

Interim Financial Report
for the nine months ended **March 31, 2017**
(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

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 nine months period ended 31 March 2017.

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):

	Nine months ended March 31, 2017	Nine Months ended March 31, 2016
Sales - Net	9,143,323,246	9,633,326,344
Operating profit	600,917,840	373,407,002
Other income	35,311,641	36,474,117
Other expenses	(47,554,962)	(8,626,000)
Finance cost	(684,334,748)	(936,484,577)
Loss before Tax	(95,660,229)	(535,229,458)
Loss after Tax	(184,946,910)	(631,960,193)
Loss per share	(0.41)	(1.39)

Review of business during this period and future outlook

During this period of nine months, in spite of decrease in sales of the Company by 5%, there has been increase in operating profit of almost 61%. The operating profit of the Company has increased from Rs. 373.4 million to Rs. 600.9 million for the period. Efforts of the management to launch various cost reduction projects and to improve operating efficiencies are yielding positive outcomes; all due to continuous hard work of the management.

Overall it's a challenging time for the textile industry of Pakistan as we are facing immense challenges from our regional competitors where the Governments are more supportive to the textile/ apparel industry making them more competitive. Another impact has been the devaluation of Turkish Lira against the United States Dollar. This has affected our exports to Turkey which was one of the biggest markets for the company's products as due to this devaluation the local Turkish manufacturers are now far more competitive. The global economic slowdown continues while capacity increases continue to come on line in the region, consequently margins are under pressure and continue to erode.

The Government's package to boost the country's export announced in January 2017 has been widely appreciated and is also appreciated by the Company. However, it is pertinent to mention that none of the support in the shape of duty draw back claims under the package has been paid as yet by the Government, they are long overdue. At the same time we are awaiting for the payments of other rebates from previous packages as well which still partially unpaid. The payment of rebates from this new package and previous package would definitely be a big support to the Company.

The initiatives taken by the management have worked well to date and results for this period have improved, this has boosted the morale of the management. The Company is continuously working on cost cutting projects, while on the other hand; the Company is exploring new markets and developing new products.

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, the scheme 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.

Funds of Rs. 306 million due from the sale of Agritech shares still remain outstanding from National Bank of Pakistan. 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.

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. The Company has been advised by its legal counsel that, by law in Italy Company cannot be a priority claimant as it is the parent company of MBL.

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

The 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



Lahore
Date : April 22, 2017

Chief Executive Officer

ڈائریکٹرز کا جائزہ

ایزگارڈ نائن لمیٹڈ (کمپنی) کے ڈائریکٹرز ہمراہ انتظامیہ ٹیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائے نو ماہی ختمہ 31 مارچ 2017 پیش کرتے ہیں۔

اہم سرگرمیاں

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

ایزگارڈ نائن لمیٹڈ (سٹیٹڈ الون) کے عملی مالیاتی نتائج درج ذیل ہیں۔

نو ماہی ختمہ 31 مارچ 2016	نو ماہی ختمہ 31 مارچ 2017	
9,633,326,344	9,143,323,246	فروختگی (Net)
373,407,002	600,917,840	آپریٹنگ منافع
36,474,117	35,311,641	دیگر کمائی
(8,626,000)	(47,554,962)	دیگر اخراجات
(936,484,577)	(684,334,748)	مالیاتی اخراجات
(535,229,458)	(95,660,229)	خسارہ قبل از ٹیکس
(631,960,193)	(184,946,910)	خسارہ بعد از ٹیکس
(1.39)	(0.41)	خسارہ فی شیئر

اس معیاد کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

اس نو ماہ کے دوران، باوجود اس کمپنی کی فروختگی پچھلے سال اسی مدت کی نسبت 5 فیصد کم رہی، کمپنی کے آپریٹنگ منافع میں تقریباً 61 فیصد اضافہ ہوا ہے۔ آپریٹنگ منافع 373.4 ملین روپے سے بڑھ کر اس مدت کے لئے 600.9 ملین روپے ہو گیا ہے۔ انتظامیہ کی خرچوں میں کمی کی مختلف کاوشوں کی وجہ سے آپریٹنگ صلاحیت میں مثبت اضافہ ہوا، جو کہ انتظامیہ کی مسلسل محنت کا نتیجہ ہے۔

