



Making  
Conscious  
Denim

PRESERVING PLANET

**AZGARD9**

Changing Perspective With Process

AZGARD NINE LIMITED

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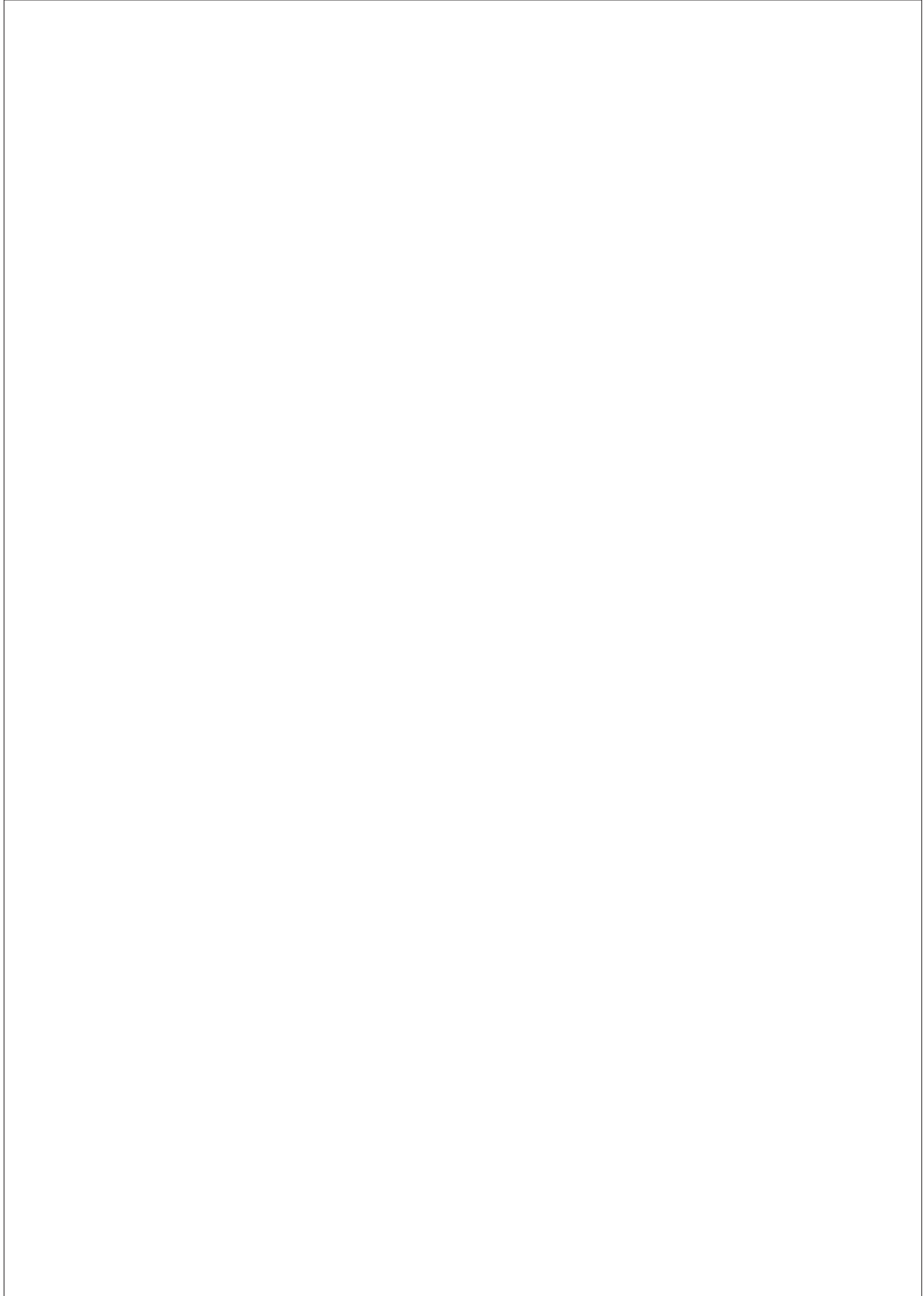
ANNUAL REPORT 2021

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There's pride before fashion.  
Commitment before fashion.  
Courage imagination and passion  
before fashion.  
There's innovation. There's trust.  
There's an entire world out there that  
needs us to care... before fashion.  
We come before fashion.  
And because we do, the future comes  
too.

AZGARD9. Future Before Fashion.





