphs, the expectation of future profitability and positive cash flows generated from operations.

The necessary steps for the second round of financial restructuring of its debt and financing arrangements have been initiated by the management and this restructuring is expected to be completed in the near future. Most of the lenders have given their consent for the restructuring. Management anticipate that post restructuring finance cost and balance loans would be at levels where the Company can start discharging its liabilities. In addition, the management is of the view that the Company would be able to realize its investment in Agritech preference shares in short span of time and will utilize these funds for enhancing capacity utilization, bringing it to optimal levels.

The management is hopeful that subsequent to the restructuring, the Company would achieve target of sustainable capacity utilization and is confident that through these measures, the Company should become a profitable entity, subject to impact, if any, of uncontrollable external factors such as the local and global market conditions.

2.4 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not 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.

However, the long term debt in the amount of Rs. 1,339.813 million (2015: Rs. 3,749.983 million) as detailed below, as management has classified long term in accordance with respective debt repayment schedules, in the financial statements since that event of default has not been declared by the lenders and because of the fact that the Company is in discussion with its lenders for reprofiling of its long term debts:

Principal net of current maturity

Redeemable capital	Rupees
Term Finance Certificates - II	135,002,334
Privately Placed Term Finance Certificates - IV	224,897,640
Privately Placed Term Finance Certificates	190,432,774
Privately Placed Term Finance Certificates	126,700,000
	677,032,748
Long term finances	
Deutsche Investitions - Und MBH (Germany)	653,702,931
Saudi Pak Industrial and Agricultural Company Limited	9,077,170
	662,780,101
	1,339,812,849

2.5 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments measured at fair value and / or amortized cost and certain items of property, plant and equipment at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

Notes to the Financial Statements

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.6.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 18.1.

2.6.2 Recoverable amount of assets / cash generating units and impairment

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.6.3 Fair values based on inputs from other than active market

Fair values of financial instruments, which are based on inputs from other than active market are determined using valuation techniques which incorporate all factors that market participants would consider in setting a price and use inputs that reasonably represent market expectations and measure of the risk-return factors inherent in the financial instrument.

2.6.4 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities.

2.6.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.6.6 Revaluation of fixed assets

Revaluation of fixed assets is carried out by independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

2.6.7 Contingencies

The Company has disclosed its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

2.6.8 Provision for doubtful debts, advances and other receivables

The Company reviews the recoverability of trade debts, advances and other receivables at each reporting date to assess whether provision should be recorded in profit and loss account. In particular, judgment by management is required in estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on certain assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

2.6.9 Stores, spare parts, loose tools and stock in trade

The Company reviews the stores, spare parts, loose tools and stock in trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spare parts, loose tools and stock in trade with a corresponding affect on the provision.

2.7 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 Summary of significant accounting polices

Significant accounting policies set out below have been applied consistently in the presentation of these financial statements.

3.1 Property, plant and equipment

Owned

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is measured at revalued amount less accumulated impairment losses, plant and machinery and building which are measured at revalued amount less accumulated depreciation and accumulated impairment losses and capital work in progress, which is stated at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

The Company recognizes depreciation in profit and loss account by applying reducing balance method over the useful life of each item of property, plant and equipment using rates specified in note 18.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit and loss account.

Leased

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. Subsequently, these assets are carried at initially recorded amount less accumulated depreciation and accumulated impairment. Depreciation on leased assets is charged by applying reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of assets at end of the lease term.

3.2 Surplus / (deficit) arising on revaluation of fixed assets

Surplus arising on revaluation of items of property, plant and equipment is recognized on balance sheet after reversing deficit relating to the same item previously recognized in profit and loss, if any. Deficit arising on revaluation is recognized in profit and loss after reversing the surplus relating to the same item previously recognized on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year.

Surplus on revaluation is booked by restating gross carrying amounts of respective assets being revalued, proportionately to the change in their carrying amounts due to revaluation. The accumulated depreciation at the date of revaluation is also adjusted to equal difference between gross carrying amounts and the carrying amounts of the assets after taking into account accumulated impairment losses.

The surplus on revaluation of fixed assets is accounted for and utilized in accordance with the provisions of Section 235 and S.R.O. 45(1) / 2003 issued under the Companies Ordinance, 1984.

3.3 Stores, spare parts and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value and other charges paid thereon.

3.4 Stock-in-trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related expense incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads based on normal operating capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.5 Employee benefits

Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit and loss account unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

Post-employment benefits

(a) Defined contribution plan

The Company used to operate an approved defined contributory provident fund for its employees. Equal contributions were made by the Company and employees at 8.50% of basic salary. During the year, the Company has discontinued its present provident fund and in its place started gratuity scheme. For more details refer to note 14.2.

(b) Defined benefit plan

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period. The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2016.

3.6 Investments

The Company classifies its investments into following classes depending on the purpose for which the investments are made. Investments are either classified as investment in subsidiary, investment in debt security or financial instruments as follows:

3.6.1 Investment in subsidiary

Investment in subsidiary is initially recognized at cost. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly. Impairment losses are recognized as expense in profit and loss account. Where impairment loss is subsequently reversed, the carrying amounts of investment are increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the profit and loss account.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries. Gains and losses on disposal of investment are included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate, the retained investment is carried at cost.

3.6.2 Financial instruments

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument. The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

Notes to the Financial Statements

3.6.2(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets. The Company does not have any financial assets classified as financial asset at fair value through profit or loss as at the balance sheet date.

3.6.2(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held-to-maturity investments unless these are designated on initial recognition as financial assets at fair value through profit or loss or available for sale financial assets or these meet the definition of loans and receivables. Where, as a result of change in intention or ability to hold financial assets initially classified as held-to-maturity investments to maturity or where due to sales or reclassification of a significant amount of held-to-maturity investments, classification as held-to-maturity investments is no longer appropriate, these are reclassified as available for sale financial assets. Financial assets in this category are presented as non-current assets except for maturities within twelve months from the reporting date where these are presented as current assets. The Company does not have any investment classified as held-to-maturity investment as at the reporting date.

3.6.2(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

3.6.2(d) Available for sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available for sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss account. These are sub-categorized as follows:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Un-quoted

Investments in unquoted equity instruments are stated at cost less any identified impairment losses.

Held-to-maturity investments are initially recognized at acquisition cost, which includes transaction cost associated with the investment. Subsequently these are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrevocable amounts.

3.6.2(f) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. Carrying values of financial laibilities as at the balance sheet date approximates their amortized cost.

3.6.2(g) Derivative financial instruments

Derivatives are classified as financial assets and liabilities at fair value through profit or loss unless the derivative is a designated and effective hedging instrument or a financial guarantee contract. Derivatives are initially recognized at cost, being fair value on the date the contract is entered into by the Company. Subsequent to initial recognition these are measured at fair value. Gains and losses arising from changes in fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss are recognized in profit or loss. Where derivatives are designated hedging instruments the method of recognizing gains and losses arising from changes in fair value depends on the nature of item being hedged. The Company designates derivatives as either a fair value hedge or a cash flow hedge.

Fair value hedges

These are hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit and loss account, together with changes in fair value of hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

These are hedges of a particular risk associated with the fair value of recognized asset or liability or a highly probable forecast transaction. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity to the extent hedge is effective. The gain or loss relating to the ineffective portion is recognized in profit and loss account.

3.6.3 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit and loss account.

3.6.4 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.6.5 Regular way purchases and sales of financial assets

Regular way purchases and sales of financial assets are recognized on trade dates.

3.7 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit and loss account over the period of the borrowings on an effective interest basis.

3.8 Leases

Leases are classified as finance lease whenever terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

3.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.10 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.11 Trade and other receivables

3.11.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit and loss account.

3.11.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

3.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.

Dividend income is recognized when the Company's right to receive payment is established.

Interest income is recognized as and when accrued on effective interest method.

3.13 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred taxation

Since the income of the Company is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these financial statements as the Company's tax liability will be assessed under the said regime, hence, no temporary differences are likely to arise in respect of sales whereas, temporary differences in respect of other income are expected to be negligible.

3.14 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise running finances, cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

3.16 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Spinning (production of different qualities yarn using natural and artificial fibers), Weaving (production of different qualities of fabric using yarn), and Garments (Manufacturing garments using processed fabric).

3.17 Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.18 Impairment

3.18.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.18.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.19 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared. However, there is a restriction on dividend declaration under Master Restructuring and Inter creditor Agreement.

4 New accounting standards/amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

IFRS 10 – Consolidated Financial Statements — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

IFRS 11 – Joint Arrangements — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 – Disclosure of Interests in Other Entities — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRS 13 – Fair Value Measurement — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on these financial statements except certain additional disclosures as given in note 41.4. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

IAS 27 (Revised 2011) – Separate Financial Statements — **Effective from accounting period beginning on or after January 01, 2015**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. Subsequently, IASB issued amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures — **Effective from accounting period beginning on or after January 01, 2015**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

Certain annual improvements have also been made to a number of IFRSs.

4.1 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

Effective from accounting period beginning on or after January 01, 2018

The amendments relate to the following areas :

- The accounting for the effects of vesting conditions on cash-settled share-based payment transactions;

- The classification of share-based payment transactions with net settlement features for withholding tax obligations; and

- The accounting for a modification to the terms and conditions of a share-based payment that changes the transactions from cash-settled to equity-settled.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture

Effective date is deferred indefinitely. Earlier adoption is permitted.

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognized to the extent of unrelated investors' interests in the associate or joint venture.

- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognized in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or join venture. similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associated or joint venture.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with earlier application permitted.

Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception

Effective from accounting period beginning on or after January 01, 2016

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

The amendments apply retrospectively.

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative — **Effective from accounting period beginning on or after January 01, 2016**

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgment. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

- In the other comprehensive income, section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following terms:

• the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and

• the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative — **Effective from accounting period beginning on or after January 01, 2017**

The amendments are part of the IASB's Disclosure Initiative project and introduce additional disclosure requirements intended to address investors' concerns that financial statements do not currently enable them to understand the entity's cash flows; particularly in respect of the management of financing activities.

The amendments require disclosure of information enabling users financial statements to evaluate changes in liabilities arising from financing activities. The amendments do not define financing activities, instead they clarify that financing activities are based on the existing definition used in IAS 7.

Although there is no specific format required to comply with the new requirements, the amendments include illustrative examples to show how an entity can meet the objective to these amendments.

The amendments are to be applied prospectively. Entities are not required to present comparative information for earlier periods.

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses — **Effective from accounting period beginning on or after January 01,2017**

The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that:

- The carrying amount of an assets does not limit the estimation of probable future taxable profits; and that
- when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are to be applied retrospectively.

Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization — **Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold mine until the total cumulative revenue from the sale of goods reaches CU 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

The amendments apply prospectively.

Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants — **Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.
On the initial application of the amendments, entities are permitted to use the fair value of the items of bearer plants as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements — **Effective from accounting period beginning on or after January 01, 2016**

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or
- Using the method as described in IAS 28 Investments in Associates and Joint ventures.

The same accounting must be applied to each category of investments.
The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.
The amendments apply retrospectively.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

	2016 Rupees	2015 Rupees
5 Share capital		
Authorized share capital		
Ordinary shares of Rs. 10 each		
900,000,000 (2015: 900,000,000) voting shares	9,000,000,000	9,000,000,000
300,000,000 (2015: 300,000,000) non-voting shares	3,000,000,000	3,000,000,000
	12,000,000,000	12,000,000,000
Preference shares of Rs. 10 each		
300,000,000 (2015: 300,000,000) non-voting shares	3,000,000,000	3,000,000,000
	15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital		
Voting ordinary shares of Rs. 10 each		
323,712,733 (2015: 323,712,733) shares fully paid in cash	3,237,127,330	3,237,127,330
62,548,641 (2015: 62,548,641) shares issued as fully paid bonus shares	625,486,410	625,486,410
12,276,073 (2015: 12,276,073) shares issued as consideration for machinery	122,760,730	122,760,730
50,811,992 (2015: 50,811,992) shares issued as consideration on merger	508,119,920	508,119,920
	4,493,494,390	4,493,494,390
Non-voting ordinary shares of Rs. 10 each		
4,753,719 (2015: 4,753,719) shares fully paid in cash	47,537,190	47,537,190
768,712 (2015: 768,712) shares issued as fully paid bonus shares	7,687,120	7,687,120
	55,224,310	55,224,310
	4,548,718,700	4,548,718,700

As at June 30, 2016, Jahangir Siddiqui & Co. Limited, an associated undertaking, holds 112,157,863 (2015: 112,157,863) number of voting ordinary shares of the Company.

		Note	2016 Rupees	2015 Rupees
6	**Reserves**			
	Share premium	6.1	2,358,246,761	2,358,246,761
	Merger reserve	6.2	105,152,005	105,152,005
	Redemption of preference shares	6.3	661,250,830	661,250,830
	Available for sale financial assets	6.4	569,610	570,442
			3,125,219,206	3,125,220,038

6.1 Share premium

This represents excess of consideration received on issue of ordinary shares over face value of ordinary shares issued.

6.2 Merger reserve

This represents reserve arising on merger of Nafees Cotton Mills Limited into Legler Nafees Denim Mills (presently Azgard Nine Limited) on December 19, 2002.

6.3 Preference shares redemption reserve

This reserve has been created for redemption of preference shares issued by the Company as required to be created and maintained under the terms of issue and section 85 of the Companies Ordinance, 1984.

6.4 Available for sale financial assets

This represents surplus on revaluation of investments classified as available for sale financial assets.