مجموعی طور پر پاکستان کی ٹیکسٹائل انڈسٹری کو خطے کے حریف ممالک کی وجہ سے شدید چیلنجز ہیں اور ان کی حکومت کپڑا ملبوسات انڈسٹری کو مزید موثر بنانے کے لئے ان کی مدد کر رہی ہے۔ ایک اور وجہ امریکی ڈالر کے مقابلہ میں ترقش لیرا کی مالیت میں کمی نے ترقی میں برآمدات کو متاثر کیا ہے جو کہ کمپنی کی مصنوعات کی بڑی منڈی ہے، اس کمی کی وجہ سے مقامی تیار کنندگان زیادہ مد مقابل ثابت ہو رہے ہیں۔ عالمی نسبت رومی جاری ہے، مزید یہ کہ خطے میں پیداواری صلاحیت میں اضافہ ہو رہا ہے جس کی وجہ سے منافع پر شدید دباؤ بڑھ گیا ہے۔

حکومت نے جنوری 2017 میں ملکی برآمدات کو بڑھانے کیلئے ٹیکسٹائل پیکج کا اعلان کیا، جس کو بہت سراہا گیا اور کمپنی نے بھی بہت سراہا البتہ یہاں پر بیان کرنا ضروری ہے کہ اس پیکج کے تحت ابھی تک حکومت نے کمپنی کو چھوٹ کی ادائیگی شروع نہیں کی ہے۔ اسی وقت ہم پچھلے پیکج کی ادائیگیوں کا انتظار کر رہے ہیں جس کی جزوی ادائیگی باقی ہے۔ پرانے اور نئے چھوٹ کے پیکجز کی ادائیگیاں یقینی طور کمپنی کو سہارا دیں گی۔

انتظامیہ کے اقدامات، اس مدت کے نتائج میں مثبت بہتری لائے ہیں اور انتظامیہ کے مورال کو بلند کیا ہے۔ کمپنی مسلسل اخراجات میں کمی کے منصوبوں پر کام کر رہی ہے اور ساتھ ہی نئی مصنوعات بنا رہی ہے۔

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، 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 روپے کی رقم اب تک بقایا ہے۔ یہ سرمایہ آپریشنل 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) کا پ ڈیٹ سٹیٹس


جیسا کہ پچھلے مالیاتی سٹیٹمنٹس میں بیان کیا گیا ہے کہ سال 2015ء میں جمہوریہ اٹلی Vicenza کی عدالت نے پبلک پرائیکٹ پر ایک ٹرکی سفارش پر Montebello S.R.L (MBL) کو بینک دیوالیہ تجویز کیا اور ٹری ٹعینات کیا کہ وہ اس کے معاملات اور انتظام دیکھے۔ اس کو مد نظر رکھتے ہوئے کمپنی نے ایسی پیئر منٹ مبلغ 452.529 ملین روپے دوران اختتام سال 30 جون 2015 کی کتابوں میں ظاہر کی۔

اس بینک دیوالیہ کارروائی کے دوران، 48 پارٹیز نے Vicenza کی عدالت میں دعویٰ جات دائر کیے جو کہ عدالت نے تمام تر منظور کر لئے۔ اس طرح کل 7,893,794.48 یورو کے دعویٰ جات کو تسلیم کر لیا گیا۔ تینجی دعویٰ جات کی ویلیو 3,929,380.36 یورو ہے اور غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کی ویلیو 12,012,414.96 یورو ہے۔ قانون کے مطابق تینجی دعویٰ جات کو پہلے ادائیگی ہوگی اور پھر غیر محفوظ اور سب اور ڈینیٹ دعویٰ جات کو ادائیگی ہوگی۔ کمپنی کی اصل رقم و سود 3,835,343.89 یورو کا سب اور ڈینیٹ دعویٰ منظور ہو چکا ہے۔ کمپنی کے قانونی مشیر نے کمپنی کو صلاح دی ہے کہ MBL کی مادری کمپنی کی حیثیت سے، کمپنی تینجی دعویٰ دائر نہیں ہو سکتی۔

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 شراکت دار کی حمایت پر ان کا ہنگر یہ ادا کرتا ہے۔ اور ان کی جانب سے مستقل میں مسلسل 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

Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2017

	Note	(Un-audited) March 31 2017 Rupees	(Audited) June 30 2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital		4,548,718,700	4,548,718,700
Reserves		3,125,219,206	3,125,219,206
Accumulated loss		(12,290,584,216)	(12,199,924,175)
		(4,616,646,310)	(4,525,986,269)
Surplus on revaluation of fixed assets		4,784,727,030	4,879,013,896
		168,080,720	353,027,627
Non-current liabilities			
Redeemable capital - secured	4	244,740,565	569,990,116
Long term finances - secured	5	494,114,598	645,410,117
Liabilities against assets subject to finance lease - secured		2,886,840	-
Deferred liability		136,710,732	72,304,556
		878,452,735	1,287,704,789
Current liabilities			
Current portion of non-current liabilities		6,993,508,281	6,496,782,456
Short term borrowing		4,690,427,977	4,782,488,627
Trade and other payables		1,465,912,798	1,659,746,105
Interest / mark-up accrued on borrowings		4,075,995,868	3,599,534,431
Dividend payable		13,415,572	13,415,572
Current taxation		85,650,104	78,264,470
		17,324,910,600	16,630,231,661
Contingencies and commitments	6	18,371,444,055	18,270,964,077
ASSETS			
Non-current assets			
Property, plant and equipment	7	13,137,061,032	13,194,251,156
Long term investments	8	231,896,478	231,896,478
Long term deposits - unsecured, considered good		19,444,307	18,632,696
		13,388,401,817	13,444,780,330
Current assets			
Stores, spares and loose tools		131,881,137	128,867,511
Stock-in-trade		1,743,720,437	1,769,136,595
Trade receivables		1,123,204,049	1,177,074,507
Advances, deposits, prepayments and other receivables		1,498,460,826	1,301,764,543
Short term investments		306,022,500	306,022,500
Cash and bank balances		179,753,289	143,318,091
		4,983,042,238	4,826,183,747
		18,371,444,055	18,270,964,077

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore


Chief Executive


Director

Condensed Interim Profit and Loss Account (Un-audited)

For the nine months ended March 31, 2017

Note	2017		2016	
	July 2016 to March 2017	January 2017 to March 2017	July 2015 to March 2016	January 2016 to March 2016
	Rupees	Rupees	Rupees	Rupees
Sales - net	9,143,323,246	3,202,962,507	9,633,326,344	3,287,136,931
Cost of sales	(7,854,797,532)	(2,693,757,464)	(8,612,513,787)	(2,870,137,921)
Gross profit	1,288,525,714	509,205,043	1,020,812,557	416,999,010
Selling and distribution expenses	(360,779,462)	(129,018,989)	(343,288,920)	(116,245,251)
Administrative expenses	(326,828,412)	(116,449,522)	(304,116,635)	(102,562,409)
Profit from operations	600,917,840	263,736,532	373,407,002	198,191,350
Other income	35,311,641	5,016,036	36,474,117	4,097,983
Other expenses	(47,554,962)	(1,812,421)	(8,626,000)	4,052,662
Finance cost	9 (684,334,748)	(236,189,997)	(936,484,577)	(338,619,676)
(Loss) / profit before taxation	(95,660,229)	30,750,150	(535,229,458)	(132,277,681)
Taxation	(89,286,681)	(30,515,536)	(96,730,735)	(33,268,841)
(Loss) / profit after taxation	(184,946,910)	234,614	(631,960,193)	(165,546,522)
(Loss) / earning per share - basic and diluted	(0.41)	0.00	(1.39)	(0.36)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months ended March 31, 2017

	2017		2016	
	July 2016 to March 2017	January 2017 to March 2017	July 2015 to March 2016	January 2016 to March 2016
	Rupees	Rupees	Rupees	Rupees
(Loss) / profit after taxation	(184,946,910)	234,614	(631,960,193)	(165,546,522)
Other comprehensive (loss) / income for the period:				
Changes in fair value of available for sale financial assets	-	-	-	-
Gain realized on sale of available for sale financial assets	-	-	-	-
	-	-	-	-
Total comprehensive (loss) / profit for the period	(184,946,910)	234,614	(631,960,193)	(165,546,522)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Condensed Interim Cash Flow Statement (Un-audited)

