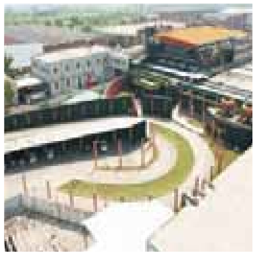
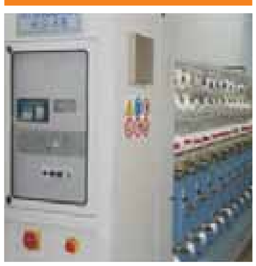
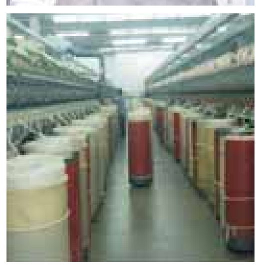
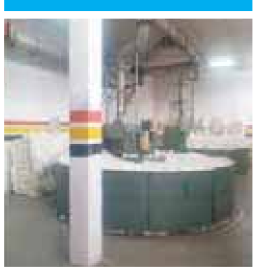


AZGARD-9





AZGARD NINE LIMITED
ANNUAL REPORT
2017

Contents

VISION STATEMENT

To become a major global Fashion Apparel Company

MISSION STATEMENT

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 Awais

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

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
National Bank of Pakistan
Allied Bank Limited
Silkbank Limited
Summit Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bankislami Pakistan Limited
Bank of Khyber

Relationship with Islamic window operations
Al Baraka Bank Pakistan Limited

REGISTERED OFFICE
Ismail Aiwan-e-Science
Off: Shahrah-e-Roomi, Lahore-54600.
Ph: +92(0)42 35761794-5
Fax: +92(0)42 3576-1791

E-MAIL
info@azgard9.com

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, Muzaffaragarh.
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

CHAIRMAN'S REVIEW

It gives me pleasure to present you the annual review of the audited financial statements for the year ended June 30, 2017 and the overall performance of Board. I would take this opportunity to invite you for the 24th Annual General Meeting of the Company.

Review of the Company's performance

Despite decrease in sales during this financial year, performance of the Company in terms of profitability has been better. Considering the tough competition and economic slowdown, efforts of the management are yielding better results. I would like to appreciate the efforts of the management towards cost reduction, better utilization of capacities and product development. Scheme for 2nd financial restructuring is expected to be filed with the High Court after getting consent of few remaining lenders. Approval and implementation of this Scheme would be achievement and a significant milestone for the Company

The Company has to work harder to compete with the increasing competition. Plans of the Company to upgrade plant and machineries should yield better efficiencies and reduce production costs.

Review of the Board's performance

The Board is aware of the importance of its role in achieving objectives of the Company. The Board acknowledges its responsibility for Corporate & Financial reporting Framework and is committed to good Corporate Governance.

Attendance of board members in board and committee meetings has been 100%. Board is devoted and focused towards Company's values and mission. Board members do have the suitable knowledge, variety of expertise and experience that is required to successfully govern the business. Individual board members are committed to perform for the betterment of the Company. Areas of planning, risk management, policy development, budgeting, reporting, monitoring and approval have been appropriately given time and discussed with better outcomes.

On behalf of the Board, I appreciate the support of all the financial institutions. I express gratitude to our valued customers. It is the hard work and dedication of all our employees that have made such results possible.

November 03, 2017

Chairman

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, 2017.

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 ended June 30, 2017 (stand alone):

	Year ended June 30, 2017	Year ended June 30, 2016
	Rupees	Rupees
Sales – net	12,802,374,277	13,176,284,444
Operating profit	932,002,570	599,786,053
Finance cost	(965,600,192)	(1,207,624,572)
Loss before tax	(43,093,296)	(683,601,570)
Loss after tax	(133,565,289)	(814,146,969)
Loss per share	(0.29)	(1.79)

Review for the year

During this year, the textile sector remained under pressure. Specifically spinning sector has remained adverse due to low yarn prices and high cost of raw material. Government did announce incentive package by which rebate in the form of Duty Drawback of taxes was allowed at specified rates on selected textile products with effect from 16 January 2017 to 30 June 2017. This duty drawback has been much appreciated to restore the competitiveness of Pakistan made textile products. Despite this incentive package, the textile exports of our country have not been able to perform. According to Pakistan Bureau of Statistics, country's overall textile exports of this year remained unchanged as compared to the previous year.

During the year ended 30 June 2017, the sales of the Company have shown decline of 2.83%. Sales of Weaving segment decreased by almost 30%. The decrease in sales of Weaving segment have been due to less demand in export markets. Devaluation of Turkish Lira against the US Dollar has been major factor for less demand from the Turkish markets as this made Turkish local manufacturers more competitive as compared to imports. Sales of Garments segment increased by almost 47% as this segment has been able to perform better in European markets. In spite of overall decrease in sales, the Company has been able to increase the profit from operations to Rs. 927.45 million registering increase of 54.63% as compared to profit from operations of last year. During this year, there is nominal loss before tax compared to higher losses before tax during previous years. It is huge achievement for the Company considering breakeven results in these difficult times.

The better profitability is attributable to continuous efforts of the management to curtail costs and to improve operating efficiencies. Despite continuously increasing competition from neighboring countries like Bangladesh and economic slowdown, the efforts of management are commendable which resulted in better results.

Funds of Rs. 306.022 million due from sale of preference shares of Agritech Limited are still awaited. It is hoped that these can now be released during this financial year. This would result in further improvement in financial position of the Company.

Financial Restructuring of Debts

For some years, the Company has been facing a shortage of liquidity due to losses. Resultantly, the Company was unable to meet its obligations in respect of various debt finances. Details are mentioned in note 41.2.2 to the financial statements. To address this issue, a 2nd financial restructuring was initiated in year 2014. As a result of this financial restructuring, it is anticipated that a major portion of the principal and related mark-up would be settled through sale of certain assets and a rights issue of the Company's share capital (subject to requisite approvals and regulatory consents). During this process of restructuring, a term sheet was prepared, circulated, discussed and finalized during year 2014. Requisite approvals of lenders on term sheet were obtained during year 2015. During year 2016; scheme of arrangement was finalized based on the final term sheet and has been circulated to the lenders for approval. To date; most of the lenders have already given their consent on the document for the restructuring scheme. After getting consent of few remaining lenders, the scheme of restructuring will be filed with the High Court for approval. Post restructuring, it is anticipated that the Company's debt levels shall be sustainable. It is expected that post this restructuring the Company should be able to improve its business operations and meet its debt obligations on time.

Future Outlook -Textile Business

The retail apparel sector of the western world has not really been growing over the last couple of years. Consumers are becoming more demanding. The manufacturers are increasing their capacities. It appears more competition would be there in coming years. Battle for survival of the fittest would be there. Margins could be squeezed further in the coming years. We are also keeping an eye on the status of the market of Turkey which has impacted the Company's business.

We are constantly working on new product developments, developing new markets and cost reductions to cope with this challenging situation. During the year ending 30 June 2018, the Company is also planning to upgrade some of the plant and machinery to increase the efficiency of processes and save cost of production. Hopefully with our vast experiences and team work, things can be improved.

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 are 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.

Detailed Report on Corporate Social Responsibility is also given separately.

Earnings per share

The loss per share for the Company for the year ended June 30, 2017 is Rs 0.29 per share.

Dividends

Due to losses of the Company and circumstances discussed above, the Board of Directors has not recommended dividend for the year ended June 30, 2017.

Post balance sheet events

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.

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 a going concern. Auditors have emphasized the matter of going concern in their report however these financial statements have been prepared on going concern assumption for reasons more fully disclosed in the financial statements.
- 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, 2017 except for those disclosed in the financial statements.
- Directors, Executives and their spouses and minor children did not carry out any transaction in shares of the Company during the year.
- The Company has not arranged training programs for its directors during the year. However, the Company has planned 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 directors bring to the Company his vast experience of business, government and law, contributing valuable input and ensuring the Company's operations at a high standard of the principles of legal and corporate compliance.

Following are names of persons who were directors of the Company during the year ended 30 June 2017, number of Board and Committees' meetings held during the year and status of attendance by each director:

Board of Directors' Meetings

Five (5) meetings were held during the period from July 1, 2016 to June 30, 2017

Name of Directors	Eligibility	Attended
Mr. Zahid Mahmood	5	5
Mr. Ahmed H. Shaikh	5	5
Mr. Nasir Ali Khan Bhatti	5	5
Mr. Usman Rasheed	5	5
Mr. Munir Alam	5	5
Mr. Saghir Ahmad	5	5
Mr. Aamer Ghias	5	5

HR & Remuneration Committee Meetings

One (1) meeting was held during the period from July 1, 2016 to June 30, 2017

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

Audit Committee Meetings

Six (6) meetings were held during the period from July 1, 2016 to June 30, 2017

Name of Directors	Eligibility	Attended
Mr. Nasir Ali Khan Bhatti	6	6
Mr. Usman Rasheed	6	6
Mr. Zahid Mahmood	6	6

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

As mentioned in previous financial statements of the Company, during year ended 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). Considering the liquidation, the Company provided impairment of balance amount of Rs. 452.529 million during year ended 30 June 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 3,835,343.89 has been accepted on account of principal and interest as subordinate claim. The Company has been advised by its legal counsel that, by law in Italy Company cannot be a priority claimant as it is the parent company of MBL.

The Company has contested with the court that its claim should be accepted as at least unsecured claim rather than being subordinate claim. Recently the Court has appointed an expert to decide whether claim of the Company should be accepted as unsecured claim or subordinate. The decision of this expert is now awaited.

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 section 228 of the Companies Act, 2017 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. As mentioned in financial statements of the Company, the scheme for 2nd financial restructuring is underway and after getting consent of few remaining lenders it will be filed with the High Court for approval. Post restructuring the repayment schedules of the loans would be revised as per restructuring plan approved by High Court. Considering this situation, the Company has classified the long term debts as per respective repayment schedule of 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 financial restructuring and ultimate value of these TFCs would be available after completion of 2nd financial 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 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 proceedings have been completed.

Auditors' observation in their audit report regarding Company's ability to continue as going concern due to liquidity issue. The operations of the Company have remained better as Company has earned profit from operations of Rs. 932.00 million as compared to Rs. 599.79 million of pervious year. In addition to this, as mentioned above the Company is in process of 2nd financial restructuring with completion of which portion of loans would be settled and remaining loans should be regularized. Consequently liquidity issue of the Company would be solved.

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. The Board of Directors of your Company, based on the recommendation of the audit committee of the Board, has proposed Deloitte for reappointment as auditors of the Company for the ensuing year.

Audit committee

The Board of Directors constituted a fully functional Audit Committee comprising three members; 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, adequate reporting structure as well as determining appropriate measures to safeguard the Company's assets.

Internal audit function

The Board have 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, 2017 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 website of the Company www.azgard9.com for information of the shareholders and others.

Acknowledgment

The board appreciates the support of all the valued customers of the Company for their continued confidence. The Board would like to thanks all the financial institutions for their cooperation and support. The Board of the Company also acknowledges the hard work and continuous and tireless dedication of all the employees of the Company without them none of this would be possible. Continued support of all the stakeholders would be required in the future, in order to continue to improve the Company's performance in times to come.

On behalf of the Board of Directors

Chief Executive Officer **Director**

Date: November 03, 2017

ممبران کیلئے ڈائریکٹرز رپورٹ :۔

ایز گارڈ نائن لمیٹڈ (کمپنی) کے ڈائریکٹرز انتظامی ٹیم کے ہمراہ کمپنی کی سالانہ فنانشل آڈٹ رپورٹ برائے سال 30 جون 2017 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۔

ایز گارڈ نائن لمیٹڈ (کمپنی) کے آپریٹنگ مالیاتی نتائج برائے سال 30 جون 2017 درج ذیل ہیں۔

تفصیلات	سال مختتمہ 30 جون 2017 (روپے)	سال مختتمہ 30 جون 2016 (روپے)
فروختگی (Net)	12,802,374,277	13,176,284,444
آپریٹنگ منافع	932,002,570	599,786,053
مالیاتی اخراجات	(965,600,192)	(1,207,624,572)
نقصان قبل از ٹیکس	(43,093,296)	(683,601,570)
نقصان بعد از ٹیکس	(133,565,289)	(814,146,969)
خسارہ فی شیئر	(0.29)	(1.79)

سالانہ جائزہ

اس سال کے دوران ٹیکسٹائل سیکٹر دباؤ میں رہا۔ خاص طور پر سپننگ کا شعبہ دھاگے کی کم قیمت اور خام مال کی بڑھتی ہوئی قیمت کی وجہ سے نہایت ہی برا رہا۔ حکومت نے رعایتی پیکیج کا اعلان کیا جس کی وجہ سے ٹیکسز میں 16 جنوری 2017 تا 30 جون 2017 تک طے شدہ ٹیکسٹائل کی مصنوعات پر خاص ریٹ پر ڈیوٹی ڈرابیک دی گئی۔ اس ڈیوٹی ڈرابیک کو پاکستان میں ٹیکسٹائل مصنوعات میں دوسرے ممالک کے ساتھ مقابلہ بازی کی سکت پیدا کرنے پر بہت سراہا گیا۔ اس رعایتی پیکج کے باوجود ہمارے ملک کی ٹیکسٹائل برآمدات میں بہتری نہیں آسکی۔ پاکستان بیورو آف سٹیٹسٹکس کے مطابق ملک کی مکمل ٹیکسٹائل برآمدات پچھلے سال کے برابر رہیں۔

30 جون 2017 کے سال کے دوران کمپنی کی فروخت میں 2.83 فیصد کمی ہوئی۔ برآمداتی منڈیوں میں کم طلب کی وجہ سے ویونگ شعبہ کی فروخت میں 30 فیصد کمی آئی۔ ایک اور وجہ امریکی ڈالر کے مقابلہ میں ترکش لیرا کی مالیت میں کمی نے ترکی میں برآمدات کو متاثر کیا ہے۔ ترکی، کمپنی کی مصنوعات کی بڑی منڈی ہے۔ اس لیرا کی مالیت کی کمی کی وجہ سے مقامی ترکش تیار کنندگان زیادہ مدمقابل ثابت ہو رہے ہیں۔ کمپنی نے یورپین منڈیوں میں بہتر کام کیا جس کی وجہ سے گارمنٹس کے شعبہ کی فروخت میں 47 فیصد اضافہ ہوا ہے۔ فروخت میں کمی کی وجہ کے باوجود کمپنی نے Rs.927.45 ملین آپریٹنگ منافع کمایا جو کہ پچھلے سال کے مقابلہ میں 54.63 فیصد زیادہ ہے۔ مشکل حالات کے باوجود یہ نتائج بہت بڑی کامیابی ہے۔

یہ بہتر منافع انتظامیہ کی انتھک محنت کی وجہ سے ہے، ہمسایہ ممالک جیسا کہ بنگلہ دیش کی جانب سے مقابلے میں مسلسل اضافہ اور معاشی سست روی کے باوجود انتظامیہ کی کاوشوں کو خراج تحسین ہے کہ ان مشکل حالات میں نقصان کو محدود رکھنا بھی کمپنی کی بڑی کامیابی ہے۔ خرچہ میں کٹوتی اور آپریٹنگ صلاحیت میں اضافہ کی وجہ سے بہتر نتائج حاصل کئے۔

Agritech لمیٹڈ کے ترجیحی حصص 306.022 ملین کی فروخت باقی ہے کمپنی اس کا فی الحال انتظار کر رہی ہے اور یہ امید ہے کہ یہ تمام فنڈ زموجودہ مالیاتی سال میں مل جائیں گے یہ مزید بہتری کی وجہ بنے گی۔

قرضہ جات کی مالیاتی تنظیم نو

کچھ سالوں سے کمپنی سرمایہ میں کمی کا سامنا کر رہی ہے جس کی وجہ سے کمپنی اپنے قرضوں کی ادائیگیاں نہیں کر پا رہی۔ جس کی تفصیلات مالیاتی سٹیٹمنٹس کے نوٹ نمبر 41.2.2 میں درج ہیں۔ اس مسئلہ کے حل کیلئے 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 (بعداز مطلوبہ اجازت اور ریگولیٹری اجازت نامہ) کر کے کیا جائے گا۔ اس مالیاتی تنظیم نو کے دوران ٹرم شیٹ کو تیار، تقسیم، بحث اور سال 2014 میں حتمی شکل دی گئی۔ ٹرم شیٹ کی نسبت قرض دہندگان سے سال 2015 میں اجازت حاصل کر لی گئی۔ اس ٹرم شیٹ کی بنیاد پر انتظامی منصوبہ بندی سال 2016 کے دوران تیار کی گئی اور حتمی شکل دی گئی۔ اس وقت تک زیادہ تر قرض دہندگان نے اپنی تحریری طور پر اس مالیاتی تنظیم نو کی اجازت دیدی ہے۔ باقی کے چند قرض دہندگان کی اجازت کے بعد اس مالیاتی تنظیم نو کو ہائی کورٹ میں اجازت کے لئے جمع کروا دیا جائے گا۔ بعداز 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۔