		2016 Rupees	2015 Rupees
7	**Surplus on revaluation of fixed assets**		
	As at beginning of the year	4,568,030,126	4,703,687,542
	Surplus on revaluation of fixed assets	438,456,999	-
	Less: incremental depreciation transferred to accumulated losses	(125,689,536)	(128,189,570)
	Less: transfer to accumulated losses on ultimate disposal of assets	(1,783,693)	(7,467,846)
	As at end of the year	4,879,013,896	4,568,030,126

The Company's freehold land and buildings on freehold land were revalued by Arif Evaluators, an independent valuator not connected with the Company and approved by Pakistan Banks' Association (PBA) in "any amount" category, on December 31 2015. The basis of revaluation for items of fixed assets were as follows:

Freehold Land

Property brokers, dealers and estate agents were contacted to ascertain the asking and selling prices for properties of the same nature in the immediate neighbourhood and adjoining areas. Neighbouring properties which have been recently sold or purchased, were investigated to ascertain a reasonable selling / buying price. Properties that were up for sale were examined for asking price. An average of the above values was then assigned to the property.

Buildings on freehold land

Construction specifications were noted for each building and structure and new construction rates / GI sheet with iron structure were used to obtain replacement values of buildings, to which a depreciation formula was applied, based upon our estimates of balance life to arrive at the current assessed value.

	Note	2016 Rupees	2015 Rupees
8 Redeemable capital - secured			
Term Finance Certificates - II	8.1	651,066,836	651,066,836
Privately Placed Term Finance Certificates - IV	8.2	1,058,513,646	1,083,768,528
Term Finance Certificates - V	8.3	527,682,637	527,682,637
Privately Placed Term Finance Certificates - VI	8.4	3,218,670,000	3,218,670,000
Privately Placed Term Finance Certificates	8.5	326,546,184	326,456,184
Privately Placed Term Finance Certificates	8.6	217,200,000	217,200,000
		5,999,589,303	6,024,844,185
Less: effect of present value	8.7	(76,387,438)	(276,319,941)
Less: transaction costs	8.8	(30,655,195)	(37,909,372)
		5,892,546,670	5,710,614,872
Less: current maturity presented under current liabilities	12	(5,322,556,554)	(3,249,934,125)
		569,990,116	2,460,680,747

8.1 These Term Finance Certificates - II ("TFC - II") have been issued by way of private placements and public subscription and are listed on PSX. The total issue comprises of 428,734 certificates of Rs. 5,000 each, out of which 28,550 certificates were converted into Ordinary shares in 2008 and at reporting date the outstanding certificates are 400,184. The terms and conditions of the issue as per Amendment No. 1 to Master Restructuring and Intercreditor Agreement ("MRA-1") dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of TFC - II is structured to be in ten un-equal installments. First installement amounting to Rs. 847.582 million was settled by the Company during the year ended 30 June 2013. Remaining installments are to be paid semi-annually starting from 20 September 2013 and ending on 20 September 2017.

Return on TFC - II

The issue carries return as per the following applicable mark-up rates, payable semi-annually;
Six months KIBOR plus 1.00% per annum in 2010 - 2011
Six months KIBOR plus 1.25% per annum in 2012 - 2015
Six months KIBOR plus 1.75% per annum in 2016 onwards

Trustee

In order to protect the interests of TFC - II holders, Faysal Bank Limited has been appointed as trustee under a trust deed with power to enforce the Company's obligations in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the trust deed and Master Restructuring and Intercreditor Agreement ("MRA").

Security

For detail of securities refer to note 8.9.

Overdue status

At the reporting date principal amounting to Rs. 246.06 million (2015: Rs. 86.58 million) and interest / mark-up amounting to Rs. 339.88 million (2015: Rs. 283.76 million) were overdue. Refer to note 41.2.2 for details.

8.2 These Privately Placed Term Finance Certificates - IV ("PPTFC - IV") have been issued by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. The terms and conditions of the issue as per MRA-1 dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of PPTFC - IV is structured to be in ten un-equal installments. First installment amounting to Rs. 1,414.231 million was settled by the Company during the year ended 30 June 2013.There was also a settlement of Rs. 25 million in the reporting period. Remaining installments are to be paid semi-annually starting from 04 December 2013 and ending on 04 December 2017.

Return on PPTFC - IV

The issue carries return as per the following applicable mark-up rates, payable semi-annually;

Six months KIBOR plus 1.00% per annum in 2010 - 2011
Six months KIBOR plus 1.25% per annum in 2012 - 2015
Six months KIBOR plus 1.75% per annum in 2016 onwards

Trustee

In order to protect the interests of PPTFC - IV holders, Pak Brunei Investment Company has been appointed trustee of the issue, with power to enforce the Company's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the trust deed and MRA.

Security

For detail of securities refer to note 8.9.

Overdue status

At the reporting date principal amounting to Rs. 383.82 million (2015: Rs. 143.48 million) and interest / mark-up amounting to Rs. 582.41 million (2015: Rs. 499.82 million) were overdue. Refer to note 41.2.2 for details.

8.3 These Term Finance Certificates - V ("TFC - V") represent restructuring of various short term facilities amounting to Rs. 825 million. The total issue comprised of 165,000 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue as per MRA-1 dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of TFC - V is structured to be in nine un-equal installments. First installement amounting to Rs. 297.317 million was settled by the Company during the year ended 30 June 2013. Remaining eight installments are to be paid quarterly starting from 18 February 2014 and ending on 18 November 2015.

Return on TFC - V

The issue carries return as per the following applicable mark-up rates, payable quarterly:

Twelve months KIBOR plus 1.00% per annum from 18 May 2010 till 18 May 2011
Three months KIBOR plus 1.00% per annum from 18 May 2011 till 18 November 2011
Three months KIBOR plus 1.25% per annum from 18 November 2011 onwards

Trustee

In order to protect the interests of TFC - V holders, Faysal Bank Limited has been appointed as trustee under a trust deed, with power to enforce the Company's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the trust deed and MRA.

Security

For detail of securities refer to note 8.9.

Overdue status

At the reporting date principal amounting to Rs. 527.68 million (2015: Rs. 392.36 million) and interest / mark-up amounting to Rs. 255.23 million (2015: Rs. 206.22 million) were overdue. Refer to note 41.2.2 for details.

8.4 These Privately Placed Term Finance Certificates - VI ("PPTFC - VI") represent restructuring of outstanding mark-up amounting to Rs. 3,218.670 million related to long term debts and short term borrowings till 31 March 2012. The total issue comprises of 643,734 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of PPTFC - VI is structured to be in seven unequal semi annual installments starting from March 31, 2014 and ending on March 31, 2017.

Call option

The Company shall be allowed to call the PPTFC - VI in full or in part. Call option will be exercisable at any time after the expiry of one year from the issue date and upon giving to the PPTFC - VI holders not less than thirty days notice in writing, to redeem on the following redemption date.

Return on PPTFC - VI

The issue carries nil return (also refer to note 8.7).

Trustee

In order to protect the interests of PPTFC - VI holders, Faysal Bank Limited has been appointed as trustee under a trust deed, with power to enforce the Company's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the trust deed and MRA.

Security

The issue is secured by:

- Ranking hypothecation charge in favor of the Trustee over the hypothecated assets in the amount of up to Rs. 4,666.667 million; and

- Ranking mortgage charge over the mortgaged properties in the amount of up to Rs. 4,666.667 million

Overdue status

At the reporting date principal amounting to Rs. 1,931.2 million was overdue (2015: Rs. 965.601 million). Refer to note 41.2.2 for details.

8.5 These represent restructuring of outstanding principal amounting to Rs. 256.020 million and outstanding mark-up along with preference dividend and other charges amounting to Rs. 70.436 million related to preference shares into fresh issue of Privately Placed Term Finance Certificates ("PPTFCs") by way of Settlement Agreement ("the Agreement") between the Company and JS Global Capital Limited dated 22 October 2012 effective from 19 October 2012. The total issue comprised of 12 PPTFCs having face value of Rs. 27.205 million each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of PPTFCs is structured to be in twelve equal installments amounting to Rs. 27.205 million each. Installments are to be paid semi-annually starting from April 19, 2015 and ending on October 19, 2020.

Return on PPTFCs

The issue carries a fixed mark-up rate at 11.00% per annum.

Trustee

In order to protect the interests of PPTFC holders, JS Bank Limited has been appointed as Trustee under a Trust Deed for the issue of PPTFCs entered on October 23, 2012, with power to enforce the Company's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Trust Deed.

Security

The issue is secured by personal Guarantee of Sponsor Director.

Overdue status

At the reporting date principal amounting to Rs. 81.61 million (2015: Rs. 27.205 million) and interest / mark-up amounting to Rs. 53.91 million (2015: Rs. 17.906 million) were overdue. Refer to note 41.2.2 for details.

8.6 These represent restructuring of outstanding principal amounting to Rs. 170.132 million and outstanding mark-up along with preference dividend and other charges amounting to Rs. 47.068 million related to preference shares into fresh issue of Privately Placed Term Finance Certificates ("PPTFCs") by way of Settlement Agreement ("the Agreement") between the Company and Lenders dated 22 October 2012 effective from October 19, 2012. The total issue comprised of 21,720 PPTFCs having face value of Rs. 10,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of PPTFCs is structured to be in twelve equal installments amounting to Rs. 18.100 million each. Installments are to be paid semi-annually starting from 19 April 2015 and ending on October 19, 2020.

Return on PPTFCs

The issue carries a fixed mark-up rate at 11.00% per annum.

Trustee

In order to protect the interests of PPTFC holders, JS Bank Limited has been appointed as Trustee under a Trust Deed for the issue of PPTFCs entered on October 23, 2012, with power to enforce the Company's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Trust Deed.

Security

The issue is secured by personal Guarantee of Sponsor Director.

Overdue status

At the reporting date principal amounting to Rs. 54.3 million (2015: Rs. 18.1 million) and interest / mark-up amounting to Rs. 35.87 million (2015: Rs. 11.91 million) were overdue. Refer to note 41.2.2 for details.

8.7 This represents the difference between amortized cost and face value of zero-coupon Privately Placed Term Finance Certificates - VI, with five year maturity (refer to note 8.4). Amortized cost has been determined using effective interest rate of 13.23% per annum being the weighted average rate of return on redeemable capital. Movement is as follows:

	Note	2016 Rupees	2015 Rupees
Effect of present value			
As at beginning of the year		276,319,941	545,601,982
Less: amortized during the year	35	(199,932,503)	(269,282,041)
As at end of the year		76,387,438	276,319,941

8.8 Transaction costs

	Note	2016 Rupees	2015 Rupees
As at beginning of the year		37,909,372	46,699,514
Less: amortized during the year	35	(7,254,177)	(8,790,142)
As at end of the year		30,655,195	37,909,372

8.9 Common security

All redeemable capital and long term finances except for TFC - VI and PPTFCs have been secured by way of common security which is as follows:

- First charge in favor of National Bank of Pakistan, as Security trustee for the benefit of the Financers, on all present and future assets and properties of the Company.

- Personal Guarantee of Sponsor Director.

9 Long term finances - secured

	Note	2016 Rupees	2015 Rupees
Deutsche Investitions - Und MBH (Germany)	9.1	817,128,665	799,424,561
Saudi Pak Industrial and Agricultural Company Limited	9.2	43,251,155	43,251,155
Meezan Bank Limited	9.3	234,568,765	234,602,579
Citi Bank N.A (Pakistan)	9.4	565,781,488	567,539,466
		1,660,730,073	1,644,817,761
Less: transaction costs	9.6	(17,369,984)	(18,618,079)
		1,643,360,089	1,626,199,682
Less: current maturity presented under current liabilities	12	(997,949,972)	(669,744,859)
		645,410,117	956,454,823

9.1 This represents Euros 15 million obtained from Deutsche Investitions - Und MBH (Germany) ("DEG") to finance the setup of new textile and apparel project.

Principal repayment:

As per the rescheduling terms of the MRA, dated 01 December 2010, the loan is payable in twenty-one un-equal installments. During year ended 30 June 2013, first installment amounting to Rs. 641.221 million was settled by the Company. Remaining twenty installments are to be paid quarterly starting from 15 July 2015.

Return on facility:

As per rescheduling agreement, the finance carries mark-up as per the following applicable mark-up rates, payable quarterly:

Six months EURIBOR plus 3.25% per annum.

Three months EURIBOR plus 0.75% per annum from date of sale of AGL to 14 July 2015.

Three months EURIBOR plus 1.00% per annum from 15 July 2015 onwards.

In addition to the above, additional interest of 2% per annum will be levied if principal and mark-up are not paid on due dates.

Security

For detail of securities refer to note 8.9.

Overdue status

At the reporting date principal amounting to Rs. 817.128 million (2015: Rs. 799.425 million) and interest / mark-up amounting to Rs. 156.159 million (2015: Rs. 100.471 million) were overdue. Refer to note 41.2.2 for details.

9.2 The finance has been obtained from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements.

Principal repayment:

As per MRA-1 dated 11 April 2012, loan is payable in eighteen un-equal installments. First installment amounting to Rs. 56.749 million was settled by the Company during year ended 30 June 2013. Remaining seventeen installments are to be paid quarterly starting from 13 November 2013 and ending on 13 November 2017.

Return on facility:

As per rescheduling agreement the finance carries mark-up as per the following applicable mark-up rates, payable quarterly:

- Six months KIBOR plus 1.00% per annum in 2010 - 2011
- Six months KIBOR plus 1.25% per annum in 2012 - 2015
- Six months KIBOR plus 1.75% per annum in 2016 onwards

In addition to the above, additional interest of 5.00% per annum will be levied if mark-up is not paid on due dates.