For the nine months ended March 31, 2017

	July 2016 to March 2017	July 2015 to March 2016
	Rupees	Rupees
Cash flow from operating activities		
Loss before taxation	(95,660,229)	(535,229,458)
Adjustments	1,024,970,220	1,274,864,026
Operating profit before working capital changes	929,309,991	739,634,568
Changes in working capital	(230,192,701)	(322,273,377)
Cash generated from operations	699,117,290	417,361,191
Payments for:		
Interest / mark-up paid	(159,099,374)	(201,619,802)
Taxes paid	(81,901,050)	(89,783,509)
Long term deposits	(811,600)	-
Net cash generated from operating activities	457,305,266	125,957,880
Cash flows from investing activities		
Capital expenditure	(285,765,718)	(70,531,432)
Proceeds from disposal of fixed assets	2,320,370	10,447,738
Net cash used in investing activities	(283,445,348)	(60,083,694)
Cash flows from financing activities		
Repayment of long term finances	(25,254,880)	-
Repayment of liabilities against assets subject to finance lease	(19,928,489)	(28,418,521)
Short term borrowings-net	(92,241,351)	(19,903,618)
Net cash used in financing activities	(137,424,720)	(48,322,139)
Net increase in cash and cash equivalents	36,435,198	17,552,047
Cash and cash equivalents at the beginning of period	143,318,091	133,324,247
Cash and cash equivalents at the end of period	179,753,289	150,876,294

The annexed notes 1 to 14 form an integral part of this condensed interim financial information

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

For the nine months ended March 31, 2017

	Issued, subscribed and paid-up capital Rupees	Share premium Rupees	Capital reserves			Available for sale financial assets Rupees	Accumulated loss Rupees	Total reserves Rupees	Total equity Rupees
			Reserve on merger Rupees	Preference share redemption reserve Rupees	Revenue reserves				
As at June 30, 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	-	-	-	-	-	(631,960,193)	(631,960,193)	(631,960,193)	
Loss for the period ended March 31, 2016	-	-	-	-	-	-	-	-	
Other comprehensive loss for the period ended March 31, 2016	-	-	-	-	-	-	-	-	
Total comprehensive loss for the period ended March 31, 2016	-	-	-	-	-	-	-	-	
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	94,340,502	94,340,502	94,340,502	
Reversal of revaluation surplus on disposal of revalued assets	-	-	-	-	-	1,427,852	1,427,852	1,427,852	
As at March 31, 2016 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	570,442	(12,049,442,274)	(8,924,222,236)	(4,375,503,536)	
As at June 30, 2016 - Audited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	569,610	(12,109,924,175)	(9,074,704,969)	(4,525,986,269)	
Total comprehensive income for the period	-	-	-	-	-	(184,946,910)	(184,946,910)	(184,946,910)	
Loss for the period ended March 31, 2017	-	-	-	-	-	-	-	-	
Other comprehensive loss for the period ended March 31, 2017	-	-	-	-	-	-	-	-	
Total comprehensive loss for the period ended March 31, 2017	-	-	-	-	-	-	-	-	
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	91,964,218	91,964,218	91,964,218	
Reversal of revaluation surplus on disposal of revalued assets	-	-	-	-	-	2,322,651	2,322,651	2,322,651	
As at March 31, 2017 - Unaudited	4,548,718,700	2,358,246,761	105,152,005	661,250,830	569,610	(12,290,584,216)	(9,165,365,010)	(4,616,646,310)	

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Lahore



Chief Executive



Director

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months ended March 31, 2017

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 units with Unit I located at 2.5 K.M off Manga, Raiwand Road, District Kasur, Unit II at Alipur Road, Muzaffargarh production Unit III at 20 K.M. off Ferozpur Road, 6 K.M. Badian Road on Ruhi Nala, Der Khurd, 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 Securities and Exchange Commission of Pakistan from consolidation of financial report of Company's subsidiary for the period ended March 31, 2017.

2.2 Statement of compliance

This condensed interim financial information of the Company for the period ended March 31, 2017 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 period ended on March 31, 2016.

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

2.3 Going concern assumption

During the period, current liabilities exceeded its current assets by Rs. 12,341.87 million, including Rs. 11,595.49 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 12,290.58 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 paragraph 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.

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.

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months ended March 31, 2017

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 11, 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. 783.01 million have been classified as long term as per the respective repayment schedules.

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 financial statements for the year ended June 30, 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.

