

Interim Financial Report  
for the half year ended **December 31, 2016**  
(Un-audited)



**AZGARD-9**



**AZGARD NINE LIMITED**



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## Company Information

### BOARD OF DIRECTORS

Mr. Zahid Mahmood  
*Chairman*

Mr. Ahmed H. Shaikh  
*Chief Executive*

Mr. Nasir Ali Khan Bhatti

Mr. Usman Rasheed

Mr. Munir Alam

Mr. Aamer Ghias

Mr. Saghir Ahmad

### COMPANY SECRETARY

Mr. Muhammad Awais

### CHIEF FINANCIAL OFFICER

Mr. Zahid Rafiq, FCA

### AUDIT COMMITTEE

Mr. Nasir Ali Khan  
*Chairman*

Mr. Usman Rasheed

Mr. Zahid Mahmood

### HR & REMUNERATION COMMITTEE

Mr. Nasir Ali Khan Bhatti  
*Chairman*

Mr. Ahmed H. Shaikh

Mr. Usman Rasheed

### AUDITORS

Deloitte Yousuf Adil  
Chartered Accountants

### SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.  
H.M. House, 7-Bank Square, Lahore.  
Ph: +92(0)42-37235081-82  
Fax: +92(0)42-37358817

### Company Website

[www.azgard9.com](http://www.azgard9.com)

### 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  
Askari bank Limited  
Bank Al Habib Limited  
Bank Al Falah Limited  
Bank Islami Pakistan  
Habib Metropolitan Bank  
Bank of Khyber  
Al Baraka Bank Pakistan Limited

### REGISTERED OFFICE

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

### Project Locations

#### Textile & Apparel

##### Unit I

2.5 Km Off Manga, Raiwind Road,  
District Kasur.  
Ph: +92 (0) 42 35384081  
Fax: +92 (0) 35384093

##### Unit II

Alipur Road, Muzaffargarh.  
Ph: +92 (0) 661 42503, 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

## Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby presents the Company's Condensed Interim Financial Report for six months period ended 31 December 2016.

### Principal Activities

The main business of your Company is the production and marketing of Denim focused Textile and Apparel products, starting from yarn to retail ready goods.

Following are the operating financial results of Azgard Nine Limited (Standalone):

	Six months ended December 31, 2016	Six Months ended December 31, 2015
Sales - Net	5,940,360,739	6,346,189,413
Operating profit	337,181,308	175,215,652
Other income	30,295,605	32,376,134
Other expenses	(45,742,541)	(12,678,662)
Finance cost	(448,144,751)	(597,864,901)
Loss before Tax	(126,410,379)	(402,951,777)
Loss after Tax	(185,181,524)	(466,413,671)
Loss per share	(0.41)	(1.03)

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

During this six month period the sales of the Company have decreased by 7% as compared to the same period of the previous year. This reflects the difficult market conditions. Both in terms of the price per unit and the quantity of units sold. However, due to the cost reduction efforts of the management and improvements in operating efficiencies, the operating profit of the Company has increased from 175.2 million to 337.2 million for the period. This is an increase of 92%. Considering that the textile industry of Pakistan remains in a crisis, the improving results depict that the efforts of the management are bearing fruits and the performance of the company is improving in these challenging times.

The law and order situation of Pakistan and government policies towards the textile industry have been affecting the textile business to date. The governments of our neighboring countries and competitors like Bangladesh and India are supporting their textile and apparel industries. This is making it more difficult for the Pakistan based producers to compete. Moreover, due to the ongoing global slowdown, there is no real growth at the retail level in the developed economies of the West. Consequently we are all fighting for the same market, this is negatively affecting our margins; many companies have closed down as a result of this. We are grateful to our Government for announcing a textile package in January 2017. If this package is properly implemented it should help the industry significantly. However, considering that payments from other rebates that were part of previous packages have still not been paid even after many years, we first need to see how this package is implemented before we can feel some relief, the support from this package.

To be competitive in this challenging market, the Company is revamping itself by continuously working on cost cutting projects, exploring new markets and developing new products. The improved results of this period already depict that these initiatives taken by the management have worked well to date.

The Company's corporate revitalization plan is progressing. The draft of the lenders' scheme of arrangement has been circulated by the lenders' agent bank. As the majority of lenders have already approved the terms of this financial restructuring, it is expected to be approved in the near future. On finalization from the lenders, this scheme of arrangement would then be submitted by the lenders to the High Court for its implementation.

The remaining funds of Rs. 306 million due from the sale of Agritech shares, for working capital, still remain outstanding. These funds will be used for enhancing the operational capacities of the Company and bringing them to even better levels. We are hopeful that these will also be released within this calendar year.

The Company feels that subsequent to the implementation of this financial restructuring and receipt of remaining working capital, the Company should be able to operate at sustainable levels.

**Update on status of Montebello S.R.L (subsidiary)**

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

During the proceeding of this bankruptcy, 48 parties filed their claim with The Court of Vicenza and all have been accepted by the Court. Total claims of Euro 7,893,794.48 have been accepted. The value of priority claims included therein are of Euro 3,929,380.36 and the value of unsecured and subordinated claims are of Euro 3,964,414.12. The Company has been advised by its legal council that, in accordance to the law, priority claims would be paid first and then unsecured and subordinated claims will be paid. The Company's claims aggregating to Euro 3,835,343.89 has been accepted on account of principal and interest as subordinate claim due to Company being the parent of MBL. The Company has been advised by its legal counsel that, by law Company cannot be a priority claimant.