Security

For detail of securities refer to note 8.9.

Overdue status

At the reporting date principal amounting to Rs. 16.02 million (2015: Rs. 5.365 million) and interest / mark-up amounting to Rs. 33.56 million (2015: Rs. 26.215 million) were overdue. Refer to note 41.2.2 for details.

9.3 The finance has been obtained from Meezan Bank Limited for long term working capital requirements.

Principal repayment:

As per MRA-1 dated 11 April 2012, the loan is payable in nine un-equal installments. First installment amounting to Rs. 7.511 million was settled by the Company during year ended 30 June 2013. Remaining eight installments are to be paid semi-annually starting from 01 May 2013 and ending on 01 November 2016.

Return on facility:

As per rescheduling agreement, the finance carries mark-up as per the following applicable mark-up rates, payable semi-annually:

Six months KIBOR plus 1.00% per annum in 2010 - 2012
Six months KIBOR plus 1.25% per annum in 2013 onwards

Security

For detail of securities refer to note 8.9.

Overdue status

At the reporting date principal amounting to Rs. 166.91 million (2015: Rs. 74.459million) and interest / mark-up amounting to Rs. 107.43 million (2015: Rs. 88.313 million) were overdue. Refer to note 41.2.2 for details.

9.4 As part of the overall debt restructuring, the finance was converted from various short term borrowings.

Principal repayment:

As per MRA-1 dated 11 April 2012, the loan is payable in six un-equal installments. Installment are to be paid semi-annually starting from 01 May 2014 and ending on 01 November 2016. An adjustment of Rs. 1.757 million in principal outstanding is made in reporting period.

Return on facility:

As per rescheduling agreement, the finance carries mark-up as per the following applicable mark-up rates, payable semi-annually:
Six months KIBOR plus 1.00% per annum in 2010 - 2012
Six months KIBOR plus 1.25% per annum in 2013 onwards

Security

For detail of securities refer to note 8.9.

Overdue status

At the reporting date principal amounting to Rs. 423.90 million (2015: Rs. 198.639 million) and interest / mark-up amounting to Rs. 245.55 million (2015: Rs. 199.102 million) were overdue. Refer to note 41.2.2 for details.

9.5 At the reporting date interest / mark-up amounting to Rs. 3,467.686 million (2015: Rs. 83.623 million) related to long term loans which were fully settled by the Company in the previous years was overdue. Refer to note 41.2.2 for details.

	Note	2016 Rupees	2015 Rupees
9.6 Transaction costs			
As at beginning of the year		18,618,079	20,162,005
Less: amortized during the year	35	(1,248,095)	(1,543,926)
As at end of the year		17,369,984	18,618,079
10 Liabilities against assets subject to finance lease - secured			
Present value of minimum lease payments	10.1 & 10.2	27,908,675	40,362,403
Less: current maturity presented under current liabilities	12	(27,908,675)	(29,414,607)
		-	10,947,796

10.1 This represent plant and machinery acquired under finance lease arrangement and is secured by specific charge on leased assets, joint ownership of leased assets with the lenders and lien over documents of title. Rentals are payable monthly / annually. The leases are priced at six months KIBOR plus 1.50% to 3% per annum (2015: KIBOR plus 1.50% to 3% per annum). Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option.

10.2 The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

	Note	2016 Rupees	2015 Rupees
Not later than one year		29,487,938	32,074,767
Later than one year but not later than five years		-	11,621,640
Total future minimum lease payments		29,487,938	43,696,407
Less: finance charge allocated to future periods		(1,579,263)	(3,334,004)
Present value of future minimum lease payments		27,908,675	40,362,403
Not later than one year	12	(27,908,675)	(29,414,607)
Later than one year but not later than five years		-	10,947,796

Notes to the Financial Statements

For the year ended June 30, 2016

		2016 Rupes	2015 Rupees
11	**Deferred liability**		
	Gratuity payable	72,304,556	-

The Company has commenced a defined benefit plan comprising a un-funded gratuity scheme for its permanent employees during the year.

11.1.1 Amounts recognized in the balance sheet:

	2016	2015
Present value of the defined benefit obligation	72,304,556	-
Payables	-	-
Net liability recognized in the balance sheet	72,304,556	-

11.1.2 Movement in the present value of the defined benefit obligation:

	2016	2015
Obligation at the beginning of the year	-	-
Current service cost	72,304,556	-
Interest cost	-	-
Benefits paid during the year	-	-
Actuarial loss during the year	-	-
Obligation at the end of the year	72,304,556	-

11.1.3 Movement in liability:

	2016	2015
Staff gratuity fund at the beginning of the year	-	-
Charge for the year	72,304,556	-
Remeasurments chargeable in other comprehensive income	-	-
Benefits paid	-	-
Net liability	72,304,556	-

11.1.4 Amount recognized in profit and loss:

	2016	2015
Current service cost	72,304,556	-
Interest cost	-	-
	72,304,556	-

Expense recognized in following line items in profit and loss account

	2016	2015
Cost of Sales	61,035,994	-
Administrative Expenses	8,196,274	-
Selling and distribution Expenses	3,072,288	-
	72,304,556	-

11.1.5 Principal actuarial assumptions used were as follows:

	2016	2015
Discount rate per annum	7.25%	-
Future salary increase per annum	6.25%	-
Mortality Rates	SLIC 2001-2005	-
Withdrawal Factor	Age Based	-
Retirement Age of the employee	60 years	-

11.1.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	2016	2015
	Impact on defined benefit obligation	
	1% Increase in assumption	1% decrease in assumption
	Rupees	Rupees
Discount rate	67,860,426	77,481,388
Salary growth rate	77,749,537	67,532,202

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

12 Current portion of non-current liabilities

	Note	2016 Rupees	2015 Rupees
Preference shares of Rs.10 each (2015:Rs.10 each)	12.1	148,367,255	148,367,255
Redeemable capital - secured	8	5,322,556,554	3,249,934,125
Long term finances - secured	9	997,949,972	669,744,859
Liabilities against assets subject to finance lease - secured	10.2	27,908,675	29,414,607
		6,496,782,456	4,097,460,846

12.1 These represent non-voting, non-participatory, partly convertible and cumulative preference shares which were redeemable upto September 24, 2010.

At the reporting date, entire outstanding amount of preference shares was overdue. Refer to note 41.2.2 for details. The Company intends to settle its remaining liability towards preference shares through conversion into a fresh issue of financial instruments, cash or other settlement options.

13 Short term borrowings

Secured

These represent short term finances utilized under interest / mark-up arrangements from banking companies and financial institutions.

	Note	2016 Rupees	2015 Rupees
Running finance	13.1 &13.3	800,435,419	746,955,672
Term loan	13.1 &13.3	3,454,939,121	3,516,994,876
Morabaha / LPO	13.1 &13.3	174,675,427	182,737,365
Bills payable	13.3 &13.4	352,438,660	367,007,170
		4,782,488,627	4,813,695,083

13.1 These facilities have been obtained from various banking companies and financial institutions for working capital requirements and are secured by Common Security (refer to note 8.9), lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, pledge of stocks, ranking charge amounting to Rs. 750 million on current and future assets of the company.

Mark-up on these finances is payable quarterly / semi-annually. Local currency finances carry mark-up at rates ranging from one to twelve months KIBOR plus 1.00% per annum (2015: one to twelve months KIBOR plus 1.00% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR / EURIBOR of matching tenor plus 2.00% to 4.00% per annum (2015: LIBOR / EURIBOR of matching tenor plus 2.00% to 4.00% per annum). Mark-up on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of 2.00% to 4.50% per annum plus banks' spread of 1.00% per annum (2015: 5.0% to 6.50 % per annum plus banks' spread of 1.00% per annum). Morabaha / LPO carry mark-up at rates ranging from six to twelve months KIBOR plus 1.00% to 3.00% per annum (2015: six to twelve months KIBOR plus 1.00% to 3.00% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.10% to 0.15% per quarter (2015: 0.10% to 0.15% per quarter). Certain finances also carry a penalty interest / mark-up.

At the reporting date interest / mark-up amounting to Rs.191.727 million (2015: Rs.160.663million), Rs.900.463 million (2015: Rs. 782.162 million) and Rs.120.682 million (2015: Rs. 92.540 million) were overdue in respect of running finance, term loan and morabaha / LPO respectively. Further, principal amounting to 26.415 million (2015: Rs.26.415 million), and Rs.524.352 million (2015: Rs.568.872million) were overdue in respect of running finance and term loan respectively. Refer to note 41.2.2 for details.

13.2 At the reporting date interest / mark-up amounting to Rs. 62.176 million (2015: 62.176 million) related to bridge finance which was settled in the prior years was overdue. Refer to note 41.2.2 for details..

13.3 The aggregate available short term funded facilities amounts to Rs. 5,724 million (2015: Rs. 6,454 million) out of which Rs. 1,278 million (2015: Rs. 2007 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit amounts to Rs. 663.48 million (2015: Rs. 521 million) of which the limits remaining unutilized as at the reporting date amounts to Rs.206.76 million (2015: Rs. 154 million).

13.4 At the reporting date bills payable amounting to Rs. 350.737million and interest / mark-up amounting to Rs. 207.055 million were overdue. Refer to note 41.2.2 for details.

13.5 The borrowings from related party have been disclosed in note 40.2.1 to the financial statements.

	Note	2016 Rupees	2015 Rupees
14 Trade and other payables			
Trade and other creditors		1,307,951,454	1,871,294,638
Accrued liabilities		250,102,752	352,626,868
Advances from customers		49,031,526	70,078,609
Workers' Profit Participation Fund	14.1	-	68,221,421
Payable to Provident Fund Trust	14.2	-	46,236,228
Tax deducted at source		12,084,387	11,292,159
Other payables		40,575,986	24,548,565
		1,659,746,105	2,444,298,488
14.1 As at the beginning of the year		68,221,421	62,391,516
Interest for the year		-	5,829,905
Paid for the year		(68,221,421)	-
As at the end of the year		-	68,221,421

14.2 With effect from July 01, 2015, the Company has changed the post employment benefits policy. The Company has discontinued provident fund and in its place started un-funded gratuity scheme for better cash flow management. Gratuity scheme is applicable for all employees of the Company who have completed one year service. For the workers gratuity would be one gross salary per year while for middle and higher management gratuity would be one last basic salary per year.

15 Interest / mark-up accrued on borrowings

	2016 Rupees	2015 Rupees
Redeemable capital - secured	1,383,027,219	1,130,872,976
Long term finances - secured	649,108,513	527,235,619
Short term borrowings - secured	1,567,398,699	1,261,430,357
	3,599,534,431	2,919,538,952

The overdue amounts of mark-up / interest are disclosed under their respective financing notes.

16 Dividend payable

	Note	2016 Rupees	2015 Rupees
Unclaimed dividend on ordinary shares		4,002,037	4,002,037
Dividend payable on preference shares	16.1	9,413,535	9,413,535
		13,415,572	13,415,572

16.1 Preference dividend was due for payment on November 21, 2010, however no payments have been made up to the reporting date. In the year 2013, the Company had partially adjusted the preference dividend against the new issue of PPTFCs. The management intends to settle this amount along with the settlement of outstanding overdue preference shares.

17 Contingencies and commitments

17.1 Contingencies

17.1.1 Several ex-employees of formal subsidiary of the Company, Agritech Limited ("AGL"), have filed a petition against the Company demanding terminal benefits including those under the golden hand shake scheme. The claim, valued at Rs. 8.0 million, is pending before the Honorable Lahore High Court and the Company expects a favorable outcome.

17.1.2 The Company has not accrued expense relating to Gas Infrastructure Development Cess ("GIDC"). Total payable amount as on 30 June 2016 is Rs. 100.629 million (2015: Rs. 78.761 million). This practice was followed by the Company, in lieu of stay orders granted by Honorable High Court of Lahore against GIDC arrears in SNGPL bills. Also, as per legal advisor, the Company prima facie has arguable case and a favorable decision is expected.

17.1.3 The Company has issued indemnity bonds amounting to Rs. 363.922 million (2015: Rs. 229.960 million) in favour of Collector of Customs and Sales Tax department in lieu of levies under various statutory notifications and these are likely to be released after the fulfillment of the terms of related notifications.

17.1.4 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 167.605 million (2015: Rs. 167.605 million).