In Conversation With  
**CEO**

**MR. AHMED H. SHAIKH**  
**AZGARD9**

CREATING DIFFERENCE

#### WE ARE ONE

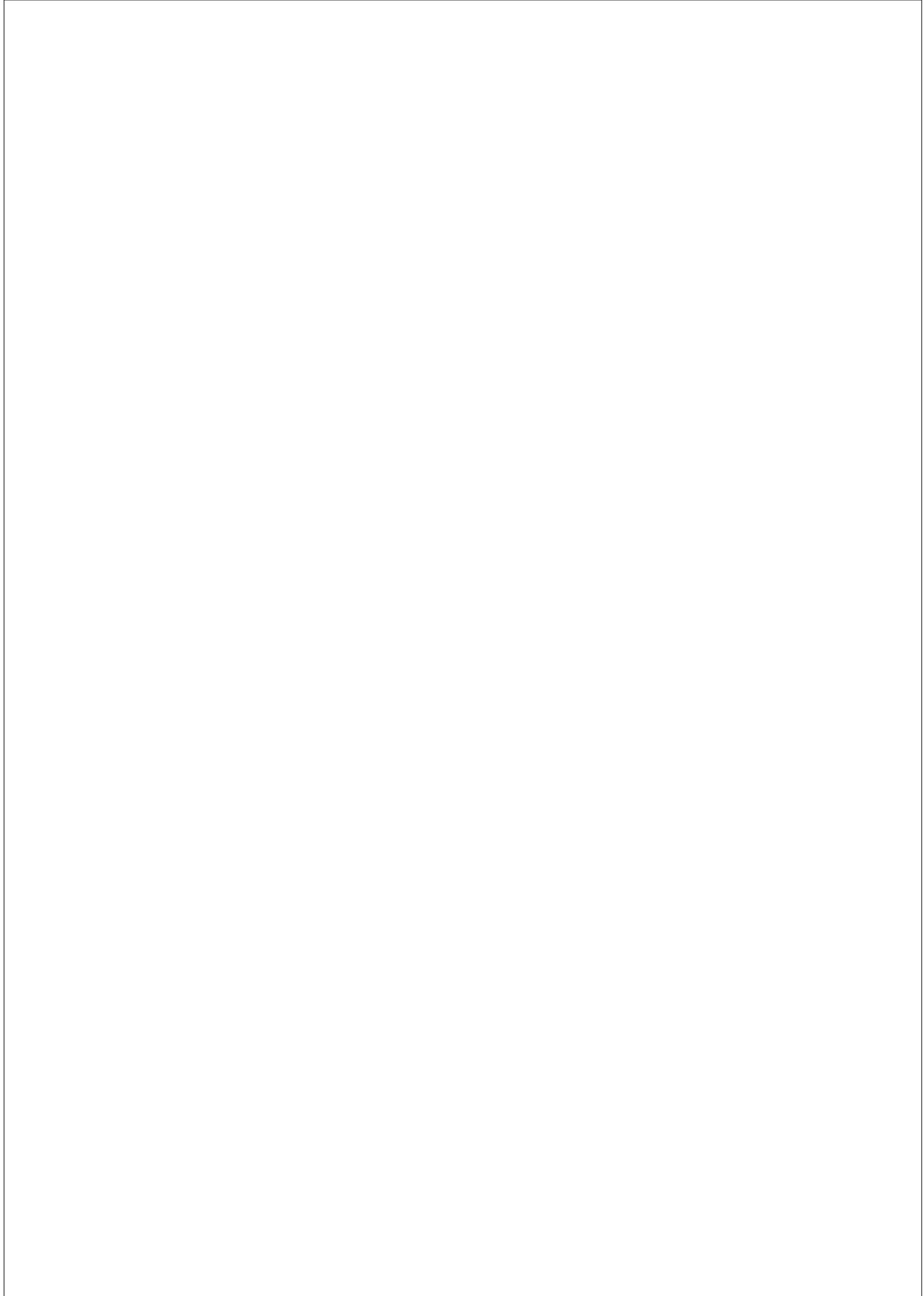
We believe in fair, safe and healthy working conditions for our people. We are creating a positive impact in the community through our responsible initiatives. We value and support our employees, their families, our customers and all the people associated with us. Our sole purpose here is to serve, give something back to the society and preserve the planet for our future generations. Because we are Responsible.

#### FASHION IS

Imagination, an art, creativity, a statement, It is particularly the way people tend to express themselves. To be honest, it is one of the industries creating lots of pollution. That's why we are more focused towards sustainable manufacturing, care for the environment and the people.