	(Un-audited) March 31 2017 Rupees	(Audited) June 30 2016 Rupees
4 Redeemable capital - secured		
Term Finance Certificates - II	651,066,836	651,066,836
Privately Placed Term Finance Certificates - IV	1,033,258,764	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
	5,974,334,421	5,999,589,303
Less: effect of present value	-	(76,387,438)
Less: transaction costs	(27,087,527)	(30,655,195)
	5,947,246,894	5,892,546,670
Less: current maturity presented under current liabilities	(5,702,506,329)	(5,322,556,554)
	244,740,565	569,990,116

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months ended March 31, 2017

		(Un-audited) March 31 2017 Rupees	(Audited) June 30 2016 Rupees
5	Long term finances - secured		
	Deutsche Investitions - Und MBH (Germany)	786,427,503	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>1,630,028,911</u>	<u>1,660,730,073</u>
	Less: transaction costs	<u>(17,063,279)</u>	<u>(17,369,984)</u>
		<u>1,612,965,632</u>	<u>1,643,360,089</u>
	Less: current maturity presented under current liabilities	<u>(1,118,851,034)</u>	<u>(997,949,972)</u>
		<u>494,114,598</u>	<u>645,410,117</u>
6	Contingencies and commitments		
6.1	Contingencies		
	There is no material change in the contingencies from preceding audited published financial statements of the Company for the year ended June 30, 2016.		
		(Un-audited) March 31 2017 Rupees	(Audited) June 30 2016 Rupees
6.2	Commitments		
6.2.1	Commitments under irrevocable letters of credit for:		
	- purchase of stores, spare and loose tools	6,996,250	-
	- purchase of raw material	66,207,952	27,823,502
	- purchase of machinery	70,790,098	47,105,550
		<u>143,994,300</u>	<u>74,929,052</u>
6.2.2	Commitments for capital expenditure	<u>26,748,934</u>	<u>71,038,991</u>
7	Property, plant and equipment		
	Operating fixed assets	7.1 12,824,686,369	13,117,452,346
	Capital work in progress	312,374,663	76,798,810
		<u>13,137,061,032</u>	<u>13,194,251,156</u>

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months ended March 31, 2017

		(Un-audited) March 31 2017 Rupees	(Audited) June 30 2016 Rupees
	Note		
7.1 Operating fixed assets			
Net book value as at the beginning of the period / year		13,117,452,346	13,069,941,110
Additions during the period / year	7.1.1	50,189,871	95,401,132
Surplus on revaluation during the period / year		-	477,093,111
Disposals during the period / year - Net book value		(4,132,796)	(19,397,430)
Depreciation charged during the period / year		(338,823,052)	(505,585,576)
Net book value as at the end of the period / year		<u>12,824,686,369</u>	<u>13,117,452,346</u>

7.1.1 Additions- Cost

Assets owned by the Company

Building on freehold land	13,754,708	19,902,518
Plant and Machinery	16,722,749	40,903,772
Furniture, fixtures and office equipment	3,259,867	8,467,979
Vehicles	63,500	3,359,300
Tools and equipments	6,597,208	15,516,960
Electric installations	6,091,839	7,250,603

Leased Assets

	3,700,000	-
	<u>50,189,871</u>	<u>95,401,132</u>

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:

		(Un-audited) March 31 2017 Rupees	(Audited) June 30 2016 Rupees
	Note		
Investment in Agritech Limited TFC's		231,864,928	231,864,928
Investment in subsidiary, Montebello s.r.l	8.1	-	-
Other investments		31,550	31,550
		<u>231,896,478</u>	<u>231,896,478</u>

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months ended March 31, 2017

	(Un-audited) March 31 2017 Rupees	(Audited) June 30 2016 Rupees
8.1 Investment in Montebello s.r.l ("MBL")		
6,700,000 ordinary shares with a capital of Euro 6,700,000		
Proportion of capital held: 100%		
Activity: Textile and Apparel		
Relationship: Subsidiary		
Cost	2,625,026,049	2,625,026,049
Accumulated impairment		
Opening balance	(2,625,026,049)	(2,625,026,049)
Charged during the period / year	-	-
	(2,625,026,049)	(2,625,026,049)
	-	-

- 8.1.1** 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.

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.

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months ended March 31, 2017

	(Un-audited) July 2016 to March 2017	(Un-audited) July 2015 to March 2016
	Rupees	Rupees
9 Finance cost		
<i>Interest / mark-up on:</i>		
Redeemable capital & long term financing	267,480,067	289,638,360
Liabilities against assets subject to finance lease	2,630,665	694,574
Short term borrowings	287,938,456	328,423,272
Provident Fund Trust	-	1,267,076
	558,049,188	620,023,282
Amortization of transaction costs and unwinding effect of present value	80,261,811	168,686,805
Foreign exchange (gain) / loss on foreign currency borrowings	(31,487,873)	38,803,788
Bank discounting and other charges	77,511,622	108,970,702
	684,334,748	936,484,577

10 Transactions and balances with related parties

Related parties from the Company's perspective comprise associated undertakings, key management personnel (including chief executive and directors) post employment benefit plan and other related parties. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis.