17.1.5 Bills discounted as at reporting date aggregated to Rs. 2,313.879 million (2015 Rs: 1,674.092 million).

	Note	2016 Rupees	2015 Rupees
17.2 Commitments			
17.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		-	824,409
- purchase of raw material		27,823,502	35,019,747
- purchase of machinery		47,105,550	-
		74,929,052	35,844,156
17.2.2 Commitments for capital expenditure		71,038,991	-

18 Property, plant and equipment

	Note	2016 Rupees	2015 Rupees
Operating fixed assets	18.1	13,117,452,346	13,069,941,110
Capital work in progress - at cost	18.2	76,798,810	27,811,748
		13,194,251,156	13,097,752,858

18.1 Operating fixed assetes

Particulars	2016 Cost / revalued amount: As at July 01, 2015	Revaluation surplus	Additions	Disposals	As at June 30, 2016	Rate %	Depreciation: As at July 01, 2015	For the year	Revaluation surplus	Disposals	As at June 30, 2016	Net book value as at June 30, 2016
	Rupees						Rupees					
Owned assets												
Freehold land												
- cost	338,010,025	-	-	-	338,010,025	-	-	-	-	-	-	338,010,025
- revaluation	1,355,754,975	240,625,000	-	-	1,596,379,975	-	-	-	-	-	-	1,596,379,975
	1,913,765,000	240,625,000	-	-	2,154,390,000	-	-	-	-	-	-	2,154,390,000
Buildings on freehold land												
- cost	2,671,161,006	-	19,902,518	-	2,691,063,524	2.5	675,457,396	50,511,955	-	-	725,969,351	1,965,094,173
- revaluation	1,185,176,103	236,468,111	-	-	1,421,644,214	2.5	325,547,395	24,055,316	38,636,112	-	388,238,823	1,033,405,391
	3,856,337,109	236,468,111	19,902,518	-	4,112,707,738		1,001,004,791	74,567,271	38,636,112	-	1,114,208,174	2,998,499,564
Plant and machinery												
- cost	9,527,273,187	-	40,903,772	(23,014,821)	9,545,162,138	4 - 5	4,007,694,988	247,915,214	-	(6,399,241)	4,249,210,962	5,295,951,176
- revaluation	4,305,167,670	-	-	(1,783,693)	4,303,383,977	4 - 5	1,952,521,225	101,634,219	-	-	2,054,155,444	2,249,228,533
	13,832,440,857	-	40,903,772	(24,798,514)	13,848,546,115		5,960,216,213	349,549,433	-	(6,399,241)	6,303,366,406	7,545,179,709
Furniture, fixtures and office equipment	196,075,070	-	8,467,979	-	204,543,049	10	121,528,681	7,790,112	-	-	129,318,793	75,224,256
Vehicles	71,932,905	-	3,359,300	(5,267,182)	70,025,023	20	39,739,206	2,744,470	-	(4,299,951)	38,183,725	31,841,298
Tools and equipment	413,812,108	-	15,516,960	(62,177)	429,266,891	10	202,213,170	21,889,754	-	(31,251)	224,071,673	205,195,218
Electrical installations	186,506,243	-	7,250,603	-	193,756,846	10	106,598,728	8,196,978	-	-	114,795,706	78,961,140
	20,470,869,292	477,093,111	95,401,132	(30,127,873)	21,013,235,662		7,451,310,789	464,728,018	38,636,112	(10,730,443)	7,943,944,477	13,069,291,184
Assets subject to finance lease												
Plant and machinery	38,742,746	-	-	-	38,742,746	4 - 5	8,360,139	2,221,445	-	-	10,581,584	28,161,162
	20,509,612,038	477,093,111	95,401,132	(30,127,873)	21,051,978,408		7,459,670,928	466,949,463	38,636,112	(10,730,443)	7,954,526,061	13,097,452,347

	2015											
	Cost / revalued amount						Depreciation					Net book value as at June 30, 2015
Particulars	As at July 01, 2014	Revaluation surplus	Additions	Disposals	As at June 30, 2015	Rate %	As at July 01, 2014	For the year	Revaluation surplus	Disposals	As at June 30, 2015	
	Rupees						Rupees					
Owned assets												
Freehold land												
- cost	558,010,025	-	-	-	558,010,025		-	-	-	-	-	558,010,025
- revaluation	1,355,754,975	-	-	-	1,355,754,975		-	-	-	-		1,355,754,975
	1,913,765,000			-	1,913,765,000	-	-	-	-	-	-	1,913,765,000
Buildings on freehold land												
- cost	2,703,631,056	-	2,903,402	(35,373,452)	2,671,161,006	2.5	629,906,253	51,613,411	-	(6,062,268)	675,457,396	1,995,703,610
- revaluation	1,191,074,432	-	-	(5,898,329)	1,185,176,103	2.5	304,634,245	22,091,446	-	(1,178,296)	325,547,395	859,628,708
	3,894,705,488	-	2,903,402	(41,271,781)	3,856,337,109		934,540,498	73,704,857	-	(7,240,564)	1,001,004,791	2,855,332,318
Plant and machinery												
- cost	9,473,315,515	-	77,617,271	(23,659,599)	9,527,273,187	4 - 5	3,756,973,397	258,771,084	-	(8,049,493)	4,007,694,988	5,519,578,199
- revaluation	4,308,921,351	-	-	(3,753,681)	4,305,167,670	4 - 5	1,847,428,969	106,098,124	-	(1,005,868)	1,952,521,225	2,352,646,445
	13,782,236,866	-	77,617,271	(27,413,280)	13,832,440,857		5,604,402,366	364,869,208	-	(9,055,361)	5,960,216,213	7,872,224,644
Furniture, fixtures and office equipment	200,938,331	-	839,571	(5,702,832)	196,075,070	10	115,847,549	8,477,743	-	(2,786,611)	121,538,681	74,536,389
Vehicles	73,362,485	-	-	(1,429,580)	71,932,905	20	57,713,613	3,083,397	-	(1,057,804)	59,739,206	12,193,699
Tools and equipment	410,726,948	-	3,127,660	(42,500)	413,812,108	10	178,912,301	23,321,181	-	(20,312)	202,213,170	211,598,938
Electrical installations	183,943,949	-	2,954,117	(391,823)	186,506,243	10	97,926,314	8,841,047	-	(168,633)	106,598,728	79,907,515
	20,459,679,067	-	87,442,021	(76,251,796)	20,470,869,292		6,989,342,641	482,297,433	-	(20,329,285)	7,451,310,789	13,019,558,503
Assets subject to finance lease												
Plant and machinery	37,509,376	-	21,233,370	-	58,742,746	4 - 5	6,500,476	1,859,663	-	-	8,360,139	50,382,607
	20,497,188,443	-	108,675,391	(76,251,796)	20,529,612,038		6,995,843,117	484,157,096	-	(20,329,285)	7,459,670,928	13,069,941,110

18.1.1 Disposal of property, plant and equipment

	Cost	Accumulated depreciation / impairment	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	2016					
	Rupees					
Owned						
Vehicles						
Cultus car	650,130	(531,504)	118,616	162,830	**Company policy**	**Abdul Rasheed**
Suzuki Cultus CNG	614,451	(520,599)	93,852	420,160	**Negotiation**	**Car Diagnoser**
Toyota Corolla	1,209,000	(1,034,307)	174,693	800,000	**Negotiation**	**Malik Amir Zaman**
Toyota Altis	1,882,613	(1,465,746)	416,867	1,110,000	**Negotiation**	**Muhammad Bilal**
Mehran cars	910,998	(747,795)	163,203	453,000	**Negotiation/ Company policy**	**Car Diagnoser, M. Irfan Attari**
	5,267,182	(4,299,951)	967,231	2,945,990		
Plant and Machinery & Tool and Equipment						
Garments Air Conditioning Project	23,192,829	(5,787,041)	17,405,788	6,470,588	**Negotiation**	**Akbar Ali**
Step Cleaner & Tearing Machine	1,667,862	(643,451)	1,024,411	798,319	**Negotiation**	**Haidery Traders**
	24,860,691	(6,430,492)	18,430,199	7,268,907		
2016	30,127,873	(10,730,443)	19,397,430	10,214,897		
2015	76,251,796	(20,329,285)	55,922,511	53,354,226		

18.1.2 The depreciation charge for the year has been allocated as follows:

	2016 Rupees	2015 Rupees
Cost of sales	456,426,207	472,595,956
Administrative expenses	10,523,261	11,561,140
	466,949,468	484,157,096

18.1.3 The Company follows the revaluation model for its Land and Building. The fair value measurement as at December 31, 2015 was performed by Arif Evaluators, independent valuer not related to the Company. Arif Evaluators is on panel of Pakistan Banks Association as 'Any Amount' asset valuator. It is also on panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations.

The Company follows the revaluation model for its Plant and Machinery as well. The fair value measurement as at June 30, 2014 was performed by Merican Consultants, independent valuer not related to the Company. Merican Consultants was on panel of Pakistan Banks Association as 'Any Amount' asset valuator. It was also on panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations

The fair value of the assets was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property/project, condition, size, utilization, and other relevant factors.

Details of the Company's assets and information about fair value hierarchy as at June 30, 2016 are as follows.

	Level 1	Level 2	Level 3	Total
	Rupees			
Land	-	2,154,390,000	-	2,154,390,000
Building	-	2,998,499,563	-	2,998,499,563
Plant and Machinery	-	7,545,179,709	-	7,545,179,709
Total	-	12,698,069,272	-	12,698,069,272

18.2 Capital work in progress

	2016			
	As at July 01,2015	**Additions**	**Transfers**	**As at June 30, 2016**
	Rupees			
Building	**22,161,540**	**25,440,964**	**(26,341,654)**	**21,260,850**
Plant and machinery	**5,650,208**	**61,405,473**	**(11,517,721)**	**55,537,960**
	27,811,748	**86,846,437**	**(37,859,375)**	**76,798,810**

	2015			
	As at July 01,2014	Additions	Transfers	As at June 30, 2015
	Rupees			
Building	4,433,686	20,631,256	(2,903,402)	22,161,540
Plant and machinery	31,504,581	6,486,542	(32,340,915)	5,650,208
	35,938,267	27,117,798	(35,244,317)	27,811,748

19 Long term investments

These represent investments in equity and debt securities. These have been classified as available for sale financial assets. Particulars of investments are as follows:

	Note	2016 Rupees	2015 Rupees
Investments in related parties			
Unquoted	19.1	-	-
Quoted	19.2	20,460	18,000
		20,460	18,000
Other investments			
Unquoted - secured	19.3	231,864,928	231,864,928
Quoted	19.4	11,090	14,382
		231,876,018	231,879,310
		231,896,478	231,897,310

	2016 Rupees	2015 Rupees
19.1 Investment in related party - unquoted		
Montebello s.r.l. ("MBL")		
6,700,000 ordinary shares with a capital of Euro 6,700,000 Proportion of capital held: 100% Activity: Textile and Apparel Relationship: Subsidiary		
Cost	-	2,625,026,049
Accumulated impairment		
Opening balance	-	(1,175,618,378)
Charged during the year	-	(1,449,407,671)
	-	(2,625,026,049)
	-	-

19.1.1 As mentioned in financial statements of the Company for the year ended June 30, 2015, the Court of Vicenza, Italian Republic granted bankruptcy proposal of public prosecutor and appointed trustee to manage affairs of Montebello S.R.L. (MBL). The creditors and other parties have been asked to file their claims before March 04, 2016. Considering the liquidation, the Company provided impairment of balance amount of Rs. 452.529 million during year ended June 30, 2015.

During the proceeding of this bankruptcy, 48 parties filed their claim with The Court of Vicenza and all have been accepted by the Court. Total claims of Euro 7,893,794.48 have been accepted. 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 to the law, priority claims would be paid first and then unsecured and subordinated claims will be paid. The Company's claims aggregating to Euro 3,835,344 has been accepted on account of principal and interest as subordinate claim due to Company being the parent of MBL. The Company has been advised by its legal counsel that, by law Company cannot be a priority claimant.

	2016 Rupees	2015 Rupees
19.2 Investment in related party - quoted		
JS Value Fund Limited 1,000 (2015: 1,000) ordinary shares of Rs. 10 each Market value Rs. 20.46 per share (2015: Rs. 18 per share)		
Cost	10,000	10,000
Fair value adjustment	10,460	8,000
	20,460	18,000

	2016 Rupees	2015 Rupees

19.3 Other investments - unquoted - secured

Agritech Limited
53,259 Term Finance Certificates of Rs. 5,000 each
(2015: 53,259 Term Finance Certificates
of Rs. 5,000 each)

	2016 Rupees	2015 Rupees
Cost	266,074,508	266,074,508
Less: impairment allowance	(34,209,580)	(34,209,580)
	231,864,928	231,864,928

These represent Term Finance Certificates (''TFCs'') of Rs. 5,000 each issued by AGL and carry return at six months KIBOR plus 1.75% and are redeemable in thirteen unequal semi-annual installments starting from July 14, 2013. Since majority of TFCs are pledged as security with providers of debt finance, therefore these have been presented as long term investment. For details of investments pledged as security, refer to note 44 to the financial statements.

These are secured by charge over property, plant and equipment of AGL.

19.4 Other investments - quoted

Colony Mills Limited
4,332 (2015: 4,332) ordinary shares of Rs. 10 each
Market value Rs. 2.56 per share (2015: Rs. 3.32 per share)

	2016 Rupees	2015 Rupees
Cost	8,664	8,664
Fair value adjustment	2,426	5,718
	11,090	14,382

20 Long term deposits - unsecured, considered good

	Note	2016 Rupees	2015 Rupees
Utility companies and regulatory authorities	20.1	16,832,696	16,991,047
Financial institutions	20.2	1,800,000	1,800,000
		18,632,696	18,791,047

20.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as its amortized cost is impracticable to determine.

20.2 These have been deposited with financial institutions.

		Note	2016 Rupees	2015 Rupees
21	**Trade debt - unsecured, considered good**			
	Trade debt		122,536,653	138,928,083
	Less: discounting charges on receivable		(21,922,732)	(21,922,731)
	Less: due within a year		(100,613,921)	(55,055,825)
	Long term portion	21.1	-	61,949,527

21.1 This represented discounted value of long term trade debt due from Corceltex LDA Italy, which is receivable in monthly installments of fixed amount in future years. This debt was acquired by the Company from MBL under Settlement Agreement dated August 12, 2014, against the outstanding sale invoices receivable from MBL of same amount.