مستقبل کے نقطہ نظر سے ٹیکسٹائل کاروبار

پچھلے کچھ سالوں سے مغربی دنیا میں کپڑوں کی پرچون فروخت میں اضافہ نہیں ہوا اور خریدار کی خواہشات بڑھ رہی ہیں تیار کنندگان پیداواری صلاحت میں اضافہ کر رہے ہیں، یہ آئندہ آنے والے سالوں میں مزید مقابلہ میں اضافہ کی وجہ بنے گا ہر تیار کنندہ اپنی بقا کی جنگ لڑے گا۔ آنے والوں سالوں میں منافع میں کمی ہو سکتی ہے ہماری نظر تر کی کی منڈیوں پر بھی ہے جس کی وجہ سے کمپنی کے کاروبار پر اثر پڑتا ہے۔

ہم نئی قسم کی مصنوعات بنانے میں اضافہ کر رہے ہیں نئی منڈیاں تلاش کر رہے ہیں اس مشکل صورتحال کی وجہ سے خرچوں میں کمی کر رہے ہیں۔ اپنی صلاحیت میں اضافہ اور لاگت میں کمی کے لئے سال 30 جون 2018 کے دوران مشینری لگانے کی منصوبہ بندی کر رہے ہیں۔ امید کرتے ہیں ہمارے وسیع تجربہ اور مشترکہ کاوشوں کی وجہ سے مزید بہتری آئے گی۔

کارپوریٹ سماجی ذمہ داری

عالمی معیشت میں کامیابی کے لئے انتظامیہ لوگوں کو ضروری مہارت میں با اختیار 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 با اختیار 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۔ تفصیلی کارپوریٹ سماجی رپورٹ الگ سے دی گئی ہے۔

خسارہ فی شیئرز

مختتمہ سال 30 جون 2017 میں کمپنی کا خسارہ فی شیئر مبلغ 0.29 روپے ہے۔

منافع

بورڈ آف ڈائریکٹرز نے مختتمہ سال 30 جون 2017 کے لئے مندرجہ بالا وجوہات اور نقصان کی بناء پر کوئی منافع تجویز نہیں کیا۔

بیلنس شیٹ کے بعد کے معاملات

مالیاتی سال کے اختتام سے لیکر ڈائریکٹر رپورٹ کی تیاری تک کوئی بڑی تبدیلی جس کا مالیاتی حالت پر اثر ہو نہیں ہے۔

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 کمپنی کی حیثیت ایسی ہے کہ یہ کام کرتی رہے گی اور اس حیثیت پر آڈیٹر نے اپنی رپورٹ میں تحفظات ظاہر کئے البتہ ان مالیاتی سٹیٹمنٹس کو بناتے وقت کمپنی کی اس ہی حیثیت کو مدنظر رکھا گیا ہے۔ وجوہات مالیاتی سٹیٹمنٹس میں بیان کی گئی ہیں۔

☆ پچھلے چھ سال کے قلیدی آپریٹنگ اور مالیاتی اعداد و شمار منسلک کئے گئے ہیں۔

☆ 30 جون 2017 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۔

☆ کمپنی کے شیئرز میں ڈائریکٹرز، ایگزیکٹو 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۔

بورڈ آف ڈائریکٹرز

کمپنی کے بورڈ کے زیادہ ڈائریکٹرز غیر جانبدار ہیں جو کہ ٹرانسپرنسی اور اچھی کارپورٹ 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 ڈائریکٹرز کمپنی کیلئے کاروبار، گورننس اور قانون کا وسیع تجربہ رکھتے ہیں۔ قیمتی مشورے دیتے ہیں اور کمپنی کے اونچے درجہ کے معاملات کے قانونی اصولوں اور کارپوریٹ کمپلائنس کو یقینی بناتے ہیں

بورڈ آف ڈائریکٹرز کی میٹنگز

بورڈ آف ڈائریکٹرز کی سال کے دوران پانچ میٹنگز 01 جولائی 2016 تا 30 جون 2017 تک منعقد ہوئی ہیں

نام	اہلیت	حاضری
جناب زاہد محمود	5	5
جناب احمد ایچ شیخ	5	5
جناب ناصر علی خان بھٹی	5	5
جناب عثمان رشید	5	5
جناب منیر عالم	5	5
جناب صغیر احمد	5	5
جناب عامر غیاث	5	5

ہیومن ریسورس اور معاوضہ کمیٹی کی میٹنگ

سال 01 جولائی 2016 تا 30 جون 2017 تک ایک میٹنگ منعقد ہوئی ہے۔

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

آڈٹ کمیٹی کی میٹنگز

سال 01 جولائی 2016 تا 30 جون 2017 تک 6 میٹنگز منعقد ہوئی ہیں۔

نام	اہلیت	حاضری
جناب ناصر علی خان بھٹی	6	6
جناب عثمان رشید	6	6
جناب زاہد محمود	6	6

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

جیسا کہ پچھلے مالیاتی سٹیٹمنٹس میں بیان کیا گیا ہے کہ سال 2015ء میں جمہوریہ اٹلی Vicenza کی عدالت نے پبلک پراسیکیوٹر کی سفارش پر Montebello S.R.L (MBL) کو بنک دیوالیہ تجویز کیا اور ٹرسٹی تعینات کیا کہ وہ اس کے معاملات اور انتظام دیکھے۔ اس کو مدنظر رکھتے ہوئے کمپنی نے ایمپیئر منٹ مبلغ 452.529 ملین روپے دوران اختتام سال 30 جون 2015 کی کتابوں میں ظاہر کی۔

اس بنک دیوالیہ کارروائی کے دوران، 48 پارٹیز نے Vicenza کی عدالت میں دعویٰ جات دائر کیے جو کہ عدالت نے تمام تر منظور کر لئے۔ اس طرح کل 7,893,794.48 یورو کے دعویٰ جات کو تسلیم کر لیا گیا۔ ترجیحی دعویٰ جات کی ویلیو 3,929,380.39 ہے اور غیر محفوظ اور سب اورڈینیٹ دعویٰ جات 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۔ MBL کی مادری کمپنی کی حیثیت سے اصل رقم و سود 3,835,343.89 یورو کا سب اورڈینیٹ دعویٰ منظور ہو چکا ہے اور کمپنی کی قانونی مشیر نے کمپنی کو صلاح دی ہے کہ کمپنی ترجیحی دعویٰ دار نہیں ہو سکتی۔

کمپنی نے عدالت میں موقف اختیار کیا ہے کہ اس دعویٰ کو سب اورڈینیٹ دعویٰ کے بجائے کم از کم غیر محفوظ دعویٰ کے طور تسلیم کیا جائے حال ہی میں عدالت نے ایک ماہر کو تعینات کیا کہ وہ فیصلہ کرے کہ کمپنی کا دعویٰ غیر محفوظ ہو یا سب اورڈینیٹ ہو۔ اس ماہر کے فیصلہ کا انتظار ہے۔

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 228 کمپنیز ایکٹ 2017 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 پیراa 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 جا سکا۔ اس تناظر میں انٹرنیشنل اکاؤنٹنگ سٹینڈرڈ 1- پریزنٹیشن برائے مالیاتی سٹیٹمنٹ یہ کہتا ہے 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۔ جیسا کہ کمپنی کی مالیاتی سٹیٹمنٹس میں بیان کیا گیا ہے کہ دوسری تنظیم نو ہونے جارہی ہے اور باقی کے چند قرض دہندگان کی اجازت کے بعد اس مالیاتی تنظیم نو کو ہائی کورٹ میں اجازت کے لئے جمع کروا دیا جائے گا۔ بعد از مالیاتی تنظیم نو کمپنی توقع رکھتی ہے کہ ہائی کورٹ کی منظوری کی بعد اس کی حالت بہتر ہو جائے گی اور وہ اپنے قرضے اور مارک اپ دینے کے قابل ہو جائے گی۔ اس صورتحال میں کمپنی طویل المدتی قرضہ جات کی درجہ بندی قرضہ کی واپسی کے موجودہ شیڈول کے مطابق کی گئیں ہیں۔

آڈیٹر نے آڈٹ رپورٹ کے پیراb میں Agritech لمیٹڈ کے ٹرم فنانس سرٹیفکیٹ ("TFC") میں سرمایہ کاری کی مالیت 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 مالیت دوسری مالیاتی تنظیم نو کے بعد میسر ہو گی۔

آڈیٹر نے آڈٹ رپورٹ کے پیراc 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 کر دیئے 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 کر لینا اور بالکل اگلے سال اس کی تبدیلی مالیاتی سٹیٹمنٹس کے استعمال کرنے والوں کو الجھائے گی۔

آڈیٹر نے آڈٹ رپورٹ کے پیراd 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 کر لیا گیا ہے اور جب ایک دفعہ بنک دیوالیہ کارروائی مکمل ہو گی تو تفصیل دستیاب ہو گی۔

آڈیٹرز کی آڈٹ رپورٹ میں مشاہدے کے مطابق لیکوڈیٹی ایشو کی وجہ سے کمپنی کی حیثیت کہ یہ کام کرتی رہے گی' غیر یقینی ہے۔ کمپنی کی آپریٹنگ صلاحیت میں بہتری آئی ہے اس نے آپریٹنگ منافع Rs.932.00 ملین حاصل کیا ہے جبکہ یہ پچھلے سال Rs.599.79 ملین تھا۔ اور مزید یہ کہ جیسا کہ اوپر بیان کیا گیا ہے کہ کمپنی اپنی دوسری مالیاتی تنظیم نو کے عمل میں ہے اس کے پورا ہونے کے ساتھ قرضہ جات کا بیشتر حصہ ختم ہو جائے گا اور باقی قرضہ ریگولرائزڈ ہو جائے گا جس وجہ سے لیکوڈیٹی ایشو کا مسئلہ حل ہو جائے گا۔

آڈیٹرز کی تعیناتی

میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، (Deloitte) ممبر زفرم 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۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر دوبارہ تعیناتی کیلئے کمپنی کے آڈیٹر کے طور پر Deloitte کا نام تجویز کیا ہے

آڈٹ کمیٹی

بورڈ آف ڈائریکٹرز پر مشتمل ایک مکمل فعال 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 میں یقینی شفاف انٹرنل آڈٹ، اکاؤنٹنگ اور انتظامی کنٹرول رپورٹنگ سٹرکچر اور کمپنی کے اثاثہ جات کو محفوظ کرنا شامل ہیں۔

انٹرنل آڈٹ فنکشن

بورڈ نے کمپنی کے کاروبار کو جاری رکھنے کیلئے ایک موثر اور توانا ء 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 2017 منسلک کیا گیا ہے۔

ویب موجودگی

کمپنی کی سالانہ اور عبوری مالیاتی سٹیٹمنٹس ،شیئر ہولڈز اور دیگر کی معلومات کیلئے ایز گارڈ 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۔ کمپنی کی کارکردگی میں بہتری کیلئے بورڈ اپنے تمام شراکت داروں کی مستقبل میں بھی مسلسل تعاون اور حمایت کی امید کرتا ہے

بورڈ آف ڈائریکٹرز کی جانب سے

چیف ایگزیکٹو آفیسر

ڈائریکٹر

تاریخ: 03 نومبر 2017

CORPORATE SOCIAL RESPONSIBILITY

The Company is deeply committed to adopting and adhering to international norms and standards governing corporate social responsibility. We constantly strive to maintain a leadership role in this area and wholeheartedly support and fund outreach programs which have a beneficial impact on our environment, employees and the communities we live and work in. As part of this commitment, we are certified under the Social Accountability International's SA 8000 standard and various other related programs pertaining to the following broad areas.

Social responsibility
Community Relations.
Impact on local communities. Participation in local communities. Management of Human Rights.

Environmental responsibility
Impact on the environment. Energy awareness.

Corporate ethics
Standards of ethical conduct.
Recruitment and retainment of staff
Fair Pay scheme & wages.
Rights of employees.
Safe and secure environment.
Compliance with local employment laws. Compliance with International Charter HR best practice policies.

Leadership values and integrity
Some of our key certifications and initiatives are mentioned below.

International Social Accountability SA 8000 Certification
SA 8000 is based on the UN Universal Declaration of Human Rights, Convention on the Rights of the Child and various International Labour Organization (ILO) conventions.

This certification affirms that the Company is fulfilling all its social responsibilities and respects all applicable international / national rules and regulations relating to child labor, forced and compulsory labor, freedom of association and right to collective bargaining, heath and safety, discrimination, disciplinary practices, working hours and remunerations etc. This standard is also used to prevent violation of Human Rights, Child Labor/ Discrimination and to comply with existing Laws, Rules, Regulations, etc.

OSHA Standards
OHSAS 18001 compliant proactive HSE program aims to prevent work-related injuries, illnesses and fatalities. This effort at the Company is independently monitored by a high level Corporate Manager of Health, Safety & Environment who has wide ranging mandate and authority to enforce (Health, Safety & Environment (HSE) standards throughout the company. Effort is complemented with Hearts & Minds Winning techniques for sustainable performance.

GOTS, OCS (Organic Exchange) and GRS (Global Recycling Standard) member

GOTS: The Global Organic Textile Standard (GOTS) is a comprehensive Standard that covers all aspects of the production of natural fibers including processing, manufacturing, packaging, labeling, exportation, importation and distribution. The goal of GOTS is to define world-wide recognized requirements that ensure organic status of textiles, from harvesting of the raw materials, through environmentally and socially responsible manufacturing up to labeling in order to provide an auditable and credible assurance to the end consumer. By creating an international, uniform Standard, the GOTS working group sought to enable organic textile manufacturers and marketers to export their goods anywhere in the world with one universally accepted organic certification.

In organic production, GMO (Genetically modified organisms) are prohibited. In the certification of Organic Exchange, it is certified that the fiber (i.e cotton) is free from GMO and was grown organically.

GRS: The Global Recycled Standard (GRS) addresses input material verification, chain of custody, environmental principles, social requirements, and labelling for textile products made from recycled materials. It aims to be a full-product standard for recycled material content that balances rigor and practicality for the industry and end consumers.

Fair Trade (NGO) registration in process

Azgard Nine is in the process of registering under the Fair Trade NGO. This endeavor aims to underwrite social responsibility in real monetary terms whereby a part of the corporate profits are formally invested in the development of the community.

ISO 14001

ISO 14001 is an organizational system standard for monitoring, controlling, and improving quality of the environment. The ISO 14001 Environmental Management standards exist to help organizations minimize how their operations affect the environment (cause adverse changes to air, water, or land) and comply with applicable laws and regulations,

ETI Base Code SEDEX

Sedex was founded in 2001 by a group of UK retailers to drive convergence in social audit standards and monitoring practices. The aims of Sedex are to ease the auditing burden on suppliers through the sharing of reports and to drive improvements in supply chain standards.

Sedex is a home to the world's largest collaborative platform for sharing responsible sourcing data on supply chains, used by more than 40,000 members in over 150 countries.

Tens of thousands of companies use Sedex to manage their performance around labour rights, health & safety, the environment and business ethics.

Sedex services enable members to bring together many kinds of different data, standards and certifications, to make informed business decisions, and to drive continuous improvement across their value chains

Oeko Tex 100

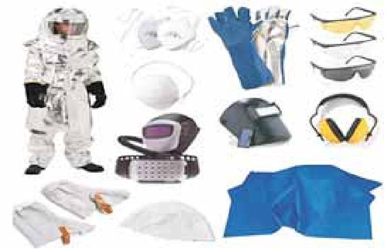
The Oeko-Tex standard 100 mark 'confidence in textiles- tested for harmful substances according to Oeko-tex standard 100" states that the marked product fulfills the conditions specified in the standard of Oeko-Tex 100, and that the product and its conformity test, as specified in this standard are under the supervision of an institute belonging to the international association for research and testing in the field of textile ecology. This certification ensures the absence of all internationally banned chemicals and dyes and that the product is not harmful for human skin.