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

The board appreciates the cooperation of all the stakeholders in regards and hopes for their continued support in the future in order to continue to improve the Company's performance.

On behalf of the Board of Directors



Chief Executive Officer

Lahore  
Date : 25 February 2017

## ڈائریکٹرز کا جائزہ

ایزگارڈ نائن لمیٹڈ (کمپنی) کے ڈائریکٹرز ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے شش ماہی تختہ 31 دسمبر 2016 پیش کرتے ہیں۔

### اہم سرگرمیاں

آپ کی کمپنی کی توجہ دھاگہ، ڈینیم کپڑا اور تیار ڈینیم ہلبوسات کی مصنوعات کی پیداوار اور مارکیٹنگ پر مرکوز ہے۔ ایزگارڈ نائن لمیٹڈ (سٹینڈ لون) کے عملی مالیاتی نتائج درج ذیل ہیں۔

شش ماہی تختہ 31 دسمبر 2015	شش ماہی تختہ 31 دسمبر 2016	
6,346,189,413	5,940,360,739	فروڈنگی (Net)
175,215,652	337,181,308	آپریٹنگ منافع
32,376,134	30,295,605	دیگر کمائی
(12,678,662)	(45,742,541)	دیگر اخراجات
(597,864,901)	(448,144,751)	مالیاتی اخراجات
(402,951,777)	(126,410,379)	خسارہ قبل از ٹیکس
(466,413,671)	(185,181,524)	خسارہ بعد از ٹیکس
(1.03)	(0.41)	خسارہ فی شیئر

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

پچھلے سال کی شش ماہی کی بلز کے مقابلے میں اس سال کی شش ماہی کی بلز 7 فیصد کم رہی ہے۔ فی پونٹ کی قیمت اور فروخت کی اکائیوں کی مقدار کے لحاظ سے یہ مارکیٹ کی مشکل صورتحال کی عکاسی کرتا ہے۔ تاہم انتظامیہ کی اخراجات میں کمی کی بابت ان تھک کوششوں کی بناء پر کمپنی کا آپریٹنگ منافع اس مدت کے دوران 175.2 ملین سے 337.2 ملین تک بڑھ گیا ہے۔ یہ اضافہ 92 فیصد ہے۔ پاکستان کی ٹیکسٹائل انڈسٹری کے بحران کو مد نظر رکھتے ہوئے ان مشکل حالات میں کمپنی کی کارکردگی بہتر ہو رہی ہے اور اسے انتظامیہ کی کاوشیں سود مند ہیں جو کہ بہتر نتائج ظاہر کرتے ہیں۔

پاکستان میں امن و امان کی صورتحال اور ٹیکسٹائل انڈسٹری کیلئے حکومتی پالیسیاں ٹیکسٹائل کے کاروبار کے لئے آج کی تاریخ میں متاثر کن ہیں۔ ہمارے ہمسایہ ممالک کی حکومتیں اور حریف جیسا کہ بنگلہ دیش اور بھارت بھی اپنی ٹیکسٹائل اور ہلبوسات کی انڈسٹری کی حمایت کر رہے ہیں جو کہ پاکستان کے لئے پیداواری مقابلہ کرنے میں مزید مشکلات پیدا کر رہی ہیں۔ مزید یہ کہ جاری عالمی سست روی کی وجہ سے اور مغرب کی ترقی یافتہ معیشتوں میں خوردہ سطح پر کوئی حقیقی ترقی نہ ہونے کے باوجود ہم سب اس مارکیٹ کیلئے مقابلہ کر رہے ہیں۔ یہ عوامل ہمارے منافع میں منفی اثرات ڈال رہا ہے، اس کی وجہ سے بہت سی کمپنیاں بند ہو چکی ہیں۔ ہم ٹیکسٹائل کیلئے جنوری 2017ء کے لئے حکومت کے بہت مشکور ہیں۔ اگر اس پہنچ پر مناسب طریقہ سے عملدرآمد کیا جائے تو انڈسٹری کیلئے نمایاں طور پر فائدہ مند ہوگا البتہ پچھلے پیکچر میں چھوٹ کی ادا ٹیکسٹائل، جو کہ کئی سالوں تک ادا نہ ہو سکیں گے کو دیکھتے ہوئے ہمیں پہلے یہ دیکھنا ہے کہ اس پہنچ کو کیسے عمل میں لایا جاتا ہے جو کہ ہمارے لئے باعث امداد ہے۔

اس مشکل مارکیٹ میں مقابلہ کرنے کیلئے کمپنی خود سے مسلسل اخراجات میں کمی لارہی ہے اور نئی منڈیوں کو تلاش کر رہی ہے اور نئی مصنوعات بھی تیار کر رہی ہے۔ اس مدت میں بہتر نتائج یہ ظاہر کرتے ہیں کہ موجودہ وقت تک انتظامیہ کی کاوشیں سود مند ثابت ہو رہی ہیں۔

کمپنی اپنی کارپوریٹ تنظیم نو کی طرف بڑھ رہی ہے۔ قرض دہندگان کے انتظام کی منصوبہ بندی کے مسودہ قرض دہندگان کے نمائندہ بنک نے جاری کر دیا ہے۔ زیادہ تر قرض دہندگان اس مالیاتی تنظیم نو کی منظوری پہلے ہی دے چکے ہیں جس کی وجہ سے مستقبل قریب میں اس مسودہ کو تسلیم کرنے کی توقع ہے۔ اس انتظام کی منصوبہ بندی کی تکمیل کیلئے، یہ تسلیم شدہ مسودہ قرض دہندگان کی جانب سے ہائی کورٹ میں عملدرآمد کروانے کیلئے جمع کروایا جائے گا۔

