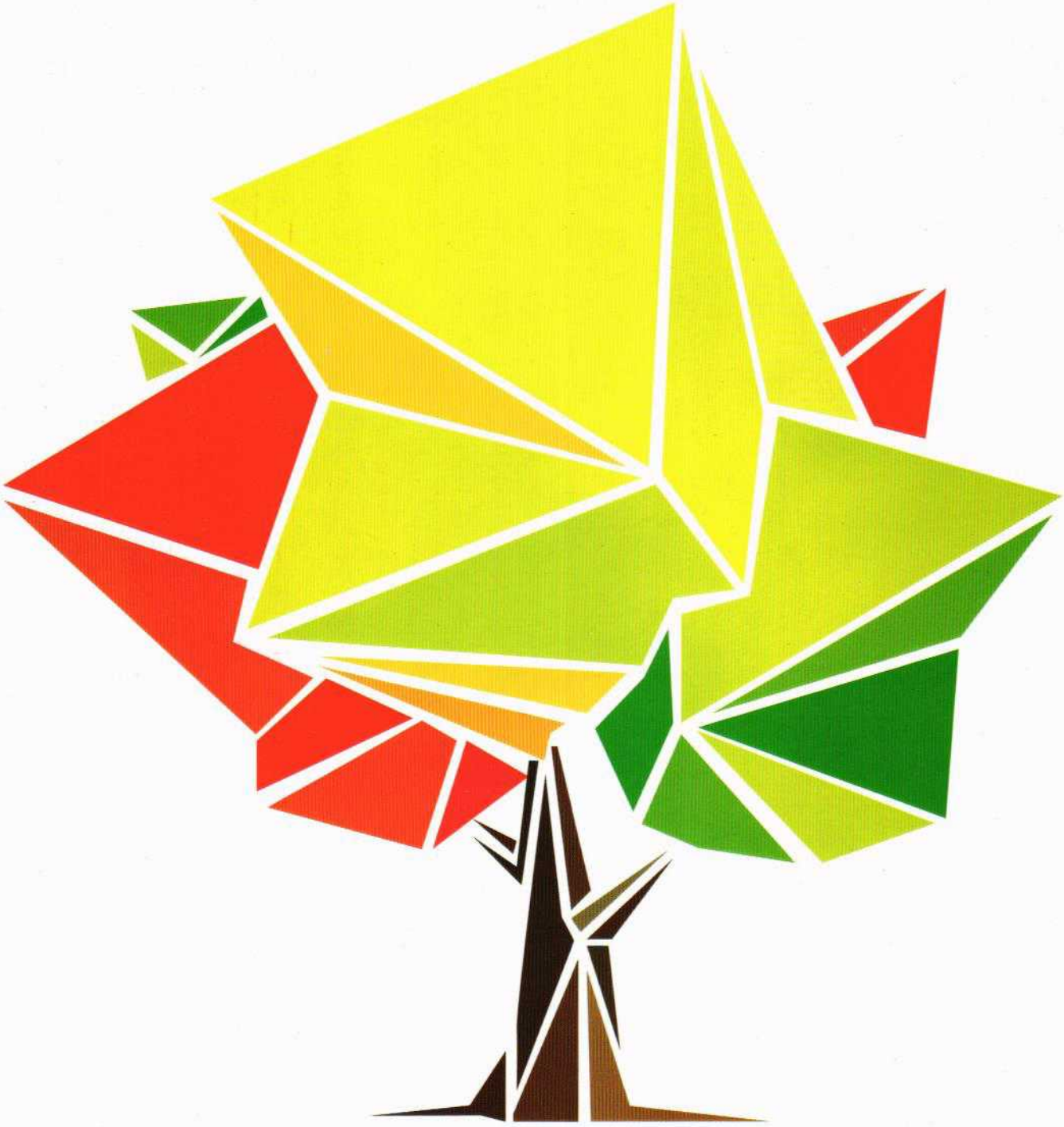


# ANNUAL REPORT
# 2015

AZGARD-9

# CONTENTS

# VISION

"To become a major global Fashion Apparel Company."

# MISSION

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

# COMPANY INFORMATION

**BOARD OF DIRECTORS**

Mr. Aehsun M.H. Shaikh
Chairman
Mr. Ahmed H. Shaikh
Chief Executive
Mr. Nasir Ali Khan Bhatti
Mr. Usman Rasheed
Mr. Farrukh Hussain
Mr. Saghir Ahmed
Mr. Munir Alam

**COMPANY SECRETARY**

Mr. Muhammad Ijaz Haider

**CHIEF FINANCIAL OFFICER**

Mr. Zahid Rafiq, FCA

**AUDIT COMMITTEE**

Mr. Nasir Ali Khan Bhatti
Chairman
Mr. Aehsun M.H. Shaikh
Mr. Farrukh Hussain

**REGISTERED OFFICE**

Ismail Aiwan-e-Science
Off Shahrah-e-Roomi Lahore, 54600.
Ph: +92(0)42 3576-1794-5
Fax: +92(0)42 3576-1791

**HR & REMUNERATION COMMITTEE**

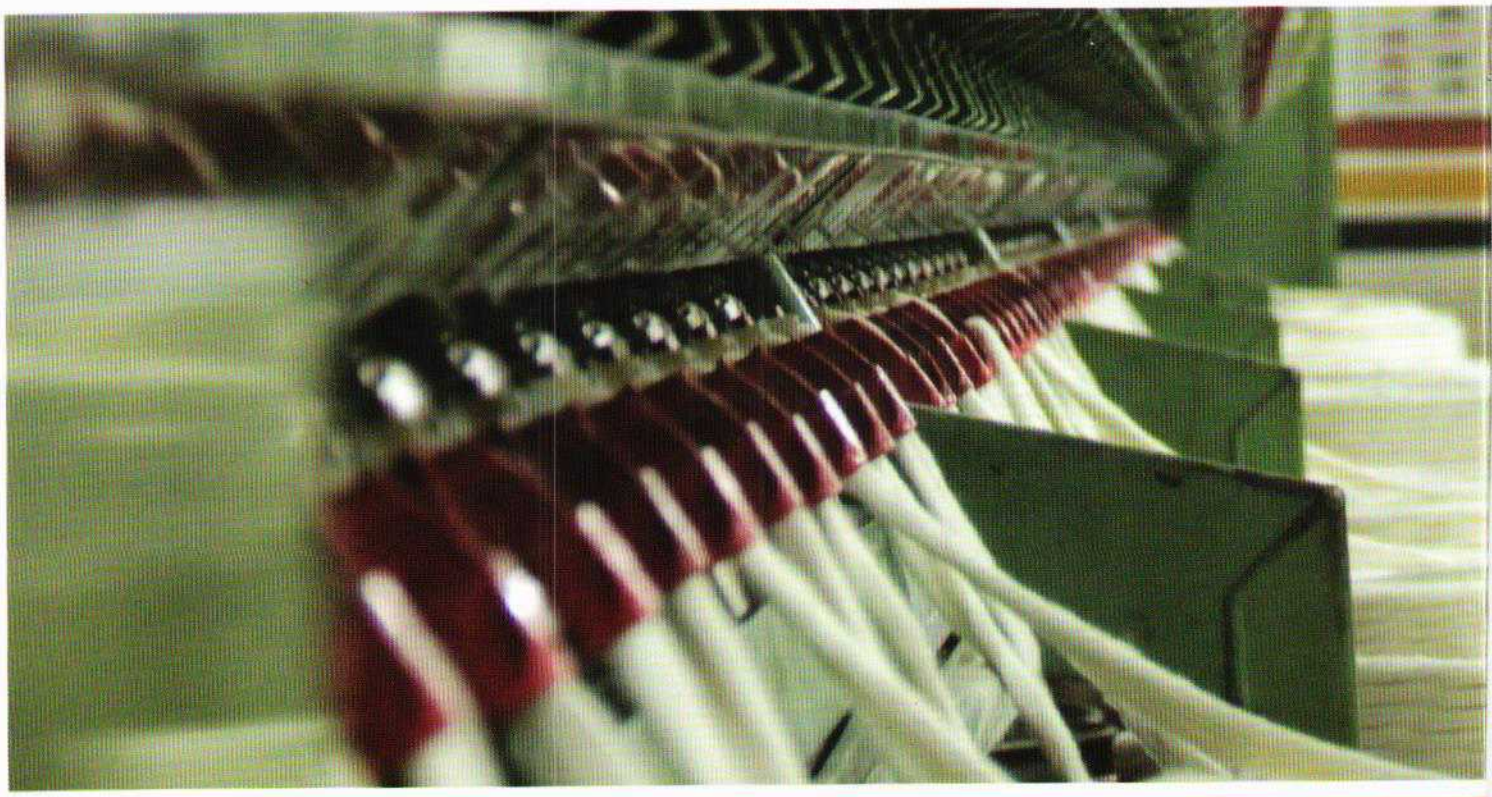
Mr. Nasir Ali Khan Bhatti
Chairman
Mr. Ahmed H. Shaikh
Mr. Aehsun M.H. Shaikh

**AUDITORS**

KPMG Taseer Hadi & Co.
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

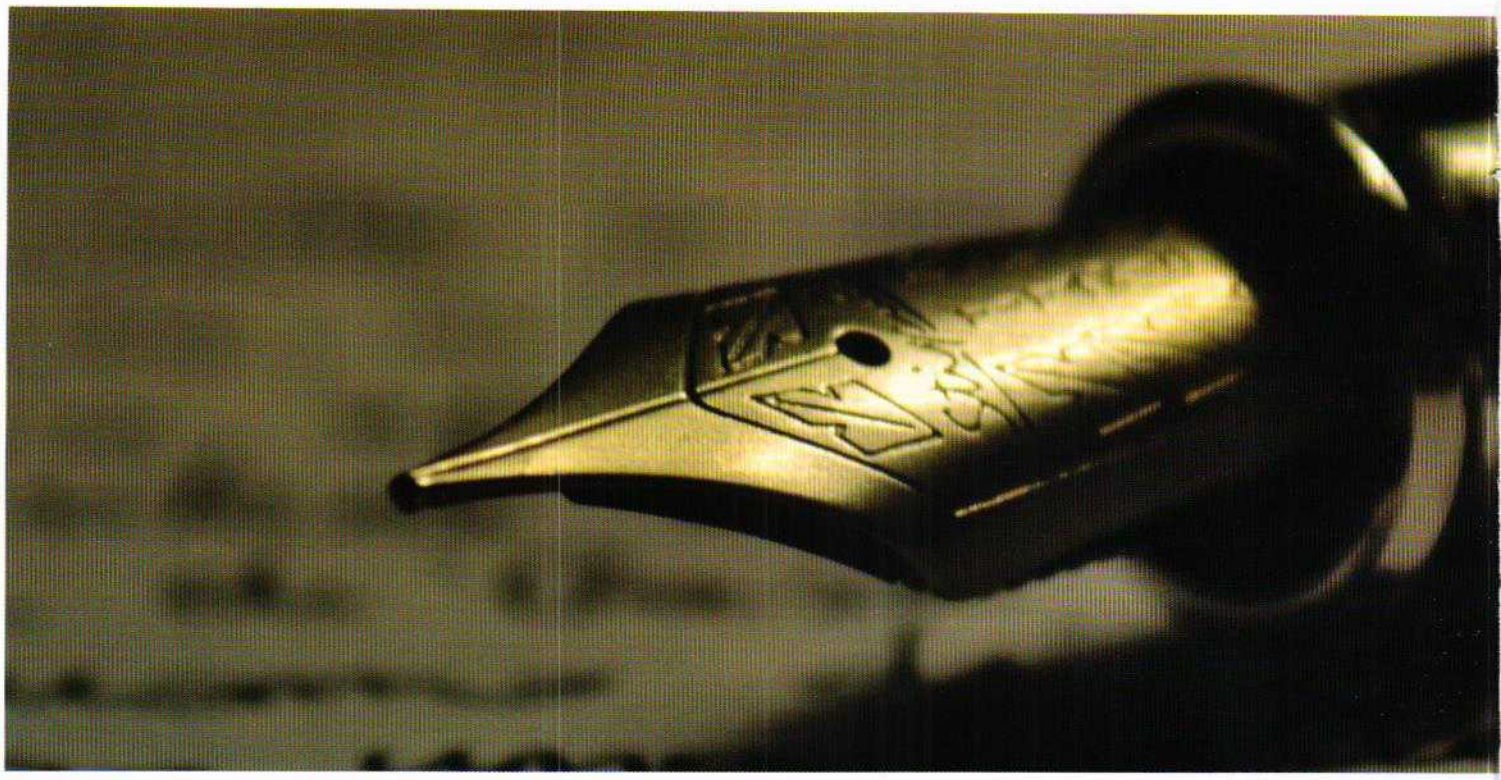
JS Bank Limited
MCB Bank Limited
Citibank N.A
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
Silk Bank Limited
Summit Bank Limited
Al Baraka Bank Pakistan Limited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

## 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



# 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 30 June 2015.

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

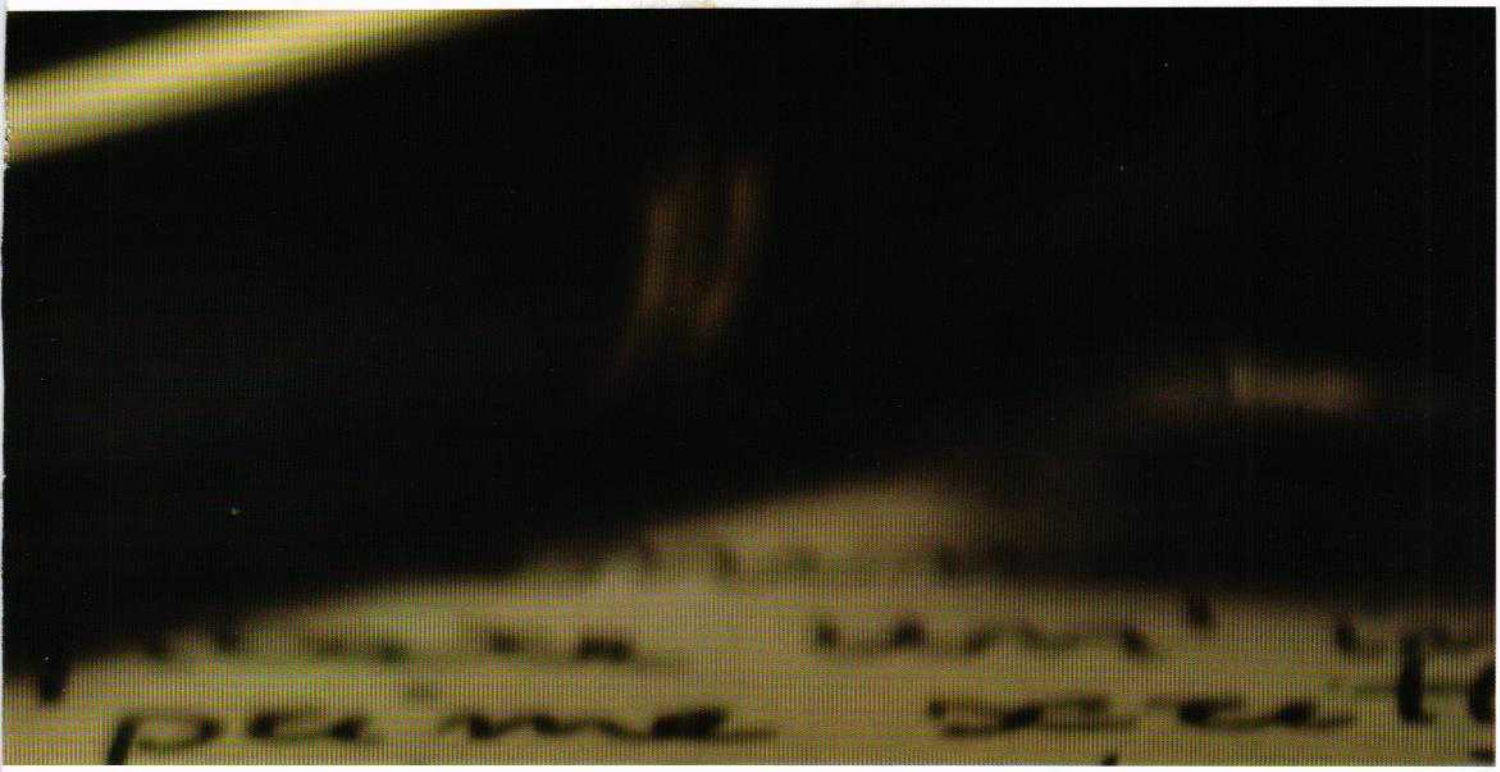
The main business of your Company is the production and marketing of Denim focused Textile and Apparel products, ranging from denim fabrics to retail ready goods. During the year, Azgard Nine Limited is one of the larger denim products Company by sales in Pakistan.

**Following are the operating financial results of Azgard Nine Limited (Stand alone):**

| | Year ended 30 June 2015 | Year ended 30 June 2014 |
|---|---|---|
| Sales – net | 10,701,888,196 | 13,301,847,243 |
| Operating profit/(loss) | 115,119,649 | (31,002,843) |
| Finance cost | (1,182,711,373) | (1,529,841,093) |
| Loss before tax | (2,828,250,081) | (1,992,911,737) |
| Loss after tax | (2,934,238,979) | (2,125,555,933) |
| Loss per share | (6.451) | (4.673) |

## Review of Textiles and Apparel Business during the year

This was a tough year. The domestic business conditions in Punjab were very challenging. Supply of gas and electricity were highly interrupted causing disruption and losses to the production process. Europe is the main market for the company. Uncertainty prevailed in the Euro Zone during most of the year dampening demand. The devaluation of Euro had a farther effect on margins.