ISO 9001

ISO 9001 is a family of standards for quality management systems. ISO 9001 is maintained by ISO, the International Organization for Standardization and is administered by authorized accreditation and certification bodies. The requirements of ISO 9001 include maintaining a set of procedures that cover all key processes in the business, to ensure they are effective, maintain adequate records, check output for defects, with appropriate and corrective action where necessary. The ISO 9001 family of standards also require regular reviews of individual processes and the quality system itself for effectiveness, and to facilitate continuous improvement.

HEALTH, SAFETY AND ENVIRONMENT

Business success through HSE excellence



Zero harm to people and environment!
That's the commitment we have made to our employees, contractors, partners, and the communities where we live and work.

HSE Goals
Our company's Health, Safety and Environment initiative lays emphasis on and ensures;

Compliance with relevant local laws and regulations and taking additional measures considered necessary as per the chosen (OSHA) standards.

Continuous improvement in Health, Safety and Environment performance.

Taking measures to minimize waste, prevent pollution and conserve natural resources.

Requiring every member of staff and those who work on our behalf to exercise personal responsibility in preventing harm to themselves, others and the environment.

Requiring every member of staff and those who work on our behalf to exercise personal responsibility in preventing harm to themselves, others and the environment.

Providing resources and systems to prevent occupational illnesses to the staff

Providing appropriate Health, Safety and Environmental training and information to all Azgard Nine Limited employees, contractors and other stakeholders.

Including HSE performance in the appraisal of all staff and reward/recognize accordingly.

Managing HSE matters just as any other critical business activity.

HSE Vision
Safety is our number one priority, and we believe that all accidents and incidents are preventable.

Excellence in HSE performance in all Azgard Nine Businesses.

HSE Strategic Objectives
Elimination of fatal incidents.

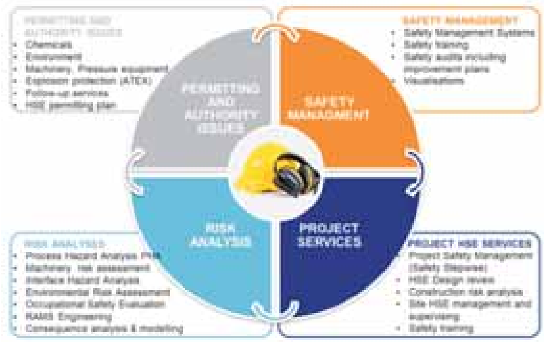
Elimination of fires, explosions, and major spills.

Minimizing the impact to the people from our operations, products, processes and services.

HSE Management system
To achieve our Goals, Vision & Strategic Objectives, the Company is implementing an HSE Management System, a structured and systematic approach which ensures Hazards Identification & Risk Assessment of our critical operations & industrial processes. Our focus is on compliance with both local laws and global customer requirements.

At Azgard Nine, people are at the heart of all activities. We strive to prevent injury and occupational illness and ensure the presence of a free and motivating work environment.

The Company has initiated a number of projects and programs in the following areas of Health, Safety & Environment.



Health

- Minimum Health Management Standards.
- Health Risk Assessment.
- Health Surveillance Program (in house

Audio & Spirometry Procedures).

- Medical Emergency Response & Plan.
- First Aid Basic & Advanced CPR Training.
- In house Health Facilities.
- Health Screening Programs.
- Fitness to Work Protocols.

Safety

- Firefighting equipment & hydrant system.
- Hazards Identification & Risk Assessment.
- Personal Protective Equipment Program.
- Road Transport Safety Program.
- Permit to Work Systems.
- Change Management.

Environment

- ISO 14001 Certification.
- Effluent Treatment Plants.
- Energy Conservation Program.
- Solid & Biological Waste Management. Program.
- Spill Control program.

Permitting and Authority Issues

- Chemicals
- Environment
- Machinery, Pressure Equipment
- Explosion protection (ATEX)
- Follow-up services
- HSE Permitting plan

Safety Management

- Safety Management System
- Safety training
- Safety audits including improvement plans
- Visualizations

Risk Analysis

- Process Hazard Analysis (PHA)
- Machinery Risk Assessment
- Interface Hazard Analysis
- Environmental Risk Assessment
- Occupational Safety Evaluation
- RAMS Engineering
- Consequence analysis & modelling

Project Services

- Project Safety Management (Safety Stepwise)
- HSE Design review
- Construction risk analysis
- Site HSE management and supervising
- Safety training

Azgard Nine Limited has established 'Minimum Health Management Standards' which cover the following areas:

Health Risk Assessment.
Monitoring of Health Performance.
Occupational Illness Incident Reporting.
Fitness to Work.
Local Health Facilities and Emergency Response. Human Factors Engineering in New Projects. Product Stewardship.
Health Impact Assessment.
Community Health Projects.

Compliance with National Statutory Requirements is mandatory for all aspects of health management. Currently accepted scientific knowledge is applied while interpreting these standards.

HSE training program

Your company has established a comprehensive training program which caters to all layers of staff and contractors. Training modules are based on local laws, OSHA, Global Customers Code of Conduct Audit findings & ISO certification requirements.
More than 8,000 man-hours training was imparted at various Azgard Nine sites during 2016-17.

Key training modules

- Hazards & Risk Assessment.
- Chemicals Safety MSDS.
- Hearing Conservation Program.
- Environmental Management System (150 14001).
- Incident/Accident Reporting & Investigation Techniques / Tripod Analysis.
- Personal Protective Equipment Program.
- Heat Stress Management.
- Forklift Safety.
- Defensive Driving Course.
- Hearts & Minds Safety Program.
- Manual Handling / Backache Prevention Program.
- Emotional Stress Management / Work-Life Balance.

Effluent treatment

By adhering to international environment regulations, Azgard Nine is playing a leading role in maintaining a clean environment wherever it is operating.

The effluent treatment plants at both Manga and FPR have the capability to filter solid particles, separate grease, oils, dyes and other chemicals, remove organic decomposition and disinfect the water making it suitable for irrigation.

Health surveillance program

Azgard Nine Limited is the only textile company in Pakistan to have a structured in house Health Surveillance Program. Specialized procedures like Audio & Spirometry are being carried out against hazards such as high noise levels and chemical vapors & cotton dust. The objective is health protection and early detection of potential health damage on account of any harmful occupational exposure. Latest equipment has been procured and in house doctors have undergone extensive training to help meet this objective.

COMMUNITY PROGRAMS

Community health Initiative

The Company is committed to the health and wellbeing of its local communities and employees. It has taken several steps for the enrichment of financially deprived local community, clean water is a basic need of humans and it was a long awaited desire of local community to install water filtration plants for the easy approach to the clean drinking water, which was a costly installation for the local community. Here Azgard Nine feeling it as its social responsibility took a step forward and installed first water filtration plant in the area.

This water filtration plant has a capacity of 500 LPH and it works 24/7 and serve the local community, which provides clean drinking water to the community at an annual cost of over Rs. 2.5 million.

Tree plantation drive

Realizing the critical need for a sustainable green environment, Azgard Nine Group continues to plant trees in the neighboring communities. So far it has planted over 1,500 different type of plants & trees to accelerate the effort at the annual cost of Rs. 0.2 million.

Scholarships for students

Children of employees and local community residents are eligible for need based scholarships which are regularly granted by Azgard Nine. Currently 40 students are sponsored by Azgard Nine for their secondary and professional education.

Community Uplifting Program

Azgard Nine & PSDF

The Company took an initiative of community uplifting program by introducing Technical Training & Education of both male & female in various disciplines and provision of financially deprived community with help of PSDF & UK AID. After successful completion of study program the Company will provide employment to 70% students.

Roads Construction Project Initiative

A roads construction project initiative has been started by the Company under which an approximately 10 K.M road construction project initiated by the Company with the coordination of Local Government for uplifting of local community. The Company played vital role for the construction of carpeted road from main Manga Raiwind Road to Mudkey Dharewal Village. This has improved the traveling of all connecting villages and communities who are cherished because of a proper road and better transportation. Now their access to medical facilities, schools and markets to meet their day to day needs is much better.

Blood Donation Camp

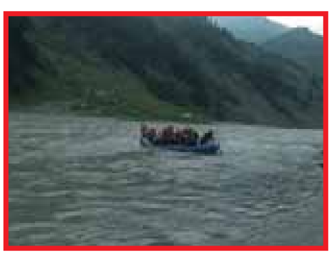
A Blood donation camp has also been organized with the help Ali Zaib Foundation who provides blood transfusion facilities, innovative medical treatment, and public awareness about Thalassemia. The local community donated over 360 pints of blood for the help of poor & needy Thalassemia patents.

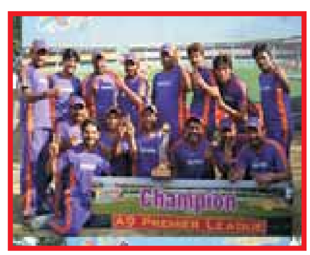
Recreational facilities & Activities

Recognizing that a healthy body is a first prerequisite to a healthy mind, extensive sports and recreational facilities have been made available to the community. As a token of social responsibility acknowledgment the Company organized a tournament under the name of Azgard 9 Premier league. Which was much praised by the local community. There were 15 teams of employees and local community. This league charged the employees and local community with passion. There was an atmosphere of healthy competition and sportsman spirit.

This league was spread over 4 weeks of passion, motivation and celebration, the cost was borne by the Company.

A trip of employees was also organized with the reputed tour operator





NOTICE OF TWENTY FOURTH ANNUAL GENERAL MEETING

Notice is hereby given that Twenty Fourth Annual General Meeting of the Members of AZGARD NINE LIMITED ('the Company') will be held on Monday, November 27, 2017 at 10.00 am at the Registered Office of the Company Ismail Aiwan-i-Science, Off: Shahrah-i-Roomi, Lahore, Pakistan; to transact the following businesses:

Ordinary Business:

1. To confirm the minutes of the Twenty Third Annual General Meeting of the Company held on October 29, 2016;

2. To receive, consider, approve and adopt the audited financial statements of the Company for the financial year ended June 30, 2017, together with the Directors' and Auditors' Reports thereon;

3. To appoint the Statutory Auditors for the year ending June 30, 2018, and to fix their remuneration;

4. To transact any other business with the permission of the Chair.

Special Business:

5. To consider and pass the following resolution(s) as Special Resolution(s), with or without modifications, to approve alteration in the Articles of Association of the Company:

   "RESOLVED THAT the Articles of Association of the Company be amended by adding a new Article 65(a) after the existing Article 65 as follows:

   65(a) The provisions and requirements for e-voting as prescribed by the Securities and Exchange Commission of Pakistan from time to time shall be deemed to be incorporated in these Articles, notwithstanding anything contained herein to the contrary and in case of e-voting, both members and non-members can be appointed as proxy."

   "FURTHER RSOLVED THAT the Company Secretary and/or the Chief Executive Officer be and are hereby jointly/severally authorized to do all acts, deeds and things, take all steps and actions necessary, ancillary and incidental for altering the Articles of Association of the Company and complying with all other regulatory requirements, so as to effectuate the alteration and implementing the aforesaid resolution."

By order of the Board

MUHAMMAD AWAIS
Company Secretary

Lahore: November 04, 2017

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from November 21, 2017 to November 27, 2017 (both days inclusive). Transfers received in order at the Office of Company's Share Registrar M/s. Hameed Majeed Associates (Private) Limited, H. M. House, 7-Bank Square, Lahore, Pakistan ('Registrar') at the close of business on November 20, 2017 will be considered in time to attend and vote at the Meeting.

2. Financial Statements for the year ended June 30, 2017 will be available at the website of the Company www.azgard9.com twenty one days before the date of meeting.

   Further, as per approval obtained from members in Annual General Meeting of the Company held on October 29, 2016 to circulate Annual Audited Accounts through CD/DVD/USB in accordance with SRO 470(I)/2016 dated May 31, 2016 of Securities and Exchange Commission of Pakistan (SECP); Annual Audited Accounts of the Company for the year ended June 30, 2017 are being dispatched to the Members through CD/DVD. The Members may request a hard copy of Annual Audited Accounts free of cost. Standard request form is available at the website of the Company www.azgard9.com.

3. In terms of SRO No 787(I)/2014 dated September 08, 2014 of SECP, shareholders can opt to obtain Annual Balance Sheet and Profit and Loss Account, Auditors' Report and Directors' Report etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request alongwith your valid email ID to provide you the same via email. For convenience, a Standard Request Form has also been made available on the Company's website www.azgard9.com. The Company shall however provide hard copy of annual report to such members, on request, free of cost.

4. The Preference Shareholders are not entitled to attend the meeting.

5. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

6. 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. The proxy shall produce his/her original CNIC or original Passport at the time of meeting.

v. 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.

7. Members are requested to notify/submit the following information/documents; in case of book entry securities in CDS to their respective participants/investor account services and in case of physical shares to the registrar of the Company by quoting their folio numbers and name of the Company at the above mentioned address, if not earlier notified/submitted:

- Change in their addresses, if any.

- Valid and legible copy of CNIC/Passport (in case of individual) and NTN Certificate (in case of corporate entity). Please note that CNIC number is mandatory for issuance of dividend warrants and in the absence of this information payment of dividend shall be withheld.

- Dividend mandate information mentioning title of bank account, International Bank Account Number (IBAN), bank name, branch name, code and address towards direct transfer/credit of cash dividend in your accounts. Please note that all future dividends shall only be paid through online bank transfer as required under Section 242 of the Companies Act, 2017.

8. Members may avail video conference facility for this Annual General Meeting at Karachi, provided the Company receives consent (standard format is given below) atleast 07 days prior to the date of the Meeting from members holding in aggregate 10% or more shareholding residing at above location.

   The Company will intimate respective members regarding venue of the video-link facility before the date of Meeting along with complete information necessary to enable them to access the facility.

"I/we ____________ of _________ being member(s) of Azgard Nine Limited, holder of _________ Ordinary Share(s) as per Registered Folio No./CDC Account No. ________ hereby opt for video conference facility at Karachi in respect of 24th Annual General Meeting of the Company.

____
Signature of Member"

9. For any query/problem/information, Members may contact the Company at email companysecretary@azgard9.com and/or the Share Registrar of the Company at above mentioned address and at (+92 42) 37235081-82, email info@hmaconsultants.com. Members may also visit website of the Company www.azgard9.com for notices/information.

"Statement under Section 134(3) of the Companies Act, 2017, concerning the Special Business, is attached alongwith the Notice circulated to the members of the Company, and is deemed an integral part hereof"

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement is annexed as an integral part of the Notice of the Twenty Fourth Annual General Meeting of the Members of Azgard Nine Limited to be held on Monday, November 27, 2017 at 10.00 am at the Registered Office of the Company, Ismail Aiwan-i-Science, Off: Shahrah-i-Roomi, Lahore, Pakistan; and sets out the material facts concerning the Special Business to be transacted at the Meeting.

SPECIAL BUSINESS (AGENDA ITEM NO. 5)

Alteration in Articles of Association of the Company
The Securities and Exchange Commission of Pakistan (SECP) vide its SRO No. 43(I)/2016 dated January 22, 2016 has issued the Companies (E-Voting) Regulations, 2016 (Regulations) which shall apply to general meetings of listed companies for providing voting rights to members through electronic means managed by authorized Intermediaries. Therefore, in order to comply with the statutory requirement, proposed resolution(s) is/are required to be passed as special resolution(s).

Inspection of Documents:
The copies of the existing and amended Memorandum and Articles of Association have been kept at the Registered Office of the Company, Ismail Aiwan-i-Science, Off: Shahrah-i-Roomi, Lahore, Pakistan, which could be inspected on any working day during usual business hours till the date of Annual General Meeting.

Interest of Directors
The Directors have no direct or indirect interest in the above said Special Business.