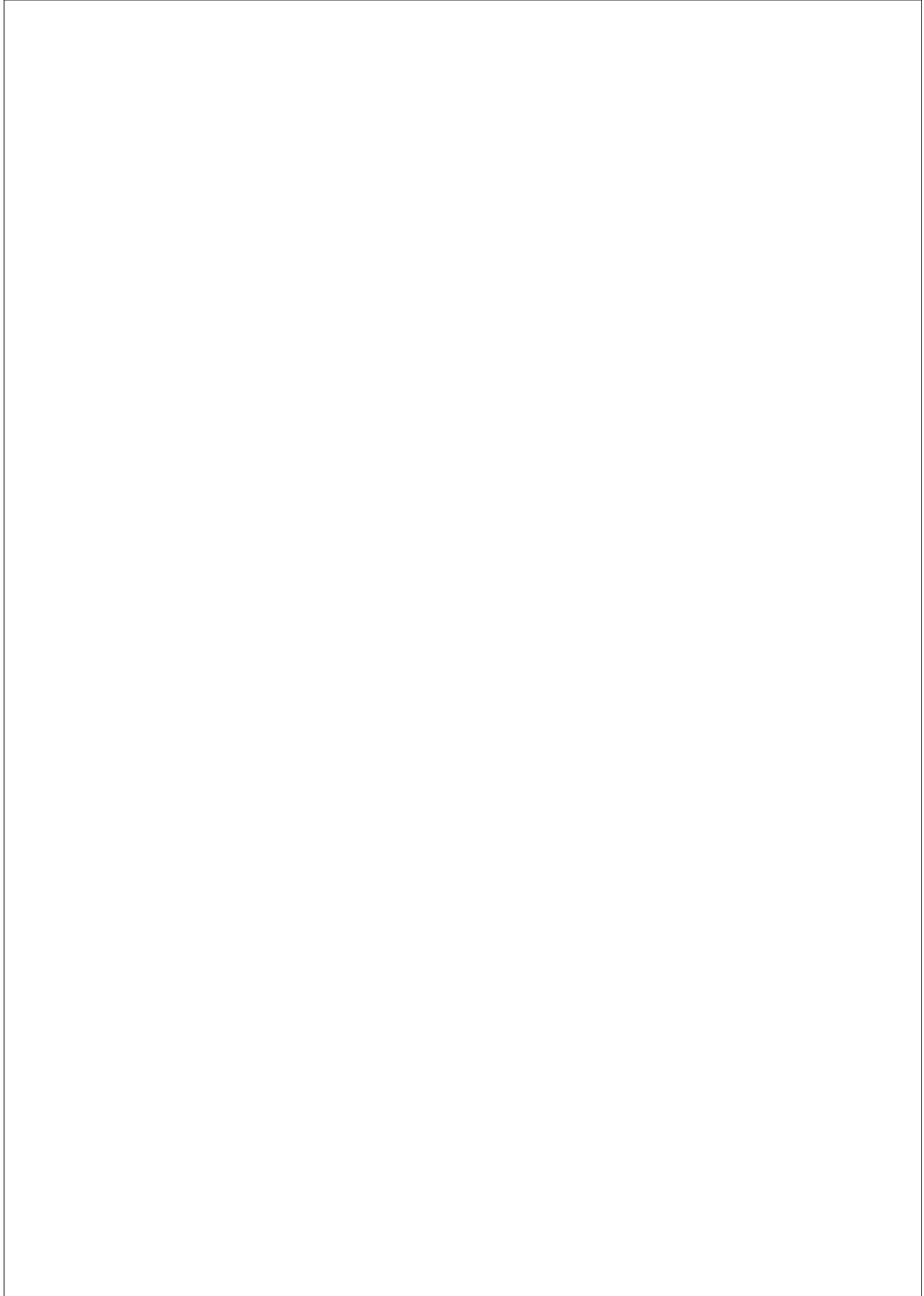
#### THE FUTURE

For a better future tomorrow we are giving our total commitment to sustainability, taking care of our corporate social and environmental responsibility. We recently launched our "GARMENT OF THE FUTURE" which absorbs carbon dioxide while producing oxygen. Because for us, Future is Innovation with Responsibility. The future is before fashion.



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# VISION

To go down in history as one of the leading names in the success story of denim.

# MISSION

Because the world cannot wait for a more sustainable denim, we are here to accelerate the change: Faster, cleaner and smarter.



## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Zahid Mahmood  
Chairman  
Mr. Ahmed H. Shaikh  
Chief Executive  
Mr. Nasir Ali Khan Bhatti  
Ms. Maliha Sarda Azam  
Mr. Usman Rasheed  
Mr. Abdul Hamid Ahmed Dagia  
Mr. Abid Hussain  
Mr. Muhammad Wasim Butt