During the year, the Company received funds of Rs. 394 million out of the remaining balance of Rs. 700 million due from sale of Agritech Limited ("AGL") shares. The Company utilized these funds for increasing the capacity utilization of its plants in order to try and bring them up to sustainable operational levels.

The additional working capital helped but, was below the required levels. Thus capacities could not be brought up to the required levels. Due to tight liquidity position optimal and timely purchase of raw materials was not possible. Delay in refunds of taxes and rebates by the Government further exacerbated the issues.

During the year the company has been working on improving energy efficiency and man power efficiency. Manufacturing operations have also been streamlined in order to reduce production costs. The drive for further cost savings and efficiency improvements continues and is ongoing.

## Restructuring of Debts

During last year, the Company initiated its 2nd restructuring. Through this restructuring overall debt burden of the company would be significantly reduced. The second round of financial restructuring of the Company is at advance stages and in this regard proposals, including principal and related mark-up settlements through disposal of certain assets, are being considered by the lenders. Major lenders have already given their approval for this debt restructuring. As part of this restructuring, the Company also intends to issue right shares (subject to the availability of requisite approvals and regulatory consents).

## Future Outlook -Textile Business

The Company is hopeful that subsequent to completion of this restructuring as mentioned above and receipt of remaining working capital, the operational capacity utilization of the plants should be able to reach a sustainable level. The management feels that through these measures the company should become a sustainable business.

## Fire incident at Manga

There was a sudden breakout of fire at Manga operational site resulting from short circuiting in the electricity wires. This mainly caused damage to our inventories and stores area. Fire brigade was called to help with fire prevention. Commendable efforts were made by the company's staff. Due to these efforts the fire was prevented from spreading into the production areas of the plant. The fire did result on some delay and loss of production. All the assets were however fully insured. Alhamdulillah the Company has received insurance payments for this loss.

## Corporate Social Responsibility

Your Company is a responsible corporate citizen and fully recognizes its responsibility towards community, employees and environment.

## Loss per share

The loss per share of the Company for the year ended 30 June 2015 was Rs 6.451 per share.

## Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended 30 June 2015.

## Corporate governance & financial reporting framework

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

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The Board is satisfied that the Company is performing well as going concern under the Code of Corporate Governance.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding as on 30 June 2015 except for those disclosed in the financial statements.
- The value of provident fund investment as at 30 June 2015 was Rs. 29.51 million. With effect from 1 July 2015, the Company has changed the post employment benefits policy. The Company has discontinued provident fund and in its place started gratuity scheme.
- No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.
- There is a material uncertainty about Company's ability to continue as a going concern; however these financial statements have been prepared on going concern assumption for reasons more fully disclosed in the financial statements.
- Directors, CEO, CFO and Company Secretary did not carry out any transaction in the shares of the company during the year.
- Company has arranged a training program for its Director.
- 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 two independent directors, one non executive director including the Chairman and four executive directors (including the Chief Executive Officer). The Non executive directors bring to the Company their 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.

During the period under review, five meetings of the Board of Directors held and the attendance by each director is as follows:

| Name | Eligibility | Attended | |
|---|---|---|---|
| Mr. Ahmed H. Shaikh | 5 | 5 | |
| Mr. Aehsun M. H. Shaikh | 5 | 0 | |
| Mr. Nasir Ali Khan Bhatti | 5 | 5 | |
| Mr. Usman Rasheed | 5 | 5 | |
| Mr. Yasir Habib Hashmi | 5 | 4 | |
| Mr. Munir Alam | 5 | 5 | |
| Mr. Naseer Miyan | 0 | 0 | Resigned on 08.08.2014 |
| Mr. Farrukh Hussain | 5 | 4 | Appointed on 08.08.2014 in place of Mr. Naseer Miyan |

## HR & Remuneration Committee Meeting

| Name of Directors | Eligibility | Attendance |
|---|---|---|
| Mr. Nasir Ali Khan Bhatti | 1 | 1 |
| Mr. Ahmed H. Shaikh | 1 | 1 |
| Mr. Aehsun M. H. Shaikh | 1 | 0 |

## Audit Committee

| Name of Directors | Eligibility | Attendance |
|---|---|---|
| Mr. Nasir Ali Khan Bhatti | 5 | 5 |
| Mr. Aehsun M. H. Shaikh | 4 | 0 |
| Mr. Farrukh Hussain | 5 | 5 |

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

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

Due to recovery suits on Montebello S.R.L. (MBL), Honorable Court in Italy has appointed trustee for the management of MBL affairs. The operations of MBL have been ceased and only the recovery proceedings are going on. The updated figures of the financial position are not available with Company. Considering this scenario, the Company has provided impairment of related balances appearing in standalone financial statements. The directors have considered and decided that as financial statements of MBL are not available so its consolidation with the Company would not be possible. Exemption from preparation of consolidated financial statements under sub section 8 of section 237 of the Companies Ordinance, 1984 was applied to Securities and Exchange Commission of Pakistan (SECP). SECP has granted the subject exemption. Hence Consolidated financial statements of the Company are not included. For further information, please refer to note 2.1 and 18.1.1 of financial statements.

## Auditors' observations

The auditors qualified their opinion in para a of audit report due to the fact that the Company could not make timely repayments of principal and interest / mark-up related to long term loans and certain financial and other covenants imposed by lenders could not be complied with. In this scenario, International Accounting Standard 1 - Presentation of Financial Statements requires that if an entity breaches a provision of long term loan, that liability becomes payable on demand and it should be classified as current. However, in our financial statements the long term debts continues to be classified as long term as per respective repayment schedule of loans. In this regard, the lenders have continued to show their confidence in our diversified business and experienced management to gradually improve the financial performance and did not call the 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 are part of 2nd restructuring and ultimate value of these TFCs would be available after completion of 2nd restructuring.

The auditors qualified their opinion in para "c" of audit report regarding Company's investment in preference shares ("shares") of AGL. The adjustments proposed by auditors are required by International Accounting Standard on Financial Instruments: Recognition and Measurement (IAS-39). The management is of the view that as these shares would be sold in few months time under put option at same price at which the company has purchased through written agreement with National Bank of Pakistan. Recognition of fair value adjustment and derivative financial instrument for these shares during this year and reversing very next year would be confusing for users of financial statements.

The auditors qualified their opinion in para "d" of audit report due to non availability of claims details regarding MBL. The Company is in process of filing its claim for which we have ample time available till 04 March 2016. Ultimate outcome of this claim is dependent on decision of Trustee.

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

## Appointment of Auditors

Messers KPMG Taseer Hadi & Co, Chartered Accountants, member firm of KPMG International, a reputable Chartered Accountants firm completed its tenure of appointment with the Company and are eligible for re-appointment for the next financial year 2015-2016.

## Audit committee

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

## Internal audit function

The Board set up an efficient and energetic internal control system with operational, financial and compliance controls 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 30 June 2015 including the information under the Code of Corporate Governance for ordinary shares is annexed.

## Web presence

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

## Acknowledgment

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

On behalf of the Board of Directors

7 October 2015

Chief Executive Officer

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of AZGARD NINE LIMITED (the "Company") will be held on Saturday, October 31, 2015 at 10:00 A.M at the Registered Office of the Company Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 30, 2014;
2. To receive, consider and adopt the financial statements for the year ended June 30, 2015 together with Directors' and Auditors' Reports thereon;
3. To consider appointment of external auditors for the financial year ending June 30, 2016.
4. To discuss any other business that may be brought forward with the permission of the chair.

By Order of the Board

October 7, 2015
LAHORE

(Muhammad Ijaz Haider)
Company Secretary

**NOTES:**

1. The share transfer books of the Company will remain closed from October 24, 2015 to October 31, 2015. (both days inclusive).
2. The Preference Shareholders are not entitled to attend the meeting.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her place. Proxies, complete in every respect, in order to be effective, must be received at the Registered Office of the Company not less than forty eight (48) hours before the time of the meeting.
4. Members who have not yet submitted photocopy of computerized national Identity Card (CNIC) to the Company are requested to send the same at the earliest.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

**A. FOR ATTENDING THE MEETING:**

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

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

## B. FOR APPOINTING PROXIES:

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

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

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

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

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

# FINANCIAL HIGHLIGHTS

## Six Years at a glance

| Azgard Nine Limited | Year ended 30 June 2015 | Year ended 30 June 2014 | Year ended 30 June 2013 | Year ended 30 June 2012 | Eighteen months ended June 30, 2011 | Year ended 31 December 2009 |
|---|---|---|---|---|---|---|
| **Operating performance (Rs. 000)** | | | | | | |
| Sales - Net | 10,701,888 | 13,301,847 | 13,719,626 | 11,524,279 | 17,602,765 | 11,737,859 |
| Export Sales-Gross | 9,087,740 | 11,140,090 | 11,715,767 | 9,823,943 | 14,469,060 | 10,017,267 |
| Local Sales-Gross | 1,534,400 | 2,085,594 | 2,038,185 | 1,771,498 | 2,859,903 | 1,725,461 |
| Gross profit | 1,063,159 | 962,331 | 461,580 | (1,118,047) | 180,213 | 3,191,493 |
| Operating profit / (Loss) | 115,120 | (31,003) | (1,054,167) | (2,536,243) | (530,541) | 2,616,317 |
| Profit / (Loss) before tax | (2,828,250) | (1,992,912) | 1,101,484 | (5,960,621) | (4,528,951) | 178,723 |
| Profit / (Loss) after tax | (2,934,239) | (2,125,556) | 963,945 | (6,076,575) | (4,702,240) | 60,531 |
| **Financial Position (Rs. 000)** | | | | | | |
| Total equity | (3,839,312) | (748,295) | 1,262,286 | 4,471,164 | 10,269,064 | 14,500,553 |
| Surplus on revaluation of property plant and equipment | 4,568,030 | 4,703,688 | 3,470,587 | 3,596,276 | 3,724,870 | 3,969,152 |
| Long term debt | 7,710,024 | 7,846,278 | 7,830,878 | 11,512,029 | 8,468,567 | 7,080,736 |
| Property, plant and equipment | 13,097,753 | 13,537,284 | 12,953,017 | 13,395,217 | 13,835,133 | 14,054,500 |
| **Financial analysis** | | | | | | |
| Current ratio (times)* | 0.50 | 0.59 | 0.67 | 1.27 | 1.48 | 0.82 |
| Debt to equity (ratio) | 91:9 | 66:34 | 62:38 | 59:41 | 38:62 | 33:67 |
| **Profitability analaysis** | | | | | | |
| Operating profit to sales (%) | 1.08 | (0.23) | (7.68) | (22.01) | (3.01) | 22.29 |
| Earnings per share (Rs.) | (6.45) | (4.67) | 2.12 | (13.36) | (10.403) | 0.003 |

* (excluding current portion of long term debt)

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. As at June 30, 2015, the board includes:

| Category | Names |
|---|---|
| Independent Directors | Nasir Ali Khan Bhatti, Farrukh Hussain |
| Executive Directors | Ahmed H. Shaikh, Usman Rasheed, Yasir Habib Hashmi, Munir Alam, |
| Non-executive Directors | Aehsun M. H. Shaikh |

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

Election of Directors due on 25 August 2012 could not be held due to a stay order of the Honorable Civil Court of Lahore ("the Court"). The said election will be held after the Court order is vacated.

2. The directors have confirmed that none of them is serving as a director in 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 a NBFI.

4. A casual vacancy occurring on the board on August 8, 2014 was filled up by the directors within 90 days.

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

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

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

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

9. The board arranged director training program for its one of the director during the year.

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

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

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

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

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

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

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

17. The board has formed an HR and Remuneration Committee. It comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is an independent director.

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

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

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

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

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

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the following towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year:

    - Chairman of Audit Committee was not present in Annual General Meeting held on 30 October, 2014.

On behalf of board of directors

Date: 07 October, 2015

Chief Executive Officer

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House,
2-Main Gulberg Jail Road,
Lahore.

Telephone + 92 (42) 3579 0901-6
Fax + 92 (42) 3579 0907
Internet www.kpmg.com.pk

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Azgard Nine Limited ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi 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 June 2015.

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

| Reference | Description |
|---|---|
| Paragraph 1 | Election of Directors were not held due to a stay order of the Honourable Civil Court of Lahore. |
| Paragraph 23 | Chairman of Audit Committee was not present in the Annual General Meeting held on 30 October 2014. |

KPMG Taseer Hadi & Co.

Date: 7 October 2015

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)


# FINANCIAL STATEMENTS

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House,
2-Main Gulberg Jail Road,
Lahore.

Telephone + 92 (42) 3579 0901-6
Fax + 92 (42) 3579 0907
Internet www.kpmg.com.pk

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Azgard Nine** Limited ("the Company") as at 30 June 2015 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 part thereof, for the year then ended and we state that, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) as stated in notes 2.4 and 40.2.2 to the financial statements, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard on Presentation of financial statements (IAS – 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current. In these financial statements 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. 3,749.98 million as at the reporting date;

b) the Company has investment in term finance certificates ("TFC") of Agritech Limited ("AGL"). As per AGL latest available financial statements, its equity has completely eroded. Further, the Company has not received due amount of principal and mark-up since October 2012 against which full amount of impairment loss to the tune of Rs. 66.39 million has been recorded in these financial statements. Accordingly, the carrying value of the Company's investment in TFCs of AGL at the year-end amounting to Rs. 231.86 million and the related mark-up thereon amounting to Rs. 45.39 million as appearing in notes 18.3 and 24 respectively of these financial statements also appear doubtful of recovery. Had an impairment allowance against these balances been provided in these financial statements, non-current assets and current assets would have been lower by Rs. 231.86 million and Rs. 45.39 million respectively with a corresponding increase of Rs. 277.26 in loss after taxation and accumulated losses;

c) as stated in note 25.2 to the financial statements, the Company has investment in preference shares ("shares") of AGL, designated as available for sale, and National Bank of Pakistan has agreed to purchase these shares at Rs. 5.25 per share at a future date as defined in the put option agreement. The market value of these shares is Rs. 3.00 per share as at 30 June 2015. International Accounting Standard on Financial Instruments: Recognition and Measurement (IAS-39) requires investment 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 recognised in other comprehensive income and to account for the derivative at fair value. However, the Company has not complied with the requirements of IAS-39. Had these shares been accounted for under IAS-39, carrying values of short term investment and available for sale reserve would have been lower by Rs. 131.15 million with corresponding increase in other comprehensive loss for the year by the same amount. Had the derivative been accounted for at the reporting date under IAS-39, loss after tax and the balance of accumulated losses would have decreased by Rs. 131.15 million with corresponding increase in current assets at the balance sheet date. However, this adjustment would have no impact on equity of the Company;

d) as stated in note 18.1.1 to the financial statements that on 18 December 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 disclosed the details in the aforesaid note and have resultantly booked full impairment allowance of Rs. 1,449.41 million against its balance amount of investment in MBL and Rs. 452.53 million against its balance amount of trade receivables from MBL. The management has represented through its legal counsel that the last date for submissions of claims against MBL is 04 March 2016 according to the Italian Bankruptcy Law and accordingly the claims against MBL have not been exactly determined and finalised as yet. In view of the absence of a definite determination of the claims against MBL we are unable to satisfy ourselves as to the adequacy of the impairment allowances booked against the related balances;

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

f) in our opinion:

i) except for the matters discussed in paragraphs (a) to (d) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in accordance with accounting policies consistently applied, however these are in agreement with the books of account;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

g) except for the effects on the financial statements of the matters discussed in paragraphs (a) to (c) above and the possible effect of the matter discussed in paragraph (d) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Notwithstanding the matters as discussed in paragraphs (a) to (d) above, we draw attention to the matter that during the year ended 30 June 2015, the Company has incurred loss before tax of Rs. 2,828.25 million and its current liabilities exceeded its current assets by Rs. 9,253.59 million, and its accumulated losses stood at Rs. 11,513.25 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.

KPMG Taseer Hadi & Co.