FINANCIAL HIGHLIGHTS

Six Years at a glance

Particulars	Year ended June 30, 2017	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
Operating performance (Rs. 000)						
Sales - net	12,802,374	13,176,284	10,701,888	13,301,847	13,719,626	11,524,279
Export sales-gross	11,186,121	11,737,168	9,087,740	11,140,090	11,715,767	9,823,943
Local sales-gross	1,213,012	1,323,912	1,534,400	2,085,594	2,038,185	1,771,498
Gross profit	1,885,660	1,499,159	1,063,159	962,331	461,580	(1,118,047)
Operating profit / (loss)	932,003	599,786	115,120	(31,003)	(1,054,167)	(2,536,243)
Profit / (loss) before tax	(43,093)	(683,602)	(2,828,250)	(1,992,912)	1,101,484	(5,960,621)
Profit / (loss) after tax	(133,565)	(814,147)	(2,934,239)	(2,125,556)	963,945	(6,076,575)
Financial position (Rs. 000)						
Total equity	(4,526,061)	(4,525,986)	(3,839,312)	(748,295)	1,262,286	4,471,164
Surplus on revaluation of property plant and equipment	4,753,666	4,879,014	4,568,030	4,703,688	3,470,587	3,596,276
Long term debt	7,702,140	7,688,228	7,710,024	7,846,278	7,830,878	11,512,029
Property, plant and equipment	13,168,500	13,194,251	13,097,753	13,537,284	12,953,017	13,395,217
Financial analysis						
Current ratio (times)*	0.50	0.48	0.50	0.59	0.67	1.27
Debt to equity (ratio)	97:3	96:4	91:9	66:34	62:38	59:41
Profitability analaysis						
Operating profit to sales (%)	7.28	4.55	1.08	(0.23)	(7.68)	(22.01)
Earnings per share (Rs.)	(0.29)	(1.79)	(6.45)	(4.67)	2.12	(13.36)

* (excluding current portion of long term debt)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

[See clause 5.19.24.]

Name of Company	:	**Azgard Nine Limited**
Year ended	:	June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange Limited (PSX) 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. As at June 30, 2017 the board 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 stay order earlier of the Honorable Civil Court of Lahore and currently of the Honorable Session Court of Lahore (“the Court”). The impediment reports in this regard under section 177 of the Companies Ordinance, 1984 had also been filed with SECP and PSX. 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 could not be complied so far. 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 none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the year under review.

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.

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 Company has not arranged training programs for its directors during the year. However, the Company has planned Training Program for its directors in accordance with the requirements of PSX regulations.

10. The board has approved appointment, remuneration and terms and conditions of employment of Company Secretary during year under review. Further, appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment has also been approved by the board.

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, of whom three 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.

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. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

On behalf of board of directors

Chief Executive Officer | **Director**

Date: November 03, 2017

Deloitte.

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

Tel: + 92 (0) 42 35913595-7
+ 92 (0) 42 35440520
Fax: + 92 (0) 42 35440521

www.deloitte.com

REVIEW REPORT TO THE MEMBERS ON 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, 2017 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 30, 2017.

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 Honorable Session Court of Lahore.

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner:
Rana M. Usman Khan

Dated: November 03, 2017
Lahore

FINANCIAL STATEMENTS

Deloitte.

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

Tel: + 92 (0) 42 35913595-7
+ 92 (0) 42 35440520
Fax: + 92 (0) 42 35440521

www.deloitte.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Azgard Nine Limited ("the Company") as at June 30, 2017 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, except as stated in paragraphs (b) to (d) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

Except as described in paragraphs (b) to (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. The International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period, with the effect that the liability becomes payable on demand, it should classify the liability as current. In these financial statements, the long term debts have been classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS - 1, current liabilities of the Company would have increased by Rs. 732.94 million and long term liabilities would have decreased correspondingly 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 end, 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 to the financial statements also appear doubtful of recovery. We were unable to determine the extent to which the amounts are likely to be recovered, if any, and time frame over which such recovery will be made.

c) as stated in note 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. The National Bank of Pakistan has agreed to repurchase these shares at Rs. 5.25 per share at a future date and subject to conditions as defined in the put option agreement. As per the latest available financial statements, AGL is in financial difficulties, is not able to timely service its long term debt and its equity has completely eroded. International Accounting Standard on Financial Instruments: Recognition and Measurement (IAS-39) requires the investments classified as available for sale to be re-measured, at market rate prevailing as at the balance sheet date, with a resultant gain or loss to be recognized in other comprehensive income and to separately account for the derivative at fair value. However, the Company has not complied with the requirements of IAS-39 and has measured the investment and the derivative at the option price. We are unable to determine the respective fair values of the investment in preference shares and the derivative by alternative means, and consequently we were unable to determine the amounts of adjustments required, if any.

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. 2,625.03 million against its investment in MBL and Rs. 452.53 million against the trade receivables from MBL. The management has represented through its legal counsel that the bankruptcy is currently in process with Italian Bankruptcy Court and it has appointed liquidator and accordingly the claims against MBL have yet to be determined and finalized. In view of the absence of definite determination of the claims against MBL, we were unable to satisfy ourselves as to the appropriateness of the impairment 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 effect of the matter described in paragraph (a) and the possible effects of the matters discussed in paragraphs (b) 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 agreement with the books of accounts and are further, in accordance with accounting policies consistently applied;

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 described in paragraph (a) and the possible effects of the matters discussed in paragraphs (b) to (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 2017 and of the loss, its comprehensive income, 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.

We draw attention to note 2.3 to the financial statements which describes that during the year ended June 30, 2017, the Company has incurred loss before tax of Rs. 43.09 million, its current liabilities exceeded the current assets by Rs. 12,351.94 million, and its accumulated losses stand at Rs. 12,208.14 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.

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner:
Rana M. Usman Khan

Dated: November 03, 2017
Lahore

BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	5	**15,000,000,000**	15,000,000,000
Issued, subscribed and paid up capital	5	**4,548,718,700**	4,548,718,700
Reserves	6	**3,133,361,726**	3,125,219,206
Accumulated loss		**(12,208,141,343)**	(12,199,924,175)
		(4,526,060,917)	(4,525,986,269)
Surplus on revaluation of fixed assets	7	**4,753,665,775**	4,879,013,896
		227,604,858	353,027,627
Non-current liabilities			
Redeemable capital - secured	8	**199,795,928**	569,990,116
Long term finances - secured	9	**489,365,286**	645,410,117
Liabilities against assets subject to finance lease - secured	10	**11,944,118**	-
Deferred liability	11	**141,320,117**	72,304,556
		842,425,449	1,287,704,789
Current liabilities			
Current portion of non-current liabilities	12	**7,105,618,541**	6,496,782,456
Short term borrowings	13	**4,691,105,238**	4,782,488,627
Trade and other payables	14	**1,533,519,965**	1,659,746,105
Interest / mark-up accrued on borrowings	15	**4,220,170,414**	3,599,534,431
Dividend payable	16	**13,415,572**	13,415,572
Current taxation	27	**56,125,955**	78,264,470
		17,619,955,685	16,630,231,661
Contingencies and commitments	17		
		18,689,985,992	18,270,964,077
ASSETS			
Non-current assets			
Property, plant and equipment	18	**13,168,499,962**	13,194,251,156
Long term investmens	19	**231,864,928**	231,896,478
Long term deposits - unsecured, considered good	20	**21,606,295**	18,632,696
Trade debts - unsecured, considered good	21	**-**	-
		13,421,971,185	13,444,780,330
Current assets			
Stores, spares and loose tools	22	**132,545,743**	128,867,511
Stock-in-trade	23	**1,859,013,514**	1,769,136,595
Trade debts	24	**1,240,968,769**	1,177,074,507
Advances, deposits, prepayments and other receivables	25	**1,570,242,442**	1,301,764,543
Short term investments	26	**306,022,500**	306,022,500
Cash and bank balances	28	**159,221,839**	143,318,091
		5,268,014,807	4,826,183,747
		18,689,985,992	18,270,964,077

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore **Chief Executive Officer** **Director** **Chief Financial Officer**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Sales - net	29	**12,802,374,277**	13,176,284,444
Cost of sales	30	**(10,916,714,003)**	(11,677,125,552)
Gross profit		**1,885,660,274**	1,499,158,892
Selling and distribution expenses	31	**(517,315,341)**	(489,222,252)
Administrative expenses	32	**(436,342,363)**	(410,150,587)
Profit from operations		**932,002,570**	599,786,053
Other income	33	**36,274,618**	36,884,373
Other expenses	34	**(45,770,292)**	(112,647,424)
Finance cost	35	**(965,600,192)**	(1,207,624,572)
Loss before taxation		**(43,093,296)**	(683,601,570)
Taxation	36	**(90,471,993)**	(130,545,399)
Loss after taxation		**(133,565,289)**	(814,146,969)
Loss per share - basic and diluted	37	**(0.29)**	(1.79)

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore **Chief Executive Officer** **Director** **Chief Financial Officer**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Rupees	Rupees
Loss after taxation	**(133,565,289)**	(814,146,969)
Items that are or may be subsequently reclassified to profit and loss account		
Changes in fair value of available for sale financial assets	**-**	(832)
Re-measurement of post retirement benefits obligation	**8,712,130**	-
Fair value gain realized on sale of available for sale financial assets	**(569,610)**	-
	8,142,520	(832)
Total comprehensive loss for the year	**(125,422,769)**	(814,147,801)

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore | **Chief Executive Officer** | **Director** | **Chief Financial Officer**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Cash flows from operating activities			
Cash generated from operations	38	**808,406,323**	479,053,939
Interest / mark-up paid		**(129,771,312)**	(129,849,623)
Taxes paid		**(112,610,508)**	(125,613,492)
Long term deposits - net		**(2,973,599)**	158,351
Post retirement benefits paid		**(15,190,961)**	-
Net cash generated from operating activities		**547,859,943**	223,749,175
Cash flows from investing activities			
Capital expenditure		**(392,842,407)**	(144,388,196)
Proceeds from disposal of property, plant and equipment		**4,531,595**	10,214,897
Disposal of long term investments		**601,160**	-
Net cash used in investing activities		**(387,709,652)**	(134,173,299)
Cash flows from financing activities			
Repayment of long term finances		**(34,043,148)**	(25,254,882)
Repayment of liabilities against assets subject to finance lease		**(18,972,187)**	(12,453,728)
Short term borrowings - net		**85,372,139**	(95,353,169)
Net cash generated from / (used in) financing activities		**32,356,804**	(133,061,779)
Net increase / (decrease) in cash and cash equivalents		**192,507,095**	(43,485,903)
Cash and cash equivalents at beginning of the year		**(657,117,328)**	(613,631,425)
Cash and cash equivalents at end of the year	39	**(464,610,233)**	(657,117,328)

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore **Chief Executive Officer** **Director** **Chief Financial Officer**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Issued, subscribed and paid-up capital	Capital reserves					Revenue reserves	Total reserves	Total equity
		Share premium	Reserve on merger	Preference share redemption reserve	Available for sale financial assets	Post retirement benefits obligation reserve	Accumulated loss		
	---------- Rupees ----------								
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 loss for the year									
Loss for the year ended June 30, 2016	-	-	-	-	-	-	(814,146,969)	(814,146,969)	(814,146,969)
Other comprehensive loss for the year ended June 30, 2016	-	-	-	-	(832)	-	-	(832)	(832)
Total comprehensive loss for the year	-	-	-	-	(832)	-	(814,146,969)	(814,147,801)	(814,147,801)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	125,689,536	125,689,536	125,689,536
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)
As at July 01, 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)**
Total comprehensive loss for the year									
Loss for the year ended June 30, 2017	**-**	**-**	**-**	**-**	**-**	**-**	**(133,565,289)**	**(133,565,289)**	**(133,565,289)**
Other comprehensive income for the year ended June 30, 2017	**-**	**-**	**-**	**-**	**(569,610)**	**8,712,130**	**-**	**8,142,520**	**8,142,520**
Total comprehensive loss for the year ended June 30, 2017	**-**	**-**	**-**	**-**	**(569,610)**	**8,712,130**	**(133,565,289)**	**(125,422,769)**	**(125,422,769)**
Transfer of incremental depreciation from surplus on revaluation of fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**123,025,472**	**123,025,472**	**123,025,472**
Reversal of revaluation surplus on disposal of fixed assets							**2,322,649**	**2,322,649**	**2,322,649**
As at June 30, 2017	**4,548,718,700**	**2,358,246,761**	**105,152,005**	**661,250,830**	**-**	**8,712,130**	**(12,208,141,343)**	**(9,074,779,617)**	**(4,526,060,917)**

The annexed notes from 1 to 50 form an integral part of these financial statements.

Lahore **Chief Executive Officer** **Director** **Chief Financial Officer**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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 section 228 of the Companies Act, 2017 from consolidation of the Company's subsidiary for the year ended June 30, 2017.

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 issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared under the Companies Ordinance 1984.

2.3 Going concern assumption

During the year the Company has incurred a loss of Rs. 43.09 million (2016: Rs. 683.60 million) mainly attributable to high finance cost aggregating in total to Rs. 965.60 million (2016: 1,207.62 million). Due to continued financial difficulties as at June 30, 2017 the current liabilities of the Company have exceeded current assets by Rs. 12,352.31 million (2016: Rs. 11,804.04 million), including Rs. 12,060.63 million (2016: Rs. 9,166.19 million) relating to overdue principal and mark-up thereon, and the accumulated losses stand at Rs. 12,208.14 million (2016: 12,199.92 million).

These conditions cast 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 fact that operationally the position of the Company is improving which is evident from the financial results of the Company for the year. These are attributable to cost curtailments, textile package announced during the year and enhanced capacity utilization in garment segment and the Company expects to generate better results and maintain positive cash flows from operations in future.

In addition to above, the financial restructuring of the Company is underway which is expected to significantly reduce the debt burden and finance cost of the Company. Most of the lenders, by value, have already given their consent for this restructuring and after getting consent of certain remaining lenders, the scheme of restructuring will be filed with the High Court for approval. Post restructuring, it is anticipated that the Company's debt levels shall be sustainable and resultantly the debt obligations of the Company would be met on time, 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.

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, in the financial statements debts of Rs. 732.945 million (2016: Rs. 1,339.813 million) as detailed below, have been classified as long term in accordance with respective debt repayment schedules as the Company is in discussion with its lenders for reprofiling of its long term debts:

Principal net of current maturity	
Redeemable capital	**Rupees**
Privately Placed Term Finance Certificates	**136,023,410**
Privately Placed Term Finance Certificates	**90,500,000**
	226,523,410
Long term finances	
Deutsche Investitions - Und MBH (Germany)	**506,421,654**
	732,945,064

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.

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 equipments

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 equipments

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 / (loss) 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, labor 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

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, 2017.

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 or loss. 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 or loss.

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.

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.

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 balance sheet date.

Un-quoted

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

3.6.2(e) *Held-to-maturity*

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 is 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 liabilities 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.

3.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represent 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 at 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, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. 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.

	Effective from accounting period beginning on or after:
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	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

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.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
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 from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

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

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
- IFRS 17 – Insurance Contracts

5 Share capital	2017 Rupees	2016 Rupees
Authorized share capital		
Ordinary shares of Rs. 10 each		
900,000,000 (2016: 900,000,000) voting shares	**9,000,000,000**	9,000,000,000
300,000,000 (2016: 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 (2016: 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 (2016: 323,712,733) shares fully paid in cash	**3,237,127,330**	3,237,127,330
62,548,641 (2016: 62,548,641) shares issued as paid bonus shares	**625,486,410**	625,486,410
12,276,073 (2016: 12,276,073) shares issued as consideration for machinery	**122,760,730**	122,760,730
50,811,992 (2016: 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 (2016: 4,753,719) shares fully paid in cash	**47,537,190**	47,537,190
768,712 (2016: 768,712) shares issued as fully paid	**7,687,120**	7,687,120
	55,224,310	55,224,310
	4,548,718,700	4,548,718,700

As at June 30, 2017, Jahangir Siddiqui & Co. Limited, an associated undertaking, holds 112,157,863 (2016: 112, 157,863) number of voting ordinary shares of the Company.

6 Reserves	Note	2017 Rupees	2016 Rupees
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
Post retirement benefits obligation reserve	6.5	**8,712,130**	-
		3,133,361,726	3,125,219,206

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 Companies Act, 2017.

6.4 Available for sale financial assets

This represents (deficit) / surplus on revaluation of investments classified as available for sale financial assets.

6.5 Post retirement benefits obligation reserve

This represents surplus on revaluation of defined benefit plan comprising an un-funded gratuity scheme for its permanent employees during the year.

7 **Surplus on revaluation of fixed assets**	**2017 Rupees**	2016 Rupees
As at beginning of the year	**4,879,013,896**	4,568,030,126
Add: Surplus on revaluation during the year	**-**	438,456,999
Less: incremental depreciation transferred to accumulated losses	**(123,025,472)**	(125,689,536)
Less: transfer to accumulated losses on ultimate disposal of assets	**(2,322,649)**	(1,783,693)
As at end of the year	**4,753,665,775**	4,879,013,896

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.