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

	(Un-audited) July 2016 to March 2017	(Un-audited) July 2015 to March 2016
	Rupees	Rupees
10.1 Transactions with related parties		
10.1.1 Other related parties		
JS Bank Limited		
Mark-up expense	16,256,769	15,911,607
Fee paid to Trustee	1,500,000	1,500,000
Markup Paid	15,256,505	14,788,511
JS Value Fund Limited		
Mark-up expense	1,157,084	1,223,163
Unit Trust of Pakistan		
Mark-up expense	1,980,617	1,991,210
JS Large Cap Fund		
Mark-up expense	6,866,965	6,892,027

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months ended March 31, 2017

	(Un-audited) July 2016 to March 2017	(Un-audited) July 2015 to March 2016
	Rupees	Rupees
JS Global Capital Limited		
Mark-up expense	26,957,231	27,055,615
JS Principal Secure Fund		
Mark-up expense	2,764,622	2,774,712
JS Income Fund		
Mark-up expense	2,417,416	2,452,954
JS Growth Fund		
Mark-up expense	6,265,574	6,339,987
10.1.2 Key management personnel		
Short-term employee benefits	263,381,236	250,411,788
	(Un-audited) March 31	(Audited) June 30
	2017	2016
	Rupees	Rupees
10.2 Balances with related parties		
10.2.1 Other related parties		
JS Bank Limited		
Redeemable capital - PPTFC IV	65,021,777	65,021,777
Short term borrowing	318,473,950	329,702,630
Mark-up payable	42,515,202	35,517,561
JS Value Fund Limited		
Redeemable capital - TFC II	19,523,024	19,523,024
Redeemable capital - TFC VI	12,900,000	12,900,000
Mark-up payable	11,814,661	10,261,356
Unit Trust of Pakistan		
Redeemable capital - TFC V	31,980,766	31,980,766
Redeemable capital - PPTFC VI	19,265,000	19,265,000
Mark-up payable	17,494,638	15,514,021
JS Large Cap Fund		
Redeemable capital - PPTFCs	83,160,000	83,160,000
Mark-up payable	18,320,262	13,733,931

Condensed Interim Notes to the Financial Information (Un-audited)

For the nine months ended March 31, 2017

	(Un-audited) March 31 2017 Rupees	(Audited) June 30 2016 Rupees
JS Global Capital Limited		
Redeemable capital - PPTFCs	326,456,184	326,456,184
Mark-up payable	71,918,745	53,914,462
JS Principal Secure Fund		
Redeemable capital - PPTFCs	33,480,000	33,480,000
Mark-up payable	7,375,690	5,529,245
JS Pension Savings Fund		
Redeemable capital - PPTFC VI	3,850,000	3,850,000
JS Income Fund		
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	21,954,673	19,387,683
JS Growth Fund		
Redeemable capital - TFC II	16,269,187	16,269,187
Redeemable capital - TFC VI	10,750,000	10,750,000
Redeemable capital - PPTFCs	64,200,000	64,200,000
Mark-up payable	23,988,899	19,153,804
10.2.2 Key Management Personnel		
Short term employee benefits payable	20,598,301	17,579,222

11 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:

	As at March 31, 2017		
	Principal Rupees	Interest / mark-up Rupees	Total Rupees
Redeemable capital	5,027,099,353	1,420,123,097	6,447,222,450
Long term finances	1,616,413,156	722,451,783	2,338,864,938
Bills payable	339,103,037	249,376,013	588,479,050
Short term borrowings	517,881,216	1,545,258,259	2,063,139,475
Preference shares	148,367,250	-	148,367,250
Dividend on Preference dividend	-	9,413,535	9,413,535
	7,648,864,011	3,946,622,687	11,595,486,698

Condensed Interim Notes to the Financial Information (Un-audited) *For the nine months ended March 31, 2017*

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.

12 Corresponding figures

Corresponding figures have been rearranged, where necessary, for the purpose of comparison.

13 Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company on April 22, 2017.

14 General

Figures have been rounded off to the nearest rupee.



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