Date: 07 October 2015

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Azgard Nine Limited

# Balance Sheet

As at 30 June 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Authorized share capital** | 5 | 15,000,000,000 | 15,000,000,000 |
| *Share capital and reserves* | | | |
| Issued, subscribed and paid-up capital | 5 | 4,548,718,700 | 4,548,718,700 |
| Reserves | 6 | 3,125,220,038 | 3,417,654,719 |
| Accumulated losses | | (11,513,250,435) | (8,714,668,872) |
| | | (3,839,311,697) | (748,295,453) |
| **Surplus on revaluation of fixed assets** | 7 | 4,568,030,126 | 4,703,687,542 |
| | | 728,718,429 | 3,955,392,089 |
| *Non-current liabilities* | | | |
| Redeemable capital - secured | 8 | 2,460,680,747 | 3,799,216,500 |
| Long term finances - secured | 9 | 956,454,823 | 1,493,304,926 |
| Liabilities against assets subject to finance lease - secured | 10 | 10,947,796 | 20,783,684 |
| | | 3,428,083,366 | 5,313,305,110 |
| *Current liabilities* | | | |
| Current portion of non-current liabilities | 11 | 4,097,460,846 | 2,068,876,610 |
| Short term borrowings | 12 | 4,813,695,083 | 4,925,439,196 |
| Trade and other payables | 13 | 2,444,298,488 | 2,214,446,720 |
| Interest / mark-up accrued on borrowings | 14 | 2,919,538,952 | 2,214,256,456 |
| Dividend payable | 15 | 13,415,572 | 13,415,572 |
| Provision for taxation - net | 26 | 73,332,563 | 77,861,036 |
| | | 14,361,741,504 | 11,514,295,590 |
| **Contingencies and commitments** | 16 | | |
| | | 18,518,543,299 | 20,782,992,789 |
| **ASSETS** | | | |
| *Non-current assets* | | | |
| Property, plant and equipment | 17 | 13,097,752,858 | 13,537,283,593 |
| Long term investments | 18 | 231,897,310 | 1,681,304,686 |
| Long term deposits - unsecured, considered good | 19 | 18,791,047 | 19,253,047 |
| Trade debt - unsecured, considered good | 20 | 61,949,527 | - |
| | | 13,410,390,742 | 15,237,841,326 |
| *Current assets* | | | |
| Stores, spare parts and loose tools | 21 | 126,176,080 | 132,749,270 |
| Stock-in-trade | 22 | 1,940,504,163 | 1,546,298,008 |
| Trade debts | 23 | 1,361,141,139 | 2,420,618,482 |
| Advances, deposits, prepayments and other receivables | 24 | 1,240,984,428 | 722,725,894 |
| Short term investments | 25 | 306,022,500 | 700,000,000 |
| Cash and bank balances | 27 | 133,324,247 | 22,759,809 |
| | | 5,108,152,557 | 5,545,151,463 |
| | | 18,518,543,299 | 20,782,992,789 |

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

Lahore

Chief Executive

Director

Azgard Nine Limited

# Profit and Loss Account

For the year ended 30 June 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Sales - net | 28 | 10,701,888,196 | 13,301,847,243 |
| Cost of sales | 29 | (9,638,729,320) | (12,339,516,394) |
| **Gross profit** | | 1,063,158,876 | 962,330,849 |
| Selling and distribution expenses | 30 | (559,249,474) | (598,469,013) |
| Administrative and general expenses | 31 | (388,789,753) | (394,864,679) |
| **Operating profit / (loss)** | | 115,119,649 | (31,002,843) |
| Other income | 32 | 342,306,588 | 60,378,407 |
| Other expenses | 33 | (2,102,964,945) | (492,446,208) |
| Finance cost | 34 | (1,182,711,373) | (1,529,841,093) |
| **Loss before taxation** | | (2,828,250,081) | (1,992,911,737) |
| Taxation | 35 | (105,988,898) | (132,644,196) |
| **Loss after taxation** | | (2,934,238,979) | (2,125,555,933) |
| **Loss per share** - *basic and diluted* | 36 | (6.451) | (4.673) |

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

Lahore

Chief Executive

Director

Azgard Nine Limited

# Statement of Comprehensive Income

For the year ended 30 June 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **Loss after taxation** | | (2,934,238,979) | (2,125,555,933) |
| *Other comprehensive (loss) / income* | | | |
| *Items that are or may be reclassified to profit and loss account:* | | | |
| Changes in fair value of available for sale financial assets | | 295 | 866 |
| Fair value gain realized on sale of available for sale financial asset reclassified to profit and loss account | 32 | (292,434,976) | - |
| | | (292,434,681) | 866 |
| **Total comprehensive loss for the year** | | (3,226,673,660) | (2,125,555,067) |

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

Lahore

Chief Executive

Director

Azgard Nine Limited

# Cash Flow Statement

For the year ended 30 June 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| *Cash flows from operating activities* | | | |
| Cash generated from operations | 37 | 175,922,024 | 575,109,669 |
| Interest / mark-up paid | | (148,219,550) | (303,131,080) |
| Taxes paid - net | | (110,517,371) | (94,035,818) |
| Long term deposits - net | | 462,000 | 31,200 |
| **Net cash (used in) / generated from operating activities** | | (82,352,897) | 177,973,971 |
| *Cash flows from investing activities* | | | |
| Capital expenditure | | (82,421,612) | (110,527,645) |
| Proceeds from disposal of property, plant and equipment | | 373,770 | 100,648,090 |
| Proceeds from sale of investment in Agritech Limited | | 393,977,500 | - |
| **Net cash generated from / (used in) investing activities** | | 311,929,658 | (9,879,555) |
| *Cash flows from financing activities* | | | |
| Repayment of long term finances | | - | (21,000,000) |
| Repayment of liabilities against assets subject to finance lease | | (7,268,210) | (3,013,048) |
| Net (decrease) / increase in short term borrowings | | (130,591,158) | 94,479,366 |
| **Net cash (used in) / generated from financing activities** | | (137,859,368) | 70,466,318 |
| **Net increase in cash and cash equivalents** | | 91,717,393 | 238,560,734 |
| **Cash and cash equivalents at beginning of the year** | | (705,348,818) | (943,909,552) |
| **Cash and cash equivalents at end of the year** | 38 | (613,631,425) | (705,348,818) |

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

Lahore

Chief Executive

Director

# Statement of Changes in Equity

For the year ended 30 June 2015

| | Issued, subscribed and paid-up capital | Share premium | Capital reserves: Reserve on merger | Preference share redemption reserve | Available for sale financial assets | Revenue reserves: Accumulated losses | Total reserves | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | |
| As at 01 July 2013 | 4,548,718,700 | 2,358,246,761 | 105,152,005 | 661,250,830 | 293,004,257 | (6,704,086,654) | (3,286,432,801) | 1,262,285,899 |
| Total comprehensive loss for the year | | | | | | | | |
| *Loss for the year ended 30 June 2014* | - | - | - | - | - | (2,125,555,933) | (2,125,555,933) | (2,125,555,933) |
| *Other comprehensive income for the year ended 30 June 2014* | - | - | - | - | 866 | - | 866 | 866 |
| Total comprehensive loss for the year | - | - | - | - | 866 | (2,125,555,933) | (2,125,555,067) | (2,125,555,067) |
| Transfer of incremental depreciation from surplus on revaluation of fixed assets | - | - | - | - | - | 114,973,715 | 114,973,715 | 114,973,715 |
| As at 30 June 2014 | 4,548,718,700 | 2,358,246,761 | 105,152,005 | 661,250,830 | 293,005,123 | (8,714,668,872) | (5,297,014,153) | (748,295,453) |
| Total comprehensive loss for the year | | | | | | | | |
| *Loss for the year ended 30 June 2015* | - | - | - | - | - | (2,934,238,979) | (2,934,238,979) | (2,934,238,979) |
| *Other comprehensive loss for the year 30 June 2015* | - | - | - | - | (292,434,681) | - | (292,434,681) | (292,434,681) |
| Total comprehensive loss for the year | - | - | - | - | (292,434,681) | (2,934,238,979) | (3,226,673,660) | (3,226,673,660) |
| Transfer of incremental depreciation from surplus on revaluation of fixed assets | - | - | - | - | - | 128,189,570 | 128,189,570 | 128,189,570 |
| Transfer from surplus on revaluation of fixed assets on disposal | - | - | - | - | - | 7,467,846 | 7,467,846 | 7,467,846 |
| As at 30 June 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) |

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

Lahore

Chief Executive

Director

## 1 Reporting entity

Azgard Nine Limited ("the Company") was incorporated in Pakistan as a public limited company and is listed on Karachi 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. However, for the current year, consolidated financial statements of the Company are not prepared separately due to the fact stated in note 18.1.1 and the exemption granted by SECP under subsection 8 of section 237 of the Companies Ordinance, 1984 from consolidation of the company's subsidary for the year ended 30 June, 2015.

The Company has following investment:

*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 and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

### 2.3 Going concern assumption

This year due to adverse domestic economic conditions and harsh global environment, the targeted profits remained elusive. The instability in the Euro Zone and devaluation of the euro adversely impacted the Company, Europe being the main market for the Company. During the year, the Company received funds of Rs. 394 million out of Rs. 700 million due from sale of Agritech Limited ("AGL") shares. The Company utilised these funds for increasing the capacity utilisation of the plants in order to try and bring them up to sustainable operational levels. However, as the remaining balance of Rs. 306 million is still awaited it is challenging to achieve the required capacity utilisation levels.

Due to above mentioned reasons and the facts stated in note 18.1.1, the Company has incurred a loss before tax of Rs. 2,828.250 million for the year ended 30 June 2015 and, as of that date its current liabilities exceeded its current assets by Rs. 9,253.589 million, including Rs. 6,577.461 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 11,513.250 million. These conditions cast a significant doubt about the Company's ability to continue as a going concern and therefore, the current business scenerio make things diffcult to realize the Company's assets and discharge its liabilities in the normal course of business. These financial statements have however, been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the measures as explained in the succeeding paragraph and expectation of future profitability and more positive cash flows from operating activities.

The remaining funds of Rs. 306 million from the sale of AGL shares are expected to be received within the next year. These funds will be used for enhancing the operational capacities and bring them to sustainable levels. The second round of financial restructuring of the Company is at advance stages and in this regard proposals, including principal and related markup settlements through disposal of certain assets, are being considered by the lenders. Major lenders have given their approval for this debt restructuring. The Company is hopeful that subsequent to restructuring, receipt of remaining working capital and completion of debt restructuring, the target of sustainable capacity utilisation should be achieved. The management is confident that through these measures the Company should become a profitable entity, barring external factors that are not in the managements control such as the power crisis and global recession.

## 2.4 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 40.2.2. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 3,749.983 million as detailed below have been classified as long term as per the repayment schedules in the financial statements as the management considers that event of default has not been declared by the lenders and also because of the fact that the Company is in discussion with its lenders for reprofiling of its long term debts:

| | Principal net of current maturity Rupees |
|---|---|
| **Redeemable capital** | |
| Term Finance Certificates - II | 405,007,003 |
| Privately Placed Term Finance Certificates - IV | 674,692,919 |
| Privately Placed Term Finance Certificates - VI | 1,287,468,000 |
| Privately Placed Term Finance Certificates | 244,842,138 |
| Privately Placed Term Finance Certificates | 162,900,000 |
| | 2,774,910,060 |
| **Long term finances** | |
| Deutsche Investitions - Und MBH (Germany) | 738,294,822 |
| Saudi Pak Industrial and Agricultural Company Limited | 27,231,510 |
| Meezan Bank Ltd | 67,661,704 |
| Citi Bank N.A (Pakistan) | 141,884,866 |
| | 975,072,902 |
| | 3,749,982,962 |

### 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 and 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 estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

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

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 17.1.

#### 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 measures 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, judgement 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 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 3.1 Property, plant and equipment

Owned

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

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

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

The Company recognizes depreciation in profit and loss account by applying reducing balance method over the useful life of each item of property, plant and equipment using rates specified in note 17.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

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

*Leased*

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

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

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

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

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

### 3.3 Stores, spare parts and loose tools

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

### 3.4 Stock-in-trade

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

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

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

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

### 3.5 Employee benefits

#### Short-term employee benefits

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

#### Post-employment benefits

#### (a) Defined contribution plan

The Company operates an approved defined contributory provident fund for its employees. Equal contributions are made by the Company and employees at 8.50% of basic salary. However, subsequent to the year end, the Company has discontinued its present provident fund and in its place started gratuity scheme. For more details refer to note 13.2.2.

#### (b) Defined benefit plan

The Company plans to operate an unfunded gratuity scheme for all its employees who have completed the minimum qualifying service period. Liability will be adjusted on each reporting date to cover the obligation and the adjustment will be charged to profit or loss with the exception of re-measurements which are recognized in other comprehensive income. The amount to be recognized on balance sheet will represent the present value of defined benefit obligation.

### 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

Investments in equity securities of subsidiaries are classified as 'available for sale financial assets'. On initial recognition these are measured at cost, being their fair value on date of acquisition, less attributable transaction costs. Subsequent to initial recognition, investments in equity securities of subsidiaries are measured at fair value. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit and loss account.

#### 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

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Assets in this category are presented as non-current assets unless the management intends to dispose off the asset within twelve months from the reporting date. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

### 3.6.2(e) 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 liabilities as at the balance sheet date approximates their amortized cost.

### 3.6.2(f) 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 off-set and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 3.6.5 Regular way purchases and sales of financial assets

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

### 3.7 Loans and borrowings

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

### 3.8 Leases

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

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

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

### 3.9 Trade and other payables

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

### 3.10 Provisions and contingencies

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

### 3.11 Trade and other receivables

#### 3.11.1 Financial assets

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

#### 3.11.2 Non-financial assets

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

### 3.12 Revenue

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

Revenue from different sources is recognized as follows:

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

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

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

### 3.13 Income tax

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

*Current tax*

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

*Deferred taxation*

Since the income of the Company is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these financial statements as the Company's tax liability will be assessed under the said regime and, 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 and revised approved accounting standards, interpretations and amendments thereto

There were certain new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or having significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements. .

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| **5 Share capital** | | |
| *Authorized share capital* | | |
| Ordinary shares of Rs. 10 each | | |
| 900,000,000 (2014: 900,000,000) voting shares | 9,000,000,000 | 9,000,000,000 |
| 300,000,000 (2014: 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 (2014: 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 (2014: 323,712,733) shares fully paid in cash | 3,237,127,330 | 3,237,127,330 |
| 62,548,641 (2014: 62,548,641) shares issued as fully paid bonus shares | 625,486,410 | 625,486,410 |
| 12,276,073 (2014: 12,276,073) shares issued as consideration for machinery | 122,760,730 | 122,760,730 |
| 50,811,992 (2014: 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 (2014: 4,753,719) shares fully paid in cash | 47,537,190 | 47,537,190 |
| 768,712 (2014: 768,712) shares issued as fully paid bonus shares | 7,687,120 | 7,687,120 |
| | 55,224,310 | 55,224,310 |
| | 4,548,718,700 | 4,548,718,700 |

As at 30 June 2015, Jahangir Siddiqui & Co. Limited, an associated undertaking, holds 112,157,863 (2014: 112,157,863) number of voting ordinary shares of the Company.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **6 Reserves** | | | |
| Share premium | 6.1 | 2,358,246,761 | 2,358,246,761 |
| Merger reserve | 6.2 | 105,152,005 | 105,152,005 |
| Redemption of preference shares | 6.3 | 661,250,830 | 661,250,830 |
| Available for sale financial assets | 6.4 | 570,442 | 293,005,123 |
| | | 3,125,220,038 | 3,417,654,719 |

### 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 19 December 2002.

### 6.3 Preference shares redemption reserve

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

### 6.4 Available for sale financial assets

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

## 7 Surplus on revaluation of fixed assets

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| As at beginning of the year | 4,703,687,542 | 3,470,587,281 |
| Surplus on revaluation of fixed assets | - | 1,348,073,976 |
| Less: incremental depreciation transferred to accumulated losses | (128,189,570) | (114,973,715) |
| Less: transfer to accumulated losses on ultimate disposal of assets | (7,467,846) | - |
| As at end of the year | 4,568,030,126 | 4,703,687,542 |

The Company's freehold land, buildings on freehold land and plant and machinery were revalued by Maricon Consultants (Private) Limited, an independent valuator not connected with the Company and approved by Pakistan Banks' Association (PBA) in "any amount" category, on 30 June 2014. 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.

### Plant and machinery

Plant and machinery have been evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values for the similar type of plant and machinery were inquired from various dealers / vendors and manufacturers of plant accessories. The new replacement values were depreciated using reducing balance method of depreciation to determine the best estimates of the assessed / depreciated replacement values.

## 8 Redeemable capital - secured

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Term Finance Certificates - II | 8.1 | 651,066,836 | 651,066,836 |
| Privately Placed Term Finance Certificates - IV | 8.2 | 1,083,768,528 | 1,083,768,528 |
| Term Finance Certificates - V | 8.3 | 527,682,637 | 527,682,637 |
| Privately Placed Term Finance Certificates - VI | 8.4 | 3,218,670,000 | 3,218,670,000 |
| Privately Placed Term Finance Certificates | 8.5 | 326,456,184 | 326,456,184 |
| Privately Placed Term Finance Certificates | 8.6 | 217,200,000 | 217,200,000 |
| | | 6,024,844,185 | 6,024,844,185 |
| Less: effect of present value | 8.7 | (276,319,941) | (545,601,982) |
| Less: transaction costs | 8.8 | (37,909,372) | (46,699,514) |
| | | 5,710,614,872 | 5,432,542,689 |
| Less: current maturity presented under current liabilities | 11 | (3,249,934,125) | (1,633,326,189) |
| | | 2,460,680,747 | 3,799,216,500 |

**8.1** These Term Finance Certificates - II ("TFC - II") have been issued by way of private placements and public subscription and are listed on Karachi Stock Exchange Limited. The total issue comprises of 428,734 certificates of Rs. 5,000 each. The terms and conditions of the issue as per Amendment No. 1 to Master Restructuring and Intercreditor Agreement ("MRA-1") dated 11 April 2012 are as follows:

*Principal redemption*

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

*Return on TFC - II*

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

*Trustee*

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

*Security*

For detail of securities refer to note 8.9.

*Overdue status*

At the reporting date principal amounting to Rs. 86.581 million (2014: Rs. 37.627 million) and interest / mark-up amounting to Rs. 283.761 million (2014: Rs. 209.639 million) were overdue. Refer to note 40.2.2 for details.

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

*Principal redemption*

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

*Return on PPTFC - IV*

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

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

*Trustee*

In order to protect the interests of PPTFC - IV holders, Pak Brunei Investment Company remains 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. 143.48 million (2014: Rs. 62.085 million) and interest / mark-up amounting to Rs. 499.823 million (2014: Rs. 377.812 million) were overdue. Refer to note 40.2.2 for details.

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

*Principal redemption*

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

*Return on TFC - V*

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

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

*Trustee*

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

*Security*

For detail of securities refer to note 8.9.