8 **Redeemable capital -** ***secured***	**Note**	**2017 Rupees**	2016 Rupees
Term Finance Certificates - *II*	8.1	**651,066,836**	651,066,836
Privately Placed Term Finance Certificates - *IV*	8.2	**1,024,840,470**	1,058,513,646
Term Finance Certificates - *V*	8.3	**527,682,637**	527,682,637
Privately Placed Term Finance Certificates - *VI*	8.4	**3,218,300,030**	3,218,670,000
Privately Placed Term Finance Certificates	8.5	**326,456,184**	326,456,184
Privately Placed Term Finance Certificates	8.6	**217,200,000**	217,200,000
		5,965,546,157	5,999,589,303
Less: effect of present value	8.7	**-**	(76,387,438)
Less: transaction costs	8.8	**(26,727,482)**	(30,655,195)
		5,938,818,675	5,892,546,670
Less: current maturity presented under current liabilities	12	**(5,739,022,747)**	(5,322,556,554)
		199,795,928	569,990,116

8.1 These Term Finance Certificates - II ("TFC - II") have been issued by way of private placements and public subscription and are listed on Pakistan Stock Exchange (Guarantee) Limited. 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 April 11, 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 June 30, 2013. Remaining nine installments are to be paid semi-annually starting from September 20, 2013 and ending on September 20, 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. 516.06 million (2016: Rs. 246.06 million) and interest / mark-up amounting to Rs. 391.68 million (2016: Rs. 339.88 million) were overdue.

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 April 11, 2012 are as follows:

Principal redemption

The principal redemption of PPTFC - IV is structured to be in ten un-equal installments. First installement amounting to Rs. 1,414.231 million was settled by the Company during the year ended June 30, 2013, and there was also a settlement of Rs. 33.673 million in the reporting period. Remaining nine installments are to be paid semi-annually starting from December 04, 2013 and ending on December 04, 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. 799.94 million (2016: Rs. 383.82 million) and interest / mark-up amounting to Rs. 661.37 million (2016: Rs. 582.41 million) were overdue.

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 April 11, 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 June 30, 2013. Remaining eight installments were to be paid quarterly starting from February 18, 2014 and ending on November 18, 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 May 18, 2010 till May 18, 2011
Three months KIBOR plus 1.00% per annum from May 18, 2011 till November 18, 2011
Three months KIBOR plus 1.25% per annum from November 18, 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 (2016: Rs. 527.68 million) and interest / mark-up amounting to Rs. 292.04 million (2016: Rs. 255.235 million) were overdue. Refer to note 41.2.2.

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 March 31, 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 was 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 - IV 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. 3218.30 million (2016: Rs.1,931.2 million) was overdue.

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 October 22, 2012 effective from October 19, 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. 136.02 million (2016: Rs.81.61 million) and interest / mark-up amounting to Rs. 89.82 million (2016: Rs. 53.91 million) were overdue. Refer to note 41.2.2.

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 October 22, 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 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. 90.5 million (2016: Rs.54.3 million) and interest / mark-up amounting to Rs. 59.76 million (2016: Rs. 35.87 million) were overdue. Refer to note 41.2.2.

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	**2017 Rupees**	2016 Rupees
	Effect of present value			
	As at beginning of the year		**76,387,438**	276,319,941
	Less: amortized during the year	35	**(76,387,438)**	(199,932,503)
	As at end of the year		**-**	76,387,438
8.8	**Transaction costs**			
	As at beginning of the year		**30,655,195**	37,909,372
	Less: amortized during the year	35	**(3,927,713)**	(7,254,177)
	As at end of the year		**26,727,482**	30,655,195

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	2017 Rupees	2016 Rupees
	Deutsche Investitions - Und MBH (Germany)	9.1	**844,036,091**	817,128,665
	Saudi Pak Industrial and Agricultural Company Limited	9.2	**43,251,155**	43,251,155
	Meezan Bank Limited	9.3	**234,568,765**	234,568,765
	Citi Bank N.A (Pakistan)	9.4	**565,781,488**	565,781,488
			1,687,637,499	1,660,730,073
	Less: transaction costs	9.6	**(17,056,368)**	(17,369,984)
			1,670,581,131	1,643,360,089
	Less: current maturity presented under current liabilities	12	**(1,181,215,845)**	(997,949,972)
			489,365,286	645,410,117

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 December 01, 2010, the loan is payable in twenty-one un-equal installments. During year ended June 30, 2013, first installment amounting to Rs. 641.221 million was settled by the Company. Remaining twenty installments are to be paid quarterly starting from July 15, 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 July 14, 2015.
Three months EURIBOR plus 1.00% per annum from July 15, 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. 844.036 million (2016: Rs. 817.128 million) and interest / mark-up amounting to Rs. 204.48 million (2016: Rs. 156.159 million) were overdue. Refer to note 41.2.2.

9.2 This 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 April 11, 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 June 30, 2013. Remaining seventeen installments are to be paid quarterly starting from November 13, 2013 and ending on November 13, 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. 34.173 million (2016: Rs. 16.02 million) and interest / mark-up amounting to Rs. 41.05 million (2016: Rs. 33.56 million) were overdue. Refer to note 41.2.2.

9.3 This 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 was payable in nine un-equal installments. First three installments amounting to Rs. 37.51 million were settled by the Company during year 2013 and 2014 and further Rs. 0.033 million was paid in last year. Remaining six installments were to be paid semi-annually starting from May 01, 2013 and ending on November 01, 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. 234.57 million (2016: Rs. 166.91 million) and interest / mark-up amounting to Rs. 127.75 million (2016: Rs. 107.43 million) were overdue. Refer to note 41.2.2.

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 was payable in six un-equal installments. Installment were to be paid semi-annually starting from May 01, 2014 and ending on November 01, 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. 565.78 million (2016: Rs. 423.90 million) and interest / mark-up amounting to Rs. 294.75 million (2016: Rs. 245.55 million) were overdue. Refer to note 41.2.2.

9.5 At the reporting date interest / mark-up amounting to Rs. 83.894 million (2016: Rs. 3,467.686 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.

	Note	2017 Rupees	2016 Rupees
9.6 Transaction costs			
As at beginning of the year		**17,369,984**	18,618,079
Less: amortized during the year	35	**(313,616)**	(1,248,095)
As at end of the year		**17,056,368**	17,369,984
10 Liabilities against assets subject to finance lease - secured			
Present value of minimum lease payments	10.1 & 10.2	**48,956,812**	27,908,675
Less: current maturity presented under current liabilities	12	**(37,012,694)**	(27,908,675)
		11,944,118	-

10.1 This represents vehicles, plant and machinery acquired under finance lease arrangements. The leases are secured by 20% to 25% down ownership, insurance in lessor's favour and post dated cheques in favor of lessor for entire principle alongwith markup amount. Rentals are payable monthly / annually. The leases are priced at six month KIBOR plus 3% to 4% per annum (2016: six month KIBOR plus 1.5% 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	2017 Rupees	2016 Rupees
Not later than one year		**39,694,071**	29,487,938
Later than one year but not later than five years		**13,769,721**	-
Total future minimum lease payments		**53,463,792**	29,487,938
Less: finance charge allocated to future periods		**(4,506,980)**	(1,579,263)
Present value of future minimum lease payments		**48,956,812**	27,908,675
Not later than one year	12	**(37,012,694)**	(27,908,675)
Later than one year but not later than five years		**11,944,118**	-

		2017 Rupees	2016 Rupees
11	**Deferred Liability**		
	Gratuity payable	**141,320,117**	72,304,556

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

11.1.1 Amounts recognized in the balance sheet

	2017	2016
Present value of the defined benefit obligation	**144,180,249**	72,304,556
Benefits due but not paid	**(2,860,132)**	-
Net liability recognized in the balance sheet	**141,320,117**	72,304,556

11.1.2 Movement in the present value of the defined benefit obligation

	2017	2016
Obligation at the beginning of the year	**72,304,556**	-
Current service cost	**88,227,244**	72,304,556
Interest cost	**4,691,408**	-
Benefits paid during the year	**(12,330,829)**	-
Actuarial losses during the year	**289,851**	-
Experience adjustments	**(9,001,981)**	-
Obligation at the end of the year	**144,180,249**	72,304,556

11.1.3 Movement in liability

	2017	2016
Staff gratuity fund at the beginning of the year	**72,304,556**	-
Charge for the year	**92,918,652**	72,304,556
Remeasurements chargeable in Other Comprehensive Income	**(8,712,130)**	**-**
Benefits paid	**(12,330,829)**	**-**
Net liability	**144,180,249**	72,304,556

11.1.4 Amount recognized in profit and loss

	2017	2016
Current service cost	**88,227,244**	72,304,556
Interest cost	**4,691,408**	-
	92,918,652	72,304,556

11.1.5 Amount chargeable to other comprehensive income

	2017	2016
Actuarial losses from changes in financial assumptions	**289,851**	-
Experience adjustments	**(9,001,981)**	-
	(8,712,130)	-

Expense recognized in following line items in profit and loss account

	2017	2016
Cost of Sales	**72,586,433**	61,035,994
Selling and distribution Expenses	**4,563,590**	3,072,288
Administrative Expenses	**15,768,629**	8,196,274
	92,918,652	72,304,556

	2017 Rupees	2016 Rupees
11.1.6 Principal actuarial assumptions used were as follows		
Discount rate used for interest cost in profit and loss account	**7.25%**	-
Discount rate used for year end obligation	**7.75%**	7.25%
Future salary increase per annum	**6.75%**	6.25%
Mortality Rates	**SLIC 2001-2005**	SLIC 2001-2005
Withdrawal Factor	**Age Based**	Age Based
Retirement Age of the employee	**60 years**	60 years

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

	2017	
	Impact on defined benefit obligation	
	1% Increase in assumption	**1% Decrease in assumption**
Discount rate	**132,076,784**	**152,090,232**
Salary growth rate	**152,594,622**	**131,446,662**

	2016	
	Impact on defined benefit obligation	
	1% Increase in assumption	1% Decrease in assumption
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.

	Note	**2017 Rupees**	2016 Rupees
12 Current portion of non-current liabilities			
Preference shares of Rs.10 each (2016 : Rs.10 each)	12.1	**148,367,255**	148,367,255
Redeemable capital - *secured*	8	**5,739,022,747**	5,322,556,554
Long term finances - *secured*	9	**1,181,215,845**	997,949,972
Liabilities against assets subject to finance lease - secured	10.2	**37,012,694**	27,908,675
		7,105,618,541	6,496,782,456

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	2017 Rupees	2016 Rupees
Running finance	13.1&13.3	**623,832,072**	800,435,419
Term loan	13.1&13.3	**3,536,343,194**	3,454,939,121
Morabaha / LPO	13.1&13.3	**169,094,075**	174,675,427
Bills payable	13.3&13.4	**361,835,897**	352,438,660
		4,691,105,238	4,782,488,627

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 (2016: one to twelve months KIBOR plus 1.00% per annum). Foreign currency finances carry mark up at LIBOR of matching tenure plus 4.00% per annum (2016: LIBOR 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% per annum plus banks' spread of 1.00% per annum (2016: 2.00% to 4.50 % 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 (2016: 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 0.40% per quarter (2016: 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. 222.98 million (2016: Rs. 191.727 million), Rs. 1,068.99 million (2016: Rs. 900.463 million) and Rs. 130.432 million (2016: Rs. 120.682 million) were overdue in respect of running finance, term loan and morabaha / LPO respectively. Further, principal amounting to Rs. 26.415 (2016: Rs. 26.415 million), and Rs. 480.5 million (2016: Rs. 524.352 million) 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 (2016: Rs. 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. 5,513 million (2016: Rs. 5,724 million) out of which Rs. 1,185 million (2016: Rs. 1,278 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit amounts to Rs. 588.48 million (2016: Rs. 663.48 million) of which the limits remaining unutilized as at the reporting date amounts to Rs. 202.89 million (2016: Rs. 206.76 million).

13.4 At the reporting date bills payable amounting to Rs. 338.90 million (2016: 350.737 million) and interest / mark-up amounting to Rs. 262.603 million (2016: 207.055 million) were overdue. Refer to note 41.2.2 for details.

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

14 Trade and other payables

	2017 Rupees	2016 Rupees
Trade and other creditors	**1,146,103,507**	1,307,951,454
Accrued liabilities	**317,535,840**	250,102,752
Advances from customers	**47,937,762**	49,031,526
Tax deducted at source	**11,157,650**	12,084,387
Other payables	**10,785,206**	40,575,986
	1,533,519,965	1,659,746,105

	Note	2017 Rupees	2016 Rupees
15 Interest / mark-up accrued on borrowings			
Redeemable capital - *secured*		**1,623,259,509**	1,383,027,219
Long term finances - *secured*		**770,625,623**	649,108,513
Short term borrowings - *secured*		**1,826,285,282**	1,567,398,699
		4,220,170,414	3,599,534,431

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

	Note	2017 Rupees	2016 Rupees
16 Dividend payable			
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 former 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") billed to the Company till June 30, 2017 aggregating to Rs. 123.004 million (2016: Rs. 100.629 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 favourable decision is expected.

17.1.3 The Company has issued indemnity bonds amounting to Rs. 608.371 million (2016: Rs. 363.922 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. 169.665 million (2016: Rs. 167.605 million).

17.1.5 Bills discounted as at reporting date aggregated to Rs. 1,974.356 million (2016 Rs: 2,313.879 million).

17.1.6 Subsequent to year end, a NAB court reference has been filed on September 9, 2017, in relation to the earlier settlement (first restructuring) of the Company's financing arrangements in 2012, whereby eighteen financial institutions had partially rescheduled / settled the Company's liabilities against its investment in the shares of Agritech Limited. The hearings of the reference are in initial phase and the Company's management, based on legal counsel's opinion, is of the view that the matter is not expected to have any adverse consequences.

	Note	2017 Rupees	2016 Rupees
17.2 Commitments			
17.2.1 Commitments under irrevocable letters of credit for:			
- purchase of raw material		**18,847,920**	27,823,502
- purchase of machinery		**25,709,960**	47,105,550
		44,557,880	74,929,052
17.2.2 Commitments for capital expenditure		**9,256,578**	71,038,991

18 Property, plant and equipment

	Note	2017 Rupees	2016 Rupees
Operating fixed assets	18.1	**12,991,109,596**	13,117,452,346
Capital work in progress - *at cost*	18.2	**177,390,366**	76,798,810
		13,168,499,962	13,194,251,156

18.1 Operating fixed assets

Particulars	Cost / Revalued amount: As at July 01, 2016	Cost / Revalued amount: Revaluation Surplus	Cost / Revalued amount: Additions	Cost / Revalued amount: Disposals	Cost / Revalued amount: As at June 30, 2017	Rate %	Depreciation: As at July 01, 2016	Depreciation: For the year	Depreciation: Revaluation surplus	Depreciation: Disposals	Depreciation: As at June 30, 2017	Net Book Value as at June 30, 2017
	2017											
	Rupees						Rupees					
Owned assets												
Freehold land												
- Cost	558,010,025	-	-	-	558,010,025	-	-	-	-	-	-	558,010,025
-Revaluation	1,596,379,975	-	-	-	1,596,379,975	-	-	-	-	-	-	1,596,379,975
	2,154,390,000	-	-	-	2,154,390,000		-	-	-	-	-	2,154,390,000
Buildings on freehold land												
- Cost	2,691,063,524	-	17,780,911	-	2,708,844,435	2.5	725,969,351	49,309,820	-	-	775,279,171	1,933,565,264
- Revaluation	1,421,644,214	-	-	-	1,421,644,214	2.5	388,238,823	25,890,338	-	-	414,129,161	1,007,515,053
	4,112,707,738	-	17,780,911	-	4,130,488,649		1,114,208,174	75,200,158	-	-	1,189,408,332	2,941,080,317
Plant and machinery												
- Cost	9,545,162,138	-	255,295,747	(3,883,954)	9,796,573,931	4-5	4,249,210,962	238,885,754	-	(2,232,664)	4,485,864,052	5,310,709,879
- Revaluation	4,303,383,977	-	-	(2,322,649)	4,301,061,328	4-5	2,054,155,444	97,135,134	-	-	2,151,290,578	2,149,770,750
	13,848,546,115	-	255,295,747	(6,206,603)	14,097,635,259		6,303,366,406	336,020,888	-	(2,232,664)	6,637,154,630	7,460,480,629
Furniture, fixtures and office equipment	204,543,049	-	5,530,847	-	210,073,896	10	129,318,793	7,749,793	-	-	137,068,586	73,005,310
Vehicles	70,025,023	-	983,550	(5,732,885)	65,275,688	20	58,183,725	2,380,571	-	(5,147,477)	55,416,819	9,858,869
Tools and equipments	429,266,891	-	27,502,559	-	456,769,450	10	224,071,673	21,144,383	-	-	245,216,056	211,553,394
Electrical installations	193,756,846	-	10,392,558	-	204,149,404	10	114,795,706	8,327,253	-	-	123,122,959	81,026,445
	21,013,235,662	-	317,486,172	(11,939,488)	21,318,782,346		7,943,944,477	450,823,046	-	(7,380,141)	8,387,387,382	12,931,394,964
Assets subject to finance lease												
Plant and machinery	58,742,746	-	-	-	58,742,746	4-5	10,581,584	2,122,280	-	-	12,703,864	46,038,882
Vehicles	-	-	14,785,000	-	14,785,000	20	-	1,109,250	-	-	1,109,250	13,675,750
	58,742,746	-	14,785,000	-	73,527,746		10,581,584	3,231,530	-	-	13,813,114	59,714,632
								-				
Grand Total	21,071,978,408	-	332,271,172	(11,939,488)	21,392,310,092		7,954,526,061	454,054,576	-	(7,380,141)	8,401,200,496	12,991,109,596