### COMPANY SECRETARY

Mr. Muhammad Awais

### CHIEF FINANCIAL OFFICER

Mr. Muhammad Zahid Rafiq, FCA

### AUDIT COMMITTEE

Mr. Nasir Ali Khan Bhatti  
Chairman  
Ms. Maliha Sarda Azam  
Mr. Usman Rasheed

### HR & REMUNERATION COMMITTEE

Ms. Maliha Sarda Azam  
Chairperson  
Mr. Ahmed H. Shaikh  
Mr. Usman Rasheed

### AUDITORS

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

### REGISTERED OFFICE

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



**BANKERS****Relationship with conventional side**

JS Bank Limited  
 MCB Bank Limited  
 Faysal Bank Limited  
 Habib Bank Limited  
 United Bank Limited  
 National Bank of Pakistan  
 Silkbank Limited  
 Summit Bank Limited  
 Askari Bank Limited  
 Bank Al Habib Limited  
 Bank of Khyber

**Relationship with Islamic window operations**

Al Baraka Bank Pakistan Limited

**E-MAIL**

info@azgard9.com

**WEB PRESENCE**

www.azgard9.com

**PROJECT LOCATIONS**

Textile & Apparel

**Unit I**

2.5 KM Off: Manga Raiwind Road,  
 District Kasur.

Ph: +92(0)42 35384081

Fax: +92(0)42 35384093

**Unit II**

Alipur Road, Muzaffargarh.

Ph: +92(0)661 422503, 422651

Fax: +92(0)661 422652

**Unit IV**

Atta Buksh Road, 18-KM, Off: Ferozepur  
 Road, Mouza Atari Saroba, Tehseel Cantt,  
 Lahore.

Ph: +92(0)333 0427020-1



## CHAIRMAN'S REVIEW

I am pleased to present to you the annual review of the audited financial statements of the Company for the year ended June 30, 2021 and the overall performance of the Board. I would like to take this opportunity to invite you for the 28th Annual General Meeting of the Company.

### Review of the Company's performance

At the inception, I would like to congratulate all the stakeholders of the Company for completion of financial restructuring of this Company. It's a great mile stone achieved. Through this restructuring, a significant portion of debt and related mark-up is now settled. The debt burden and finance cost of the Company has reduced. Through gains on restructuring of loans, equity of the Company has improved. The Company has started meeting its financial liabilities on time and this is expected to continue.

On the operations side, during the year sales of Rs. 22.07 billion were made. The Company could have achieved more but the impact of the various waves of Covid-19 hampered the efforts of the Company. On the other hand, massive rise in the cost of raw materials like cotton, yarn and fabric resulted in comparatively less margins during the year. Another factor that impacted results of the Company is strengthening of the Pakistani rupee against the US dollar during the period. The Pak Rupee was Rs. 168.05 to US \$1 at start of the year, this gradually decreased during the year to Rs. 152.28 till May 2021 and then closed at the end of the year at Rs. 157.8.

In these difficult times, I would like to mention and commend the persistent struggles of the management for tirelessly working for better outcomes. With the spread of Delta variant of Covid-19, uncertainty still prevails so a great deal of caution is required in the coming year.

### Review of the Board's performance

During the year, the Board has performed all its duties diligently in the best interest of the Company. The Board is aware of the importance of its role in achieving the objectives of the Company. The Board and each of individual Board members is devoted and committed to perform for the betterment of the Company. The Board is focused towards the values and mission of the Company. The Board acknowledges its responsibility for Corporate and Financial reporting framework and is committed to good corporate governance. The Board members have the suitable knowledge, variety of expertise and experience that is required to successfully govern the business.

Annual evaluation of the Board, Members of the Board and Committees of the Board was carried out by M/s. PKF F.R.A.N.T.S., Chartered Accountants (PKF) for the year ended June 30, 2021. The appropriate disclosure regarding appointment of the same is made in the Directors' Report. The overall performance is assessed as good. However, improvement is an ongoing process and continues. The overall assessment of the Board is based on an evaluation of the integral components including the Board's structure & composition, compliance of statutory limitations & ascendancy, strategy & planning, operations & effectiveness, monitoring & evaluation of performance, compliance, risk management & risk contingency planning, transparency & disclosures and relationship with stakeholders. Individual Directors' performance evaluation is based on qualification, competence & integrity and commitment & teamwork. Board Committees' performance evaluation is based on competence & task efficiency, effectiveness and facilitation & support to the Board.

On behalf of the Board, I would like to express gratitude to support of all the financial institutions who buoyed us up through some very difficult times and commend the confidence of all our customers on the Company. Finally, I would like to applaud the hard work of all the workers, staff and management.



CHAIRMAN

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Annual Report accompanied by the Audited Financial Statements for the year ended June 30, 2021.

Financial statements have been endorsed by the Chief Executive Officer and the Chief Financial Officer having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

### Principal Activities

The main business of your Company is the production and marketing of denim focused textile and apparel products, ranging from yarn to retail ready goods.