*Overdue status*

At the reporting date principal amounting to Rs. 392.36 million (2014: Rs. 125.674 million) and interest / mark-up amounting to Rs. 206.228 million (2014: Rs. 149.032 million) were overdue. Refer to note 40.2.2 for details.

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

*Principal redemption*

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

*Call option*

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

*Return on PPTFC - VI*

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

*Trustee*

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

*Security*

The issue is secured by:

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

*Overdue status*

At the reporting date principal amounting to Rs. 965.601 million (2014: Rs. 321.867 million) was overdue. Refer to note 40.2.2 for details.

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

*Principal redemption*

The principal redemption of PPTFCs is structured to be in twelve equal installments amounting to Rs. 27.205 million each. Installments are to be paid semi-annually starting from 19 April 2015 and ending on 19 October 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 23 October 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. 27.205 (2014: Rs. Nil) and interest / mark-up amounting to Rs. 17.906 million (2014: Rs. 8.847 million) were overdue. Refer to note 40.2.2 for details.

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

*Principal redemption*

The principal redemption of PPTFCs is structured to be in twelve equal installments amounting to Rs. 18.100 million each. Installments are to be paid semi-annually starting from 19 April 2015 and ending on 19 October 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 23 October 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 principle amounting to Rs. 18.1 (2014: Rs. Nil) and interest / mark-up amounting to Rs. 11.913 million (2014: Rs. 5.886 million) was overdue. Refer to note 40.2.2 for details.

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

| | Note | 2015<br>Rupees | 2014<br>Rupees |
|---|---|---|---|
| *Effect of present value* | | | |
| As at beginning of the year | | 545,601,982 | 856,485,545 |
| Less: amortized during the year | 34 | (269,282,041) | (310,883,563) |
| As at end of the year | | 276,319,941 | 545,601,982 |

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **8.8 Transaction costs** | | | |
| As at beginning of the year | | 46,699,514 | 57,772,282 |
| Less: amortized during the year | 34 | (8,790,142) | (11,072,768) |
| As at end of the year | | 37,909,372 | 46,699,514 |

**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.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **9 Long term finances - secured** | | | |
| Deutsche Investitions - Und MBH (Germany) | 9.1 | 799,424,561 | 946,537,228 |
| Saudi Pak Industrial and Agricultural Company Limited | 9.2 | 43,251,155 | 43,251,155 |
| Meezan Bank Limited | 9.3 | 234,602,579 | 234,602,579 |
| Citi Bank N.A (Pakistan) | 9.4 | 567,539,466 | 567,539,466 |
| | | 1,644,817,761 | 1,791,930,428 |
| Less: transaction costs | 9.6 | (18,618,079) | (20,162,005) |
| | | 1,626,199,682 | 1,771,768,423 |
| Less: current maturity presented under current liabilities | 11 | (669,744,859) | (278,463,497) |
| | | 956,454,823 | 1,493,304,926 |

**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, the loan is payable in twenty-one un-equal installments. During year ended 30 June 2013, first installment amounting to Rs. 641.221 million was settled by the Company. Remaining twenty installments are to be paid quarterly starting from 15 July 2015.

*Return on facility:*

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

Six months EURIBOR plus 3.25% per annum.

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. 799.425 million (2014: Rs. 799.425 million), and interest / mark-up amounting to Rs. 100.471 million (2014: Rs. 83.594 million) were overdue. Refer to note 40.2.2 for details.

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

*Principal repayment:*

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

*Return on facility:*

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

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

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

*Security*

For detail of securities refer to note 8.9.

*Overdue status*

At the reporting date principal amounting to Rs. 5.365 million (2014: Rs. 2.211 million) and interest / mark-up including default interest amounting to Rs. 26.215 million (2014: Rs. 18.602 million) were overdue. Refer to note 40.2.2 for details.

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

*Principal repayment:*

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

*Return on facility:*

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

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

*Security*

For detail of securities refer to note 8.9.

*Overdue status*

At the reporting date principal amounting to Rs. 74.459 million (2014: Rs. 24.820 million) and interest / mark-up amounting to Rs. 88.313 million (2014: Rs. 61.328 million) were overdue. Refer to note 40.2.2 for details.

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

*Principal repayment:*

As per MRA-1 dated 11 April 2012, the loan is payable in six un-equal installments. Installment are to be paid semi-annually starting from 01 May 2014 and ending on 01 November 2016.

*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. 198.639 million (2014: Rs. 56.754 million) and interest / mark-up amounting to Rs. 199.102 million (2014: Rs. 134.022 million) were overdue. Refer to note 40.2.2 for details.

**9.5** At the reporting date interest / mark-up amounting to Rs. 83.623 million (2014: Rs. 82.623 million) related to long term loans which were fully settled by the Company in the previous years was overdue. Refer to note 40.2.2 for details.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **9.6 Transaction costs** | | | |
| As at beginning of the year | | 20,162,005 | 21,944,566 |
| Less: amortized during the year | 34 | (1,543,926) | (1,782,561) |
| As at end of the year | | 18,618,079 | 20,162,005 |
| **10 Liabilities against assets subject to finance lease - secured** | | | |
| Present value of minimum lease payments | 10.1 & 10.2 | 40,362,403 | 29,503,353 |
| Less: current maturity presented under current liabilities | 11 | (29,414,607) | (8,719,669) |
| | | 10,947,796 | 20,783,684 |

**10.1** This represent plant and machinery acquired under finance lease arrangement and is secured by specific charge on leased assets, joint ownership of leased assets with the lenders and lien over documents of title. Rentals are payable monthly / annually. The leases are priced at six months KIBOR plus 1.50% to 3% (2014: six months KIBOR plus 1.50%) 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 | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Not later than one year | | 32,074,767 | 11,695,680 |
| Later than one year but not later than five years | | 11,621,640 | 23,391,360 |
| Total future minimum lease payments | | 43,696,407 | 35,087,040 |
| Less: finance charge allocated to future periods | | (3,334,004) | (5,583,687) |
| Present value of future minimum lease payments | | 40,362,403 | 29,503,353 |
| Not later than one year | 11 | (29,414,607) | (8,719,669) |
| Later than one year but not later than five years | | 10,947,796 | 20,783,684 |

## 11 Current portion of non-current liabilities

| | | | |
|---|---|---|---|
| Preference shares of Rs. 10 each (2014: Rs. 10 each) | 11.1 | 148,367,255 | 148,367,255 |
| Redeemable capital - secured | 8 | 3,249,934,125 | 1,633,326,189 |
| Long term finances - secured | 9 | 669,744,859 | 278,463,497 |
| Liabilities against assets subject to finance lease - secured | 10.2 | 29,414,607 | 8,719,669 |
| | | 4,097,460,846 | 2,068,876,610 |

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

At the reporting date, entire outstanding amount of preference shares was overdue. Refer to note 40.2.2 for details. The Company intends to settle its remaining liability towards preference shares through conversion into a fresh issue of financial instruments.

## 12 Short term borrowings

*Secured*

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

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Running finance | 12.1 &12.3 | 746,955,672 | 728,108,627 |
| Term loan | 12.1 &12.3 | 3,516,994,876 | 3,661,938,004 |
| Morabaha / LPO | 12.1 &12.3 | 182,737,365 | 189,559,003 |
| Bills payable | 12.3 &12.4 | 367,007,170 | 345,833,562 |
| | | 4,813,695,083 | 4,925,439,196 |

**12.1** 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 (2014: one to twelve months KIBOR plus 1.00% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR / EURIBOR of matching tenor plus 2.00% to 4.00% per annum (2014: 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 5.00% to 6.50% per annum plus banks' spread of 1.00% per annum (2014: 8.40% 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 (2014: six to twelve months KIBOR plus 1.00% to 3.00% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.10% to 0.15% per quarter (2014: 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. 160.663 million (2014: Rs. 114.593 million), Rs. 782.162 million (2014: Rs. 473.074) and Rs. 92.540 million (2014: Rs. 65.438) were overdue in respect of running finance, term loan and morabaha / LPO respectively. Further, principal amounting to Rs. 26.415 million (2014: Rs. Nil ), and Rs. 568.872 million (2014: Rs. 646.443 million) were overdue in respect of running finance and term loan respectively. Refer to note 40.2.2 for details.

**12.2** At the reporting date interest / mark-up amounting to Rs. 62.176 million (2014: 63.283 million) related to bridge finance which was settled in the prior years was overdue. Refer to note 40.2.2 for details.

**12.3** The aggregate available short term funded facilities amounts to Rs. 6,454 million (2014: Rs. 6,488 million) out of which Rs. 2,007 million (2014: Rs. 1,913 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit amounts to Rs. 521 million (2014: Rs. 521 million) of which the limits remaining unutilized as at the reporting date amounts to Rs. 154 million (2014: Rs. 190 million).

**12.4** At the reporting date bills payable amounting to Rs. 361.788 million and interest / mark-up amounting to Rs. 136.495 million were overdue. Refer to note 40.2.2 for details.

**12.5** The borrowings from related party have been disclosed in note 39.2.2 to the financial statements.

## 13 Trade and other payables

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Trade and other creditors | | 1,871,294,638 | 1,701,247,168 |
| Accrued liabilities | | 352,626,868 | 305,789,065 |
| Advances from customers | | 70,078,609 | 66,093,124 |
| Payable to Provident Fund Trust | 13.1 | 46,236,228 | 54,950,366 |
| Workers' Profit Participation Fund | 13.2 | 68,221,421 | 62,391,516 |
| Tax deducted at source | | 11,292,159 | 9,538,791 |
| Other payables | | 24,548,565 | 14,436,690 |
| | | 2,444,298,488 | 2,214,446,720 |

**13.1** Interest on outstanding liability towards Provident Fund Trust is charged at 10.00% (2014: 16.10%) per annum being the rate higher than the average rate of return of the Provident Fund Trust.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **13.2** As at the beginning of the year | | 62,391,516 | 55,243,056 |
| Interest for the year | 13.2.1 | 5,829,905 | 7,148,460 |
| As at the end of the year | | 68,221,421 | 62,391,516 |

**13.2.1** Interest on outstanding liability towards Workers' Profit Participation Fund is charged at bank rate plus 2.50% per annum as required under the Companies Profits (Workers' Participation) Act, 1968.

**13.2.2** With effect from 1 July 2015, the Company has changed the post employment benefits policy. The Company has discontinued provident fund and in its place started gratuity scheme. Gratuity scheme is applicable for all employees of the Company who have completed one year service. For the workers gratuity would be one gross salary per year while for middle and higher management gratuity would be one last basic salary per year.

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| **14 Interest / mark-up accrued on borrowings** | | |
| Redeemable capital - secured | 1,130,872,976 | 858,505,670 |
| Long term finances - secured | 527,235,619 | 396,929,304 |
| Short term borrowings - secured | 1,261,430,357 | 958,821,482 |
| | 2,919,538,952 | 2,214,256,456 |

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

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **15 Dividend payable** | | | |
| Unclaimed dividend on ordinary shares | | 4,002,037 | 4,002,037 |
| Dividend payable on preference shares | 15.1 | 9,413,535 | 9,413,535 |
| | | 13,415,572 | 13,415,572 |

**15.1** Preference dividend was due for payment on 21 November 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.

## 16 Contingencies and commitments

### 16.1 Contingencies

**16.1.1** 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.

**16.1.2** For the current year, the Company has not accrued expense relating to Gas Infrastructure Development Cess ("GIDC") for the period from 1st July 2014 to 30 April 2015, amounting to Rs. 37.669 million. This practice was followed by the Company, in lieu of stay orders granted by Hourable 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.

**16.1.3** The Company has issued indemnity bonds amounting to Rs. 229.960 million (2014: Rs. 175.638 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.

**16.1.4** Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 167.605 million (2014: Rs. 180.352 million).

**16.1.5** Bills discounted as at reporting date aggregated to Rs. 1,674.092 million (2014 Rs: 1,486.760 million).

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **16.2 Commitments** | | | |
| **16.2.1 Commitments under irrevocable letters of credit for:** | | | |
| - purchase of stores, spare and loose tools | | 824,409 | 1,709,166 |
| - purchase of raw material | | 35,019,747 | 21,714,687 |
| | | 35,844,156 | 23,423,853 |
| 16.2.2 Commitments for capital expenditure | | - | 38,505,194 |
| **17 Property, plant and equipment** | | | |
| Operating fixed assets | 17.1 | 13,069,941,110 | 13,501,345,326 |
| Capital work in progress - at cost | 17.2 | 27,811,748 | 35,938,267 |
| | | 13,097,752,858 | 13,537,283,593 |

## 17.1 Operating fixed assets

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

| Particulars | 30 June 2014 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost / revalued amount | | | | | | | Depreciation | | | | | | | Net book value |
| | As at 30 June 2013 | Revaluation surplus | Additions | Transfers | Disposals | As at 30 June 2014 | Rate % | As at 01 July 2013 | Revaluation surplus | For the year | Impairment | Transfers | Disposals | As at 30 June 2014 | Value as at 30 June 2014 |
| | Rupees | | | | | | | Rupees | | | | | | | |
| Owned assets | | | | | | | | | | | | | | | |
| Freehold land | | | | | | | | | | | | | | | |
| - cost | 558,010,025 | - | - | - | - | 558,010,025 | - | - | - | - | - | - | - | - | 558,010,025 |
| - revaluation | 719,724,975 | 636,030,000 | - | - | - | 1,355,754,975 | - | - | - | - | - | - | - | - | 1,355,754,975 |
| | 1,277,735,000 | 636,030,000 | - | - | - | 1,913,765,000 | - | - | - | - | - | - | - | - | 1,913,765,000 |
| Buildings on freehold land | | | | | | | | | | | | | | | |
| - cost | 2,687,915,149 | - | 15,715,907 | - | - | 2,703,631,056 | 2.5 | 577,039,040 | - | 52,867,213 | - | - | - | 629,906,253 | 2,073,724,803 |
| - revaluation | 703,539,295 | 487,535,137 | - | - | - | 1,191,074,432 | 2.5 | 174,421,503 | 116,984,797 | 13,227,945 | - | - | - | 304,634,245 | 886,440,187 |
| | 3,391,454,444 | 487,535,137 | 15,715,907 | - | - | 3,894,705,488 | | 751,460,543 | 116,984,797 | 66,095,158 | - | - | - | 934,540,498 | 2,960,164,990 |
| Plant and machinery | | | | | | | | | | | | | | | |
| - cost | 9,665,683,266 | - | 45,138,317 | 177,935,568 | (415,441,636) | 9,473,315,515 | 4 - 5 | 3,428,611,589 | - | 269,409,849 | 250,000,000 | 92,472,721 | (283,520,762) | 3,756,973,397 | 5,716,342,118 |
| - revaluation | 3,733,396,598 | 575,524,753 | - | - | - | 4,308,921,351 | 4 - 5 | 1,511,652,082 | 234,031,117 | 101,745,770 | - | - | - | 1,847,428,969 | 2,461,492,382 |
| | 13,399,079,864 | 575,524,753 | 45,138,317 | 177,935,568 | (415,441,636) | 13,782,236,866 | | 4,940,263,671 | 234,031,117 | 371,155,619 | 250,000,000 | 92,472,721 | (283,520,762) | 5,604,402,366 | 8,177,834,500 |
| Furniture, fixtures and office equipment | 198,925,740 | - | 2,226,091 | - | (213,500) | 200,938,331 | 10 | 106,689,758 | - | 9,252,205 | - | - | (94,414) | 115,847,549 | 85,090,782 |
| Vehicles | 82,355,026 | - | 870,000 | 682,690 | (10,545,231) | 73,362,485 | 20 | 60,833,589 | - | 4,069,180 | - | 496,816 | (7,685,972) | 57,713,613 | 15,648,872 |
| Tools and equipment | 403,410,294 | - | 7,316,654 | - | - | 410,726,948 | 10 | 153,398,515 | - | 25,513,786 | - | - | - | 178,912,301 | 231,814,647 |
| Electrical installations | 180,414,648 | - | 3,529,301 | - | - | 183,943,949 | 10 | 88,639,944 | - | 9,286,370 | - | - | - | 97,926,314 | 86,017,635 |
| | 18,933,375,016 | 1,699,089,890 | 74,796,270 | 178,618,258 | (426,200,367) | 20,459,679,067 | | 6,101,286,020 | 351,015,914 | 485,372,318 | 250,000,000 | 92,969,537 | (291,301,148) | 6,989,342,641 | 13,470,336,426 |
| Assets subject to finance lease | | | | | | | | | | | | | | | |
| Plant and machinery | 215,444,944 | - | - | (177,935,568) | - | 37,509,376 | 4 - 5 | 94,942,431 | - | 4,030,766 | - | (92,472,721) | - | 6,500,476 | 31,008,900 |
| Vehicles | 682,690 | - | - | (682,690) | - | - | 20 | 464,013 | - | 32,803 | - | (496,816) | - | - | - |
| | 216,127,634 | - | - | (178,618,258) | - | 37,509,376 | | 95,406,444 | - | 4,063,569 | - | (92,969,537) | - | 6,500,476 | 31,008,900 |
| | 19,149,502,650 | 1,699,089,890 | 74,796,270 | - | (426,200,367) | 20,497,188,443 | | 6,196,692,464 | 351,015,914 | 489,435,887 | 250,000,000 | - | (291,301,148) | 6,995,843,117 | 13,501,345,326 |