		Note	2016 Rupees	2015 Rupees
22	**Stores, spares and loose tools**			
	Stores, spares and loose tools		128,867,511	126,176,080
23	**Stock-in-trade**			
	Raw material		422,988,530	454,331,058
	Less: diminution in value of stock due to net realizable value		-	(5,807,513)
			422,988,530	448,523,545
	Work in process		731,032,874	681,556,986
	Less: diminution in value of stock due to net realizable value		(1,394,568)	(18,715,314)
			729,638,306	662,841,672
	Finished goods	23.2	627,126,533	884,795,945
	Less: diminution in value of stock due to net realizable value		(10,616,774)	(55,656,999)
			616,509,759	829,138,946
			1,769,136,595	1,940,504,163

23.1 Details of stock in trade pledged as security are referred to in note 44 to the financial statements.

23.2 Finished goods include stock in transit amounting to Rs. 4.31 million (2015: Rs. 148.87 million)

23.3 Aggregate stocks with a cost of Rs. 426.505 million (2015: Rs. 306.398 million) are being valued at net realizable value of Rs. 414.494 million (2015 : Rs. 226.218 million).

24 Trade debts

	Note	2016 Rupees	2015 Rupees
Local			
- secured	24.1	75,474,834	54,488,449
- unsecured, considered good		11,749,396	70,158,554
- unsecured, considered doubtful		65,504,952	69,030,161
		152,729,182	193,677,164
Foreign			
- secured	24.1	537,211,685	627,213,453
- unsecured, considered good		552,638,583	609,280,683
- unsecured, considered doubtful		960,417,758	856,952,866
		2,050,268,026	2,093,447,002
	24.3	2,202,997,208	2,287,124,166
Less: provision against trade debts	24.2	(1,025,922,701)	(925,983,027)
		1,177,074,507	1,361,141,139

24.1 These are secured against letters of credit.

24.2 Movement in provision of trade debts

	Note	2016 Rupees	2015 Rupees
As at beginning of the year		925,983,027	476,969,175
Provision recognized during the year		103,464,892	560,416,977
Less: provision written off		(3,525,218)	(111,403,125)
As at end of the year	24.3	1,025,922,701	925,983,027

24.3 This includes an amount of Rs. 452.529 million (2015: 452.529 million) receivable from MBL, a related party, and this amount has been fully provided for due to the facts mentioned in note 19.1.1.

25 Advances, deposits, prepayments and other receivables

	Note	2016 Rupees	2015 Rupees
Advances to suppliers - unsecured, considered good		194,417,345	274,195,181
Advances to employees - unsecured, considered good			
- against salaries and post employment benefits	25.1	7,615,854	11,103,556
- against purchases and expenses		15,160,376	26,817,575
Security deposits		23,286,186	6,500,186
Margin deposits	25.2	39,333,431	34,027,315
Rebate receivable		216,323,998	177,589,724
Sales Tax / FED recoverable		654,781,682	427,469,659
Due from Agritech Limited - secured		100,492,120	77,574,576
Less: impairment allowance		(32,179,608)	(32,179,608)
		68,312,512	45,394,968
Letters of credit		49,971,312	17,595,611
Insurance claims		15,733,630	201,589,021
Other receivables - unsecured, considered good		16,828,217	18,701,632
		1,301,764,543	1,240,984,428

25.1 These represent advances to employees against future salaries and post employment benefits in accordance with the Company policy. Reconciliation of carrying amount of advances to executive employees against salaries is as follows:

	2016 Rupees	2015 Rupees
As at beginning of the year	8,022,429	10,765,876
Additions during the year	6,758,464	-
Less: receipts / adjustments during the year	(10,365,284)	(2,743,447)
As at end of the year	4,415,609	8,022,429

25.2 These represent deposits against bank guarantees.

26 Short term investments

These represent investments in equity securities. These have been classified as available for sale financial assets. Particulars of investments are as follows:

	Note	2016 Rupees	2015 Rupees
Other Investments			
Quoted	26.1	306,022,500	306,022,500

26.1 Quoted

	2016 Rupees	2015 Rupees
Agritech Limited:		
58,290,000 (2015: 58,290,000) fully paid Preference shares of Rs. 5.25 each		
Cost	306,022,500	306,022,500
Fair value adjustment	-	-
	306,022,500	306,022,500

This represents 58,290,000 preference shares of Agritech Limited (2015: 58,290,000) received as part of consideration against sale of ordinary shares of Agritech Limited. The Company also has a put option to sell these shares to National Bank of Pakistan at the purchase price i.e. Rs. 5.25 per share.

27 Provision for taxation - net

	2016 Rupees	2015 Rupees
As at beginning of the year	73,332,563	77,861,036
Provision for the year	130,545,399	105,988,898
Paid / adjusted during the year	(125,613,492)	(110,517,371)
As at end of the year	78,264,470	73,332,563

	Note	2016 Rupees	2015 Rupees
28 Cash and bank balances			
Cash in hand		4,286,759	2,508,915
Cash at banks:			
- current accounts in local currency		87,631,476	74,362,911
- deposit accounts in local currency	28.1	50,967,637	56,030,438
- deposit accounts in foreign currency	28.2	432,219	421,983
		139,031,332	130,815,332
		143,318,091	133,324,247

28.1 These carry return under mark-up arrangement at 3.50% to 6.25% per annum (2015: 4.50% to 7.50% per annum).

28.2 These carry return under mark-up arrangement at prevailing LIBOR per annum (2015: prevailing LIBOR per annum).

	Note	2016 Rupees	2015 Rupees
29 Sales - net			
Local	29.1	1,323,911,898	1,534,400,394
Export	29.2 & 29.3	11,737,168,321	9,087,739,532
		13,061,080,219	10,622,139,926
Rebate on exports		121,744,511	102,998,350
Discount		(6,540,286)	(23,250,080)
		13,176,284,444	10,701,888,196
29.1 Local			
Sales		959,755,094	1,452,025,653
Processing income		442,419,236	115,073,892
Waste		11,093,451	22,779,130
		1,413,267,781	1,589,878,675
Less: sales tax		(89,355,883)	(55,478,281)
		1,323,911,898	1,534,400,394

29.2 These include indirect exports, taxable under Section 154 (3b) of the Income Tax Ordinance, 2001, amounting to Rs. 1,524.887 million (2015: Rs. 540.281 million).

29.3 Export Development Surcharge applicable under SRO 10(1)/2003 dated January 04, 2003, amounting Rs. 25.251 million (2015: Rs. 22.436 million) has been deducted from Gross Export sales.

		Note	2016 Rupees	2015 Rupees
30	**Cost of sales**			
	Raw and packing materials consumed		7,656,548,679	6,467,159,827
	Salaries, wages and benefits	30.1	1,631,035,848	1,477,047,888
	Fuel and power		1,040,651,601	960,812,044
	Store, spares and loose tools consumed		188,031,942	171,368,739
	Traveling, conveyance and entertainment		94,493,032	143,473,945
	Rent, rates and taxes		13,484,031	37,626,013
	Insurance		46,161,736	48,136,738
	Repair and maintenance		38,612,455	29,635,777
	Processing charges		350,639,441	255,291,983
	Depreciation	18.1.2	456,426,207	472,595,956
	Printing and stationery		5,088,931	7,140,154
	Communications		7,887,617	6,762,815
	Miscellaneous		2,231,479	27,713,619
			11,531,292,999	10,104,765,498
	Work in process:			
	As at beginning of the year		662,841,672	791,683,679
	As at end of the year		(729,638,306)	(662,841,672)
			(66,796,634)	128,842,007
	Cost of goods manufactured		11,464,496,365	10,233,607,505
	Finished goods:			
	As at beginning of the year		829,138,946	234,260,761
	As at end of the year		(616,509,759)	(829,138,946)
			212,629,187	(594,878,185)
	Cost of sales		11,677,125,552	9,638,729,320

30.1 These include charge in respect of employees retirement benefits amounting Rs. 61.04 million (2015: Rs. 44.378 million).

		Note	2016 Rupees	2015 Rupees
31	**Selling and distribution expenses**			
	Salaries and benefits	31.1	127,747,309	122,832,999
	Traveling, conveyance and entertainment		35,357,289	41,420,669
	Repair and maintenance		796,621	428,423
	Rent, rates and taxes		1,103,818	2,315,833
	Insurance		3,477,055	2,728,239
	Freight and other expenses		162,074,300	222,413,297
	Communication		34,319,263	57,936,032
	Advertisement and marketing		41,885,897	43,888,659
	Fee and subscription		472,201	198,450
	Commission		81,686,791	64,414,550
	Miscellaneous		301,708	672,323
			489,222,252	559,249,474

31.1 These include charge in respect of employees retirement benefits amounting Rs. 8.20 million (2015: Rs. 2.739 million).

		Note	2016 Rupees	2015 Rupees
32	**Administrative expenses**			
	Salaries and benefits	32.1	257,318,468	225,831,515
	Traveling, conveyance and entertainment		39,321,293	41,217,903
	Fuel and power		7,851,141	17,654,660
	Repair and maintenance		29,770,254	21,492,715
	Rent, rates and taxes		7,421,800	7,495,573
	Insurance		1,733,661	1,339,756
	Printing and stationery		2,928,084	3,027,615
	Communication		14,358,083	13,507,922
	Legal and professional charges	32.2	18,731,039	15,306,290
	Depreciation	18.1.2	10,523,261	11,561,140
	Fee and subscription		16,939,431	9,646,991
	Donations		-	100,000
	Miscellaneous		3,254,072	20,607,673
			410,150,587	388,789,753

32.1 These include charge in respect of employees retirement benefits amounting Rs. 3.07 million (2015: Rs. 10.569 million).

32.2 These include following in respect of auditors' remuneration

	2016	2015
Annual statutory audit	2,100,000	2,100,000
Half yearly review	730,000	726,000
Special Audit	1,100,000	-
Review report under Code of Corporate Governance	210,000	210,000
Certification and other services	-	100,000
Out of pocket expenses	414,000	400,000
	4,554,000	3,536,000

		Note	2016 Rupees	2015 Rupees
33	**Other Income**			
	Income from financial assets			
	Return on investment in term finance certificates	33.1	22,917,544	30,833,213
	Gain on sale of investment		-	292,434,976
	Foreign exchange gain	33.2	1,760,996	-
	Return on bank deposits		5,525,858	11,668,678
			30,204,398	334,936,867
	Income from non-financial assets			
	Scrap sales		6,679,975	7,369,721
			36,884,373	342,306,588

33.1 This represents return on investment in Term Finance Certificates of AGL. Refer to note 19.3

33.2 This represents gain due to foreign currency rate fluctuation on party balances.

34 Other expenses

	Note	2016 Rupees	2015 Rupees
Loss on disposal of property, plant and equipment	18.1.1	9,182,532	510,505
Net loss on insurance claim of assets written off due to fire		-	17,353,361
Foreign exchange loss		-	7,528,692
Provision against trade debts	24.2	103,464,892	560,416,977
Impairment on long term investment and mark-up	19.1, 19.3, & 25	-	1,449,407,671
		112,647,424	2,035,217,206

35 Finance cost

	Note	2016 Rupees	2015 Rupees
Interest / mark-up on:			
- Redeemable capital		257,244,615	317,146,841
- Long term finances		122,090,364	130,078,958
- Liabilities against assets subject to finance lease		2,506,438	3,823,223
- Short term borrowings		428,718,331	406,276,247
- Provident fund trust		1,267,076	5,783,793
- Workers' profit participation fund		-	5,829,905
		811,826,824	868,938,967
Discounting charges on receivable		-	21,922,731
Amortization of transaction costs and unwinding effect of present value	8.7, 8.8 & 9.6	208,434,776	279,616,109
Foreign exchange loss / (gain) on foreign currency borrowings		28,371,069	(150,431,634)
Bank discounting and other charges		158,991,903	230,412,939
		1,207,624,572	1,250,459,112

35.1 Interest / mark-up on borrowings from related party have been disclosed in note 40.1.2 to the financial statements.

36 Taxation

	Note	2016 Rupees	2015 Rupees
Income tax			
- current tax	36.1	130,545,399	105,988,898
- deferred tax	36.5	-	-
		130,545,399	105,988,898

36.1 Provision for current tax has been made in accordance with section 154 of the Income Tax Ordinance, 2001 ("the Ordinance") and Circular No. 20 of 1992.

36.2 The assessments of the Company up to and including tax year 2015 has been completed except for tax years 2003, 2007, 2008 and 2009 which are referred by the Income Tax Department in Honorable High Court of Lahore ("Court"). However, orders of CIR appeal and ATIR for mentioned tax years are in the favor of the Company. Even in case of unfavorable decision of the Court, there will be no material impact on the financial statements.

36.3 Various other cases involving point of law are pending for adjudication before the Honorable Lahore High Court.

36.4 In the year 2012, the Company claimed refund of an amount of Rs. 40.320 million in the sales tax return for the month of November 2012. This relates to payment of FED in sale tax mode to National Bank of Pakistan. The claim was rejected by DCIR, however the Commissioner Appeals has accepted the appeal filed by Company. The Commissioner Zone-I filed an appeal before the Appellate Tribunal which has upheld the decision of Commissioner Appeals in favor of the Company. Consequent to this decision, the management is expecting to receive the refund in due course of time.

36.5 Export sales, including proposed claims for indirect exports of the Company are expected to achieve the threshold for the Company, with the option to be taxed under the Final Tax Regime. This trend is expected to continue in foreseeable future. Accordingly, no provision for deferred tax has been made.

36.6 There is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.

37 Loss per share - basic and diluted

	Unit	2016	2015
37.1 Basic loss per share			
Loss attributable to ordinary shareholders	Rupees	(814,146,969)	(2,934,238,979)
Weighted average number of ordinary shares outstanding during the year	No. of shares	454,871,870	454,871,870
Loss per share	Rupees	(1.79)	(6.451)

37.2 Diluted loss per share

There is no dilutive effect on the basic loss per share as the Company does not have any convertible instruments in issue as at June 30, 2016 and June 30, 2015.