Following are the operating financial results of Azgard Nine Limited for the year ended June 30, 2021 (standalone):

	Year ended June 30, 2021 (Rupees)	Year ended June 30, 2020 (Rupees)
Sales – net	<b>22,070,230,674</b>	16,909,299,380
Operating profit	<b>1,600,552,212</b>	1,027,353,373
Finance cost	<b>(908,231,757)</b>	(1,282,483,682)
Profit/ (loss) before tax	<b>710,374,614</b>	(223,263,771)
Gain on restructuring of loans	<b>7,062,854,286</b>	-
Profit/(loss) after tax	<b>7,559,400,077</b>	(389,449,153)
Earnings/(Loss) per share	<b>15.38</b>	(0.84)



## Review for the year

During this year, sales of the Company have increased by over 30% as compared to previous year. Profit from operations has increased by over 55% as compared to the previous year. Profit before taxation is Rs. 710.37 million as compared to a loss for the previous year of Rs. 223.26 million. During the year, the 2nd financial restructuring of the Company has been completed. Consequently, a gain has been booked on the restructuring of loans under this scheme. Profit for the year after recognition of this gain is Rs. 7,559.40 million.

On the operations side, the impact of the various waves of Covid-19 have impacted the business of the Company. This resulted in less growth and less production for the year than was originally envisaged. During the year cost of raw materials such as cotton, yarn and fabric increased significantly. This is following a global trend where the prices of many commodities have increased dramatically. On the other hand, the Pakistani rupee strengthened against the US dollar. At start of the year the USD exchange rate was Rs. 168. This gradually moved to Rs. 152.28 in May 21; closing at Rs. 157.80 in June 30, 2021. Due to impacts of Covid-19, the increasing input costs and the decreasing value of the US Dollar to the Pakistani Rupee, the margins of the Company remained under pressure.

During most part of the year the interest rates remained fairly stable.

While the restructuring scheme has been implemented the funds of Rs. 306.02 million due from National Bank of Pakistan still have not been released. It is expected that they may be received in the near future.

Disclosure in respect of Montebello S.R.L and consolidation of financial statements is provided in note 2.2 and note 21.1 to the financial statements.

## Financial Restructuring of Debts

Implementation of this scheme for Company's financial restructuring after its approval by Lahore High Court on July 31, 2019 was finally implemented on April 29, 2021. In this respect, during the year, the stitching unit located at Ruhi Nala, Lahore has been sold. Proceeds from the rights issue and from the sale of the stitching unit have been distributed in accordance with the terms of the creditors' scheme of arrangement. Through this financial restructuring significant portion of the principal portion of the debt and related mark-up is settled. Resultantly, the debt burden and finance cost of the Company has reduced.

Disposal process of the 2nd unit located at Muzaffargarh under this scheme is ongoing. Proceeds from disposal of this unit would be utilized to reduce "the settlement finance loan" created through this restructuring scheme. From this restructuring, the financial affairs of the Company have improved. The Company has started meeting its financial obligations as due. Now with this restructured financial condition, it is hoped that the Company should be able to continue to meet its financial obligations in a timely manner.

## Future Business Outlook

With the spread of the Delta variant of Covid-19, it's difficult to forecast the year ahead.

Uncertainty still prevails especially in Europe, where most of the company's goods are sold. Although with better vaccinations, most of Europe has started opening up from June 21. But, with the Delta variant now emerging as the dominant strain some restrictions have been imposed again. The year ahead is expected to be very challenging.

Raw material prices continue to climb. It is difficult to know how far they will go. Currently, due to these price increases it's difficult to fully pass on the impact of these cost increases to the market. This is impacting the margins of the Company negatively.

Other factors that will impact the future performance of the Company is Government policies towards the textile sector. These include the decisions regarding gas and electricity availability and its pricing for the export sector, the finalisation and implementation of the textile policy and the timely repayment of refunds.

### Corporate Social Responsibility

The Management works towards empowering people by helping them develop the skills they need to succeed in a global economy. The Company works with local communities and tries to increase their capacity and knowledge regarding health, education and general wellbeing.

The key to this approach are the employees of the Company who generously give of their time, experience and talent to serve these communities; the Company encourages and facilitates them to do so.

The Company has many internationally recognized certifications focused on high standards for labor welfare and keeping the environment clean for a sustainable planet.

Detailed Report on Corporate Social Responsibility is also given separately in the Annual Report.

### Earnings per share

The earning per share for the Company for the year ended June 30, 2021 is Rs 15.38 per share.

### Dividends

Due to accumulated losses of the Company, the Board of Directors has not recommended dividend for the year ended June 30, 2021.