### 17.1.1 Disposal of property, plant and equipment

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation / impairment | Net book value | Sale proceeds / settlement | Mode of disposal | Particulars of buyer |
| | Rupees | | | | | |
| *Owned* | | | | | | |
| Vehicles | | | | | | |
| Pak-Hero motorcycle | 40,580 | 31,784 | 8,796 | 11,000 | Negotiation | Aurangzaib |
| Toyota Gli | 1,389,000 | 1,026,020 | 362,980 | 362,770 | Company policy | Employee |
| | 1,429,580 | 1,057,804 | 371,776 | 373,770 | | |
| *Building on freehold land* | | | | | | |
| 4 Shops | 22,354,964 | 4,542,464 | 17,812,500 | 17,300,000 | Creditor settlement | Faiz Ahmed |
| Main and yarn stores | 18,916,817 | 2,698,099 | 16,218,718 | 14,759,034 | Loss in fire | Insurance Companies |
| | 41,271,781 | 7,240,563 | 34,031,218 | 32,059,034 | | |
| *Office equipment* | | | | | | |
| 2 printers | 289,622 | 158,416 | 131,206 | 119,398 | Loss in fire | Insurance Companies |
| 16 Computers | 335,483 | 144,967 | 190,516 | 173,370 | | |
| | 625,105 | 303,383 | 321,722 | 292,768 | | |
| *Furniture and Fixture* | | | | | | |
| 5 store racks | 4,622,527 | 2,273,254 | 2,349,273 | 2,137,838 | Loss in fire | Insurance Companies |
| 6 steel almirahs | 168,600 | 103,868 | 64,732 | 58,906 | | |
| Office revolving chairs | 157,900 | 42,442 | 115,458 | 105,066 | | |
| | 4,949,027 | 2,419,564 | 2,529,463 | 2,301,810 | | |
| *Electrical installations* | | | | | | |
| 8 split air conditioners | 335,473 | 143,910 | 191,563 | 174,322 | Loss in fire | Insurance Companies |
| *Plant and Machinery* | | | | | | |
| 8 Embroidery machines | 27,413,280 | 9,055,361 | 18,357,919 | 18,244,367 | Loss in fire | Insurance Companies |
| Other assets with book value less than Rs. 50,000 | 227,550 | 108,700 | 118,850 | 108,155 | Loss in fire | Insurance Companies |
| **2015** | 76,251,796 | (20,329,285) | 55,922,511 | 53,554,226 | - | |
| 2014 | 426,200,367 | (291,301,148) | 134,899,219 | 100,648,090 | | |

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

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Cost of sales | 29 | 472,595,956 | 476,081,699 |
| Administrative and general expenses | 31 | 11,561,140 | 13,354,188 |
| | | 484,157,096 | 489,435,887 |

### 17.2 Capital work in progress

| | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 01 July 2014 | Additions | Transfers | As at 30 June 2015 | As at 01 July 2013 | Additions | Transfers | As at 30 June 2014 |
| | Rupees | | | | Rupees | | | |
| Building | 4,433,686 | 20,631,256 | (2,903,402) | 22,161,540 | 69,228 | 11,803,258 | (7,438,800) | 4,433,686 |
| Plant and machinery | 31,504,581 | 6,486,542 | (32,340,915) | 5,650,208 | 137,664 | 42,875,714 | (11,508,797) | 31,504,581 |
| Electrical installations | - | - | - | - | - | 2,449,980 | (2,449,980) | - |
| | 35,938,267 | 27,117,798 | (35,244,317) | 27,811,748 | 206,892 | 57,128,952 | (21,397,577) | 35,938,267 |

## 18 Long term investments

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

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| *Investments in related parties* | | | |
| Unquoted | 18.1 | - | 1,449,407,671 |
| Quoted | 18.2 | 18,000 | 12,030 |
| | | 18,000 | 1,449,419,701 |
| *Other investments* | | | |
| Unquoted - secured | 18.3 | 231,864,928 | 231,864,928 |
| Quoted | 18.4 | 14,382 | 20,057 |
| | | 231,879,310 | 231,884,985 |
| | | 231,897,310 | 1,681,304,686 |

### 18.1 Investment in related party - unquoted

**Montebello s.r.l. ("MBL")**

6,700,000 ordinary shares with a capital of Euro 6,700,000
Proportion of capital held: 100%
Activity: Textile and Apparel
Relationship: Subsidiary

| | Note | 2015 | 2014 |
|---|---|---|---|
| Cost | | 2,625,026,049 | 2,625,026,049 |
| Accumulated impairment | | | |
| Opening balance | | (1,175,618,378) | (1,164,365,312) |
| Charged during the year | 33 | (1,449,407,671) | (11,253,066) |
| | | (2,625,026,049) | (1,175,618,378) |
| | | - | 1,449,407,671 |

**18.1.1** Due to economic recession in Europe many of MBL customers defaulted on their payments. Suits of recovery were filed and litigations are in process. However, this resulted in liquidity crisis for MBL. In order to reduce costs, MBL took various steps to reduce costs including reducing the work force. Certain laid off employees lodged compensation claims on MBL. Shortage of liquidity continued to have adverse impacts on the overall position of MBL including delays in discharging its liabilities. Creditors have lodged recovery suits against the MBL.

On 18th December 2014, the Court of Vicenza, Italian Republic granted bankruptcy proposal of public prosecutor and appointed trustee to manage affairs of MBL. The creditors and other parties have been asked to file their claims thirty days before the next hearing in which debts of MBL are to be examined. 4th March 2016 is the last date for filing of claims with the trustee and the Company is in process of preparation and filing of its claim. Currently details of the claims filed to date are not available. In view of pending liquidation which has chocked the entire operations of MBL, it is prudent to provide for the impairment of balance amount of investment held in MBL. Consequently, the trade receivables from MBL are also considered doubtful and have been fully provided in these financial statements. Further, MBL being a limited liability company, the managment does not expect any additional liability on the company arising in respect of the bankrupcy proceeding of MBL.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **18.2 Investment in related party - quoted** | | | |
| *JS Value Fund Limited* | | | |
| 1,000 (2014: 1,000) ordinary shares of Rs. 10 each | | | |
| Market value Rs. 18.00 per share (2014: Rs. 12.03 per share) | | | |
| Cost | | 10,000 | 10,000 |
| Fair value adjustment | | 8,000 | 2,030 |
| | | 18,000 | 12,030 |
| **18.3 Other investments - unquoted - secured** | | | |
| *Agritech Limited* | | | |
| 53,259 Term Finance Certificates of Rs. 5,000 each (2014: 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") of Rs. 5,000 each issued by AGL and carry return at six months KIBOR plus 1.75% and are redeemable in thirteen unequal semi-annual installments starting from 14 July 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 43 to the financial statements.

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

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **18.4 Other investments - quoted** | | | |
| Colony Mills Limited | | | |
| 4,332 (2014: 4,332) ordinary shares of Rs. 10 each | | | |
| Market value Rs. 3.32 per share (2014: Rs. 4.63 per share) | | | |
| Cost | | 8,664 | 8,664 |
| Fair value adjustment | | 5,718 | 11,393 |
| | | 14,382 | 20,057 |

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **19 Long term deposits - unsecured, considered good** | | | |
| Utility companies and regulatory authorities | 19.1 | 16,991,047 | 17,453,047 |
| Financial institutions | 19.2 | 1,800,000 | 1,800,000 |
| | | 18,791,047 | 19,253,047 |

**19.1** 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.

**19.2** These have been deposited with financial institutions.

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| **20 Trade debt - unsecured, considered good** | | |
| Trade debt | 138,928,083 | - |
| Less: discounting charges on receivable | (21,922,731) | - |
| Less: due within one year | (55,055,825) | - |
| Long term portion | 61,949,527 | - |

**20.1** This represents discounted value of long term trade debt due from Corceltex LDA Portugal, which is receivable in monthly installments of fixed amount ending on 01 September 2017. This debt was acquired by the Company from MBL under Settlement Agreement dated 12 August 2014, against the outstanding sale invoices receivable from MBL of same amount.

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| **21 Stores, spares and loose tools** | | |
| Stores, spares and loose tools | 126,176,080 | 132,749,270 |

**21.1** During the year, stores and spares amounting to Rs. 14.649 million (2014: Nil) were lost in fire incident which took place at Manga Site. For details refer to note 24.4.

## 22 Stock-in-trade

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Raw material | | 454,331,058 | 551,072,319 |
| Less: diminution in value of stock due to net realizable value | | (5,807,513) | (30,718,751) |
| | | 448,523,545 | 520,353,568 |
| Work in process | | 681,556,986 | 794,157,447 |
| Less: diminution in value of stock due to net realizable value | | (18,715,314) | (2,473,768) |
| | | 662,841,672 | 791,683,679 |
| Finished goods | 22.3 | 884,795,945 | 272,264,106 |
| Less: diminution in value of stock due to net realizable value | | (55,656,999) | (38,003,345) |
| | | 829,138,946 | 234,260,761 |
| | | 1,940,504,163 | 1,546,298,008 |

**22.1** Details of stock in trade pledged as security are referred to in note 43 to the financial statements.

**22.2** During the year, stock-in-trade amounting to Rs. 157.524 million (2014: Nil) was lost in a fire incident which took place at Manga Site. For details refer to note 24.4.

**22.3** Finished goods include stock in transit amounting to Rs. 148.878 million (2014: Nil)

**22.4** Aggregate stocks with a cost of Rs. 306.398 million (2014: Rs. nil) are being valued at net realizable value of Rs. 226.218 million (2014 : Rs. nil).

## 23 Trade debts

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| *Local* | | | |
| - secured | 23.1 | 54,488,449 | 38,432,273 |
| - unsecured, considered good | | 70,158,554 | 64,739,150 |
| - unsecured, considered doubtful | | 69,030,161 | 48,245,462 |
| | | 193,677,164 | 151,416,885 |
| *Foreign* | | | |
| - secured | 23.1 | 627,213,453 | 1,004,784,558 |
| - unsecured, considered good | | 609,280,683 | 1,312,662,501 |
| - unsecured, considered doubtful | | 856,952,866 | 428,723,713 |
| | | 2,093,447,002 | 2,746,170,772 |
| | 23.3 | 2,287,124,166 | 2,897,587,657 |
| Less: provision against trade debts | 23.2 | (925,983,027) | (476,969,175) |
| | | 1,361,141,139 | 2,420,618,482 |

**23.1 These are secured against letters of credit.**

### 23.2 Movement in provision of trade debts

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| As at beginning of the year | | 476,969,175 | 454,256,837 |
| Provision recognized during the year | | 560,416,977 | 22,712,338 |
| Less: provision written off | 23.3 | (111,403,125) | - |
| As at end of the year | 23.3 | 925,983,027 | 476,969,175 |

**23.3** This includes an amount of Rs. 452.529 million receivable from MBL, a related party, and this amount has been fully provided due to facts mentioned in note 18.1.1. Further, the provision written off also represents receivable from MBL.

## 24 Advances, deposits, prepayments and other receivables

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Advances to suppliers - unsecured, considered good | | 274,195,181 | 44,202,290 |
| Advances to employees - unsecured, considered good | | | |
| - against salaries and post employment benefits | 24.1 | 11,103,556 | 17,128,954 |
| - against purchases and expenses | | 26,817,575 | 17,683,685 |
| Security deposits | | 6,500,186 | 7,542,177 |
| Margin deposits | 24.2 | 34,027,315 | 34,027,315 |
| Rebate receivable | | 177,589,724 | 171,046,838 |
| Sales Tax / FED recoverable | | 427,469,659 | 378,430,640 |
| Due from Agritech Limited - secured | 24.3 | 77,574,576 | 46,741,363 |
| Less: impairment allowance | 33 | (32,179,608) | (32,179,608) |
| | | 45,394,968 | 14,561,755 |
| Letters of credit | | 17,595,611 | 8,449,115 |
| Insurance claims | 24.4 | 201,589,021 | 11,860,415 |
| Other receivables - unsecured, considered good | | 18,701,632 | 17,792,710 |
| | | 1,240,984,428 | 722,725,894 |

**24.1** 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:

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| As at beginning of the year | | 10,765,876 | 13,161,100 |
| Additions during the year | | - | 3,894,439 |
| Less: receipts / adjustments during the year | | (2,743,447) | (6,289,663) |
| As at end of the year | | 8,022,429 | 10,765,876 |

**24.2** These represent deposits against bank guarantees.

**24.3** It represents mark-up related to investment in TFC's of AGL as referred to in note 18.3. Movement in accumulated impairment on mark up receivable is as follows:

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| As at beginning of the year | | 32,179,608 | - |
| Add: impairment for the year | | - | 32,179,608 |
| As at end of the year | | 32,179,608 | 32,179,608 |

**24.4** This mainly includes insurance claim of Rs. 192.558 million accepted by the Company on 23 June 2015, as compensation of losses incurred in event of fire at Manga site. Aforesaid claim was lodged in respect of insured fixed assets, stores & spare parts and stock-in-trade as mentioned in notes 17.1.1, 21.1 & 22.2 to the financial statements. Subsequent to the year end, the Company has received Rs. 184.046 million out of this total claim.

## 25 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 | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Other Investments | | | |
| Quoted | 25.1 | - | 700,000,000 |
| Quoted | 25.2 | 306,022,500 | - |
| | | 306,022,500 | 700,000,000 |

### 25.1 Quoted

| | | | |
|---|---|---|---|
| Agritech Limited: | | | |
| Nil (2014: 20,000,000) ordinary shares of Rs. 10 each | | | |
| Value of investment at Rs. 00.00 per share (2014: Rs. 35.00 per share) | | | |
| Proportion of capital held 0.00% (2014: 5.10%) | | | |
| Cost: | | | |
| As at beginning of the year | | 407,008,300 | 6,378,291,871 |
| Disposal during the year | | (407,008,300) | (5,971,283,571) |
| | | - | 407,008,300 |
| Fair value adjustment: | | | |
| As at beginning of the year | | 292,991,700 | 4,591,519,569 |
| Realized during the year | 32 | (292,991,700) | (4,298,527,869) |
| | | - | 292,991,700 |
| | | - | 700,000,000 |

During the current year, the pledge on 20,000,000 shares has been released and resultantly the Company has received Rs. 394 million in cash and the remaining amount of Rs. 306 million has been adjusted against 58,290,000 preference shares of Agritech Limited received from National Bank of Pakistan, at Rs. 5.25 per shares.

### 25.2 Quoted

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Agritech Limited: | | | |
| 58,290,000 (2014: Nil) fully paid Preference shares of Rs. 5.25 each | | | |
| Cost | | 306,022,500 | - |
| Fair value adjustment | | - | - |
| | | 306,022,500 | - |

This represents 58,290,000 preference shares of Agritech Limited (2014: Nil) received as part of consideration against sale of ordinary shares of Agritech Limited as mentioned above. The Company also has a put option to sell these shares to National Bank of Pakistan at the purchase price i.e. Rs. 5.25 per share.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **26 Provision for taxation - net** | | | |
| As at beginning of the year | | (77,861,036) | (39,252,658) |
| Paid / adjusted during the year | | 110,517,371 | 94,035,818 |
| Provision for the year | | (105,988,898) | (132,644,196) |
| As at end of the year | | (73,332,563) | (77,861,036) |
| **27 Cash and bank balances** | | | |
| Cash in hand | | 2,508,915 | 1,264,385 |
| Cash at banks: | | | |
| - current accounts in local currency | | 74,362,911 | 18,318,855 |
| - deposit accounts in local currency | 27.1 | 56,030,438 | 2,702,715 |
| - deposit accounts in foreign currency | 27.2 | 421,983 | 473,854 |
| | | 130,815,332 | 21,495,424 |
| | | 133,324,247 | 22,759,809 |

**27.1** These carry return at 4.50% to 7.50% per annum (2014: 7.00% to 9.25% per annum).

**27.2** These carry return at prevailing LIBOR per annum (2014: prevailing LIBOR per annum).

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **28 Sales - net** | | | |
| Local | 28.1 | 1,534,400,394 | 2,085,594,377 |
| Export | 28.2 & 28.3 & 28.4 | 9,087,739,532 | 11,140,090,306 |
| | | 10,622,139,926 | 13,225,684,683 |
| Rebate on exports | | 102,998,350 | 101,338,023 |
| Discount | | (23,250,080) | (25,175,463) |
| | | 10,701,888,196 | 13,301,847,243 |
| **28.1 Local** | | | |
| Sales | | 1,452,025,653 | 2,026,149,738 |
| Processing income | | 115,073,892 | 28,083,467 |
| Waste | | 22,779,130 | 89,378,796 |
| | | 1,589,878,675 | 2,143,612,001 |
| Less: sales tax | | (55,478,281) | (58,017,624) |
| | | 1,534,400,394 | 2,085,594,377 |

**28.2** These include indirect exports, taxable under Section 154 (3b) of the Income Tax Ordinance, 2001, amounting to Rs. 540.281 million (2014: Rs. 184.442 million).

**28.3** These include sales to related parties amounting to Rs. 30.658 million (2014: Rs. 648.264 million).

**28.4** Export Development Surcharge applicable under SRO 10(1)/2003 dated January 04, 2003, amounting Rs. 22.436 million (2014: Rs. 26.057 million) has been deducted from Gross Export sales.