	2016											
	Cost / revalued amount						Depreciation					
Particulars	As at July 01, 2015	Revaluation Surplus	Additions	Disposals	As at June 30, 2016	Rate%	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	558,010,025	-	-	-	558,010,025	-	-	-	-	-	-	558,010,025
- 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	2,998,499,563
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	121,538,681	7,780,112	-	-	129,318,793	75,224,256
Vehicles	71,932,905	-	3,359,300	(5,267,182)	70,025,023	20	59,739,206	2,744,470	-	(4,299,951)	58,183,725	11,841,298
Tools and equipments	413,812,108	-	15,516,960	(62,177)	429,266,891	10	202,213,170	21,889,754	-	(31,251)	224,071,673	205,195,217
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	58,742,746	-	-	-	58,742,746	4 - 5	8,360,139	2,221,445	-	-	10,581,584	48,161,162
Grand Total	20,529,612,038	477,093,111	95,401,132	(30,127,873)	21,071,978,408		7,459,670,928	466,949,463	38,636,112	(10,730,443)	7,954,526,061	13,117,452,346

18.1.1 Disposal of property, plant and equipment

	Cost	Accumulated depreciation / impairment	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
	------------------------------	------------ Rupees	------------------------------			
Owned						
Vehicles						
Yamaha Motorcycle	**60,000**	**(54,032)**	**5,967**	**6,000**	**Negotiation**	**Ghulam Mustafa**
Toyota Vitz	**825,000**	**(710,672)**	**114,328**	**650,000**	**Negotiation**	**Iftikhar Hussain**
Toyota Corolla	**1,196,890**	**(1,158,334)**	**38,555**	**740,000**	**Negotiation**	**Sohail Iqbal**
Toyota Corolla	**1,094,870**	**(948,240)**	**146,630**	**-**	**Employee**	**Naveed Anjum**
Toyoto Prado	**2,000,000**	**(1,818,605)**	**181,395**	**2,100,000**	**Negotiation**	**Waqas Ahmed**
Suzuki Mehran	**556,125**	**(457,594)**	**98,534**	**111,225**	**Employee**	**Salman Mazhar Shaikh**
	5,732,885	**(5,147,477)**	**585,409**	**3,607,225**		
Plant and Machinery						
Diesel Generator	**6,206,603**	**(2,232,664)**	**3,973,939**	**924,370**	**Negotiation**	**Muhammad Sharif**
	6,206,603	**(2,232,664)**	**3,973,939**	**924,370**		
2017	**11,939,488**	**(7,380,141)**	**4,559,348**	**4,531,595**		
2016	30,127,873	(10,730,443)	19,397,429	10,214,897		

	Note	2017 Rupees	2016 Rupees
18.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	30	**442,816,141**	456,426,207
Administrative expenses	32	**11,238,436**	10,523,261
		454,054,577	466,949,468

18.1.3 The Company follows the revaluation model for its Land, Building and Plant & Machinery. The fair value measurement of Land & Building 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 fair value measurement of Plant & Machinery as at June 30, 2014 was performed by Mericon Consultants, independent valuer not related to the Company. Mericon 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, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
	---------------------------------------Rupees---------------------------------------			
Land	-	2,154,390,000	-	2,154,390,000
Building	-	2,941,080,318	-	2,941,080,318
Plant and machinery	-	7,460,480,629	-	7,460,480,629
Total	-	12,555,950,947	-	12,555,950,947

18.2 Capital work in progress

	2017			
	As at July 01, 2016	Additions	Transfers	As at June 30, 2017
	-- Rupees ---------------------------------			
Building	21,260,851	84,964,296	(16,254,631)	89,970,516
Plant and machinery	55,537,960	276,631,556	(244,749,666)	87,419,850
	76,798,811	361,595,852	(261,004,297)	177,390,366

	2016			
	As at July 01, 2015	Additions	Transfers	As at June 30, 2016
	--- Rupees ---			
Building	22,161,540	25,440,964	(26,341,653)	21,260,851
Plant and machinery	5,650,208	61,405,473	(11,517,721)	55,537,960
	27,811,748	86,846,437	(37,859,375)	76,798,811

19 Long term investments

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

	Note	2017 Rupees	2016 Rupees
Investments in related parties			
Unquoted	19.1	-	-
Quoted	19.2	-	20,460
		-	20,460
Other investments			
Unquoted - *secured*	19.3	231,864,928	231,864,928
Quoted	19.4	-	11,090
		231,864,928	231,876,018
		231,864,928	231,896,478

19.1 **Investment in related party - unquoted**	**2017 Rupees**	2016 Rupees
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**	2,625,026,049
Accumulated impairment		
Opening balance	**(2,625,026,049)**	(2,625,026,049)
Charged during the year	**-**	-
	(2,625,026,049)	(2,625,026,049)
	-	-

19.1.1 As mentioned in previous financial statements of the Company, during year ended June 30, 2015, the Court of Vicenza, Italian Republic (the Court) granted bankruptcy proposal of public prosecutor and appointed trustee to manage affairs of Montebello s.r.l. (MBL). Considering the liquidation, the Company provided impairment of balance amount of Rs. 452.529 million during year ended June 30, 2015.

During the bankruptcy proceedings, 48 parties filed their claims with the Court and all have been accepted by the Court aggregating to Euro 7,893,794.48. 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 claim 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 contested with the Court that its claim should be accepted as at least unsecured claim rather than being subordinate claim. Recently the Court has appointed an expert to decide whether claim of the Company should be accepted as unsecured claim or subordinate. The decision of this expert is now awaited.

	2017 Rupees	2016 Rupees
19.2 **Investment in related party -** ***quoted***		
JS Value Fund Limited		
Nil ordinary shares (2016: 1,000 shares at market value of Rs. 20.46 per share)		
Cost	**-**	10,000
Fair value adjustment	**-**	10,460
	-	20,460
19.3 **Other investments -** ***unquoted - secured***		
Agritech Limited		
53,259 (2016: 53,259) Term Finance Certificates of Rs. 5,000 each		
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") 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		Note	2017 Rupees	2016 Rupees
	Other investments - ***quoted***			
	Colony Mills Limited			
	Nil ordinary shares (2016: 4,332 shares at market value of Rs. 2.56 per share)			
	Cost		-	8,664
	Fair value adjustment		-	2,426
			-	11,090

		Note	2017 Rupees	2016 Rupees
20	**Long term deposits -** ***unsecured, considered good***			
	Utility companies and regulatory authorities	20.1	**16,904,295**	16,832,696
	Financial institutions	20.2	**4,702,000**	1,800,000
			21,606,295	18,632,696

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.

		2017 Rupees	2016 Rupees
21	**Trade debt -** ***unsecured, considered good***		
	Trade debt	-	122,536,653
	Less: discounting charges on receivable	-	(21,922,732)
	Less: due within one year	-	(100,613,921)
	Long term portion	-	-

21.1 This represented discounted value of long term trade debt due from Corceltex LDA Italy, which was 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	2017 Rupees	2016 Rupees
22	**Stores, spare parts and loose tools**			
	Stores, spare parts and loose tools		**132,545,743**	128,867,511
23	**Stock-in-trade**			
	Raw material		**598,246,516**	422,988,530
	Less: diminution in value of stock due to net realizable value		**-**	-
			598,246,516	422,988,530
	Work in process		**841,189,875**	731,032,874
	Less: diminution in value of stock due to net realizable value		**-**	(1,394,568)
			841,189,875	729,638,306
	Finished goods	23.2	**419,577,123**	627,126,533
	Less: diminution in value of stock due to net realizable value		**-**	(10,616,774)
			419,577,123	616,509,759
			1,859,013,514	1,769,136,595

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. 42.5 million (2016: Rs. 4.31 million).

24 Trade debts

	Note	2017 Rupees	2016 Rupees
Local			
- secured	24.1	**125,988,436**	75,474,834
- unsecured, considered good		**13,238,352**	11,749,396
- unsecured, considered doubtful		**65,492,772**	65,504,952
		204,719,560	152,729,182
Foreign			
- secured	24.1	**736,940,939**	537,211,685
- unsecured, considered good		**364,801,042**	555,489,583
- unsecured, considered doubtful		**1,006,172,468**	957,566,758
		2,107,914,449	2,050,268,026
	24.3	**2,312,634,009**	2,202,997,208
Less: provision against trade debts	24.2	**(1,071,665,240)**	(1,025,922,701)
		1,240,968,769	1,177,074,507

24.1 These are secured against letters of credit.

24.2 Movement in provision of trade debts

	2017 Rupees	2016 Rupees
As at beginning of the year	**1,025,922,701**	925,983,027
Provision recognized during the year	**45,742,539**	103,464,892
Less: provision written off	**-**	(3,525,218)
As at end of the year	**1,071,665,240**	1,025,922,701

24.3 This includes an amount of Rs. 452.529 million (2016: 452.529 million) receivable from MBL, a related party, and this amount have been fully provided for due to the facts mentioned in note 19.1.1.

25 Advances, deposits, prepayments and other receivables

	Note	2017 Rupees	2016 Rupees
Advances to suppliers - *unsecured, considered good*		**322,196,114**	194,417,345
Advances to employees - *unsecured, considered good*			
- against salaries and post employment benefits	25.1	**7,389,966**	7,615,854
- against purchases and expenses		**28,644,638**	15,160,376
Security deposits		**13,837,137**	23,286,186
Margin deposits	25.2	**36,213,874**	39,333,431
Rebate receivable		**499,346,835**	216,323,998
Sales Tax / FED recoverable		**540,486,233**	654,781,682
Due from Agritech Limited - *secured*		**100,492,120**	100,492,120
Less: impairment allowance		**(32,179,608)**	(32,179,608)
		68,312,512	68,312,512
Letters of credit		**18,405,242**	49,971,312
Insurance claims		**15,755,659**	15,733,630
Other receivables - *unsecured, considered good*		**19,654,232**	16,828,217
		1,570,242,442	1,301,764,543

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:

	2017 Rupees	2016 Rupees
As at beginning of the year	**4,415,609**	8,022,429
Additions during the year	**2,976,000**	6,758,464
Less: receipts / adjustments during the year	**(4,852,645)**	(10,365,284)
As at end of the year	**2,538,964**	4,415,609

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	2017 Rupees	2016 Rupees
Other Investments			
Quoted	26.1	**306,022,500**	306,022,500

26.1 **Agritech Limited:**

58,290,000 (2016: 58,290,000) fully paid Preference shares of Rs. 5.25 each

	2017	2016
Cost	**306,022,500**	306,022,500
Fair value adjustment	**-**	-
	306,022,500	306,022,500

This represents investment in preference shares of Agritech Limited received as part consideration against sale of ordinary shares of Agritech Limited to National Bank of Pakistan. The Company has a put option to sell these shares to NBP at the purchase price i.e. Rs. 5.25 per share.

	Note	2017 Rupees	2016 Rupees
27 Provision for taxation - ***net***			
As at beginning of the year		**78,264,470**	73,332,563
Provision for the year		**90,471,993**	130,545,399
Paid / adjusted during the year		**(112,610,508)**	(125,613,492)
As at end of the year		**56,125,955**	78,264,470
28 Cash and bank balances			
Cash in hand		**3,933,606**	4,286,759
Cash at banks:			
- current accounts in local currency		**119,560,261**	87,631,476
- deposit accounts in local currency	28.1	**35,285,768**	50,967,637
- deposit accounts in foreign currency	28.2	**442,204**	432,219
		155,288,233	139,031,332
		159,221,839	143,318,091

28.1 These carry return under mark-up arrangement at 3.75% to 5.50% per annum (2016: 3.50% to 6.25% per annum)

28.2 These carry return under mark-up arrangement at prevailing LIBOR per annum (2016: prevailing LIBOR per annum)

	Note	2017 Rupees	2016 Rupees
29 Sales - net			
Local	29.1	**1,213,011,753**	1,323,911,898
Export	29.2 & 29.3	**11,186,121,260**	11,737,168,321
		12,399,133,013	13,061,080,219
Rebate on exports		**414,509,130**	121,744,511
Discount		**(11,267,866)**	(6,540,286)
		12,802,374,277	13,176,284,444
29.1 Local			
Sales		**926,649,759**	959,755,094
Processing income		**293,265,111**	442,419,236
Waste		**12,151,623**	11,093,451
		1,232,066,493	1,413,267,781
Less: sales tax		**(19,054,740)**	(89,355,883)
		1,213,011,753	1,323,911,898

29.2 These include indirect exports, taxable under Section 154 (3b) of the Income Tax Ordinance, 2001, amounting to Rs. 1,520.284 million (2016: Rs. 1,524.887 million)

29.3 Export Development Surcharge applicable under SRO 10(1)/2003 dated January 04, 2003 amounting Rs. 23.607 million (2016: Rs. 25.251 million) has been deducted from gross export sales.

	Note	2017 Rupees	2016 Rupees
30 Cost of sales			
Raw and packing materials consumed		**7,007,301,812**	7,656,548,679
Salaries, wages and benefits	30.1	**1,892,051,355**	1,631,035,848
Fuel and power		**889,956,300**	1,040,651,601
Store, spares and loose tools consumed		**182,386,488**	188,031,942
Traveling, conveyance and entertainment		**98,923,874**	94,493,032
Rent, rates and taxes		**3,745,860**	13,484,031
Insurance		**43,628,309**	46,161,736
Repair and maintenance		**39,641,556**	38,612,455
Processing charges		**217,593,414**	350,639,441
Depreciation	18.1.2	**442,816,141**	456,426,207
Printing and stationery		**6,294,512**	5,088,931
Communications		**5,403,286**	7,887,617
Miscellaneous		**1,590,029**	2,231,479
		10,831,332,936	11,531,292,999
Work in process:			
As at beginning of the year		**729,638,306**	662,841,672
As at end of the year		**(841,189,875)**	(729,638,306)
		(111,551,569)	(66,796,634)
Cost of goods manufactured		**10,719,781,367**	11,464,496,365
Finished goods:			
As at beginning of the year		**616,509,759**	829,138,946
As at end of the year		**(419,577,123)**	(616,509,759)
		196,932,636	212,629,187
		10,916,714,003	11,677,125,552

30.1 These include charge in respect of employees retirement benefits amounting Rs. 72.586 million (2016: Rs. 61.04 million).

31 Selling and distribution expenses

	Note	2017 Rupees	2016 Rupees
Salaries and benefits	31.1	**156,099,203**	127,747,309
Traveling, conveyance and entertainment		**50,942,765**	35,357,289
Repair and maintenance		**472,351**	796,621
Rent, rates and taxes		**1,275,745**	1,103,818
Insurance		**1,766,868**	3,477,055
Freight and other expenses		**148,192,203**	162,074,300
Communication		**36,472,910**	34,319,263
Advertisement and marketing		**36,731,838**	41,885,897
Fee and subscription		**7,485,557**	472,201
Commission		**77,405,282**	81,686,791
Miscellaneous		**470,619**	301,708
		517,315,341	489,222,252

31.1 These include charge in respect of employees retirement benefits amounting Rs. 4.56 million (2016: Rs. 8.20 million).