Agritech کے شیئرز کی فروختگی سے 306 ملین کی رقم اب تک بقایا ہے۔ یہ سرمایہ آپریٹیشنل صلاحیت کو بڑھانے اور بہتر سطح پر لانے کیلئے استعمال کیا جائیگا۔ ہم پر امید ہیں کہ یہ سرمایہ اسی سال حاصل ہو جائے گا۔

اس مالیاتی تنظیم نو کے عملدرآمد ہونے پر اور یہ سرمایہ حاصل ہونے کی وجہ سے کمپنی پائیدار سطح پر آ جائے گی۔

### Montebello S.R.L (Subsidiary) اور کیجا مالیاتی سٹیٹمنٹ

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

اس بنک دپوالیہ کارروائی کے دوران، 48 پارٹیز نے Vicenza کی عدالت میں دعویٰ جات دائر کیے جو کہ عدالت نے تمام تر منظور کر لئے۔ اس طرح کل 7,893,794.48 یورو کے دعویٰ جات کو تسلیم کر لیا گیا۔ ترجیحی دعویٰ جات کی ویلیو 3,929,380.39 یورو ہے اور غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کی ویلیو 3,964,414.12 یورو ہے۔ قانون کے مطابق ترجیحی دعویٰ جات کو پہلے ادائیگی اور پھر غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کو ادائیگی ہو گی۔ MBL کی مادری کمپنی کی حیثیت سے اصل رقم و سو 3,835,343.89 یورو کا سب اور ڈینیٹ دعویٰ منظور ہو چکا ہے اور کمپنی کی قانونی مشیر نے کمپنی کو صلاح دی ہے کہ کمپنی ترجیحی دعویٰ دائر نہیں ہو سکتی۔

اس سٹش ماہی کے دوران کمپنی نے عدالت میں موقف اختیار کیا ہے کہ اس دعویٰ کو سب اور ڈینیٹ دعویٰ کے بجائے غیر محفوظ دعویٰ کے طور پر تسلیم کیا جائے حال ہی میں عدالت نے ایک ماہر کو تعینات کیا کہ وہ فیصلہ کرے کہ کمپنی کا دعویٰ غیر محفوظ ہو یا سب اور ڈینیٹ ہو۔ اس ماہر کے فیصلہ کا انتظار ہے۔

بورڈ اپنے تمام شرائط و داریک حمایت پر ان کا شکر یہ ادا کرتا ہے۔ اور ان کی جانب سے مستقل میں تعاون اور حمایت کی امید کرتے ہیں جس کی وجہ سے کمپنی کی کارکردگی میں بہتری آئے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے



چیف ایگزیکٹو آفیسر



# AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Azgard Nine Limited (the Company) as at December 31, 2016, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts, for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Basis for Qualified Conclusion:

- a) as stated in notes 2.4 to the interim financial information, the Company could not make timely repayments of principal and interest / mark-up related to certain long term debts with unconditional right to call the loan in case of default in repayment and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard: 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 this interim financial information these long term debts aggregating to Rs. 814.3 million 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. 814.3 million as at the reporting date.
- b) the Company has investment in term finance certificates ("TFC") of Agritech Limited ("AGL"). As per the latest available financial statements of AGL, its equity has completely eroded. Further, the Company has not received due amount of principal and mark-up since October 2012, against which aggregate impairment loss amounting to Rs. 66.39 million has been recorded in this interim financial information. Accordingly, the carrying value of the Company's investment in TFCs of AGL as at December 31, 2016, amounting to Rs. 231.86 million and the related mark-up thereon amounting to Rs. 68.31 million as appearing in notes 8.1 and 9 respectively of this interim financial information also appear doubtful of recovery. We were unable to determine the extent to which the amounts are likely to be recovered, if any, and time frame over which such recovery will be made.
- c) as stated in note 10 to the interim financial information, the Company has investment in preference shares ("shares") of AGL, with cost of Rs. 5.25 per share, designated as available for sale, and National Bank of Pakistan has agreed to repurchase these shares at Rs. 5.25 per share at a future date and subject to conditions as defined in the put option agreement. As per the latest available financial statements of AGL, it is in financial difficulties, is not able to timely service its long term debt and its equity has completely eroded. International Accounting Standard on Financial Instruments: Recognition and Measurement (IAS-39) requires the investments classified as available for sale to be re-measured, at market rate prevailing as at the balance sheet date, with a resultant gain or loss to be recognized in other comprehensive income and to account for the derivative at fair value. However, the Company has not complied with the requirements of IAS-39 and has measured the investment and the derivative at the option price. We are unable to determine the respective fair values of the investment in preference shares and the derivative by alternative means, and consequently are unable to determine the amount of adjustments required.
- d) as stated in note 8.2.1 to the interim financial information that on December 18, 2014, the Court of Vicenza, Italian Republic ("the Court") approved bankruptcy proposal of public prosecutor and appointed Trustee to manage the affairs of the wholly owned subsidiary, Montebello s.r.l. ("MBL"). The Company has recorded

impairment aggregating to Rs. 2,652.03 million against its investment in MBL and Rs. 452.53 million against the trade receivables from MBL financial statements. The management has represented through its legal counsel that the MBL bankruptcy is currently in process with Italian Bankruptcy court and its appointed liquidator and accordingly the assets of MBL are being realized for satisfaction of the claims filed against MBL. In view of the absence of definite determination of the claims / recoveries expected by the Company, we are unable to satisfy ourselves as to the appropriateness of the amounts recorded and related disclosures made in the interim financial information by the Company.