## 29 Cost of sales

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Raw and packing materials consumed | | 6,467,159,827 | 8,459,390,671 |
| Salaries, wages and benefits | 29.1 | 1,477,047,888 | 1,380,134,305 |
| Fuel and power | | 960,812,044 | 1,375,093,653 |
| Store, spares and loose tools consumed | | 171,368,739 | 160,981,975 |
| Travelling, conveyance and entertainment | | 143,473,945 | 111,301,685 |
| Rent, rates and taxes | | 37,626,013 | 35,990,838 |
| Insurance | | 48,136,738 | 36,448,248 |
| Repair and maintenance | | 29,635,777 | 30,779,093 |
| Processing charges | | 255,291,983 | 172,413,181 |
| Depreciation | 17.1.2 | 472,595,956 | 476,081,699 |
| Printing and stationery | | 7,140,154 | 5,327,909 |
| Communications | | 6,762,815 | 5,149,064 |
| Miscellaneous | | 27,713,619 | 37,861,860 |
| | | 10,104,765,498 | 12,286,954,181 |
| Work in process: | | | |
| As at beginning of the year | | 791,683,679 | 688,150,006 |
| As at end of the year | | (662,841,672) | (791,683,679) |
| | | 128,842,007 | (103,533,673) |
| Cost of goods manufactured | | 10,233,607,505 | 12,183,420,508 |
| Finished goods: | | | |
| As at beginning of the year | | 234,260,761 | 390,356,647 |
| As at end of the year | | (829,138,946) | (234,260,761) |
| | | (594,878,185) | 156,095,886 |
| Cost of sales | | 9,638,729,320 | 12,339,516,394 |

**29.1** These include charge in respect of employees retirement benefits amounting to Rs. 44.378 million (2014: Rs. 38.406 million)

## 30 Selling and distribution expenses

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Salaries and benefits | 30.1 | 122,832,999 | 114,448,051 |
| Travelling, conveyance and entertainment | | 41,399,336 | 40,339,643 |
| Fuel and power | | 21,333 | 20,722 |
| Repair and maintenance | | 428,423 | 690,973 |
| Rent, rates and taxes | | 2,315,833 | 2,552,626 |
| Insurance | | 2,728,239 | 7,608,663 |
| Freight and other expenses | | 222,413,297 | 243,995,357 |
| Printing and stationery | | 105,794 | 113,454 |
| Communication | | 57,830,238 | 58,591,072 |
| Advertisement and marketing | | 43,888,659 | 42,214,894 |
| Legal and professional charges | | - | 2,150 |
| Fee and subscription | | 198,450 | 344,200 |
| Commission | | 64,414,550 | 85,143,631 |
| Miscellaneous | | 672,323 | 2,403,577 |
| | | 559,249,474 | 598,469,013 |

**30.1** These include charge in respect of employees retirement benefits amounting to Rs. 2.739 million (2014: Rs. 2.204 million).

## 31 Administrative and general expenses

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Salaries and benefits | 31.1 | 225,831,515 | 228,500,383 |
| Travelling, conveyance and entertainment | | 41,217,903 | 33,010,522 |
| Fuel and power | | 17,654,660 | 24,691,319 |
| Repair and maintenance | | 21,492,715 | 20,917,547 |
| Rent, rates and taxes | | 7,495,573 | 7,644,336 |
| Insurance | | 1,339,756 | 1,263,643 |
| Printing and stationery | | 3,027,615 | 3,639,345 |
| Communication | | 13,507,922 | 14,950,086 |
| Legal and professional charges | 31.2 | 15,306,290 | 15,043,735 |
| Depreciation | 17.1.2 | 11,561,140 | 13,354,188 |
| Amortization | | - | 1,302,407 |
| Fee and subscription | | 9,646,991 | 9,764,123 |
| Donations | 31.3 | 100,000 | 10,000 |
| Miscellaneous | | 20,607,673 | 20,773,045 |
| | | 388,789,753 | 394,864,679 |

**31.1** These include charge in respect of employees retirement benefits amounting to Rs. 10.569 million (2014: Rs. 9.126 million).

**31.2** These include following in respect of auditors' remuneration

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Annual statutory audit | | 2,100,000 | 1,900,000 |
| Report on consolidated financial statements | | - | 900,000 |
| Half yearly review | | 726,000 | 660,000 |
| Review report under Code of Corporate Governance | | 210,000 | 190,000 |
| Certification and other services | | 100,000 | 100,000 |
| Out of pocket expenses | | 400,000 | 366,000 |
| | | 3,536,000 | 4,116,000 |

**31.3** This represents donation to a charitable association. None of the Directors of the Company have any interest in the donee.

## 32 Other income

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Income from financial assets | | | |
| Return on investment in term finance certificates | 32.1 | 30,833,213 | 30,140,453 |
| Gain on sale of investment | | 292,434,976 | - |
| Return on bank deposits | | 11,668,678 | 2,176,373 |
| | | 334,936,867 | 32,316,826 |
| Income from non-financial assets | | | |
| Miscellaneous | | 7,369,721 | 28,061,581 |
| | | 342,306,588 | 60,378,407 |

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

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **33 Other expenses** | | | |
| Loss on disposal of property, plant and equipment | 17.1.1 | (510,505) | (34,251,129) |
| Net loss on insurance claim of assets written off due to fire | 33.1 | (17,353,361) | - |
| Foreign exchange loss | | (75,276,431) | (107,629,047) |
| Provision against trade debts | 23.2 | (560,416,977) | (22,712,338) |
| Advances written off | | - | (211,440) |
| Impairment on long term investment and mark-up | 18.1, 18.3 & 24 | (1,449,407,671) | (77,642,254) |
| Impairment on fixed assets | | - | (250,000,000) |
| | | (2,102,964,945) | (492,446,208) |

**33.1** As mentioned in notes 17.1.1, 21.1 and 22.2, during the year a fire incident at Manga site damaged certain items of property, plant and equipment, stores and spare parts and stock-in-trade. For details refer to 24.4.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **34 Finance cost** | | | |
| Interest / mark-up on: | | | |
| - Redeemable capital | | 317,146,841 | 315,968,732 |
| - Long term finances | | 130,078,958 | 153,068,064 |
| - Liabilities against assets subject to finance lease | | 3,823,223 | 3,341,221 |
| - Short term borrowings | | 406,276,247 | 546,648,486 |
| - Interest on payable to Provident Fund Trust | | 5,783,793 | 8,588,691 |
| - Interest on payable to Workers' Profit Participation Fund | | 5,829,905 | 7,148,460 |
| | | 868,938,967 | 1,034,763,654 |
| Discounting charges on receivable | | 21,922,731 | - |
| Amortization of transaction costs and unwinding effect of present value | 8.7, 8.8 & 9.6 | 279,616,109 | 323,738,892 |
| Foreign exchange (gain) / loss on foreign currency borrowings | | (150,431,634) | 53,482,914 |
| Bank charges and commission | | 162,665,200 | 117,855,633 |
| | | 1,182,711,373 | 1,529,841,093 |

**34.1** Interest / mark-up on borrowings from related party have been disclosed in note 39.1.2 to the financial statements.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **35 Taxation** | | | |
| *Income tax* | | | |
| - current tax | 35.1 | 105,988,898 | 132,644,196 |
| - deferred tax | 35.5 | - | - |
| | | 105,988,898 | 132,644,196 |

**35.1** 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.

**35.2** The assessments of the Company up to and including tax year 2014 has been completed except for tax years 2003, 2007, 2008 and 2009 which are referred by the Income Tax Department in Honorable High Court of Lahore ("Court"). However, orders of CIR appeal and ATIR for mentioned tax years are in the favour of the Company. Even in case of unfavourable decision of the Court, there will be no material impact on the financial statements.

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

**35.4** 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 on behalf of the Company but the Commissioner Zone-I has preferred to file an appeal before the Appellate Tribunal which is pending adjudication. The management, based on the opinion from tax advisor, is expecting a favorable decision from the learned Tribunal.

**35.5** 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.

**35.6** 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.

## 36 Loss per share - basic and diluted

| | Unit | 2015 | 2014 |
|---|---|---|---|
| **36.1 Basic loss per share** | | | |
| Loss attributable to ordinary shareholders | Rupees | (2,934,238,979) | (2,125,555,933) |
| Weighted average number of ordinary shares outstanding during the year | No. of shares | 454,871,870 | 454,871,870 |
| Loss per share | Rupees | (6.451) | (4.673) |

**36.2 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 30 June 2015 and 30 June 2014.

| | | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|---|
| **37** | **Cash generated from operations** | | | |
| | **(Loss) after tax** | | (2,934,238,979) | (2,125,555,933) |
| | *Adjustments for non-cash and other items* | | | |
| | Interest / mark-up expense | | 853,502,046 | 1,015,685,282 |
| | Loss on disposal / lost of fixed assets | 17.1.1 | 510,505 | 34,251,129 |
| | Net loss on insurance claims of assets written off due to fire | 33 | 17,353,361 | - |
| | Provision for bad debts | | 560,416,977 | 22,712,338 |
| | Gain on sale of investment | | (292,434,976) | - |
| | Foreign exchange gain - net | | (75,155,203) | 161,111,961 |
| | Return on investment in term finance certificates | | (30,833,213) | (30,140,453) |
| | Diminution in value of stock due to net realizable value | | 80,179,826 | 71,195,864 |
| | Advances written off | | - | 211,440 |
| | Taxation | | 105,988,898 | 132,644,196 |
| | Discounting charges on receivable | | 21,922,731 | - |
| | Depreciation | | 484,157,096 | 489,435,887 |
| | Amortization of transaction costs and deferred notional income | | 279,616,109 | 323,738,892 |
| | Amortization of intangible assets | | - | 1,302,407 |
| | Impairment on fixed assets | | - | 250,000,000 |
| | Provision for impairment of long term investment | | 1,449,407,671 | 77,642,254 |
| | | | 3,454,631,828 | 2,549,791,197 |
| | **Operating profit before changes in working capital** | | 520,392,849 | 424,235,264 |
| | *Changes in working capital* | | | |
| | *(Increase) / decrease in current assets:* | | | |
| | Stores, spares and loose tools | | (8,076,077) | (1,778,917) |
| | Stock in trade | | (531,568,682) | 593,649,229 |
| | Trade debts | | 242,889,486 | (397,375,689) |
| | Advances, deposits, prepayments and other receivables | | (294,867,320) | (79,031,277) |
| | | | (591,622,593) | 115,463,346 |
| | *Increase in current liabilities:* | | | |
| | Trade and other payables | | 247,151,768 | 35,411,059 |
| | **Cash generated from operations** | | 175,922,024 | 575,109,669 |
| **38** | **Cash and cash equivalents** | | | |
| | Short term borrowings - running finance - secured | | (746,955,672) | (728,108,627) |
| | Cash and bank balances | | 133,324,247 | 22,759,809 |
| | | | (613,631,425) | (705,348,818) |

## 39 Transactions and balances with related parties

Related parties from the Company's perspective comprise subsidiary, 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.

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

## 39.1 Transactions with related parties

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **39.1.1 *Subsidiary*** | | | |
| Montebello s.r.l. | | | |
| Sales | 28 | **30,658,456** | 648,263,567 |
| Purchase of fabric | 29 | **100,341,158** | - |
| Swapping of debtor | 20 | **192,747,174** | - |
| **39.1.2 *Other related parties*** | | | |
| **JS Bank Limited** | | | |
| Mark-up expense | 34 | **21,213,560** | 22,419,486 |
| Remuneration of Trustee | 8.5 & 8.6 | **1,500,000** | 1,500,000 |
| Mark-up paid | 12 | **12,503,304** | 14,239,774 |
| **JS Value Fund Limited** | | | |
| Mark-up expense | 34 | **2,114,092** | 2,129,523 |
| **Unit Trust of Pakistan** | | | |
| Mark-up expense | 34 | **3,348,824** | 3,483,292 |
| **JS Large Cap Fund** | | | |
| Mark-up expense | 34 | **9,147,600** | 9,147,600 |
| Mark-up paid | 8.6 | **6,814,894** | 10,399,458 |
| **JS Global Capital Limited** | | | |
| Mark-up expense | 34 | **35,910,180** | 35,910,180 |
| Mark-up paid | 8.5 | **26,752,817** | 18,071,366 |
| **JS Principal Secure Fund** | | | |
| Mark-up expense | 34 | **3,682,800** | 3,682,800 |
| Mark-up paid | 8.6 | **2,743,659** | 4,186,795 |
| **JS Income Fund** | | | |
| Mark-up expense | 34 | **4,146,894** | 4,287,188 |
| **JS Growth Fund** | | | |
| Mark-up expense | 34 | **8,823,743** | 8,836,603 |
| Mark-up paid | 8.6 | **5,261,138** | 8,028,442 |
| **39.1.3 Post employment benefit plans** | | | |
| Contribution to employees Provident Fund Trust | 29, 30 & 31 | **115,372,211** | 99,471,266 |
| Interest payable on employees provident fund | 34 | **5,783,793** | 8,588,691 |

### 39.1.4 Key management personnel

The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 44 to the financial statements.

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **39.2 Balances with related parties** | | | |
| **39.2.1 Subsidiary** | | | |
| Montebello s.r.l. | | | |
| Trade debts | 23 | - | 963,354,964 |
| **39.2.2 Other related parties** | | | |
| **JS Bank Limited** | | | |
| Redeemable capital - PPTFC IV | 8.2 | 65,021,777 | 65,021,777 |
| Short term borrowing | 12 | 331,985,379 | 331,667,177 |
| Mark-up payable | 14 | 32,378,222 | 23,568,167 |
| Cash and bank - current account | 27 | - | 78,384 |
| **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 | 14 | 8,574,031 | 6,351,407 |
| **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 | 14 | 12,504,868 | 9,038,460 |
| **JS Large Cap Fund** | | | |
| Redeemable capital - PPTFCs | 8.6 | 83,160,000 | 83,160,000 |
| Mark-up payable | 14 | 4,561,269 | 4,058,083 |
| **JS Global Capital Limited** | | | |
| Redeemable capital - PPTFCs | 8.5 | 326,456,184 | 326,456,184 |
| Mark-up payable | 14 | 17,905,898 | 15,930,572 |
| **JS Principal Secure Fund** | | | |
| Redeemable capital - PPTFCs | 8.6 | 33,480,000 | 33,480,000 |
| Mark-up payable | 14 | 1,836,355 | 1,633,774 |
| **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 | 14 | 15,741,565 | 11,436,116 |
| **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 | 14 | 10,666,352 | 8,425,703 |
| **39.2.3 Post employment benefit plans** | | | |
| Payable to employees' Provident Fund Trust | 13 | 46,236,228 | 54,950,366 |
| **39.2.4 Key management personnel** | | | |
| Short term employee benefits payable | | 15,369,518 | 18,975,476 |

## 40 Financial risk management

The Company's activities expose it to a variety of financial risks which affect its revenues, expenses, assets and liabilities. These risks are as follows:
- Credit risk
- Liquidity risk; and
- Market risk (including currency risk, interest rate risk and price risk)

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

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

### *Risk Management Framework*

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

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

### 40.1 Credit risk and concentration of credit risk

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

#### 40.1.1 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 | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| ***Available for sale financial assets*** | | | |
| Long term investments | 18 | 231,897,310 | 1,681,304,686 |
| Short term investments | 25 | 306,022,500 | 700,000,000 |
| ***Loans and receivables*** | | | |
| Long term deposit - utility companies and regulatory authorities | 19 | 16,991,047 | 17,453,047 |
| Long term deposit - financial institutions | 19 | 1,800,000 | 1,800,000 |
| Trade debts - unsecured, considered good - long term | 20 | 61,949,527 | - |
| Trade debts | 23 | 1,361,141,139 | 2,420,618,482 |
| Due from Agritech Limited - unsecured, considered good | 24 | 45,394,968 | 46,741,363 |
| Other receivables - unsecured, considered good | 24 | 18,701,632 | 17,792,710 |
| Security deposits | 24 | 6,500,186 | 7,542,177 |
| Margin deposits | 24 | 34,027,315 | 34,027,315 |
| Insurance claims | 24 | 201,589,021 | 11,860,415 |
| Cash at banks | 27 | 130,815,332 | 21,495,424 |
| | | 1,878,910,167 | 2,579,330,933 |
| | | 2,416,829,977 | 4,960,635,619 |

### 40.1.2 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:

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| Customers | 1,423,090,666 | 2,420,618,482 |
| Banking companies and financial institutions | 164,842,647 | 55,522,739 |
| Related party | 18,000 | 1,449,419,701 |
| Others | 828,878,664 | 1,035,074,697 |
| | 2,416,829,977 | 4,960,635,619 |

### 40.1.3 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.

#### *40.1.3(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 | 2015 Rupees | 2014 Rupees |
|---|---|---|---|---|---|
| ***Bank balances*** | | | | | |
| Allied Bank Limited | A1+ | AA+ | PACRA | - | 25,253 |
| Albaraka Bank (Pakistan) Limited | A1 | A | PACRA | 67,318 | 68,518 |
| Askari Bank Limited | A-1+ | AA | JCR-VIS | 29 | 39,895 |
| Barclays Bank Pakistan | P-1 | A2 | Moody's | - | 1,486 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | 73,716,420 | 15,335,035 |
| Bank Alfalah Limited | A1+ | AA | PACRA | 60,134 | 62,737 |
| Bank Islami Pakistan Limited | A1 | A+ | PACRA | 43,206 | 194,127 |
| Faysal Bank Limited | A1+ | AA | PACRA | 488,095 | 3,155,051 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | 44,860 | 124,036 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 8,162 | 1,064 |
| HSBC Bank Middle East Limited | F1 | A+ | Fitch | 1,675 | 13,977 |
| JS Bank Limited | A1+ | A+ | PACRA | 8,387,001 | 116,476 |
| MCB Bank Limited | A1+ | AAA | PACRA | 150,434 | 204,081 |
| Meezan Bank Limited | A-1+ | AA | JCR-VIS | 25,655 | 5,568 |
| National Bank of Pakistan | A1+ | AAA | PACRA | 376,835 | 732,286 |
| NIB Bank Limited | A1+ | AA- | PACRA | 2,946,193 | 487,160 |
| Silk Bank Limited | A-2 | A- | JCR-VIS | 1,414,570 | 393,631 |
| Soneri Bank Limited | A1+ | AA- | PACRA | 13,896 | 15,740 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 141,357 | 141,357 |
| Summit Bank Limited | A-1 | A | JCR-VIS | 23,132,118 | 275,802 |
| The Bank of Punjab | A1+ | AA- | PACRA | 852 | 25,097 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | 2,708,626 | 68,732 |
| Bank of Khyber | A1 | A | PACRA | 17,087,896 | 8,315 |
| | | | | 130,815,332 | 21,495,424 |
| ***Margin deposits*** | | | | | |
| Summit Bank Limited | A-1 | A | JCR-VIS | 34,027,315 | 34,027,315 |

### *40.1.3(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:

| | 2015 Gross carrying amount | 2015 Accumulated impairment | 2014 Gross carrying amount | 2014 Accumulated impairment |
|---|---|---|---|---|
| | Rupees | | Rupees | |
| Not yet due | 302,353,918 | - | 1,101,522,848 | - |
| Past due by 0 to 6 months | 359,490,636 | - | 381,368,636 | - |
| Past due by 6 to 12 months | 512,493,663 | - | 406,556,478 | - |
| Past due by more than one year | 1,112,785,949 | 925,983,027 | 1,008,139,695 | 476,969,175 |
| | 2,287,124,166 | 925,983,027 | 2,897,587,657 | 476,969,175 |

The analysis of trade debts from Montebello s.r.l., subsidiary of the Company as at the reporting date is as follows:

| | 2014 Carrying amount Rupees |
|---|---|
| Not yet due | 125,490,495 |
| Past due by 0 to 6 months | 322,028,559 |
| Past due by 6 to 12 months | 222,655,590 |
| Past due by more than one year | 293,180,320 |
| | 963,354,964 |

During the current year, entire outstanding balance due from Montebello s.r.l. has been provided for. For details refer to note 23.3 .