		Note	2016 Rupees	2015 Rupees
38	**Cash generated from operations**			
	Loss before tax		(683,601,570)	(2,828,250,081)
	Adjustments for non-cash and other items			
	Interest / mark-up expense		810,559,748	853,502,046
	Loss on disposal of fixed assets	18.1.1	9,182,532	510,505
	Net loss on insurance claims of assets written off due to fire		-	17,353,361
	Provision for bad debts		103,464,892	560,416,977
	Gain on sale of investment		-	(292,434,976)
	Foreign exchange loss - net		28,371,069	(75,155,203)
	Return on investment in term finance certificates		(22,917,544)	(30,833,213)
	Diminution in value of stock due to net realizable value		12,011,342	80,179,826
	Discounting charges on receivable		-	21,922,731
	Depreciation		466,949,468	484,157,096
	Provision for employee benefits		72,304,556	-
	Amortization of transaction costs and deferred notional income		208,434,776	279,616,109
	Provision for impairment of long term investment		-	1,449,407,671
			1,688,360,839	3,348,642,930
	Operating profit before changes in working capital		1,004,759,269	520,392,849
	Changes in working capital			
	(Increase) / decrease in current assets:			
	Stores, spares and loose tools		(2,691,431)	(8,076,077)
	Stock in trade		159,356,226	(531,568,682)
	Trade debts		142,551,267	242,889,486
	Advances, deposits, prepayments and other receivables		(37,862,571)	(294,867,320)
			261,353,491	(591,622,593)
	Increase / (decrease) in current liabilities:			
	Trade and other payables		(787,058,821)	247,151,768
	Cash generated from operations		479,053,939	175,922,024
39	**Cash and cash equivalents**			
	Short term borrowings - running finance - secured		(800,435,419)	(746,955,672)
	Cash and bank balances		143,318,091	133,324,247
			(657,117,328)	(613,631,425)

40 Transactions and balances with related parties

Related parties from the Company's perspective comprise, associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. 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 and agreed terms.
Details of transactions and balances with related parties is as follows:

40.1 Transactions with related parties

	Note	2016 Rupees	2015 Rupees
40.1.1 Subsidiary			
Montebello s.r.l.			
Sales		-	30,658,456
Purchase of fabric		-	100,341,158
Swapping of debtor		-	192,747,174
40.1.2 Other related parties			
JS Bank Limited			
Mark-up expense	35	20,613,222	21,213,560
Remuneration of Trustee	8.5 & 8.6	1,500,000	1,500,000
Mark-up paid	13	17,480,616	12,503,304
JS Value Fund Limited			
Mark-up expense	35	1,617,908	2,114,092
Unit Trust of Pakistan			
Mark-up expense	35	2,649,006	3,348,824
JS Large Cap Fund			
Mark-up expense	35	9,172,662	9,147,600
Mark-up paid	8.6	-	6,814,894
JS Global Capital Limited			
Mark-up expense	35	36,008,564	35,910,180
Mark-up paid	8.5	-	26,752,817
JS Principal Secure Fund			
Mark-up expense	35	3,692,890	3,682,800
Mark-up paid	8.6	-	2,743,659
JS Income Fund			
Mark-up expense	35	3,259,766	4,146,894
JS Growth Fund			
Mark-up expense	35	8,429,604	8,823,743
Mark-up paid	8.6	-	5,261,138
40.1.3 Post employment benefit plans			
Contribution to employees Provident Fund Trust	30, 31 & 32	-	115,372,211
Interest payable on employees provident fund	35	-	5,783,793

40.1.4 Key management personnel

The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 45 to the financial statements.

	Note	2016 Rupees	2015 Rupees
40.2 Balances with related parties			
40.2.1 Other related parties			
JS Bank Limited			
Redeemable capital - PPTFC IV	8.2	65,021,777	65,021,777
Short term borrowing	13	329,702,630	331,985,379
Mark-up payable	15	35,517,561	32,378,222
JS Value Fund Limited			
Redeemable capital - TFC II	8.1	19,523,024	19,523,024
Redeemable capital - TFC VI	8.4	12,900,000	12,900,000
Mark-up payable	15	10,261,356	8,574,031
Unit Trust of Pakistan			
Redeemable capital - TFC V	8.3	31,980,766	31,980,766
Redeemable capital - PPTFC VI	8.4	19,265,000	19,265,000
Mark-up payable	15	15,514,021	12,504,868
JS Large Cap Fund			
Redeemable capital - PPTFCs	8.6	83,160,000	83,160,000
Mark-up payable	15	13,733,931	4,561,269
JS Global Capital Limited			
Redeemable capital - PPTFCs	8.5	326,456,184	326,456,184
Mark-up payable	15	53,914,462	17,905,898
JS Principal Secure Fund			
Redeemable capital - PPTFCs	8.6	33,480,000	33,480,000
Mark-up payable	15	5,529,245	1,836,355
JS Pension Savings Fund			
Redeemable capital - PPTFC VI	8.4	3,850,000	3,850,000
JS Income Fund			
Redeemable capital - TFC II	8.1	7,369,942	7,369,942
Redeemable capital - TFC V	8.3	31,980,766	31,980,766
Redeemable capital - PPTFC VI	8.4	24,135,000	24,135,000
Mark-up payable	15	19,387,683	15,741,565
JS Growth Fund			
Redeemable capital - TFC II	8.1	16,269,187	16,269,187
Redeemable capital - PPTFC VI	8.4	10,750,000	10,750,000
Redeemable capital - PPTFCs	8.6	64,200,000	64,200,000
Mark-up payable	15	19,153,804	10,666,352
40.2.2 Post employment benefit plans			
Payable to employees' Provident Fund Trust	14	-	46,236,228
40.2.3 Key management personnel			
Short term employee benefits payable		17,579,222	15,369,518

41 Financial risk management

The Company's activities expose it to a variety of financial risks which affect its revenues, expenses, assets and liabilities. These risks are as follows:

- Credit risk
- Liquidity risk; and
- Market risk (including currency risk, interest rate risk and price risk)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework.

Risk Management Framework

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

41.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in debt securities. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

41.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the investments, trade debts, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is as follows:

	Note	2016 Rupees	2015 Rupees
Available for sale financial assets			
Long term investments	19	231,896,478	231,897,310
Short term investments	26	306,022,500	306,022,500
Loans and receivables			
Long term deposit - utility companies and regulatory authorities	20	16,832,696	16,991,047
Long term deposit - financial institutions	20	1,800,000	1,800,000
Trade debts - unsecured, considered good - long term	21	-	61,949,527
Trade debts	24	1,177,074,507	1,361,141,139
Due from Agritech Limited - secured,considered good	25	68,312,512	45,394,968
Other receivables - unsecured, considered good	25	16,828,217	18,701,632
Security deposits	25	23,286,186	6,500,186
Margin deposits	25	39,333,431	34,027,315
Insurance claims	25	15,733,630	201,589,021
Cash at banks	28	139,031,332	130,815,332
		1,498,232,511	1,878,910,167
		2,036,151,489	2,416,829,977

41.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2016 Rupees	2015 Rupees
Customers	1,177,074,507	1,423,090,666
Banking companies and financial institutions	178,364,763	164,842,647
Related party	20,460	18,000
Others	680,691,759	828,878,664
	2,036,151,489	2,416,829,977

41.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

41.1.3(a) *Counterparties with external credit ratings*

These include banking companies and financial institutions, which are counterparties to cash deposits, security deposits, margin deposits and insurance claims. These are neither past due nor impaired. Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Bank	Rating Short term	Rating Long term	Rating Agency	2016 Rupees	2015 Rupees
Bank balances					
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	54,315	67,318
Askari Bank Limited	A1+	AA+	PACRA	29	29
Bank Al-Habib Limited	AA+	A1+	PACRA	124,118,631	73,716,420
Bank Alfalah Limited	A1+	AA	PACRA	60,133	60,134
Bank Islami Pakistan Limited	A1	A+	PACRA	42,890	43,206
Faysal Bank Limited	A1+	AA+	PACRA	996,385	488,095
Habib Bank Limited	AAA	A1+	JCR-VIS	4,374	44,860
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	12,812	8,162
HSBC Bank Middle East Limited	F1+	AA-	Fitch	1,716	1,675
JS Bank Limited	A1+	A+	PACRA	8,868,703	8,387,001
MCB Bank Limited	A1+	AAA	PACRA	154,621	150,434
Meezan Bank Limited	AA	A1+	JCR-VIS	23,526	25,655
National Bank of Pakistan	A1+	AAA	PACRA	304,809	376,835
NIB Bank Limited	A1+	AA-	PACRA	542,219	2,946,193
Silk Bank Limited	A2	A-	JCR-VIS	1,996,677	1,414,570
Soneri Bank Limited	A1+	AA-	PACRA	5,065	13,896
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	141,358	141,357
Summit Bank Limited	A1	A-	JCR-VIS	265,182	23,132,118
The Bank of Punjab	A1+	AA-	PACRA	748	852
United Bank Limited	A1+	AAA	JCR-VIS	1,437,139	2,708,626
Bank of Khyber	A1	A	PACRA	-	17,087,896
				139,031,332	130,815,332
Margin deposits					
Summit Bank Limited	A1	A-	JCR-VIS	39,333,431	34,027,315

41.1.3(b) Counterparties without external credit ratings

These mainly include customers which are counter parties to trade debts. The Company is exposed to credit risk in respect of trade debts. The Company allows 15 to 180 days credit period to its customers. The analysis of ages of trade debts of the Company as at the reporting date is as follows:

	2016 Gross carrying amount	2016 Accumulated impairment	2015 Gross carrying amount	2015 Accumulated impairment
	Rupees		Rupees	
Not yet due	505,349,005	-	302,353,918	-
Past due by 0 to 6 months	122,531,048	-	359,490,636	-
Past due by 6 to 12 months	79,929,029	-	512,493,663	-
Past due by more than one year	1,495,188,125	1,025,922,701	1,112,785,949	925,983,027
	2,202,997,207	1,025,922,701	2,287,124,166	925,983,027

41.1.3(c) The Company's five significant customers account for Rs. 491.794 million (2015: Rs. 480.379 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 5% (2015: 6%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 612.687 million (2015: Rs. 681.702 million) secured through confirmed letters of credit and thus do not carry any significant credit risk.

The Board has formulated a policy to create provision allowance for trade debts on a time based criteria. Provision allowance on closing trade receivable balances has adequately been created in accordance with the approved policy. Further, based on historical default rates, the Company believes that no impairment allowance other than already provided is necessary in respect of trade receivables not past due or those past due by less than one year, since these relate to customers who have had good payment record with the Company.

The Company at the time of making investments performs detailed due diligence process to mitigate the risk of failure of the counter party.

41.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade debts, which are partially secured through confirmed letters of credit and investment in debt securities which are secured by charge over issuer's operating assets.

40.1.5 Credit risk management

As mentioned in note 41.1.3(b) to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by counterparties. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

41.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner unfavorable to the Company. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

41.2.1 Exposure to liquidity risk

41.2.1(a) Contractual maturities of financial liabilities, including estimated interest payments

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

	Note	Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
		2016				
		Rupees				
Non-derivative financial liabilities						
Redeemable capital	8	5,999,589,303	6,248,001,853	5,460,051,137	629,549,412	158,401,304
Long term finances	9	1,660,730,073	1,706,318,022	1,027,494,935	349,375,535	329,447,552
Liabilities against assets subject to finance lease	10	27,908,675	29,488,276	29,488,276	-	-
Preference shares	12	148,367,255	148,367,255	148,367,255	-	-
Short term borrowings	13	4,782,488,627	4,794,491,991	4,794,491,991	-	-
Trade creditors	14	1,307,951,454	1,307,951,454	1,307,951,454	-	-
Accrued liabilities	14	250,102,752	250,102,752	250,102,752	-	-
Other payables	14	40,575,986	40,575,986	40,575,986	-	-
Mark-up accrued on borrowings	15	3,599,534,431	3,599,534,431	3,599,534,431	-	-
Dividend payable	16	13,415,572	13,415,572	13,415,572	-	-
		17,830,664,128	18,138,247,593	16,671,473,790	978,924,947	487,848,856

	Note	Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
		2015				
		Rupees				
Non-derivative financial liabilities						
Redeemable capital	8	6,024,844,185	6,538,516,285	3,486,262,467	2,893,852,514	158,401,304
Long term finances	9	1,644,817,761	1,779,624,250	771,886,922	685,427,665	322,309,663
Liabilities against assets subject to finance lease	10	40,362,403	43,696,407	32,074,767	11,621,640	-
Preference shares	12	148,367,255	148,367,255	148,367,255	-	-
Short term borrowings	13	4,813,695,083	5,140,231,448	5,140,231,448	-	-
Trade creditors	14	1,871,294,638	1,871,294,638	1,871,294,638	-	-
Accrued liabilities	14	352,626,868	352,626,868	352,626,868	-	-
Payable to Provident Fund Trust	14	46,236,228	46,236,228	46,236,228	-	-
Other payables	14	24,548,565	24,548,565	24,548,565	-	-
Mark-up accrued on borrowings	15	2,919,538,952	2,919,538,952	2,919,538,952	-	-
Dividend payable	16	13,415,572	13,415,572	13,415,572	-	-
		17,899,747,510	18,878,096,467	14,806,483,681	3,590,901,819	480,710,967

41.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company is facing a temporary liquidity shortfall due to the facts disclosed in note 2.3 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

Notes to the Financial Statements

	Principal	Preference dividend / interest / mark-up	Total
		Rupees	
Nature of liability			
Preference shares	148,367,255	-	148,367,255
Dividend on preference shares	-	9,413,535	9,413,535
Long term finances	1,423,951,993	626,326,425	2,050,278,418
Redeemable capital	3,224,679,243	1,267,309,348	4,491,988,591
Short term borrowings	550,767,216	1,357,581,723	1,908,348,939
Bills payables	350,737,608	207,055,834	557,793,442
	5,698,503,315	3,467,686,865	9,166,190,180

As explained in note 2.3, the Company, is in discussions with the providers of debt for restructuring and debt re-profiling.