**Qualified Conclusion**

Based on our review, except for the effects on the interim financial information of the matters from (a) to (d) described in the basis of qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

**Emphasis of matter:**

Notwithstanding the matters as discussed in paragraphs (a) to (d) above, we draw attention to the matter that during the period ended December 31, 2016, the Company has incurred loss before tax of Rs. 126.4 million and its current liabilities exceeded its current assets by Rs. 12.363 million, and its accumulated losses stood at Rs. 12.324 million. These conditions, along with other matters as set forth in note 2.3 to the interim financial information, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. This interim financial information has however been prepared on a going concern basis for the reasons more fully explained in note 2.3 to the interim financial information. Our conclusion is not qualified in respect of this matter.

*Deloitte Yousuf Adil*

Chartered Accountants

**Engagement Partner:**

Rana M. Usman Khan

**Dated: 25 February 2017**

**Lahore.**

# Condensed Interim Balance Sheet (Un-audited)

As at 31 December 2016

	Note	Un-Audited 31 December 2016 Rupees	Audited 30 June 2016 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital		<u>15,000,000,000</u>	<u>15,000,000,000</u>
Issued, subscribed and paid up capital		4,548,718,700	4,548,718,700
Reserves		3,125,219,206	3,125,219,206
Accumulated losses		<u>(12,323,780,421)</u>	<u>(12,199,924,175)</u>
		<b>(4,649,842,515)</b>	<b>(4,525,986,269)</b>
<b>Surplus on revaluation of fixed assets</b>		<u>4,817,688,619</u>	<u>4,879,013,896</u>
		<b>167,846,104</b>	<b>353,027,627</b>
<b>Non-current liabilities</b>			
Redeemable capital - secured	4	224,248,285	569,990,116
Long term finances - secured	5	525,456,887	645,410,117
Liabilities against assets subject to finance lease - secured		3,135,703	-
Deferred liability		<u>102,755,046</u>	<u>72,304,556</u>
		<b>855,595,921</b>	<b>1,287,704,789</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities		6,978,899,260	6,496,782,456
Short term borrowing		4,685,202,557	4,782,488,627
Trade and other payables		1,454,185,510	1,659,746,105
Interest / mark-up accrued on borrowings		3,915,679,728	3,599,534,431
Dividend payable		13,415,572	13,415,572
Current taxation		<u>85,437,523</u>	<u>78,264,470</u>
		<b>17,132,820,150</b>	<b>16,630,231,661</b>
<b>Contingencies and commitments</b>	6	<u>18,156,262,175</u>	<u>18,270,964,077</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipments	7	13,135,690,871	13,194,251,156
Long term investments	8	231,896,478	231,896,478
Long term deposits - unsecured, considered good		<u>19,444,296</u>	<u>18,632,696</u>
		<b>13,387,031,645</b>	<b>13,444,780,330</b>
<b>Current assets</b>			
Stores, spares and loose tools		135,531,174	128,867,511
Stock-in-trade		1,679,312,806	1,769,136,595
Trade debts		1,128,721,659	1,177,074,507
Advances, deposits, prepayments and other receivables	9	1,348,637,675	1,301,764,543
Short term investments	10	306,022,500	306,022,500
Cash and bank balances		<u>171,004,716</u>	<u>143,318,091</u>
		<b>4,769,230,530</b>	<b>4,826,183,747</b>
		<u>18,156,262,175</u>	<u>18,270,964,077</u>

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

## Condensed Interim Profit and Loss Account (Un-audited)

For the half year and quarter ended 31 December 2016

	Note	2016		2015	
		July to December	October to December	July to December	October to December
		Rupees	Rupees	Rupees	Rupees
<b>Sales - net</b>		<b>5,940,360,739</b>	<b>3,171,513,313</b>	6,346,189,413	3,570,790,249
Cost of sales		(5,161,040,068)	(2,729,876,809)	(5,742,375,866)	(3,169,431,085)
<b>Gross profit</b>		<b>779,320,671</b>	<b>441,636,504</b>	603,813,547	401,359,164
Selling and distribution expenses		(231,760,473)	(122,734,194)	(227,043,669)	(120,720,648)
Administrative expenses		(210,378,890)	(96,572,178)	(201,554,226)	(98,813,410)
<b>Profit from operations</b>		<b>337,181,308</b>	<b>222,330,132</b>	175,215,652	181,825,106
Other income		30,295,605	6,018,519	32,376,134	11,547,505
Other expenses		(45,742,541)	(45,742,541)	(12,678,662)	(12,678,662)
Finance cost	11	(448,144,751)	(169,511,551)	(597,864,901)	(339,955,617)
<b>(Loss) / Profit before taxation</b>		<b>(126,410,379)</b>	<b>13,094,559</b>	(402,951,777)	(159,261,668)
Taxation		(58,771,145)	(31,256,001)	(63,461,894)	(35,813,968)
<b>Loss after taxation</b>		<b>(185,181,524)</b>	<b>(18,161,442)</b>	(466,413,671)	(195,075,635)
<b>Loss per share - basic and diluted</b>		<b>(0.41)</b>	<b>(0.04)</b>	(1.03)	(0.43)