32 Administrative expenses

	Note	2017 Rupees	2016 Rupees
Salaries and benefits	32.1	**274,059,975**	257,318,468
Traveling, conveyance and entertainment		**48,557,584**	39,321,293
Fuel and power		**9,331,488**	7,851,141
Repair and maintenance		**25,608,627**	29,770,254
Rent, rates and taxes		**7,469,650**	7,421,800
Insurance		**2,481,617**	1,733,661
Printing and stationery		**2,863,242**	2,928,084
Communication		**14,560,201**	14,358,083
Legal and professional charges	32.2	**13,415,678**	18,731,039
Depreciation	18.1.2	**11,238,436**	10,523,261
Fee and subscription		**21,906,300**	16,939,431
Miscellaneous		**4,849,565**	3,254,072
		436,342,363	410,150,587

32.1 These include charge in respect of employees retirement benefits amounting Rs. 15.77 million (2016: Rs. 3.07 million).

32.2 These include following in respect of auditors' remuneration

	2017 Rupees	2016 Rupees
Annual statutory audit	**2,260,000**	2,100,000
Half yearly review	**750,000**	730,000
Special Audit	**-**	1,100,000
Review report under Code of Corporate Governance	**231,000**	210,000
Certification and other services	**50,000**	-
Out of pocket expenses	**302,000**	414,000
	3,593,000	4,554,000

	Note	2017 Rupees	2016 Rupees
33 Other income			
Income from financial assets			
Return on investment in term finance certificates	33.1	**-**	22,917,544
Gain on sale of investment	33.2	**582,767**	-
Foreign exchange gain	33.3	**22,726,393**	1,760,996
Return on bank deposits		**11,672,880**	5,525,858
		34,982,040	30,204,398
Income from non-financial assets			
Miscellaneous		**1,292,578**	6,679,975
		36,274,618	36,884,373

33.1 This represents return on investment in Term Finance Certificates of AGL.

33.2 This represents gain on sale of ordinary shares in JS Value Fund Limited and Colony Textile Mills Limited amounting to Rs. 0.021 million. It also includes Rs.0.561 million unrealized gain transfered to profit and loss account related to investments which had been disposed off in the previous years but unrealized gain was not trasferred to profit and loss account.

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

	Note	2017 Rupees	2016 Rupees
34 Other expenses			
Loss on disposal of property, plant and equipment	18.1.1	**27,753**	9,182,532
Provision against trade debts	24.2	**45,742,539**	103,464,892
		45,770,292	112,647,424
35 Finance cost			
Interest / mark-up on:			
- Redeemable capital		**243,461,674**	257,244,615
- Long term finances		**121,505,491**	122,090,364
- Liabilities against assets subject to finance lease		**4,702,494**	2,506,438
- Short term borrowings		**380,737,636**	428,718,331
- Provident fund trust		**-**	1,267,076
		750,407,295	811,826,824
Amortization of transaction costs and unwinding effect of present value	8.7, 8.8 & 9.6	**80,628,767**	208,434,776
Exchange loss on foreign currency borrowings		**26,755,247**	28,371,069
Bank discounting and other charges		**107,808,883**	158,991,903
		965,600,192	1,207,624,572

35.1 Interest / mark-up on borrowings from related party have been disclosed in note 40.1.1 to the financial statements.

	Note	2017 Rupees	2016 Rupees
36 Taxation			
Income tax			
- current tax	36.1	**90,471,993**	130,545,399
- deferred tax	36.5	**-**	-
		90,471,993	130,545,399

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 have 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 Appellate Tribunal Inland Revenue (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 is expected on the financial statements.

36.3 Other cases involving point of law are subject to adjudication before 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 ATIR 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.

	Unit	2017	2016
37 Loss per share - ***basic and diluted***			
37.1 Basic loss per share			
Loss attributable to ordinary shareholders	Rupees	**(133,565,289)**	(814,146,969)
Weighted average number of ordinary shares outstanding during the year	No. of shares	**454,871,870**	454,871,870
Loss per share	Rupees	**(0.29)**	(1.79)

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, 2017 and June 30, 2016.

	Note	2017 Rupees	2016 Rupees
38 Cash generated from operations			
Loss before tax		**(43,093,296)**	(683,601,570)
Adjustment for non-cash and other items			
Interest / mark-up expense	35	**750,407,295**	810,559,748
Loss on disposal of fixed assets	18.1.1	**27,753**	9,182,532
Provision for bad debts	34	**45,742,539**	103,464,892
Foreign exchange loss - *net*	35	**26,755,247**	28,371,069
Return on investment in term finance certificates	33	**-**	(22,917,544)
Diminution in value of stock due to net realizable value		**-**	12,011,342
Depreciation	18.1.2	**454,054,577**	466,949,468
Provision for employee benefits	11.1.4	**92,918,652**	72,304,556
Amortization of transaction costs and deferred notional income	35	**80,628,767**	208,434,776
		1,450,534,830	1,688,360,839
Operating profit before changes in working capital		**1,407,441,534**	1,004,759,269

	2017 Rupees	2016 Rupees
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**(3,678,232)**	(2,691,431)
Stock in trade	**(89,876,919)**	159,356,226
Trade debts	**(109,636,801)**	142,551,267
Advances, deposits, prepayments and other receivables	**(268,477,899)**	(37,862,571)
	(471,669,851)	261,353,491
Increase / (decrease) in current liabilities:		
Trade and other payables	**(127,365,360)**	(787,058,821)
Cash generated from operations	**808,406,323**	479,053,939

39 Cash and cash equivalents

	2017 Rupees	2016 Rupees
Short term borrowings - *running finance - secured*	**(623,832,072)**	(800,435,419)
Cash and bank balances	**159,221,839**	143,318,091
	(464,610,233)	(657,117,328)

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), post employment benefit plan and other related parties. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis with the exceptions as approved by the Board of Directors.

Detail of transactions and balances with related parties is as follows:

	Note	2017 Rupees	2016 Rupees
40.1 Transactions with related parties			
40.1.1 <u>Other related parties - associated companies</u>			
JS Bank Limited			
Mark-up expense	35	**22,224,848**	20,613,222
Remuneration of Trustee	8.5 & 8.6	**1,500,000**	1,500,000
Mark-up paid	13	**16,335,849**	17,480,616
JS Value Fund Limited			
Mark-up expense	35	**1,540,634**	1,617,908
Unit Trust of Pakistan			
Mark-up expense	35	**2,352,260**	2,649,006
JS Large Cap Fund			
Mark-up expense	35	**9,172,662**	9,172,662
JS Global Capital Limited			
Mark-up expense	35	**35,910,180**	36,008,564
JS Principal Secure Fund			
Mark-up expense	35	**3,682,800**	3,692,890
JS Income Fund			
Mark-up expense	35	**2,933,849**	3,259,766
JS Growth Fund			
Mark-up expense	35	**8,345,862**	8,429,604

40.1.2 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	2017 Rupees	2016 Rupees
40.2	**Balances with related parties**			
40.2.1	**Other related parties - associated companies**			
	JS Bank Limited			
	Redeemable capital - PPTFC *IV*	8.2	**65,021,777**	65,021,777
	Short term borrowing	13	**332,955,019**	329,702,630
	Mark-up payable	15	**41,405,599**	35,517,561
	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	**11,814,661**	10,261,356
	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	**17,705,343**	15,514,021
	JS Large Cap Fund			
	Redeemable capital - PPTFCs	8.6	**83,160,000**	83,160,000
	Mark-up payable	15	**22,881,531**	13,733,931
	JS Global Capital Limited			
	Redeemable capital - PPTFCs	8.5	**326,456,184**	326,456,184
	Mark-up payable	15	**89,824,643**	53,914,462
	JS Principal Secure Fund			
	Redeemable capital - PPTFCs	8.6	**33,480,000**	33,480,000
	Mark-up payable	15	**9,212,045**	5,529,245
	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	**22,165,378**	19,387,683
	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	**27,510,225**	19,153,804
40.2.2	**Key management personnel**			
	Short term employee benefits payable		**20,083,937**	17,579,222

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 adhoc 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.

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	2017 Rupees	2016 Rupees
Available for sale financial assets			
Long term investments	19	**231,864,928**	231,896,478
Short term investments	26	**306,022,500**	306,022,500
Loans and receivables			
Long term deposit - *utility companies and regulatory authorities*	20	**16,904,295**	16,832,696
Long term deposit - *financial institutions*	20	**4,702,000**	1,800,000
Trade debts	24	**1,240,968,769**	1,177,074,507
Due from Agritech Limited - *unsecured, considered good*	25	**68,312,512**	68,312,512
Other receivables - *unsecured, considered good*	25	**19,654,232**	16,828,217
Security deposits	25	**13,837,137**	23,286,186
Margin deposits	25	**36,213,874**	39,333,431
Insurance claims	25	**15,755,659**	15,733,630
Cash at banks	28	**155,288,233**	139,031,332
		1,571,636,711	1,498,232,511
		2,109,524,139	2,036,151,489

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:

	2017 Rupees	2016 Rupees
Customers	**1,240,968,769**	1,177,074,507
Banking companies and financial institutions	**191,502,107**	178,364,763
Related party	**-**	20,460
Others	**677,053,263**	680,691,759
	2,109,524,139	2,036,151,489

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	2017	2016
				------------- Rupees	--------------
Bank balances					
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	**54,315**	54,315
Askari Bank Limited	A1+	AA+	PACRA	**29**	29
Bank Al-Habib Limited	A1-	AA+	PACRA	**32,599,777**	124,118,631
Bank Alfalah Limited	A1+	AA+	PACRA	**6,560,134**	60,133
Bank Islami Pakistan Limited	A1	A+	PACRA	**42,635**	42,890
Faysal Bank Limited	A1+	AA	PACRA	**855,516**	996,385
Habib Bank Limited	AAA	A1+	JCR-VIS	**4,074**	4,374
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**8,734**	12,812
HSBC Bank Middle East Limited	F1+	AA-	Fitch	**-**	1,716
JS Bank Limited	A1+	AA-	PACRA	**10,770,986**	8,868,703
MCB Bank Limited	A1+	AAA	PACRA	**155,411**	154,621
Meezan Bank Limited	A1+	AA	JCR-VIS	**30,278**	23,526
National Bank of Pakistan	A1+	AAA	PACRA	**294,547**	304,809
NIB Bank Limited	A1+	AA-	PACRA	**32,265,020**	542,219
Silk Bank Limited	A2	A-	JCR-VIS	**19,009**	1,996,677
Soneri Bank Limited	A1+	AA-	PACRA	**5,065**	5,065
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**141,357**	141,358
Summit Bank Limited	A1	A-	JCR-VIS	**58,024,206**	265,182
Samba Bank Limited	A1	AA	JCR-VIS	**5,931**	-
The Bank of Punjab	A1+	AA	PACRA	**677**	748
United Bank Limited	A1+	AAA	JCR-VIS	**1,437,139**	1,437,139
Bank of Khyber	A1	A	PACRA	**12,013,393**	-
				155,288,233	139,031,332
Margin deposits					
Summit Bank Limited	A1	A-	JCR-VIS	**36,213,874**	39,333,431

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:

	2017		2016	
	Gross carrying amount	**Accumulated impairment**	Gross carrying amount	Accumulated impairment
	----------------- Rupees	-----------------	---------------- Rupees	---------------
Not yet due	**711,309,222**	**-**	505,349,005	-
Past due by 0 to 6 months	**177,352,930**	**-**	122,531,049	-
Past due by 6 to 12 months	**136,340,427**	**-**	79,929,029	-
Past due by more than one year	**1,287,631,430**	**(1,071,665,240)**	1,495,188,125	1,025,922,701
	2,312,634,009	**(1,071,665,240)**	2,202,997,208	1,025,922,701

41.1.3(c) The Company's five significant customers account for Rs. 512.492 million (2016: Rs. 491.794 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 8% (2016: 5%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 862.929 million (2016: Rs. 612.687 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.

41.1.5 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	2017 Carrying amount	Contractual cashflows	One year or less	One to three years	More than three years
		---------- Rupees ----------				
Non-derivative financial liabilities						
Redeemable capital	8	**5,965,546,157**	**6,076,614,120**	**5,800,187,293**	**226,124,977**	**50,301,850**
Long term finances	9	**1,687,637,499**	**1,700,967,439**	**1,187,906,034**	**513,061,405**	**-**
Liabilities against assets subject to finance lease	10	**48,956,812**	**53,463,791**	**53,463,791**	**-**	**-**
Gratuity payable	11	**141,320,117**	**141,320,117**	**141,320,117**	**-**	**-**
Preference shares	12	**148,367,255**	**148,367,255**	**148,367,255**	**-**	**-**
Short term borrowings	13	**4,691,105,238**	**4,703,093,992**	**4,703,093,992**	**-**	**-**
Trade creditors	14	**1,146,103,507**	**1,146,103,507**	**1,146,103,507**	**-**	**-**
Accrued liabilities	14	**317,535,840**	**317,535,840**	**317,535,840**	**-**	**-**
Other payables	14	**10,785,206**	**10,785,206**	**10,785,206**	**-**	**-**
Mark-up accrued on borrowings	15	**4,220,170,414**	**4,220,170,414**	**4,220,170,414**	**-**	**-**
Dividend payable	16	**13,415,572**	**13,415,572**	**13,415,572**	**-**	**-**
		18,390,943,617	**18,531,837,253**	**17,742,349,021**	**739,186,382**	**50,301,850**

	Note	2016 Carrying amount	Contractual cashflows	One year or less	One to three years	More than three years
		---------- 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	18,138,247,592	16,671,473,789	978,924,947	487,848,856

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:

	Principal	Preference dividend / interest / mark-up	Total
	------------ Rupees ------------		
Nature of liability			
Long term finances	**1,678,560,330**	**751,919,393**	**2,430,479,723**
Redeemable capital	**5,288,513,410**	**1,494,669,312**	**6,783,182,722**
Preference shares	**148,367,255**	**-**	**148,367,255**
Dividend on preference shares	**-**	**9,413,535**	**9,413,535**
Short term borrowings	**506,919,216**	**1,580,390,102**	**2,087,309,318**
Bills payables	**338,903,037**	**262,603,192**	**601,506,229**
	7,961,263,248	**4,098,995,534**	**12,060,258,782**

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:

	2017			
	EURO	USD	GBP	Total
	------------ Rupees ------------			
Assets				
Trade debts	**527,543,084**	**1,564,592,195**	**15,779,168**	**2,107,914,447**
Cash and bank balances	**317,744**	**124,460**	**-**	**442,204**
	527,860,828	**1,564,716,655**	**15,779,168**	**2,108,356,651**
Liabilities				
Long term finances	**(844,036,092)**	**-**	**-**	**(844,036,092)**
Short term borrowings	**-**	**(332,955,019)**	**-**	**(332,955,019)**
Mark-up accrued on borrowings	**(222,724,119)**	**(5,617,956)**	**-**	**(228,342,075)**
Trade creditors	**(24,745,483)**	**(31,992,063)**	**-**	**(56,737,546)**
Bills payable	**-**	**(139,653,207)**	**-**	**(139,653,207)**
	(1,091,505,694)	**(510,218,245)**	**-**	**(1,601,723,939)**
Net balance sheet exposure	**(563,644,866)**	**1,054,498,410**	**15,779,168**	**506,632,712**

	2016			
	EURO	USD	GBP	Total
	Rupees			
Assets				
Trade receivables	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

41.3.1(b) Exchange rates applied during the year

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

	2017			2016		
	Reporting date spot rate		**Average rate**	Reporting date spot rate		Average rate
	Buying	**Selling**	**for the year**	Buying	Selling	for the year
	Rupees			Rupees		
EURO	119.91	120.14	114.19	116.08	116.31	117.55
USD	104.80	105.00	104.75	104.50	104.70	104.56
GBP	136.42	136.68	134.85	140.12	140.39	149.14
CHF	109.54	109.75	105.69	106.64	106.85	106.49
HKD	13.57	13.59	13.49	13.47	13.49	13.43
RMB	15.70	15.73	15.38	15.78	15.81	16.22

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.

	2017	2016
	Profit	Profit
	Rupees	
EURO	**(56,364,486)**	(47,880,467)
USD	**105,449,841**	92,600,212
GBP	**1,577,917**	4,850,351
	50,663,272	49,570,096

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 basis, 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:

	2017		2016	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	------------------ Rupees ------------		------------- Rupees -----------------	
Non-derivative financial instruments				
Fixed rate instruments	**35,727,976**	**692,023,439**	51,399,854	692,023,439
Variable rate instruments	**266,074,508**	**8,631,289,506**	266,106,890	8,708,390,832

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.