41.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

41.3.1 Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are Hong Kong dollars, Euros, US dollars, Renminbi, Pound Sterling and Swiss franc.

41.3.1(a) Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	2016				
	EURO	USD	GBP	RMB	Total
			Rupees		
Assets					
Trade debts	536,208,457	1,465,556,063	48,503,505	-	2,050,268,025
Cash and bank balances	307,617	124,602	-	-	432,219
	536,516,074	1,465,680,665	48,503,505	-	2,050,700,244
Liabilities					
Long term finances	(817,128,665)	-	-	-	(817,128,665)
Short term borrowings	-	(392,766,679)	-	-	(392,766,679)
Mark-up accrued on borrowings	(168,291,806)	(12,808,370)	-	-	(181,100,176)
Trade creditors	(28,305,370)	(20,989,039)	-	-	(49,294,409)
Bills payable	(1,594,900)	(113,114,453)	-	-	(114,709,353)
	(1,015,320,741)	(539,678,541)	-	-	(1,554,999,282)
Net balance sheet exposure	(478,804,667)	926,002,124	48,503,505	-	495,700,962

	2015				
	EURO	USD	GBP	RMB	Total
	Rupees				
Assets					
Trade receivables	373,481,312	1,398,008,437	121,957,253	-	2,093,447,002
Cash and bank balances	300,952	121,031	-	-	421,983
	373,782,264	1,398,129,468	121,957,253	-	2,093,868,985
Liabilities					
Long term finances	(799,424,561)	-	-	-	(799,424,561)
Short term borrowings	-	(393,242,435)	-	-	(393,242,435)
Mark-up accrued on borrowings	(117,835,443)	(12,699,785)	-	-	(130,535,228)
Trade creditors	(36,527,220)	(27,289,913)	(13,784)	(97,268)	(63,928,185)
Bills payable	(1,660,185)	(174,579,478)	-	-	(176,239,663)
	(955,447,409)	(607,811,611)	(13,784)	(97,268)	(1,563,370,072)
Net balance sheet exposure	(581,665,145)	790,317,857	121,943,469	(97,268)	530,498,913

41.3.1(b) *Exchange rates applied during the year*

The following significant exchange rates have been applied during the year:

	2016			2015		
	Reporting date spot rate		Average rate for the year	Reporting date spot rate		Average rate for the year
	Buying	Selling		Buying	Selling	
	Rupees			Rupees		
EURO	116.08	116.31	117.55	113.57	113.79	121.69
USD	104.50	104.70	104.56	101.50	101.70	101.46
GBP	140.12	140.39	149.14	159.59	159.91	159.58
CHF	106.64	106.85	106.49	109.42	109.64	107.58
HKD	13.47	13.49	13.43	13.09	13.12	13.09
RMB	15.78	15.81	16.22	16.35	16.39	16.40

41.3.1(c) Sensitivity analysis

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2016	2015
	Profit	Profit
	Rupees	
EURO	(47,880,467)	(38,166,515)
USD	92,600,212	79,031,786
GBP	4,850,351	12,194,347
RMB	-	(9,727)
	49,570,096	53,049,891

41.3.1(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected / forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly bases, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities / payments to assets / receipts, using source inputs in foreign currency. The Company maintains foreign currency working capital lines in order to finance production of exportable goods. Proceeds from exports are used to repay / settle / rollover the Company's obligations under these working capital lines which substantially reduces exposure to currency risk in respect of such liabilities. Balances in foreign currency are also maintained in current and saving / deposits accounts with banking companies.

41.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

41.3.2(a) Interest / mark-up bearing financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2016		2015	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees		Rupees	
Non-derivative financial instruments				
Fixed rate instruments	51,399,854	692,023,439	56,452,421	692,023,439
Variable rate instruments	266,106,890	8,708,390,832	266,106,890	8,761,393,248

41.3.2(b) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

41.3.2(c) Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	2016	2015
	Rupees	Rupees
Increase of 100 basis points	(84,422,839)	(84,952,864)
Decrease of 100 basis points	84,422,839	84,952,864

41.3.2(d) Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points. Cross currency swaps are also arranged to transfer exposure to more stable markets. Fair value interest rate risk are managed by arranging fixed to variable rate swaps.

As mentioned in Note 2.3, the Company is anticipating that within a year financial restructuring would be accomplished and resultantly, there would be decrease in liabilities and interest cost.

41.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments.

41.4 Fair values

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 :quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Funds/Company's financial assets which are carried at fair value:

	2016			
	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets - at fair value				
Available for sale - Listed Securities				
- Colony Mills Limited	11,090	-	-	11,090
- JS Value Funds	20,460	-	-	20,460
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
	31,550	231,864,928	306,022,500	537,918,978

	2015			
	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets - at fair value				
Available for sale - Listed Securities				
- Colony Mills Limited	14,382	-	-	14,382
- JS Value Funds	18,000	-	-	18,000
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
	32,382	231,864,928	306,022,500	537,919,810

41.4.1 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non–financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Long term investments - level 1

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date.

41.4.2 Significance of fair value accounting estimates to the Company's financial position and performance

The Company uses fair value accounting for its financial instruments in determining its overall financial position and in making decisions about individual financial instruments. This approach reflects the judgment of the Company about the present value of expected future cash flows relating to an instrument. The management believes that fair value information is relevant to many decisions made by users of financial statements as it permits comparison of financial instruments having substantially the same economic characteristics and provides neutral basis for assessing the management's stewardship by indicating effects of its decisions to acquire, sell or hold financial assets and to incur, maintain or discharge financial liabilities.

42 Segment information

42.1 Information about reportable segments

42.1.1 Segment revenues and results

	Spinning segment 2016	Spinning segment 2015	Weaving segment 2016	Weaving segment 2015	Garment segment 2016	Garment segment 2015	Elimination 2016	Elimination 2015	Total 2016	Total 2015
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Revenue										
External revenues	1,691,235,315	1,182,325,518	7,647,153,173	5,108,391,783	3,837,895,956	4,411,170,895	-	-	13,176,284,444	10,701,888,196
Inter-segment revenues	75,495,255	261,366,541	1,032,973,547	2,598,713,718	7,101,418	4,522,445	(1,115,570,220)	(2,864,602,704)	-	-
Reportable segment revenue	1,766,730,570	1,443,692,059	8,680,126,720	7,707,105,501	3,844,997,374	4,415,693,340	(1,115,570,220)	(2,864,602,704)	13,176,284,444	10,701,888,196
Cost of sales										
- inter segment excluding depreciation	(75,495,255)	(261,366,541)	(1,032,973,547)	(2,598,713,718)	(7,101,418)	(4,522,445)	1,115,570,220	2,864,602,704	-	-
- external excluding depreciation	(1,583,220,436)	(1,213,499,911)	(6,167,305,449)	(3,990,882,745)	(3,470,173,460)	(3,961,750,708)	-	-	(11,220,699,345)	(9,166,133,364)
	(1,658,715,691)	(1,474,866,452)	(7,200,278,996)	(6,589,596,463)	(3,477,274,878)	(3,966,273,153)	1,115,570,220	2,864,602,704	(11,220,699,345)	(9,166,133,364)
Gross profit	108,014,879	(31,174,393)	1,479,847,724	1,117,509,038	367,722,496	449,420,187	-	-	1,955,585,099	1,535,754,832
Selling and distribution expenses	(21,280,678)	(15,444,797)	(298,960,663)	(301,774,408)	(168,980,910)	(242,030,269)	-	-	(489,222,252)	(559,249,474)
Administrative expenses excluding depreciation	(78,766,065)	(64,358,892)	(147,038,875)	(191,607,768)	(173,822,386)	(121,261,953)	-	-	(399,627,326)	(377,228,613)
	(100,046,743)	(79,803,689)	(445,999,538)	(493,382,176)	(342,803,296)	(363,292,222)	-	-	(888,849,577)	(936,478,087)
Segment results	7,968,136	(110,978,082)	1,033,848,186	624,126,862	24,919,200	86,127,965	-	-	1,066,735,521	599,276,745
Depreciation									(466,949,468)	(484,157,096)
Other income									36,884,373	342,306,588
Other expenses									(112,647,424)	(2,102,964,945)
Finance cost									(1,207,624,572)	(1,182,711,373)
Taxation									(130,545,399)	(105,988,898)
Loss after taxation									(814,146,969)	(2,934,238,979)

42.1.2 Inter-segment sales and purchases

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

42.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
42.1.4 Assets										
Total assets for reportable segments	550,831,773	794,542,111	4,000,420,640	5,485,246,915	1,390,501,553	1,692,966,235	(1,115,570,220)	(2,864,602,704)	4,826,183,746	5,108,152,557
Other unallocated amounts	-	-	-	-	-	-	-	-	13,444,780,330	13,410,390,742
	550,831,773	794,542,111	4,000,420,640	5,485,246,915	1,390,501,553	1,692,966,235	(1,115,570,220)	(2,864,602,704)	18,270,964,076	18,518,543,299
42.1.5 Liabilities										
Total liabilities for reportable segments	759,082,785	774,048,850	1,669,019,653	1,112,388,147	432,934,083	3,435,879,767	(1,115,570,220)	(2,864,602,704)	1,745,466,300	2,457,714,060
Other unallocated amounts	-	-	-	-	-	-	-	-	16,172,470,472	15,332,110,810
	759,082,785	774,048,850	1,669,019,653	1,112,388,147	432,934,083	3,435,879,767	(1,115,570,220)	(2,864,602,704)	17,917,936,772	17,789,824,870

42.1.6 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.

	2016 Rupees	2015 Rupees
Revenue		
Foreign revenue		
Asia	4,115,266,217	2,470,506,936
Europe	4,732,389,964	5,474,591,847
South America	6,748,650	224,820,505
North America	29,600,641	-
Africa	824,698,693	302,578,758
Other countries	2,028,464,158	615,241,486
	11,737,168,323	9,087,739,532
Local revenue		
Pakistan	1,323,911,896	1,534,400,394
	13,061,080,219	10,622,139,926

42.1.7 Non-current assets

	2016 Rupees	2015 Rupees
Pakistan	13,444,780,330	13,410,390,742
	13,444,780,330	13,410,390,742

43 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

i. to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

ii. to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

	Unit	2016	2015
Total debt	Rupees	7,688,228,051	7,710,024,349
Total equity including revaluation surplus	Rupees	353,027,627	728,718,429
Total capital employed	Rupees	8,041,255,678	8,438,742,778
Gearing	Percentage	95.61%	91.36%

Total debt comprises of redeemable capital, long term finances and liabilities against assets subject to finance lease.
There were no changes in the Company's approach to capital management during the year. However, defaults / overdue relating to financial obligations of the Company, as referred to in note 41.2.2 to the financial statements, may cause changes in the Company's approach to capital management. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants including restriction on dividend declaration, imposed by the providers of debt finance which the Company could not comply as at the reporting date. The consequences of non-compliance are narrated in note 2.4. Increase in gearing is mainly due to current year losses and resultant decrease in equity.

	2016 Rupees	2015 Rupees

44 Restriction on title and assets pledged as security

Mortgages and charges

	2016 Rupees	2015 Rupees
First		
Hypothecation of all present and future assets and properties	27,000,000,000	27,000,000,000
Mortgage over land and building	27,000,000,000	27,000,000,000
Ranking		
Hypothecation of all present and future assets and properties	4,666,666,667	4,666,666,667
Mortgage over land and building	4,666,666,667	4,666,666,667
Hypothecation of all present and future assets and properties	750,000,000	750,000,000
Mortgage over land and building	750,000,000	750,000,000
Pledge		
Raw material	439,350,997	311,572,937
Finished goods	349,354,080	439,003,600
Investments in debt securities	126,080,519	126,080,519

45 Remuneration of chief executive, directors and executives

The aggregate amount in respect of chief executive, directors and executives on account of managerial remuneration, perquisites and benefits, post employment benefits and the number of such directors and executives are as follows:

2016	Chief Executive	Directors Executive	Directors Non executive	Executives
	Rupees			
Managerial remuneration	15,999,996	6,468,666	-	192,605,934
Medical	1,599,996	646,866	-	19,260,674
Utilities and house rent	6,400,008	3,232,823	-	84,277,969
Post employment benefits	1,333,333	539,056	-	15,578,272
	25,333,333	10,887,411	-	311,722,849
Number of persons as at year end	1	2	4	171

2015	Chief Executive	Directors Executive	Directors Non executive	Executives
	Rupees			
Managerial remuneration	15,999,996	11,463,096	-	162,804,221
Medical	1,599,996	1,146,300	-	16,173,787
Utilities and house rent	6,400,008	4,597,110	-	65,472,361
Post employment benefits	1,359,996	974,364	-	13,035,158
	25,359,996	18,180,870	-	257,485,527
Number of persons as at year end	1	3	3	144

45.1 The Chief Executive is provided with free use of Company maintained car.

45.2 No amount has been charged in these financial statements in respect of meeting fee for non-executive directors during year ended June 30, 2016.