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

## Condensed Interim Statement of Comprehensive Income (Un-audited)

*For the half year and quarter ended 31 December 2016*

	2016		2015	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
Loss after taxation	(185,181,524)	(18,161,442)	(466,413,671)	(195,075,635)
Other comprehensive income for the period:	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(185,181,524)</b>	<b>(18,161,442)</b>	<b>(466,413,671)</b>	<b>(195,075,635)</b>

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

## Condensed Interim Cash flow Statement (Un-audited)

For the half year ended 31 December 2016

	2016 July to December Rupees	2015 July to December Rupees
<b>Cash flows from operating activities</b>		
<b>Loss before taxation</b>	<b>(126,410,379)</b>	<b>(402,951,777)</b>
Interest / markup on borrowings	448,144,751	559,778,742
(Gain) / loss on disposal of property, plant and equipment	(535,705)	10,309,908
Provision for doubtful debts	45,742,541	-
Interest Income	(5,698,820)	(14,843,830)
Provision for employee benefits	48,359,682	-
Depreciation	225,663,150	231,273,997
	<b>761,675,599</b>	<b>786,518,817</b>
<b>Profit before changes in working capital</b>	<b>635,265,220</b>	<b>383,567,040</b>
<b>Effect of Changes in Working Capital</b>		
Stores, spares and loose tools	(6,663,662)	12,396,160
Stock in trade	89,823,789	238,904,171
Trade debts	2,610,307	(61,360,772)
Advances, deposits, prepayments and other receivables	(46,873,132)	220,584,566
Trade and other payables	(205,560,595)	(497,627,064)
	<b>(166,663,293)</b>	<b>(87,102,939)</b>
<b>Net cash generated from operations</b>	<b>468,601,927</b>	<b>296,464,101</b>
Interest / markup paid	(114,548,973)	(103,607,607)
Interest received	5,698,820	2,836,726
Long term deposits	(811,600)	(191,549)
Employee benefits paid	(17,909,192)	-
Income taxes paid	(51,598,092)	(58,448,803)
<b>Net cash generated from operating activities</b>	<b>289,432,890</b>	<b>137,052,868</b>
<b>Cash flows from investing activities</b>		
Capital expenditure	(126,763,160)	(50,192,461)
Proceeds from disposal of fixed assets	656,000	7,383,578
<b>Net cash used in investing activities</b>	<b>(126,107,160)</b>	<b>(42,808,883)</b>
<b>Cash flows from financing activities</b>		
Repayment of liabilities against assets subject to finance lease	(21,740,886)	(24,483,569)
Repayment of long term finances	(16,836,588)	(11,727,970)
Short term borrowings - net	(97,061,631)	(41,206,960)
<b>Net cash used in financing activities</b>	<b>(135,639,105)</b>	<b>(77,418,499)</b>
<b>Net increase in cash and cash equivalents</b>	<b>27,686,625</b>	<b>16,825,486</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>143,318,091</b>	<b>133,324,247</b>
<b>Cash and cash equivalents at the end of period</b>	<b>171,004,716</b>	<b>150,149,733</b>

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

# Condensed Interim Statement of Changes in Equity (Un-audited)

## For the half year ended 31 December 2016

	Capital reserves				Revenue reserves		Total equity	
	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve	Available for sale financial assets	Accumulated loss		Total reserves
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
As at 01 July 2015 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,442	(11,513,250,435)	(8,388,030,397)	(3,839,311,697)
Total comprehensive income for the period	-	-	-	-	-	(466,413,671)	(466,413,671)	(466,413,671)
Loss for the half year ended 31 December 2015	-	-	-	-	-	-	-	-
Other comprehensive loss for the period ended 31 December 2015	-	-	-	-	-	-	-	-
Total comprehensive loss for the period ended 31 December 2015	-	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	61,373,865	61,373,865	61,373,865
Reversal of revaluation surplus on disposal of fixed assets	-	-	-	-	-	1,376,988	1,376,988	1,376,988
As at 31 December 2015 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,442	(11,916,913,253)	(8,791,693,215)	(4,242,974,515)
As at 01 July 2016 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	569,610	(12,199,924,175)	(9,074,704,969)	(4,525,986,269)
Total comprehensive income for the period	-	-	-	-	-	(185,181,524)	(185,181,524)	(185,181,524)
Loss for the period ended 31 December 2016	-	-	-	-	-	-	-	-
Other comprehensive loss for the period ended 31 December 2016	-	-	-	-	-	-	-	-
Total comprehensive loss for the period ended 31 December 2016	-	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	61,325,278	61,325,278	61,325,278
As at 31 December 2016 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	569,610	(12,323,780,421)	(9,198,561,215)	(4,649,842,515)

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

Lahore



Chief Executive



Director

## Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited) For the half year ended 31 December 2016

### 1 Status and nature of business

Azgard Nine Limited ("the Company") was incorporated in Pakistan as a Public Limited Company and is listed on Pakistan Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture and sale 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 K.M off Manga, Raiwand Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 K.M. off Ferozpur Road, 6 K.M. Badian Road on Ruhi Nala, Der Khud, Lahore.

### 2 Basis of preparation

#### 2.1 Separate financial statements

This condensed interim financial report is the separate financial report of the Company. Consolidated financial report of the Company is not prepared as exemption has been granted by Securites and Exchange Commission of Pakistan from consolidation of financial report of Company's subsidiary for the period ended December 31, 2016.

#### 2.2 Statement of compliance

This condensed interim financial information of the Company for the half year ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of directives issued under the Companies Ordinance, 1984 have been followed.

The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2016.

Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2016 whereas comparative profit and loss account, statement of changes in equity and comparative cash flow statement are stated from un-audited condensed interim financial information for the half year ended on December 31, 2015.

This condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

The condensed interim financial information is un-audited. However, a limited scope review has been performed by statutory auditor of the Company in accordance with Code of Corporate Governance and they have issued their review report thereon.

#### 2.3 Going concern assumption

At the end of six months period at December 31, 2016, current liabilities of the Company exceeded its current assets by Rs. 12,363 million, including Rs. 10,695 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 12,324 million. These conditions cast a significant doubt about the Company's ability to continue as a going concern. These financial statements have however, been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the measures as explained in the succeeding paragraphs and expectation of future profitability and more positive cash flows from operating activities.

The Company's corporate revitalization plan is progressing. The draft of the lenders' scheme of arrangement has been circulated by the lenders' agent bank. As the majority of lenders have already approved the terms of this financial restructuring, it is expected to be approved in the near future. On finalization from the lenders, this scheme of arrangement would then be submitted by the lenders to the High Court for its implementation.



## Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited) For the half year ended 31 December 2016

The remaining funds due from the sale of Agritech shares, for working capital, still remain outstanding. However, management of the Company is hopeful that these will be released within this calendar year. These funds will be used for enhancing the operational capacities of the Company and bringing them to even better levels.

The Company feels that subsequent to the implementation of this financial restructuring and receipt of funds due from the sale of Agritech shares, the Company should be able to operate at sustainable levels.

### 2.4 Financial liabilities

Due to factors mentioned in note 2.3 and note 13, the Company could not make timely repayments of principal and related mark-up of long term debts. Consequently, there has been non-compliance 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 management considers that since event of default has not been declared by the lenders and the Company has commenced discussions with its lenders for reprofiling of its debts, the long term debts of Rs. 814.3 million as detailed below have been classified as long term as per the respective repayment schedules:

	<b>Principal net of current maturity Rupees</b>
<b>Redeemable capital</b>	
Privately Placed Term Finance Certificates	163,228,092
Privately Placed Term Finance Certificates	<u>108,600,000</u>
	<u>271,828,092</u>
<b>Long term finances</b>	
Deutsche Investitions - Und MBH (Germany)	<u>542,532,406</u>
	<u><u>814,360,498</u></u>

### 3 Accounting Policies and Estimates

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended 30 June 2016.

3.2 Judgments and estimates made by the management in the preparation of the condensed interim financial information are the same as those applied in preparation of annual published financial statements of the Company for the year ended June 30, 2016.

## Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited)

For the half year ended 31 December 2016

	(Un-audited)	(Audited)
	31 December	30 June
	2016	2016
	Rupees	Rupees
<b>4 Redeemable capital - secured</b>		
Term Finance Certificates - II	651,066,836	651,066,836
Term Finance Certificates - IV	1,041,677,058	1,058,513,646
Term Finance Certificates - V	527,682,637	527,682,637
Privately Placed Term Finance Certificates - VI	3,218,670,000	3,218,670,000
Privately Placed Term Finance Certificates	326,456,184	326,456,184
Privately Placed Term Finance Certificates	217,200,000	217,200,000
	<u>5,982,752,715</u>	<u>5,999,589,303</u>
Deferred notional income	(19,388,849)	(76,387,438)
Transaction cost	(28,190,958)	(30,655,195)
	<u>5,935,172,908</u>	<u>5,892,546,670</u>
Less: Amount shown as current liability	<u>(5,710,924,623)</u>	<u>(5,322,556,554)</u>
	<u><u>224,248,285</u></u>	<u><u>569,990,116</u></u>
<b>5 Long term finances</b>		
Deutsche Investitions - Und MBH (Germany)	775,046,294	817,128,665
Saudi Pak Industrial and Agricultural Company Limited	43,251,155	43,251,155
Citi Bank N.A Pakistan	565,781,488	565,781,488
Meezan Bank Limited	234,568,765	234,568,765
	<u>1,618,647,702</u>	<u>1,660,730,073</u>
Transaction costs	(17,075,519)	(17,369,984)
	<u>1,601,572,183</u>	<u>1,643,360,089</u>
Less: Amount shown as current liability	<u>(1,076,115,296)</u>	<u>(997,949,972)</u>
	<u><u>525,456,887</u></u>	<u><u>645,410,117</u></u>
<b>6 Contingencies and commitments</b>		
<b>6.1 Contingencies</b>		
There is no material change in the status of contingencies as disclosed in the financial statements for the year ended June 30, 2016.		

## Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited)