### Principal Risks and Uncertainties

Performance of the Company has gradually improved. Still the business of the Company is surrounded by risk and uncertainties. Following are some of the major risks and uncertainties for the Company:

1. As evident from the results of the Company, with continuous efforts of the management, the situation is improving in these uncertain times. With the recent spread of the Delta variant of COVID-19, Global business conditions could again be effected, at best there is considerable uncertainty. Resultantly, business of the Company can be effected.
2. Growing competition domestically and from neighboring countries can impact the future profitability of the Company.
3. The textile policy has still not been approved the Government of Pakistan. Government policy greatly impacts the textile sectors ability to compete in export markets.

### Post balance sheet events

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.

### Related party transactions

The Company has presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and the Board in their respective meetings. The details of all related party transactions have been provided in Note 43 to the annexed financial statements for the year ended June 30, 2021.

### Corporate briefing session

The Company has carried out a corporate briefing session during the year.

### Corporate governance, financial reporting and internal control systems

We are pleased to report that:

- The financial statements, prepared by the management of the Company present the state of affairs of the company 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 from them has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored. Emphasis is being done on control procedures to ensure that policies of the Company are adhered with and in case of any anomaly, timely rectification is done.
- The Board is satisfied that the Company is a going concern.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding as on June 30, 2021 except for those disclosed in the financial statements.
- During the year, Mr. Ahmed H. Shaikh, CEO of the Company received 8,401,344 shares as gift from his brother. Further, Mr. Abdul Hamid Ahmed Dagia, Director of the Company purchased 5,000 shares at the rate of Rs. 17.40 per share.
- The following Directors have acquired Certification of Directors' Training program:

Ms. Maliha Sarda Azam

Mr. Nasir Ali Khan Bhatti

Mr. Abid Hussain

Mr. Abdul Hamid Ahmed Dagia – obtained exemption from the Commission

Mr. Ahmed H. Shaikh – obtained exemption from the Commission

Mr. Muhammad Wasim Butt

The Company had registered its one Director for Directors' Training Program during the period under review and had also paid the required fee. The concerned Institute cancelled the program due to COVID-19 situation and also returned the fee. However, Mr. Muhammad Wasim Butt has acquired certification in July 2021.

The statement of compliance with the best practices of Listed Companies (Code of Corporate Governance) Regulations, 2019 is provided in this annual report.

## Board of Directors

The Board of directors of the Company is predominantly independent/non-executive which ensures transparency and good corporate governance. The non-executive directors bring to the Company their vast experience of business, governance and law, contributing valuable input and ensuring the Company's operations at a high standard of the principles of legal and corporate compliance. Election of Directors was held on April 03, 2021 wherein Mr. Muhammad Wasim Butt was elected (new) and other present Directors were re-elected except Mr. Munir Alam who retired. Audit Committee and Human Resource and Remuneration Committee were reconstituted after election with same composition.

Following is information/composition of directors and names of members of the Board's Committees.

The total numbers of Directors are eight (including Chief Executive Officer) as per the following:

a) Male 7 b) Female 1

The composition of Board is as follows:

a.	Independent Directors	Mr. Zahid Mahmood
		Ms. Maliha Sarda Azam
		Mr. Nasir Ali Khan Bhatti
		Mr. Muhammad Wasim Butt
		Mr. Abid Hussain
b.	Non-executive Directors	Mr. Usman Rasheed
		Mr. Abdul Hamid Ahmed Dagia
c.	Executive Directors	Mr. Ahmed H. Shaikh – CEO
d.	Female Directors	Ms. Maliha Sarda Azam

The names of members of the Board's Committees are as follows:

a.	Audit Committee	Mr. Nasir Ali Khan Bhatti - Chairman
		Ms. Maliha Sarda Azam - Member
		Mr. Usman Rasheed - Member
b.	Human Resource and Remuneration Committee	Ms. Maliha Sarda Azam - Chairperson
		Mr. Usman Rasheed - Member
		Mr. Ahmed H. Shaikh – Member

Following are names of directors who served on the Board during the year and number of Board and Committees' meetings held during the year ended June 30, 2021 along with status of attendance by each director:

## Board of Directors' Meetings

Six (6) meetings were held during the period from July 1, 2020 to June 30, 2021

Name of Directors	Eligibility	Attended
Mr. Zahid Mahmood	6	6
Mr. Ahmed H. Shaikh	6	6
Mr. Nasir Ali Khan Bhatti	6	6
Mr. Usman Rasheed	6	6
Ms. Maliha Sarda Azam	6	6
Mr. Abdul Hamid Ahmed Dagia	6	6
Mr. Abid Hussain	6	6
Mr. Muhammad Wasim Butt*	2	2
Mr. Munir Alam**	4	4



\* Elected (new) on April 03, 2021.

\*\* Retired on April 03, 2021.