**40.1.3(c)** The Company's five significant customers account for Rs. 480.379 million (2014: Rs. 1,851.986 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 6% (2014: 4%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 681.702 million (2014: Rs. 1,043.217 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.

### 40.1.4 Collateral held

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

### 40.1.5 Credit risk management

As mentioned in note 40.1.3(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.

### 40.2 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.

### 40.2.1 Exposure to liquidity risk

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

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

| | Note | Carrying amount | Contractual cash flows | One year or less | One to three years | More than three years |
|---|---|---|---|---|---|---|
| | | | | **2015** | | |
| | | | | Rupees | | |
| Non-derivative financial liabilities | | | | | | |
| Redeemable capital | 8 | 6,024,844,185 | 6,538,516,285 | 3,486,262,467 | 2,893,852,514 | 158,401,304 |
| Long term finances | 9 | 1,644,817,761 | 1,779,624,250 | 771,886,922 | 685,427,665 | 322,309,663 |
| Liabilities against assets subject to finance lease | 10 | 40,362,403 | 43,696,407 | 32,074,767 | 11,621,640 | - |
| Preference shares | 11 | 148,367,255 | 148,367,255 | 148,367,255 | - | - |
| Short term borrowings | 12 | 4,813,695,083 | 5,140,231,448 | 5,140,231,448 | - | - |
| Trade creditors | 13 | 1,871,294,638 | 1,871,294,638 | 1,871,294,638 | - | - |
| Accrued liabilities | 13 | 352,626,868 | 352,626,868 | 352,626,868 | - | - |
| Payable to Provident Fund Trust | 13 | 46,236,228 | 46,236,228 | 46,236,228 | - | - |
| Other payables | 13 | 24,548,565 | 24,548,565 | 24,548,565 | - | - |
| Mark-up accrued on borrowings | 14 | 2,919,538,952 | 2,919,538,952 | 2,919,538,952 | - | - |
| Dividend payable | 15 | 13,415,572 | 13,415,572 | 13,415,572 | - | - |
| | | 17,899,747,510 | 18,878,096,468 | 14,806,483,682 | 3,590,901,819 | 480,710,967 |

| | Note | Carrying amount | Contractual cash flows | One year or less | One to three years | More than three years |
|---|---|---|---|---|---|---|
| | | | | 2014 | | |
| | | | | Rupees | | |
| Non-derivative financial liabilities | | | | | | |
| Redeemable capital | 8 | 6,024,844,185 | 6,769,764,322 | 1,910,048,561 | 4,091,613,678 | 768,102,083 |
| Long term finances | 9 | 1,791,930,428 | 1,997,279,109 | 370,415,341 | 842,146,352 | 784,717,416 |
| Liabilities against assets subject to finance lease | 10 | 29,503,353 | 33,287,040 | 11,695,680 | 21,591,360 | - |
| Preference shares | 11 | 148,367,255 | 148,367,255 | 148,367,255 | - | - |
| Short term borrowings | 12 | 4,925,439,196 | 5,228,905,398 | 5,228,905,398 | - | - |
| Trade creditors | 13 | 1,701,247,168 | 1,701,247,168 | 1,701,247,168 | - | - |
| Accrued liabilities | 13 | 305,789,065 | 305,789,065 | 305,789,065 | - | - |
| Payable to Provident Fund Trust | 13 | 54,950,366 | 54,950,366 | 54,950,366 | - | - |
| Other payables | 13 | 14,436,690 | 14,436,690 | 14,436,690 | - | - |
| Mark-up accrued on borrowings | 14 | 2,214,256,456 | 2,919,538,952 | 2,919,538,952 | - | - |
| Dividend payable | 15 | 13,415,572 | 13,415,572 | 13,415,572 | - | - |
| | | 17,224,179,734 | 19,186,980,937 | 12,678,810,048 | 4,955,351,390 | 1,552,819,499 |

### 40.2.2 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*** | | | |
| Preference shares | 148,367,255 | - | 148,367,255 |
| Dividend on preference shares | - | 9,413,535 | 9,413,535 |
| Long term finances | 1,077,888,058 | 497,722,800 | 1,575,610,858 |
| Redeemable capital | 1,633,326,189 | 1,019,631,310 | 2,652,957,499 |
| Short term borrowings | 595,287,000 | 1,097,541,612 | 1,692,828,612 |
| Bills payable | 361,787,755 | 136,495,003 | 498,282,758 |
| | **3,816,656,257** | **2,760,804,260** | **6,577,460,517** |

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

## 40.3 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.

### 40.3.1 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.

### *40.3.1(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:

| | 2015 | | | | |
|---|---|---|---|---|---|
| | EURO | USD | GBP | RMB | Total |
| | | Rupees | | | |
| ***Assets*** | | | | | |
| Investments | - | - | - | - | - |
| Trade debts | 573,481,312 | 1,398,008,437 | 121,957,253 | - | 2,093,447,002 |
| Cash and bank balances | 300,952 | 121,031 | - | - | 421,983 |
| | 573,782,264 | 1,398,129,468 | 121,957,253 | - | 2,093,868,985 |
| ***Liabilities*** | | | | | |
| Long term finances | (799,424,561) | - | - | - | (799,424,561) |
| Short term borrowings | - | (393,242,435) | - | - | (393,242,435) |
| Mark-up accrued on borrowings | (117,835,443) | (12,699,785) | - | - | (130,535,228) |
| Trade creditors | (36,527,220) | (27,289,913) | (13,784) | (97,268) | (63,928,185) |
| Bills payable | (1,660,185) | (174,579,478) | - | - | (176,239,663) |
| | (955,447,409) | (607,811,611) | (13,784) | (97,268) | (1,563,370,072) |
| Net balance sheet exposure | (381,665,145) | 790,317,857 | 121,943,469 | (97,268) | 530,498,913 |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | EURO | USD | GBP | RMB | Total |
| | Rupees | | | | |
| Assets | | | | | |
| Investments | 1,449,407,671 | - | - | - | 1,449,407,671 |
| Trade receivables | 657,410,215 | 1,987,546,816 | 101,213,741 | - | 2,746,170,772 |
| Cash and bank balances | 356,333 | 117,521 | - | - | 473,854 |
| | 2,107,174,219 | 1,987,664,337 | 101,213,741 | - | 4,196,052,297 |
| Liabilities | | | | | |
| Long term finances | (946,537,228) | - | - | - | (946,537,228) |
| Short term borrowings | - | (391,225,740) | - | - | (391,225,740) |
| Mark-up accrued on borrowings | (83,593,872) | (24,184,635) | - | - | (107,778,507) |
| Trade creditors | (35,585,787) | (21,307,824) | - | (98,585) | (56,992,196) |
| Bills payable | (2,519,737) | (10,083,098) | - | - | (12,602,835) |
| | (1,068,236,624) | (446,801,297) | - | (98,585) | (1,515,136,506) |
| Net balance sheet exposure | 1,038,937,595 | 1,540,863,040 | 101,213,741 | (98,585) | 2,680,915,791 |

40.3.1(b) Exchange rates applied during the year

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

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Reporting date spot rate Buying | Selling Rupees | Average rate for the year | Reporting date spot rate Buying | Selling Rupees | Average rate for the year |
| EURO | 113.57 | 113.79 | 121.69 | 134.46 | 134.73 | 139.59 |
| USD | 101.50 | 101.70 | 101.46 | 98.55 | 98.75 | 102.89 |
| GBP | 159.59 | 159.91 | 159.58 | 167.79 | 168.13 | 167.27 |
| CHF | 109.42 | 109.64 | 107.58 | 110.59 | 110.82 | 113.80 |
| HKD | 13.09 | 13.12 | 13.09 | 12.71 | 12.74 | 13.27 |
| RMB | 16.35 | 16.39 | 16.40 | 16.01 | 16.05 | 16.75 |

## 40.3.1(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.

| | 2015 Profit | 2014 Profit |
|---|---|---|
| | Rupees | |
| EURO | (38,166,515) | 103,893,760 |
| USD | 79,031,786 | 154,086,304 |
| GBP | 12,194,347 | 10,121,374 |
| RMB | (9,727) | (9,859) |
| | 53,049,891 | 268,091,579 |

### 40.3.1(d) Currency risk management

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

### 40.3.2 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.

### 40.3.2(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:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Financial asset | Financial liability | Financial asset | Financial liability |
| | Rupees | | Rupees | |
| *Non-derivative financial instruments* | | | | |
| Fixed rate instruments | 56,452,421 | 692,023,439 | 3,176,569 | 692,023,439 |
| Variable rate instruments | 266,106,890 | 8,761,393,248 | 266,106,595 | 9,009,390,978 |

### 40.3.2(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.

### 40.3.2(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.

| | 2015 | 2014 |
|---|---|---|
| | Rupees | Rupees |
| Increase of 100 basis points | (84,952,864) | (87,432,844) |
| Decrease of 100 basis points | 84,952,864 | 87,432,844 |

### 40.3.2(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.

### 40.3.3 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.

### 40.4 Fair values

The basis for determining fair values is 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).

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| | | Rupees | |
| 30 June 2015 | | | |
| Available for sale investments | 32,382 | - | - |
| Long term investments | - | - | 306,022,500 |
| Short term investment - Agritech Limited | 32,382 | - | 306,022,500 |
| 30 June 2014 | | | |
| Available for sale investments | 32,087 | - | 1,449,407,671 |
| Long term investments | - | - | 700,000,000 |
| Short term investment - Agritech Limited | 32,087 | - | 2,149,407,671 |

### 40.4.1 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.

Short term investment - Agritech Limited- Level 2

The fair value of these preference shares is based on agreed price at which these shares can be sold to NBP under an agreement.

### 40.4.2 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.

## 41 Segment information

### 41.1 Information about reportable segments

| | Spinning segment | | Weaving segment | | Garment segment | | Elimination | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 Rupees | 2014 Rupees | 2015 Rupees | 2014 Rupees | 2015 Rupees | 2014 Rupees | 2015 Rupees | 2014 Rupees | 2015 Rupees | 2014 Rupees |
| **41.1.1 Segment revenues and results** | | | | | | | | | | |
| ***Revenue*** | | | | | | | | | | |
| External revenues | 1,182,325,518 | 3,240,295,849 | 5,108,391,783 | 6,444,968,578 | 4,411,170,895 | 3,616,582,816 | | | 10,701,888,196 | 13,301,847,243 |
| Inter-segment revenues | 261,366,541 | 585,497,579 | 2,598,713,718 | 1,376,606,053 | 4,522,445 | 3,727,546 | (2,864,602,704) | (1,965,831,178) | - | - |
| Reportable segment revenue | 1,443,692,059 | 3,825,793,428 | 7,707,105,501 | 7,821,574,631 | 4,415,693,340 | 3,620,310,362 | (2,864,602,704) | (1,965,831,178) | 10,701,888,196 | 13,301,847,243 |
| ***Cost of sales*** | | | | | | | | | | |
| - intersegment excluding depreciation | (261,366,541) | (585,497,579) | (2,598,713,718) | (1,376,606,053) | (4,522,445) | (3,727,546) | 2,864,602,704 | 1,965,831,178 | - | - |
| - external excluding depreciation | (1,213,499,911) | (3,382,307,323) | (3,990,882,745) | (5,196,283,328) | (3,961,750,708) | (3,284,844,044) | - | - | (9,166,133,364) | (11,863,434,695) |
| | (1,474,866,452) | (3,967,804,902) | (6,589,596,463) | (6,572,889,381) | (3,966,273,153) | (3,288,571,590) | 2,864,602,704 | 1,965,831,178 | (9,166,133,364) | (11,863,434,695) |
| ***Gross profit*** | (31,174,393) | (142,011,474) | 1,117,509,038 | 1,248,685,250 | 449,420,187 | 331,738,772 | - | - | 1,535,754,832 | 1,438,412,548 |
| Selling and distribution expenses | (15,444,797) | (90,912,650) | (301,774,408) | (285,685,937) | (242,030,269) | (221,870,426) | - | - | (559,249,474) | (598,469,013) |
| Administrative and general expenses excluding depreciation | (64,358,892) | (114,800,831) | (191,607,768) | (144,875,282) | (121,261,953) | (121,834,378) | - | - | (377,228,613) | (381,510,491) |
| | (79,803,689) | (205,713,481) | (493,382,176) | (430,561,219) | (363,292,222) | (343,704,804) | - | - | (936,478,087) | (979,979,504) |
| ***Segment results*** | (110,978,082) | (347,724,955) | 624,126,862 | 818,124,031 | 86,127,965 | (11,966,032) | - | - | 599,276,745 | 458,433,044 |
| Depreciation | | | | | | | | | (484,157,096) | (489,435,887) |
| Other income | | | | | | | | | 342,306,588 | 60,378,407 |
| Other expenses | | | | | | | | | (2,102,964,945) | (492,446,208) |
| Finance cost | | | | | | | | | (1,182,711,373) | (1,529,841,093) |
| Taxation | | | | | | | | | (105,988,898) | (132,644,196) |
| Loss after taxation | | | | | | | | | (2,934,238,979) | (2,125,555,933) |

**41.1.2 Inter-segment sales and purchases**

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

**41.1.3 Basis of inter-segment pricing**

All inter-segment transfers are made at negotiated rates.

| | Spinning segment | | Weaving segment | | Garment segment | | Elimination | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 Rupees | 2014 Rupees | 2015 Rupees | 2014 Rupees | 2015 Rupees | 2014 Rupees | 2015 Rupees | 2014 Rupees | 2015 Rupees | 2014 Rupees |
| **41.1.4 Assets** | | | | | | | | | | |
| Total assets for reportable segments | 794,542,111 | 1,188,345,260 | 5,485,246,915 | 4,943,800,182 | 1,692,966,235 | 1,378,837,199 | (2,864,602,704) | (1,965,831,178) | 5,108,152,557 | 5,545,151,463 |
| Other unallocated amounts | - | - | - | - | - | - | - | - | 13,410,390,742 | 15,237,841,326 |
| | 794,542,111 | 1,188,345,260 | 5,485,246,915 | 4,943,800,182 | 1,692,966,235 | 1,378,837,199 | (2,864,602,704) | (1,965,831,178) | 18,518,543,299 | 20,782,992,789 |
| **41.1.5 Liabilities** | | | | | | | | | | |
| Total liabilities for reportable segments | 774,048,850 | 813,112,367 | 1,112,388,147 | 1,522,076,932 | 3,435,879,767 | 1,858,504,171 | (2,864,602,704) | (1,965,831,178) | 2,457,714,060 | 2,227,862,292 |
| Other unallocated amounts | - | - | - | - | - | - | - | - | 15,332,110,810 | 14,599,738,408 |
| | 774,048,850 | 813,112,367 | 1,112,388,147 | 1,522,076,932 | 3,435,879,767 | 1,858,504,171 | (2,864,602,704) | (1,965,831,178) | 17,789,824,870 | 16,827,600,700 |

## 41.1.6 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.

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| **Revenue** | | |
| ***Foreign revenue*** | | |
| Asia | 2,470,506,936 | 4,587,413,895 |
| Europe | 5,474,591,847 | 5,582,599,073 |
| South America | 224,820,505 | 498,322,265 |
| North America | - | 21,130,328 |
| Africa | 302,578,758 | 301,713,767 |
| Other countries | 615,241,486 | 148,910,978 |
| | 9,087,739,532 | 11,140,090,306 |
| ***Local revenue*** | | |
| Pakistan | 1,534,400,394 | 2,143,612,001 |
| | 10,622,139,926 | 13,283,702,307 |
| **41.1.7 Non-current assets** | | |
| Pakistan | 13,410,390,742 | 15,237,841,326 |
| | 13,410,390,742 | 15,237,841,326 |

## 42 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 | 2015 | 2014 |
|---|---|---|---|
| Total debt | Rupees | 7,710,024,349 | 7,846,277,966 |
| Total equity including revaluation surplus | Rupees | 728,718,429 | 3,955,392,089 |
| Total capital employed | Rupees | 8,438,742,778 | 11,801,670,055 |
| Gearing | Percentage | 91.36% | 66.48% |

Total debt comprises of redeemable capital, long term finances and liabilities against assets subject to finance lease.