For the half year ended 31 December 2016

		(Un-audited)	(Audited)
		31 December 2016	30 June 2016
		Rupees	Rupees
<b>6.2 Commitments</b>	<b>Note</b>		
<b>6.2.1 Commitments under irrevocable letters of credit for:</b>			
- purchase of raw material		38,887,009	27,823,502
- purchase of machinery		-	47,105,550
		<u>38,887,009</u>	<u>74,929,052</u>
<b>6.2.2 Commitments for capital expenditure</b>		<u>29,525,217</u>	<u>71,038,991</u>
<b>7 Property, plant and equipment</b>			
Operating fixed assets	<b>7.1</b>	12,926,868,296	13,117,452,346
Capital work in progress		208,822,575	76,798,810
		<u>13,135,690,871</u>	<u>13,194,251,156</u>
<b>7.1 Operating fixed assets</b>			
Net book value as at the beginning of the period / year		13,117,452,346	13,069,941,110
Additions during the period / year	<b>7.1.1</b>	35,199,395	95,401,132
Surplus on revaluation during the period	<b>7.1.2</b>	-	477,093,111
Disposals during the period / year - Net book value		(120,295)	(19,397,430)
Depreciation charged during the period / year		(225,663,150)	(505,585,576)
<b>Net book value as at the end of the period / year</b>		<u>12,926,868,296</u>	<u>13,117,452,346</u>
<b>7.1.1 Additions- Cost</b>			
<b><u>Assets owned by the Company</u></b>			
Building on freehold land		13,530,627	19,902,518
Plant and Machinery		4,894,449	40,903,772
Furniture, fixtures and office equipment		2,142,913	8,467,979
Vehicles		63,500	3,359,300
Tools and equipments		5,559,172	15,516,960
Electric installations		5,308,734	7,250,603
<b><u>Leased Assets</u></b>		<u>3,700,000</u>	-
		<u>35,199,395</u>	<u>95,401,132</u>

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

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

## Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited) For the half year ended 31 December 2016

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

Details of the Company's assets and information about fair value hierarchy as at December 31, 2016 are as follows.

	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
Land	-	2,154,390,000	-	2,154,390,000
Building	-	2,974,490,662	-	2,974,490,662
Plant and Machinery	-	7,382,583,808	-	7,382,583,808
Total	-	12,511,464,470	-	12,511,464,470

There were no transfers between levels of fair value hierarchy during the period.

### 8 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	(Un-audited) 31 December 2016 Rupees	(Audited) 30 June 2016 Rupees
Investment in Agritech Limited TFC's	8.1	231,864,928	231,864,928
Investment in Montebello s.r.l	8.2	-	-
Other investments		31,550	31,550
		<b>231,896,478</b>	<b>231,896,478</b>

#### 8.1 Investment in Agritech Limited TFC's

53,259 Term Finance Certificates of Rs. 5,000 each  
(June 2016: 53,259 Term Finance Certificates  
of Rs. 5,000 each)

Cost	266,074,508	266,074,508
Less: impairment allowance	(34,209,580)	(34,209,580)
	<b>231,864,928</b>	<b>231,864,928</b>

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

## Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited) For the half year ended 31 December 2016

	(Un-audited) 31 December 2016 Rupees	(Audited) 30 June 2016 Rupees
<b>8.2 Investment in Montebello s.r.l ("MBL")</b>		
6,700,000 ordinary shares with a capital of Euro 6,700,000		
Proportion of capital held: 100%		
Activity: Textile and Apparel		
Relationship: Subsidiary		
Cost	2,625,026,049	2,625,026,049
Accumulated impairment		
Opening balance	(2,625,026,049)	(2,625,026,049)
Charged during the year	-	-
	<u>(2,625,026,049)</u>	<u>(2,625,026,049)</u>
	<u>-</u>	<u>-</u>

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

During the proceeding of this bankruptcy, 48 parties filed their claim with The Court of Vicenza and all have been accepted by the Court. Total claims of Euro 7,893,794.48 have been accepted. The value of priority claims included therein are of Euro 3,929,380.36 and the value of unsecured and subordinated claims are of Euro 3,964,414.12. The Company has been advised by its legal council that, in accordance to the law, priority claims would be paid first and then unsecured and subordinated claims will be paid. The Company's claims aggregating to Euro 3,835,343.89 have been accepted on account of principal and interest as subordinate claim due to Company being the parent of MBL. The Company has been advised by its legal counsel that, by law Company cannot be a priority claimant.

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

### 9 Advances, deposits, prepayments and other receivables

It includes accrued markup income related to investment in TFCs of AGL of Rs. 68.3 million (June 30, 2016: Rs.68.3 million).

### 10 Short term investment - available for sale

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

	(Un-audited) 31 December 2016 Rupees	(Audited) 30 June 2016 Rupees
58,290,000 fully paid Preference shares of Rs. 5.25 each (June 2016, 58,290,000 fully paid Preference shares of Rs. 5.25 each)		
Cost	306,022,500	306,022,500
Fair value adjustment	-	-
	<u>306,022,500</u>	<u>306,022,500</u>

## Condensed Interim Selected Explanatory Notes to the Financial Information (Un-Audited) For the half year ended 31 December 2016

	(Un-audited) 31 December 2016	(Un-audited) 31 December 2015
	Rupees	Rupees
<b>11 Finance cost</b>		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term financing	174,978,350	192,356,919
Liabilities against assets subject to finance lease	1,799,282	694,574
Short term borrowings	191,711,607	209,041,810
Provident Fund	-	1,267,076
	<b>368,489,239</b>	<b>403,360,378</b>
Amortization of transaction costs and deferred notional income	59,757,291	117,139,466
Foreign exchange (gain) / loss on long term loan	(42,306,811)	6,786,985
Bank charges & commission	62,205,032	70,578,071
	<b>448,144,751</b>	<b>597,864,901</b>

## 12 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 agreed terms.

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

	(Un-audited) 31 December 2016	(Un-audited) 31 December 2015
	Rupees	Rupees
<b>12.1 Transactions with related parties</b>		
<b>12.1.1 Other related parties - associated companies</b>		
<b>JS Bank Limited</b>		
Mark-up expense	7,025,002	10,218,039
Mark-up paid	4,440,741	10,437,207
<b>JS Value Fund Limited</b>		
Mark-up expense	781,087	838,982
<b>Unit Trust of Pakistan</b>		
Mark-up expense	1,330,049	1,333,414
<b>JS Large Cap Fund</b>		
Mark-up expense	4,611,393	4,611,393
<b>JS Global Capital Limited</b>		
Mark-up expense	18,102,666	18,102,666