### Human Resource and Remuneration Committee (HRRC) Meetings

Two (2) meetings were held during the period from July 1, 2020 to June 30, 2021

Name of Directors	Eligibility	Attended
Ms. Maliha Sarda Azam	2	2
Mr. Usman Rasheed	2	2
Mr. Ahmed H. Shaikh	2	2

### Audit Committee Meetings

Four (4) meetings were held during the period from July 1, 2020 to June 30, 2021

Name of Directors	Eligibility	Attended
Mr. Nasir Ali Khan Bhatti	4	4
Ms. Maliha Sarda Azam	4	4
Mr. Usman Rasheed	4	4

### Board's Evaluation

A formal and effective mechanism is in place for annual evaluation of the performance of the Board, Members of the Board and Committees of the Board. M/s. PKF F.R.A.N.T.S., Chartered Accountants (PKF) were appointed for performing independent evaluation for the year ended June 30, 2021. PKF has a satisfactory rating under the Quality Control Review (QCR) program of the Institute of Chartered Accountants of Pakistan and is also registered with Audit Oversight Board of Pakistan. PKF was required to evaluate the performance of the Board as a whole, Members of the Board (individual Directors) and Committees of the Board (Audit Committee & Human Resource and Remuneration Committee) on the basis of Mechanism for Evaluation of Board's Own Performance devised by the Company and in accordance with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 and to submit report of findings along with recommendations for overall improvement in the governance structure of the Company.

Review report by the Chairman on the overall performance of the Board is attached.

### Directors' Remuneration

The Company has a formal remuneration policy for its Directors (Executive and Independent/Non-Executive) and members of senior management duly approved by the Board of Directors. The Policy has been designed as a component of HR strategy and both are required to support business strategy. The Board believes that the Policy is appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Company as well as to create congruence between Directors, executives and shareholders. The policy aims to make Directors and senior management accountable for their governance and performance vis-à-vis determination and payment of compensation.

Following is detail of remuneration of Chief Executive:

	<b>Chief Executive</b>
	----- Rupees -----
Managerial remuneration	20,700,000
Medical	2,070,000
Utilities and house rent	8,280,000
Post -employment benefits	1,725,000
Bonus	41,843,169
	74,618,169

The Company is paying fees to Non-Executive Independent Directors for attending the Board and Committee meetings. The relevant information of remuneration/meeting fee paid to Directors is also disclosed in Note 49 to the annexed financial statements for the year ended June 30, 2021.

### Auditors' observations

The auditors qualified their opinion in para a of audit report due to non-availability of details regarding MBL. As mentioned in note 21.1.2 and 19.1.7, the proceedings of the Italian Courts are going on and details would be available once the proceedings are concluded.

The auditors qualified their opinion in para b of audit report for non recognition of financial liabilities at its fair / discounted values. The adjustments proposed by auditors are required by International Financial Reporting Standard on Financial Instruments. The management is of the view that recognition of fair value gain of Rs. 3,256.59 million and then reversing the gain by charging expense over the period of these financial liabilities will be confusing for users of the financial statements and has therefore not recognised this gain.

### Appointment of Auditors

Messers Yousuf Adil, Chartered Accountants, an independent correspondent firm to Deloitte Touche Tohmatsu Limited, a reputable Chartered Accountants firm completed its tenure of appointment with the Company and being eligible has offered its services for another term. The Board of Directors of Company, based on the recommendation of the audit committee of the Board, has proposed Messers Yousuf Adil for reappointment as auditors of the Company for the ensuing year. Since present engagement partner has completed threshold of five years, therefore, recommendation is with rotation of engagement partner in compliance with requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The audit committee has authorized the Board to fix the remuneration of auditors. Further, the Board has recommended to authorize Chief Executive Officer for the same.

### Audit committee

The Board of Directors constituted a fully functional Audit Committee comprising three members; two are Independent Directors and one is non-executive Director. The terms of reference of the Committee determined by the Board of Directors in accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2019, inter alia, consist of ensuring transparent internal audits, accounting and control systems, adequate reporting structure as well as determining appropriate measures to safeguard the Company's assets.

### Internal audit function

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

### Risk framework and internal control system

There is a Board's approved 'Governance of Risks and Internal Control Measures' policy that sets out how the Company manages risk throughout the organisation and how the Risk and Internal Controls framework will be maintained.

The policy is intended to:

- Outline the risk management framework that The Company operates in pursuit of its business objectives;
- Provide the tools, processes and procedures to support the management of risk within the company's risk appetite;
- Create clear ownership and accountability for risk management throughout the organization;
- Set out the Company's risk policy categorization and enterprise-wide approach to managing risk;
- Identify the governance structures that will provide oversight of the risk management process.

### Shareholding pattern

The shareholding pattern as at June 30, 2021 is annexed.