	2017	2016
	Rupees	Rupees
Increase of 100 basis points	**(83,652,150)**	(84,422,839)
Decrease of 100 basis points	**83,652,150**	84,422,839

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). 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:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	---------- Rupees ----------			
Financial assets - at fair value				
Available for sale - Listed Securities				
- Agritech Limited	**-**	**231,864,928**	**306,022,500**	**537,887,428**
	-	**231,864,928**	**306,022,500**	**537,887,428**

	2016			
	---------- 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

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		Weaving segment		Garment segment		Elimination		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Revenue										
External revenues	**1,828,534,029**	1,691,235,315	**5,342,314,876**	7,647,153,173	**5,631,525,372**	3,837,895,956	**-**	-	**12,802,374,277**	13,176,284,444
Inter-segment revenues	**70,469,613**	75,495,255	**1,997,229,898**	1,032,973,547	**6,886,552**	7,101,418	**(2,074,586,062)**	(1,115,570,220)	**-**	-
Reportable segment revenue	**1,899,003,642**	1,766,730,570	**7,339,544,774**	8,680,126,720	**5,638,411,924**	3,844,997,374	**(2,074,586,062)**	(1,115,570,220)	**12,802,374,277**	13,176,284,444
Cost of sales										
- intersegment excluding depreciation	**(70,469,613)**	(75,495,255)	**(1,997,229,898)**	(1,032,973,547)	**(6,886,552)**	(7,101,418)	**2,074,586,062**	1,115,570,220	**-**	-
- external excluding depreciation	**(1,797,955,363)**	(1,583,220,436)	**(4,056,054,285)**	(6,167,305,449)	**(4,619,888,215)**	(3,470,173,460)	**-**	-	**(10,473,897,862)**	(11,220,699,345)
	(1,868,424,975)	(1,658,715,691)	**(6,053,284,183)**	(7,200,278,996)	**(4,626,774,766)**	(3,477,274,878)	**2,074,586,062**	1,115,570,220	**(10,473,897,862)**	(11,220,699,345)
Gross profit	**30,578,666**	108,014,879	**1,286,260,591**	1,479,847,724	**1,011,637,157**	367,722,496	**-**	-	**2,328,476,415**	1,955,585,099
Selling and distribution expenses	**(27,886,344)**	(21,280,678)	**(235,781,437)**	(298,960,663)	**(253,647,560)**	(168,980,910)	**-**	-	**(517,315,341)**	(489,222,252)
Administrative and general expenses excluding depreciation	**(77,732,558)**	(78,766,065)	**(168,474,877)**	(147,038,875)	**(178,896,492)**	(173,822,386)	**-**	-	**(425,103,927)**	(399,627,326)
	(105,618,902)	(100,046,743)	**(404,256,314)**	(445,999,538)	**(432,544,052)**	(342,803,296)	**-**	-	**(942,419,268)**	(888,849,577)
Segment results	**(75,040,236)**	7,968,136	**882,004,277**	1,033,848,186	**579,093,105**	24,919,200	**-**	-	**1,386,057,147**	1,066,735,521
Depreciation									**(454,054,577)**	(466,949,468)
Other income									**36,274,618**	36,884,373
Other expenses									**(45,770,292)**	(112,647,424)
Finance cost									**(965,600,192)**	(1,207,624,572)
Taxation									**(90,471,993)**	(130,545,399)
Loss after taxation									**(133,565,289)**	(814,146,969)

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
42.1.4 Assets										
Total assets for reportable segments	**565,077,886**	550,831,773	**3,279,720,641**	4,000,420,640	**1,862,395,145**	1,390,501,553	**(439,178,866)**	(1,115,570,220)	**5,268,014,807**	4,826,183,746
Other unallocated amounts	**-**	-	**-**	-	**-**	-	**-**	-	**13,421,971,185**	13,444,780,331
	565,077,886	550,831,773	**3,279,720,641**	4,000,420,640	**1,862,395,145**	1,390,501,553	**(439,178,866)**	(1,115,570,220)	**18,689,985,992**	18,270,964,077
42.1.5 Liabilities										
Total liabilities for reportable segments	**463,762,104**	759,082,785	**628,480,381**	1,669,019,653	**1,035,191,975**	432,934,083	**(439,178,866)**	(1,115,570,220)	**1,688,255,594**	1,745,466,300
Other unallocated amounts	**-**	-	**-**	-	**-**	-	**-**	-	**16,774,125,540**	16,172,470,150
	463,762,104	759,082,785	**628,480,381**	1,669,019,653	**1,035,191,975**	432,934,083	**(439,178,866)**	(1,115,570,220)	**18,462,381,134**	17,917,936,450

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.

	2017	2016
	Rupees	Rupees
Revenue		
Foreign revenue		
Asia	**3,289,028,432**	4,115,266,217
Europe	**5,840,476,410**	4,732,389,964
South America	**-**	6,748,650
North America	**138,652**	29,600,641
Africa	**246,415,761**	824,698,691
Other countries	**1,810,062,005**	2,028,464,158
	11,186,121,260	11,737,168,321
Local revenue		
Pakistan	**1,213,011,753**	1,323,911,898
	12,399,133,013	13,061,080,219
42.1.7 Non-current assets		
Pakistan	**13,421,971,185**	13,444,780,330
	13,421,971,185	13,444,780,330

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	2017	2016
Total debt	Rupees	**7,702,140,468**	7,688,228,051
Total equity including revaluation surplus	Rupees	**227,604,858**	353,027,627
Total capital employed	Rupees	**7,929,745,326**	8,041,255,678
Gearing	Percentage	**97.13%**	95.61%

Total debt comprises of redeemable capital, long tern 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 losses of the Company and resultant decrease in equity.

	2017 Rupees	2016 Rupees
44 Restriction on title and assets pledged as security		
Mortgages and charges		
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	**419,050,997**	439,350,997
Finished goods	**349,354,080**	349,354,080
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:

	2017			
		Directors		
	Chief Executive	**Executive**	**Non-executive**	**Executives**
	----------------------------- **Rupees** -----------------------------			
Managerial remuneration	**15,999,996**	**6,661,998**	**-**	**211,576,467**
Medical	**1,599,996**	**666,198**	**-**	**21,157,779**
Utilities and house rent	**6,400,008**	**2,670,970**	**-**	**86,082,088**
Post employment benefits	**1,333,333**	**555,167**	**-**	**17,496,757**
	25,333,333	**10,554,333**	**-**	**336,313,091**
Number of persons as at year end	1	2	4	198

	2016			
		Directors		
	Chief Executive	Executive	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	2,597,690	-	84,277,969
Post employment benefits	1,333,333	539,056	-	15,578,272
	25,333,333	10,252,278	-	311,722,849
Number of persons as at year end	1	2	4	171

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

45.2 Aggregate amount charged in the financial statements for meeting fee to four directors was Rs. 0.600 million (2016: Nil).

46 Plant capacity and actual production

	Unit	2017	2016
Spinning			
Number of rotors installed	No.	**2,992**	2,992
Annual installed capacity			
converted into 6.5s count	Kgs	**18,424,200**	18,424,200
Actual production converted into 6.5s count for the year	Kgs	**15,121,947**	15,656,870
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	**8,939,041**	10,883,733
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.	**33,476,448**	40,636,743
Garments			
Number of stitching machines installed	No.	**2,471**	2,229
Annual installed capacity	Pcs	**12,000,000**	12,000,000
Actual production for the year	Pcs	**6,976,692**	4,729,604

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 Number of employees

The average and total number of employees are as follows:

	2017	2016
Average number of employees during the year	**5,242**	5,552
Total number of employees as at end of year	**5,574**	5,189

48 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

49 Date of authorization for issue

These financial statements were authorized for issue on November 03, 2017 by the Board of Directors of the Company.

50 General

Figures have been rounded off to the nearest rupee.

Lahore **Chief Executive Officer** **Director** **Chief Financial Officer**

PATTERN OF SHAREHOLDING
ORDINARY SHARES
AS ON JUNE 30, 2017

FORM 34

THE COMPANIES ACT, 2017
PATTERN OF SHAREHOLDING

1. Incorporation Number **0029409**
2. Name of the Company **AZGARD NINE LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at **30 06 2017**
4.

Number of Shareholders	Shareholdings from		to		Total Shares held
390	1	-	100	Shares	13,809
831	101	-	500	Shares	338,708
924	501	-	1000	Shares	857,119
1870	1001	-	5000	Shares	5,422,819
723	5001	-	10000	Shares	5,941,925
223	10001	-	15000	Shares	2,968,976
149	15001	-	20000	Shares	2,786,290
141	20001	-	25000	Shares	3,363,141
74	25001	-	30000	Shares	2,101,648
39	30001	-	35000	Shares	1,291,711
53	35001	-	40000	Shares	2,022,837
25	40001	-	45000	Shares	1,089,568
84	45001	-	50000	Shares	4,160,422
15	50001	-	55000	Shares	789,602
22	55001	-	60000	Shares	1,298,500
17	60001	-	65000	Shares	1,072,311
16	65001	-	70000	Shares	1,106,025
26	70001	-	75000	Shares	1,937,637
7	75001	-	80000	Shares	551,000
8	80001	-	85000	Shares	665,448
8	85001	-	90000	Shares	714,500
5	90001	-	95000	Shares	467,623
38	95001	-	100000	Shares	3,789,122
5	100001	-	105000	Shares	518,214
5	105001	-	110000	Shares	538,200
3	110001	-	115000	Shares	336,852
4	115001	-	120000	Shares	476,000
4	120001	-	125000	Shares	492,000
4	125001	-	130000	Shares	503,684
5	130001	-	135000	Shares	664,400

3	135001 -	140000	Shares	408,000
1	140001 -	145000	Shares	142,000
12	145001 -	150000	Shares	1,800,000
3	150001 -	155000	Shares	454,500
2	155001 -	160000	Shares	320,000
2	160001 -	165000	Shares	329,000
2	165001 -	170000	Shares	333,506
2	170001 -	175000	Shares	347,000
4	175001 -	180000	Shares	714,197
2	180001 -	185000	Shares	365,500
1	185001 -	190000	Shares	190,000
12	195001 -	200000	Shares	2,397,000
1	200001 -	205000	Shares	205,000
2	205001 -	210000	Shares	420,000
1	210001 -	215000	Shares	213,000
1	215001 -	220000	Shares	220,000
2	220001 -	225000	Shares	450,000
1	225001 -	230000	Shares	228,000
4	235001 -	240000	Shares	952,500
4	245001 -	250000	Shares	999,850
2	250001 -	255000	Shares	505,000
1	275001 -	280000	Shares	280,000
1	280001 -	285000	Shares	280,500
7	295001 -	300000	Shares	2,100,000
1	300001 -	305000	Shares	303,000
2	330001 -	335000	Shares	666,354
1	335001 -	340000	Shares	336,102
1	345001 -	350000	Shares	350,000
1	385001 -	390000	Shares	388,500
3	395001 -	400000	Shares	1,200,000
2	445001 -	450000	Shares	899,000
1	475001 -	480000	Shares	478,523
5	495001 -	500000	Shares	2,500,000
1	515001 -	520000	Shares	520,000
1	570001 -	575000	Shares	572,282
1	595001 -	600000	Shares	600,000
1	620001 -	625000	Shares	625,000
1	645001 -	650000	Shares	645,064
1	695001 -	700000	Shares	700,000
1	700001 -	705000	Shares	703,500
1	735001 -	740000	Shares	736,455
1	895001 -	900000	Shares	900,000
2	945001 -	950000	Shares	1,900,000

1	975001	-	980000	Shares	978,000
5	995001	-	1000000	Shares	5,000,000
1	1020001	-	1025000	Shares	1,024,500
1	1025001	-	1030000	Shares	1,029,500
1	1075001	-	1080000	Shares	1,075,953
1	1120001	-	1125000	Shares	1,122,222
1	1185001	-	1190000	Shares	1,187,500
1	1200001	-	1205000	Shares	1,202,000
1	1300001	-	1305000	Shares	1,300,500
1	1495001	-	1500000	Shares	1,500,000
1	1715001	-	1720000	Shares	1,719,600
1	1995001	-	2000000	Shares	2,000,000
1	2380001	-	2385000	Shares	2,380,260
1	2495001	-	2500000	Shares	2,500,000
1	3265001	-	3270000	Shares	3,268,908
1	3750001	-	3755000	Shares	3,755,000
1	3895001	-	3900000	Shares	3,900,000
1	3955001	-	3960000	Shares	3,955,500
1	4015001	-	4020000	Shares	4,017,500
1	4585001	-	4590000	Shares	4,586,819
1	4825001	-	4830000	Shares	4,828,500
1	4995001	-	5000000	Shares	5,000,000
1	5365001	-	5370000	Shares	5,365,197
1	5450001	-	5455000	Shares	5,452,465
1	5595001	-	5600000	Shares	5,600,000
1	6445001	-	6450000	Shares	6,450,000
1	6730001	-	6735000	Shares	6,730,500
1	7070001	-	7075000	Shares	7,072,500
1	7420001	-	7425000	Shares	7,425,000
1	8400001	-	8405000	Shares	8,401,344
1	9495001	-	9500000	Shares	9,500,000
1	9740001	-	9745000	Shares	9,740,883
1	10075001	-	10080000	Shares	10,078,656
1	11105001	-	11110000	Shares	11,106,000
1	16660001	-	16665000	Shares	16,664,500
1	16950001	-	16955000	Shares	16,953,845
1	22395001	-	22400000	Shares	22,400,000
1	22505001	-	22510000	Shares	22,510,000
1	30445001	-	30450000	Shares	30,450,000
1	112155001	-	112160000	Shares	112,157,863
5863	**TOTAL**				**449,349,439**

5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, and their spouse and minor children	30,622,089	6.81%
5.2	Associated Companies, undertakings and related parties	112,157,863	24.96%
5.3	NIT and ICP	106,755	0.02%
5.4	Banks, Development Financial Institutions, Non-Banking Financial Institutions	31,988,824	7.12%
5.5	Insurance Companies	6,967,079	1.55%
5.6	Modarabas and Mutual Funds	-	0.00%
5.7	Shareholders holding 10%	112,157,863	24.96%
5.8	General Public		
	a. Local	202,014,220	44.96%
	b. Foreign	6,670,818	1.48%
5.9	Others		
	Investment Companies	68,776	0.02%
	Joint Stock Companies	53,883,313	11.99%
	Provident/Pension Funds and Misc.	4,869,702	1.08%

Pattern of Shareholding under the Code of Corporate Governance

as on June 30, 2017

	Categories of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies, Undertakings & Related Parties**		
	Jahangir Siddiqui & Co. Limited	112,157,863	24.96
2.	**Mutual Funds**		
	CDC - Trustee National Investment (Unit) Trust	98,357	0.02
3.	**Directors, their Spouses & 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
4.	**Executives**	-	0.00
5.	**Public Sector Companies & Corporations**	-	0.00
6.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modarbas & Pension Funds**	38,955,903	8.67
7.	**Others (Individuals, Brokerage Houses, Joint Stock Companies, Employees Funds, etc.)**	267,515,227	59.53
		449,349,439	100.00

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Names	Number of Shares held	% of Shareholding
Mrs. Nasreen H. Shaikh	22,573,445	5.02
Mr. Ahmed H. Shaikh	30,450,000	6.78
Mr. Muhammad Sohail Dayala	22,510,000	5.01
Jahangir Siddiqui & Co. Limited	112,157,863	24.96

Detail of trading in shares of the Company by Directors, Executives and their spouses and minor children. NIL

AZGARD-9

Form of Proxy
Azgard Nine Limited

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 Monday the 27 November 2017 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 __________ 2017

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
Off: Shahrah-i-Roomi
Lahore-54600, Pakistan.

AZGARD-9

پراکسی فارم

ایزگارڈ نائن لمٹیڈ

میں/ہم ....

ولد/دختر ....

ایزگارڈ نائن لمٹیڈ کا ممبر اور ہولڈر ....

عمومی شیئرز اور 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 پیر 27 نومبر 2017 بوقت 10:00 بجے صبح بمقام کمپنی کے رجسٹرڈ آفس: اسماعیل ایوان سائنس، آف شاہراہ رومی، لاہور اور اسکے کسی التواء کی صورت میں۔

مورخہ .... 2017 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 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۔

AFFIX
CORRECT
POSTAGE

The Company Secretary
AZGARD NINE LIMITED
Ismail Aiwan-e-Science
Off: Shahrah-i-Roomi
Lahore-54600, Pakistan.

AZGARD-9

Contact info:
Registered/Head Office:

AZGARD NINE LIMITED
Ismail Aiwan-i-Science,
Off: Shahrah-i-Roomi,
Lahore-54600, Pakistan.
Ph: +92 (0) 42 35761794-5
Fax: + 92 (0) 42 35761791
www.azgard9.com