	Unit	2016	2015
46 Plant capacity and actual production			
Spinning			
Number of rotors installed	No.	2,992	2,992
Annual installed capacity converted into 6.5s count	Kgs	18,424,200	17,078,320
Actual production converted into 6.5s count for the year	Kgs	15,656,870	11,846,467
Number of spindles installed	No.	54,888	54,888
Annual installed capacity converted into 20s count	Kgs	14,668,821	14,668,821
Actual production converted into 20s count for the year	Kgs	10,883,733	6,788,630
Weaving			
Number of looms installed	No.	230	230
Annual installed capacity converted into 38 picks	Mtrs.	49,407,078	49,407,078
Actual production converted into 38 picks for the year	Mtrs.	40,636,743	29,729,042
Garments			
Number of stitching machines installed	No.	2,229	2,229
Annual installed capacity	Pcs	12,000,000	12,000,000
Actual production for the year	Pcs	4,729,604	5,402,779

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist, picks etc. It would also vary according to the pattern of production adopted in a particular year.

47 Provident Fund Trust

The following information is based on latest audited financial statements of Provident Fund Trust.

	Unit	2016	2015
Size of fund - total assets	Rupees	-	80,311,437
Cost of investments made	Rupees	-	35,525,868
Percentage of investments made	Percentage	0.00%	44.24%
Fair value of investment	Rupees	-	29,511,878

The breakup of fair value of investments is as follows:

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Shares in listed companies	-	0.00%	1,023,705	3.47%
Debt securities	-	0.00%	9,534,049	32.31%
Mutual funds	-	0.00%	15,768,000	53.43%
Cash at bank	-	0.00%	3,186,124	10.80%
	-	0.00%	29,511,878	100.00%

48 Number of employees

The average and total number of employees are as follows:

	2016	2015
Average number of employees during the year	5,552	6,584
Total number of employees as at end of year	5,189	6,482

49 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassifications for better presentation include bank discounting charges amounting to Rs. 67.74 million previously included in "Other expenses - Foreign exchange loss" now presented in "Finance cost".

50 Date of authorization for issue

These financial statements were authorized for issue on September 03, 2016 by the Board of Directors of the Company.

51 General

Figures have been rounded off to the nearest rupee.

Lahore

Chief Executive

Director

PATTERN OF SHAREHOLDING ORDINARY SHARES

As at:- June 30, 2016

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
366	1 -	100	14,060	0.00
774	101 -	500	309,491	0.07
981	501 -	1000	902,165	0.20
2298	1001 -	5000	6,864,660	1.53
942	5001 -	10000	7,586,989	1.69
397	10001 -	15000	5,193,346	1.16
280	15001 -	20000	5,232,082	1.16
222	20001 -	25000	5,228,637	1.16
124	25001 -	30000	3,542,438	0.79
77	30001 -	35000	2,575,113	0.57
81	35001 -	40000	3,106,723	0.69
56	40001 -	45000	2,432,620	0.54
95	45001 -	50000	4,690,494	1.04
24	50001 -	55000	1,265,671	0.28
40	55001 -	60000	2,343,570	0.52
23	60001 -	65000	1,451,242	0.32
3	65001 -	70000	2,398,808	0.53
28	70001 -	75000	2,078,508	0.46
12	75001 -	80000	948,000	0.21
14	80001 -	85000	1,170,009	0.26
16	85001 -	90000	1,426,200	0.32
6	90001 -	95000	556,623	0.12
49	95001 -	100000	4,891,500	1.09
14	100001 -	105000	1,437,748	0.32
9	105001 -	110000	966,683	0.22
10	110001 -	115000	1,131,352	0.25
4	115001 -	120000	474,668	0.11
9	120001 -	125000	1,110,000	0.25
7	125001 -	130000	901,500	0.20
4	130001 -	135000	529,900	0.12
10	135001 -	140000	1,381,000	0.31
6	140001 -	145000	854,800	0.19
13	145001 -	150000	1,950,000	0.43
4	150001 -	155000	609,500	0.14
3	155001 -	160000	473,000	0.11
3	160001 -	165000	490,500	0.11
5	165001 -	170000	836,306	0.19
5	170001 -	175000	861,500	0.19
5	175001 -	180000	890,197	0.20
2	180001 -	185000	364,500	0.08
1	190001 -	195000	190,500	0.04
14	195001 -	200000	2,800,000	0.62
1	205001 -	210000	205,900	0.05
3	210001 -	215000	640,000	0.14
2	215001 -	220000	438,550	0.10
2	220001 -	225000	450,000	0.10
1	225001 -	230000	228,000	0.05
1	230001 -	235000	231,000	0.05

PATTERN OF SHAREHOLDING ORDINARY SHARES

As at:- June 30, 2016

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
2	235001 -	240000	477,732	0.11
1	240001 -	245000	243,500	0.05
4	245001 -	250000	997,350	0.22
7	250001 -	255000	1,776,656	0.40
1	255001 -	260000	257,000	0.06
1	265001 -	270000	269,000	0.06
1	270001 -	275000	275,000	0.06
1	290001 -	295000	291,000	0.06
7	295001 -	300000	2,100,000	0.47
2	300001 -	305000	610,000	0.14
1	305001 -	310000	310,000	0.07
2	315001 -	320000	637,000	0.14
2	320001 -	325000	647,500	0.14
3	325001 -	330000	988,000	0.22
2	330001 -	335000	667,354	0.15
3	335001 -	340000	1,011,602	0.23
1	340001 -	345000	343,000	0.08
1	345001 -	350000	350,000	0.08
1	350001 -	355000	354,000	0.08
1	355001 -	360000	357,700	0.08
1	375001 -	380000	380,000	0.08
1	390001 -	395000	391,000	0.09
6	395001 -	400000	2,400,000	0.53
1	405001 -	410000	409,000	0.09
2	445001 -	450000	900,000	0.20
1	455001 -	460000	460,000	0.10
1	475001 -	480000	478,523	0.11
3	495001 -	500000	1,500,000	0.33
1	520001 -	525000	522,100	0.12
1	550001 -	555000	552,000	0.12
3	595001 -	600000	1,800,000	0.40
1	645001 -	650000	645,064	0.14
1	725001 -	730000	728,000	0.16
1	735001 -	740000	736,455	0.16
1	750001 -	755000	751,000	0.17
1	800001 -	805000	801,000	0.18
1	875001 -	880000	876,500	0.20
2	895001 -	900000	1,800,000	0.40
1	965001 -	970000	967,000	0.22
2	995001 -	1000000	2,000,000	0.45
1	1020001 -	1025000	1,024,500	0.23
1	1045001 -	1050000	1,050,000	0.23
1	1050001 -	1055000	1,054,000	0.23
1	1075001 -	1080000	1,075,953	0.24
1	1185001 -	1190000	1,187,500	0.26
1	1715001 -	1720000	1,719,600	0.38
1	2220001 -	2225000	2,222,222	0.49
1	2380001 -	2385000	2,380,260	0.53

PATTERN OF SHAREHOLDING ORDINARY SHARES

As at:- June 30, 2016

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
1	3265001 -	3270000	3,268,908	0.73
1	3895001 -	3900000	3,900,000	0.87
1	4585001 -	4590000	4,586,819	1.02
1	4995001 -	5000000	5,000,000	1.11
1	5365001 -	5370000	5,365,197	1.19
1	5450001 -	5455000	5,452,465	1.21
1	5595001 -	5600000	5,600,000	1.25
1	6200001 -	6205000	6,201,644	1.38
1	8400001 -	8405000	8,401,344	1.87
1	9495001 -	9500000	9,500,000	2.11
1	9740001 -	9745000	9,740,883	2.17
1	10075001 -	10080000	10,078,656	2.24
1	10420001 -	10425000	10,425,000	2.32
1	11105001 -	11110000	11,106,000	2.47
1	16295001 -	16300000	16,300,000	3.63
1	16950001 -	16955000	16,953,845	3.77
1	22165001 -	22170000	22,169,691	4.93
1	22255001 -	22260000	22,260,000	4.95
1	30445001 -	30450000	30,450,000	6.78
1	112155001 -	112160000	112,157,863	24.96
7,182			449,349,439	100.00

PATTERN OF SHAREHOLDING

Ordinary Shares as at June 30, 2016

Sr. No.	Categories of shareholders	share held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	30,622,089	6.81
2	Associated Companies, undertakings and related parties	112,157,863	24.96
3	NIT and ICP	120,060	0.03
4	Banks Development Financial Institutions, Non Banking Financial Institutions	37,883,212	8.43
5	Insurance Companies	6,967,079	1.55
6	Modarabas and Mutual Funds	-	0.00
7	Share holders holding 10% and more	112,157,863	24.96
8	General Public		
	a. Local	217,978,625	48.51
	b. Foreign	6,630,818	1.48
9	Others		
	Investment Companies	48,785	0.01
	Joint Stock Companies	26,439,560	5.88
	Provident / Pension Funds and Misc	10,501,348	2.34

INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

	Number of Shares	Pecentage
Associated Companies, undertaking and related parties		
M/s. Jahangir Siddiqui & Co. Ltd.	112,157,863	24.96
Mutual Funds;		
CDC - Trustee National Investment (Unit) Trust	108,357	0.02
Directors, Chief Executive Officer and their spouse and minor children		
Mr. Ahmed H. Shaikh	30,450,000	6.78
Mr. Nasir Ali Khan Bhatti	5	0.00
Mr. Usman Rasheed	1	0.00
Mr. Saghir Ahmad	1	0.00
Mr. Munir Alam	1	0.00
Mr. Aamer Ghias	1	0.00
Mr. Zahid Mahmood	80	0.00
Mrs. Mehreen Kanwal W/o Ahmed H. Shaikh	172,000	0.04
Executives;	Nil	
Public Sector Companies and Corporation, Banks, DFIs, Insurance Companies Takaful, Modarabas & Pension Funds;	81,851,687	18.22
Individuals	224,609,443	49.99
	449,349,439	100.00

Shareholders holding five percent or more voting rights in the listed Compan		
Mrs. Nasreen H.Shaikh	22,573,445	5.02
Mr. Ahmed H.Shaikh	30,450,000	6.78
M/s.Jahangir Siddiqui & Co. Ltd.	112,157,863	24.96
Detail of trading in shares by the Directors, CEO, CFO, Company Secretary their Spouses and Minor Children.	Nil	

FORM OF PROXY

Azgard Nine Limited

AZGARD-9

I/We ______________________________

son/daughter of ______________________________

a member of Azgard Nine Limited and holder of ______________ ordinary shares as

per Registered Folio No. ____________ Do hereby appoint Mr./Ms. ____________

son/daughter of ______________________________ Or failing him/her

Mr./Ms. ______________________________

son/daughter of ______________________________

who is also member of the Company vide Registered Folio No. ______________

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Saturday the October 29, 2016 at 10:00 a.m. at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore and at any adjournment thereof.

In witness whereof on this ____________ Day of ____________ 2016

WITNESSES

1. Signature ____________

   Name ____________

   Address ____________

   ____

   CNIC ____________

2. Signature ____________

   Name ____________

   Address ____________

   ____

   CNIC ____________

Affix Revenue Stamp

Member's Signature

NOTE:

1. The Form of Proxy should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.
2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their National Identity Cards/Passport in original to provide his/her identity, and in case of Proxy, must enclosed as attested copy of his/her CNIC or Passport. Representative of corporate members should bring the usual documents for such purpose.

AFFIX
CORRECT
POSTAGE

The Company Secretary
AZGARD NINE LIMITED
Ismail Aiwan-e-Science
Lahore - 54600

AZGARD-9

پراکسی فارم

ایزگارڈ نائن لمیٹڈ

میں / ہم ....

ولد / دختر ....

ایزگارڈ نائن لمیٹڈ کا ممبر اور ہولڈر ....

عمومی شیئرز از رجسٹرڈ فولیو نمبر .... جناب / محترمہ ....

ولد / دختر ....

کا تقرر کرتا ہوں یا اس کے ناکام ہونے پر ....

ولد / دختر ....

جو کہ خود بھی کمپنی کا رجسٹرڈ فولیو نمبر .... کے تحت ممبر ہے میرے / ہمارے پروکسی کے طور پر شرکت کرے، تقریر / بیان کرے، میرے / ہمارے لئے ووٹ دے اور میرے / ہماری جانب سے کمپنی کی سالانہ اجلاس عام جو کہ بروز ہفتہ 29 اکتوبر 2016 بوقت 10:00 بجے صبح بمقام کمپنی کے رجسٹرڈ آفس: اسماعیل ایوان سائنس، شاہراہ رومی، لاہور اور اسکے کسی التواء کی صورت میں۔

مورخہ .... 2016 کو روبرو گواہان تحریر کیا ہے۔

گواہ شد	گواہ شد	
دستخط	دستخط	ریونیو ٹکٹ لگائیں
نام	نام	
پتہ	پتہ	
شناختی کارڈ نمبر	شناختی کارڈ نمبر	

ممبر کے دستخط : ....

نوٹ:

1۔ پراکسی فارم کو لازمی طور پر کمپنی کے رجسٹرڈ آفس میں اجلاس سے 48 گھنٹے قبل جمع کروائیں۔

2۔ CDC شیئر ہولڈرز اجلاس میں شامل ہونے اور ووٹ دینے کے اہل اپنا اصل شناختی کارڈ اپنے شناخت کے طور پر پیش کریں گے اور پراکسی کی صورت میں لازمی تصدیق شدہ شناختی کارڈ یا پاسپورٹ کی کاپی منسلک کریں گے کارپوریٹ ممبرز کے نمائندگان اس مقصد کیلئے عمومی کاغذات ہمراہ لائیں گے۔

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POSTAGE

The Company Secretary
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