There were no changes in the Company's approach to capital management during the year. However, defaults / overdue relating to financial obligations of the Company, as referred to in note 40.2.2 to the financial statements, may cause changes in the Company's approach to capital management. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants including restriction on dividend declaration, imposed by the providers of debt finance which the Company could not comply as at the reporting date. The consequences of non-compliance are narrated in note 2.4. Increase in gearing is mainly due to current year losses and resultant decrease in equity.

| | 2015<br>Rupees | 2014<br>Rupees |
|---|---|---|
| **43 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 | 311,572,937 | 491,105,041 |
| Finished goods | 439,003,600 | 167,281,791 |
| Investments in equity securities | - | 700,000,000 |
| Investments in debt securities | 126,080,519 | 126,080,519 |

## 44 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:

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

| | 2014 | | | |
|---|---|---|---|---|
| | Directors | | | |
| | Chief Executive | Executive | Non executive | Executives |
| | | Rupees | | |
| Managerial remuneration | 15,999,996 | 10,641,337 | - | 138,963,720 |
| Medical | 1,599,996 | 1,064,137 | - | 13,896,371 |
| Utilities and house rent | 6,400,008 | 4,561,776 | - | 63,571,679 |
| Post employment benefits | 1,359,996 | 816,495 | - | 11,273,943 |
| | 25,359,996 | 17,083,745 | - | 227,705,713 |
| Number of persons as at year end | 1 | 3 | 3 | 114 |

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

**44.2** No amount has been charged in these financial statements in respect of meeting fee for non-executive directors during year ended 30 June 2015 and 30 June 2014.

## 45 Plant capacity and actual production

| | Unit | 2015 | 2014 |
|---|---|---|---|
| *Spinning* | | | |
| Number of rotors installed | No. | 2,992 | 2,416 |
| Annual installed capacity converted into 6.5s count | Kgs | 17,078,320 | 14,877,295 |
| Actual production converted into 6.5s count | Kgs | 11,846,467 | 9,954,610 |
| 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 | Kgs | 6,788,630 | 3,950,438 |
| *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 | Mtrs. | 29,729,042 | 31,329,159 |
| *Garments* | | | |
| Number of stitching machines installed | No. | 2,229 | 2,229 |
| Annual installed capacity | Pcs | 12,000,000 | 12,000,000 |
| Actual production | Pcs | 5,402,779 | 4,090,423 |

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.

## 46 Provident Fund Trust

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

| | Unit | 2015 | 2014 |
|---|---|---|---|
| Size of fund - total assets | Rupees | 80,311,437 | 183,868,262 |
| Cost of investments made | Rupees | 35,525,868 | 49,701,139 |
| Percentage of investments made | Percentage | 44.24% | 27.03% |
| Fair value of investment | Rupees | 29,511,878 | 58,703,265 |

The breakup of fair value of investments is as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Rupees | Percentage | Rupees | Percentage |
| Shares in listed companies | 1,023,705 | 3.47% | 1,548,283 | 2.64% |
| Debt securities | 9,534,049 | 32.31% | 9,534,049 | 16.24% |
| Mutual funds | 15,768,000 | 53.43% | 27,872,291 | 47.48% |
| Cash at bank | 3,186,124 | 10.80% | 19,748,642 | 33.64% |
| | 29,511,878 | 100.00% | 58,703,265 | 100.00% |

The investments of the Provident Fund Trust are not in compliance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 47 Number of employees

The average and total number of employees are as follows:

| | 2015 | 2014 |
|---|---|---|
| Average number of employees during the year | 6,584 | 7,763 |
| Total number of employees as at 30 June | 6,482 | 6,967 |

## 48 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassifications for better presentation include bills payable amounting to Rs. 345.834 million previously included in trade and other payables now presented in short term borrowings and provision against trade debts amounting to Rs. 22.712 million previously included in selling and distribution expenses now presented in other expenses.

## 49 Date of authorization for issue

These financial statements were authorized for issue on 07 October, 2015 by the Board of Directors of the Company.

## 50 General

Figures have been rounded off to the nearest rupee.

Lahore

Chief Executive

Director

# PATTERN OF SHAREHOLDING FOR AZGARD NINE LTD.

As on:- 30-Jun-2015

| Number of ShareHolders | Shareholdings From | To | Total Number of Share Held | Percentage of Total Capital |
|---|---|---|---|---|
| 379 | 1 - | 100 | 14,558 | 0.00 |
| 799 | 101 - | 500 | 313,205 | 0.07 |
| 1004 | 501 - | 1000 | 920,496 | 0.20 |
| 2300 | 1001 - | 5000 | 6,803,129 | 1.51 |
| 904 | 5001 - | 10000 | 7,308,838 | 1.63 |
| 381 | 10001 - | 15000 | 4,999,335 | 1.11 |
| 264 | 15001 - | 20000 | 4,914,323 | 1.09 |
| 178 | 20001 - | 25000 | 4,198,364 | 0.93 |
| 128 | 25001 - | 30000 | 3,619,689 | 0.81 |
| 78 | 30001 - | 35000 | 2,618,946 | 0.58 |
| 69 | 35001 - | 40000 | 2,672,943 | 0.59 |
| 34 | 40001 - | 45000 | 1,472,507 | 0.33 |
| 122 | 45001 - | 50000 | 6,030,724 | 1.34 |
| 16 | 50001 - | 55000 | 854,188 | 0.19 |
| 34 | 55001 - | 60000 | 1,990,347 | 0.44 |
| 17 | 60001 - | 65000 | 1,072,398 | 0.24 |
| 29 | 65001 - | 70000 | 1,974,505 | 0.44 |
| 27 | 70001 - | 75000 | 1,984,536 | 0.44 |
| 14 | 75001 - | 80000 | 1,101,108 | 0.25 |
| 15 | 80001 - | 85000 | 1,249,009 | 0.28 |
| 11 | 85001 - | 90000 | 983,200 | 0.22 |
| 5 | 90001 - | 95000 | 463,123 | 0.10 |
| 67 | 95001 - | 100000 | 6,685,000 | 1.49 |
| 9 | 100001 - | 105000 | 920,504 | 0.20 |
| 12 | 105001 - | 110000 | 1,296,583 | 0.29 |
| 6 | 110001 - | 115000 | 674,852 | 0.15 |
| 5 | 115001 - | 120000 | 600,000 | 0.13 |
| 9 | 120001 - | 125000 | 1,115,300 | 0.25 |
| 5 | 125001 - | 130000 | 642,000 | 0.14 |
| 3 | 130001 - | 135000 | 400,400 | 0.09 |
| 4 | 135001 - | 140000 | 556,000 | 0.12 |
| 3 | 140001 - | 145000 | 428,500 | 0.10 |
| 7 | 145001 - | 150000 | 1,050,000 | 0.23 |
| 4 | 150001 - | 155000 | 613,500 | 0.14 |
| 1 | 155001 - | 160000 | 160,000 | 0.04 |
| 7 | 160001 - | 165000 | 1,144,000 | 0.25 |
| 6 | 165001 - | 170000 | 1,004,006 | 0.22 |
| 6 | 170001 - | 175000 | 1,041,800 | 0.23 |
| 2 | 175001 - | 180000 | 356,500 | 0.08 |
| 2 | 180001 - | 185000 | 367,000 | 0.08 |
| 11 | 195001 - | 200000 | 2,195,050 | 0.49 |
| 2 | 200001 - | 205000 | 408,950 | 0.09 |
| 3 | 205001 - | 210000 | 628,000 | 0.14 |
| 3 | 210001 - | 215000 | 640,602 | 0.14 |
| 2 | 215001 - | 220000 | 432,500 | 0.10 |

| Number of ShareHolders | Shareholdings From | To | Total Number of Share Held | Percentage of Total Capital |
|---|---|---|---|---|
| 2 | 220001 - | 225000 | 448,500 | 0.10 |
| 3 | 225001 - | 230000 | 686,500 | 0.15 |
| 1 | 230001 - | 235000 | 230,500 | 0.05 |
| 1 | 235001 - | 240000 | 239,000 | 0.05 |
| 10 | 245001 - | 250000 | 2,496,000 | 0.56 |
| 1 | 250001 - | 255000 | 254,000 | 0.06 |
| 2 | 260001 - | 265000 | 528,000 | 0.12 |
| 1 | 265001 - | 270000 | 266,500 | 0.06 |
| 1 | 270001 - | 275000 | 272,500 | 0.06 |
| 1 | 275001 - | 280000 | 277,000 | 0.06 |
| 1 | 280001 - | 285000 | 281,000 | 0.06 |
| 10 | 295001 - | 300000 | 3,000,000 | 0.67 |
| 3 | 300001 - | 305000 | 908,500 | 0.20 |
| 2 | 305001 - | 310000 | 615,500 | 0.14 |
| 1 | 310001 - | 315000 | 315,000 | 0.07 |
| 2 | 315001 - | 320000 | 636,000 | 0.14 |
| 1 | 320001 - | 325000 | 322,700 | 0.07 |
| 2 | 340001 - | 345000 | 685,000 | 0.15 |
| 1 | 345001 - | 350000 | 350,000 | 0.08 |
| 2 | 350001 - | 355000 | 703,354 | 0.16 |
| 1 | 375001 - | 380000 | 380,000 | 0.08 |
| 4 | 395001 - | 400000 | 1,600,000 | 0.36 |
| 1 | 400001 - | 405000 | 400,500 | 0.09 |
| 1 | 405001 - | 410000 | 409,000 | 0.09 |
| 1 | 420001 - | 425000 | 425,000 | 0.09 |
| 2 | 445001 - | 450000 | 900,000 | 0.20 |
| 1 | 450001 - | 455000 | 452,000 | 0.10 |
| 1 | 475001 - | 480000 | 478,523 | 0.11 |
| 6 | 495001 - | 500000 | 3,000,000 | 0.67 |
| 1 | 595001 - | 600000 | 600,000 | 0.13 |
| 1 | 645001 - | 650000 | 645,064 | 0.14 |
| 1 | 695001 - | 700000 | 700,000 | 0.16 |
| 1 | 735001 - | 740000 | 736,455 | 0.16 |
| 1 | 780001 - | 785000 | 781,500 | 0.17 |
| 1 | 845001 - | 850000 | 846,500 | 0.19 |
| 1 | 885001 - | 890000 | 888,000 | 0.20 |
| 1 | 895001 - | 900000 | 900,000 | 0.20 |
| 1 | 920001 - | 925000 | 920,500 | 0.20 |
| 1 | 935001 - | 940000 | 937,500 | 0.21 |
| 1 | 995001 - | 1000000 | 1,000,000 | 0.22 |
| 1 | 1000001 - | 1005000 | 1,002,500 | 0.22 |
| 1 | 1020001 - | 1025000 | 1,024,500 | 0.23 |
| 1 | 1075001 - | 1080000 | 1,075,953 | 0.24 |
| 1 | 1095001 - | 1100000 | 1,100,000 | 0.24 |
| 1 | 1200001 - | 1205000 | 1,202,500 | 0.27 |
| 1 | 1295001 - | 1300000 | 1,297,000 | 0.29 |
| 1 | 1455001 - | 1460000 | 1,459,000 | 0.32 |
| 1 | 1715001 - | 1720000 | 1,719,600 | 0.38 |

# PATTERN OF SHAREHOLDING FOR AZGARD NINE LTD.

As on:- 30-Jun-2015

| Number of ShareHolders | Shareholdings From | To | Total Number of Share Held | Percentage of Total Capital |
|---|---|---|---|---|
| 1 | 1950001 - | 1955000 | 1,954,200 | 0.43 |
| 1 | 2005001 - | 2010000 | 2,010,000 | 0.45 |
| 1 | 2220001 - | 2225000 | 2,222,222 | 0.49 |
| 1 | 2380001 - | 2385000 | 2,380,260 | 0.53 |
| 1 | 3265001 - | 3270000 | 3,268,908 | 0.73 |
| 1 | 3895001 - | 3900000 | 3,900,000 | 0.87 |
| 1 | 4585001 - | 4590000 | 4,586,819 | 1.02 |
| 1 | 4995001 - | 5000000 | 5,000,000 | 1.11 |
| 1 | 5365001 - | 5370000 | 5,365,197 | 1.19 |
| 1 | 5450001 - | 5455000 | 5,452,465 | 1.21 |
| 1 | 5595001 - | 5600000 | 5,600,000 | 1.25 |
| 1 | 6200001 - | 6205000 | 6,201,644 | 1.38 |
| 1 | 7405001 - | 7410000 | 7,409,227 | 1.65 |
| 1 | 9495001 - | 9500000 | 9,500,000 | 2.11 |
| 1 | 10075001 - | 10080000 | 10,078,656 | 2.24 |
| 1 | 10420001 - | 10425000 | 10,425,000 | 2.32 |
| 1 | 10730001 - | 10735000 | 10,733,000 | 2.39 |
| 1 | 11105001 - | 11110000 | 11,106,000 | 2.47 |
| 1 | 16950001 - | 16955000 | 16,953,845 | 3.77 |
| 1 | 22165001 - | 22170000 | 22,169,691 | 4.93 |
| 1 | 30620001 - | 30625000 | 30,622,000 | 6.81 |
| 1 | 38555001 - | 38560000 | 38,560,000 | 8.58 |
| 1 | 112155001 - | 112160000 | 112,157,863 | 24.96 |
| 7,097 | | | 449,349,439 | 100.00 |

# PATTERN OF SHAREHOLDING

Ordinary Shares as at June 30, 2015

| Sr. No. | Categories of shareholders | share held | Percentage |
|---|---|---|---|
| 1 | Directors, Chief Executive Officer, and their spouse and minor children | 41,355,013 | 9.20 |
| 2 | Associated Companies, undertakings and related parties | 112,157,863 | 24.96 |
| 3 | NIT and ICP | 120,060 | 0.03 |
| 4 | Banks Development Financial Institutions, Non Banking Financial Institutions | 39,837,412 | 8.87 |
| 5 | Insurance Companies | 6,967,079 | 1.55 |
| 6 | Modarabas and Mutual Funds | 937,500 | 0.21 |
| 7 | Share holders holding 10% and more | 112,157,863 | 24.96 |
| 8 | General Public | | |
| | a. Local | 200,893,938 | 44.71 |
| | b. Foreign | 6,630,818 | 1.48 |
| 9 | Others | | |
| | Investment Companies | 73,285 | 0.02 |
| | Joint Stock Companies | 29,289,926 | 6.52 |
| | Provident / Pension Funds and Misc | 11,086,545 | 2.47 |

# INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

| | Number of Shares | Pecentage |
|---|---|---|
| Associated Companies, undertaking and related parties | | |
| Jahangir Siddiqui & Co. Ltd. | 112,157,863 | 24.96 |
| Mutual Funds; | | |
| CDC - Trustee KASB Asset Allocation Fund | 937,500 | 0.21 |
| CDC - Trustee National Investment (Unit) Trust | 108,357 | 0.02 |
| Directors, Chief Executive Officer and their spouse and minor children; | | |
| Mr. Ahmed H. Shaikh | 30,622,000 | 6.81 |
| Mr. Aehsun M. H. Shaikh | 10,733,000 | 2.39 |
| Mr. Nasir Ali Khan Bhatti | 5 | 0.00 |
| Mr. Usman Rasheed | 1 | 0.00 |
| Mr. Farrukh Hussain | 5 | 0.00 |
| Mr. Yasir Habib Hashmi | 1 | 0.00 |
| Mr. Munir Alam | 1 | 0.00 |
| Executives; | Nil | |
| Public Sector Companies and Corporation, Banks, DFIs, Insurance Companies Takaful, Modarabas & Pension Funds; | 87,265,950 | 19 |
| Individuals | 207,524,756 | 46.1 |
| | 449,349,439 | 100.00 |

Shareholders holding five percent or more voting rights in the listed Compan

| | | |
|---|---|---|
| Mrs. Nasreen H.Shaikh | 22,573,445 | 5.02 |
| Mr. Ahmed H. Shaikh | 30,622,000 | 6.81 |
| Mr. Muhammad Sohail Dayala | 38,560,000 | 8.58 |
| Jahangir Siddiqui & Co. Ltd. | 112,157,863 | 24.96 |

Detail of trading in shares by the Directors, CEO, CFO, Company Secretary their Spouses and Minor Children. Nil

# FORM OF PROXY

## Azgard Nine Limited

AZGARD-9

I/We _____

son/daughter of _____

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

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

son/daughter of _____ Or failing him/her

Mr./Ms. _____

son/daughter of _____

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

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Saturday the 31 October 2015 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 _____ 2015

WITNESSES

1. Signature _____

   Name _____

   Address _____

   _____

   CNIC _____

2. Signature _____

   Name _____

   Address _____

   _____

   CNIC _____

Affix Revenue Stamp

Member's Signature

NOTE:

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

AFFIX
CORRECT
POSTAGE

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

AZGARD-9

Contact Info.

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www.azgard9.com