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	(Un-audited) 31 December 2016 Rupees	(Un-audited) 31 December 2015 Rupees
<b>JS Principal Secure Fund</b>		
Mark-up expense	1,856,535	1,856,535
<b>JS Income Fund</b>		
Mark-up expense	1,624,910	1,650,130
<b>JS Growth Fund</b>		
Mark-up expense	4,210,928	4,259,174
<b>12.1.2 Key management personnel</b>		
Short-term employee benefits	166,368,248	167,277,396
	(Un-audited) 31 December 2016 Rupees	(Audited) 30 June 2015 Rupees
<b>12.2 Balances with related parties</b>		
<b>12.2.1 Other related parties - associated companies</b>		
<b>JS Bank Limited</b>		
Redeemable capital - PPTFC IV	65,021,777	65,021,777
Short term borrowing	331,376,772	329,702,630
Mark-up payable	43,026,800	35,517,561
<b>JS Value Fund Limited</b>		
Redeemable capital - TFC II	19,523,024	19,523,024
Redeemable capital - TFC VI	12,900,000	12,900,000
Mark-up payable	11,059,521	10,261,356
<b>Unit Trust of Pakistan</b>		
Redeemable capital - TFC V	31,980,766	31,980,766
Redeemable capital - PPTFC VI	19,265,000	19,265,000
Mark-up payable	16,805,063	15,514,021
<b>JS Large Cap Fund</b>		
Redeemable capital - PPTFCs	83,160,000	83,160,000
Mark-up payable	18,320,262	13,733,931
<b>JS Global Capital Limited</b>		
Redeemable capital - PPTFCs	326,456,184	326,456,184
Mark-up payable	71,918,745	53,914,462

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	(Un-audited) 31 December 2016 Rupees	(Audited) 30 June 2015 Rupees
<b>JS Principal Secure Fund</b>		
Redeemable capital - PPTFCs	33,480,000	33,480,000
Mark-up payable	7,375,690	5,529,245
<b>JS Pension Savings Fund</b>		
Redeemable capital - PPTFC VI	3,850,000	3,850,000
<b>JS Income Fund</b>		
Redeemable capital - TFC II	7,369,942	7,369,942
Redeemable capital - TFC V	31,980,766	31,980,766
Redeemable capital - PPTFC VI	24,135,000	24,135,000
Mark-up payable	21,019,040	19,387,683
<b>JS Growth Fund</b>		
Redeemable capital - TFC II	16,269,187	16,269,187
Redeemable capital - PPTFC VI	10,750,000	10,750,000
Redeemable capital - PPTFCs	64,200,000	64,200,000
Mark-up payable	23,359,615	19,153,804

### 12.2.2 Key Management Personnel

Short term employee benefits payable	18,898,810	17,579,222
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### 13 Overdue debt finances

The Company is facing 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:

	December 31, 2016		
	Principal Rupees	Interest / mark-up Rupees	Total Rupees
Redeemable Capital	4,256,781,311	1,384,205,823	5,640,987,134
Long term Finances	1,600,493,362	697,014,956	2,297,508,318
Preference Shares	148,367,250	-	148,367,250
Dividend on Preference Shares	-	9,413,535	9,413,535
Short term Borrowings	528,843,216	1,483,128,638	2,011,971,854
Bills Payable	350,737,608	236,142,503	586,880,111
	<u>6,885,222,747</u>	<u>3,809,905,455</u>	<u>10,695,128,202</u>

As mentioned in note 2.3 second round of financial restructuring is in progress. For the said purpose, the management is negotiating with the debt financiers for waiver of over due interest / mark-up accrued, and disposal of its low performing assets for settlement of overdue principal of its long term debts.



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### 14 Fair value of financial instruments

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 (that is, as prices) or indirectly (that is, derived from prices).

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

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

	December 31, 2016			
	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
<b>Financial assets - at fair value</b>				
<b>Available for sale: Listed Securities</b>				
- Colony Mills Limited	11,090	-	-	11,090
- JS value Fund	20,460			20,460
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
	<u>31,550</u>	<u>231,864,928</u>	<u>306,022,500</u>	<u>537,918,978</u>
	June 30, 2016			
	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
<b>Financial assets - at fair value</b>				
<b>Available for sale: Listed Securities</b>				
- Colony Mills Limited	11,090	-	-	11,090
- JS value Fund	20,460			20,460
- Agritech Limited	-	231,864,928	306,022,500	537,887,428
	<u>31,550</u>	<u>231,864,928</u>	<u>306,022,500</u>	<u>537,918,978</u>

Level 2 debt investments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

The amount of Rs. 306 million in Level 3 represents 58,290,000 preference shares of Agritech Limited (June 2016: 306 million) received as part consideration against sale of ordinary shares of Agritech Limited to National Bank of Pakistan. The Company has a put option to sell these shares to NBP at the purchase price of Rs. 5.25, depending on certain underlying conditions being met. The Company has recognized these shares at Rs. 5.25 instead of their quoted market value.

### 15 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassifications for better presentation include bank discounting charges amounting to Rs. 38.09 million previously included in "Other expenses - Foreign exchange loss" now presented in "Finance cost".

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**16 Date of authorization**

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on 25 February 2017.

**17 General**

Figures have been rounded off to the nearest rupee.



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