### Classes/kinds of share capital

The Company's paid up/issued share capital consist of ordinary shares and non-voting ordinary shares. Ordinary shares have all rights and privileges including voting rights as provided in the applicable laws. Non-voting ordinary shares do not have any voting rights and any right to receive notice of, attend, or vote at any general meeting of the Company except as otherwise provided in the applicable laws. However, non-voting ordinary shares have all other rights of ordinary shares including the right to dividend and to share in the assets of the Company upon winding up.

### Web presence

Annual and periodic financial statements of the Company are also available on the website of the Company for information of the shareholders and others.

## Acknowledgment

We would like to acknowledge the continued confidence of our valued customers, the support and cooperation of the financial institutions, the hard work of all the employees of the Company. We would like to thank all of these as well as any and all stakeholders of the Company.

It is hoped that with the continued backing of all stakeholders, the Company's financial may continue to improve.

On behalf of the Board of Directors



**Chief Executive Officer**



**Chairman**

Lahore

Date: October 30, 2021



## ممبران کیلئے ڈائریکٹرز رپورٹ:-

ایزگارڈ نائن لمیٹڈ (کمپنی) کے ڈائریکٹرز انتظامی ٹیم کے ہمراہ کمپنی کی سالانہ رپورٹ ساتھ آڈیٹڈ فنانشل اسٹیٹمنٹس برائے سال 30 جون 2021 پیش کر رہے ہیں۔

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

### اہم سرگرمیاں

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

ایزگارڈ نائن لمیٹڈ (کمپنی) کے آپریٹنگ مالیاتی نتائج برائے سال 30 جون 2021 درج ذیل ہیں۔

تفصیلات	سال ختمہ 30 جون 2021 (روپے)	سال ختمہ 30 جون 2020 (روپے)
فروختگی (Net)	22,070,230,674	16,909,299,380
آپریٹنگ منافع	1,600,552,212	1,027,353,373
مالیاتی اخراجات	(908,231,757)	(1,282,483,682)
منافع / نقصان قبل از ٹیکس	710,374,614	(223,263,771)
قرضوں کی تنظیم نو پر منافع	7,062,854,286	-
منافع / نقصان بعد از ٹیکس	7,559,400,077	(389,449,153)
منافع / نقصان فی شیئر	15.38	(0.84)

### سالانہ جائزہ

اس سال کے دوران، کمپنی کی سیز میں پچھلے سال کے مقابلے 30 فیصد سے زیادہ اضافہ ہوا ہے۔ آپریشن سے حاصل ہونے والے منافع میں پچھلے سال کے مقابلے 55 فیصد سے زیادہ اضافہ ہوا ہے۔ پچھلے سال کے 223.26 ملین روپے قبل از ٹیکس نقصان کے مقابلے اس سال قبل از ٹیکس منافع 710.37 ملین روپے رہا۔ اس سال کے دوران، کمپنی کی دوسری مالیاتی تنظیم نو مکمل ہو چکی ہے۔ جس کی وجہ سے اس اسکیم کے تحت قرضوں کی تنظیم نو پر منافع درج کیا گیا ہے۔ اس منافع کو تسلیم کرنے کے بعد سال کا منافع 7,559 ملین روپے ہے۔

آپریشن کی طرف، کووڈ 19 کی مختلف لہروں نے کمپنی کے کاروبار پر اثرات ڈالے ہیں۔ جس کی وجہ سے سال کے لئے توقع کے برعکس کم نمو اور کم پیداوار ہوئی ہے۔ سال کے دوران خام مال جیسا کہ کپاس، دھاگہ اور کپڑا کی قیمت میں نمایاں طور پر اضافہ ہوا ہے۔ یہ ایک عالمی رجحان کی پیروی کر رہا ہے، جہاں بہت سی اشیاء کی قیمتوں میں ڈرامائی اضافہ ہوا ہے۔ دوسری طرف، امریکی ڈالر کے مقابلے پاکستانی روپے کی قدر میں اضافہ ہوا ہے۔ سال کے شروع میں شرح تبادلہ 1 امریکی ڈالر

168 روپے کا تھا، یہ آہستہ آہستہ مئی 2021 میں 152.28 روپے کا ہو گیا، 30 جون 2021 پر 157.80 روپے پر بند ہوا۔ کووڈ 19 کے اثرات، خام مال کی قیمتوں میں اضافہ اور امریکی ڈالر کا پاکستانی روپے کے مقابلے میں کمی، کی وجہ سے کمپنی کے منافع دباؤ میں رہا۔ سال کے زیادہ تر حصے میں شرح سود مستحکم رہا۔

جبکہ تنظیم نو اسکیم لاگو ہو چکی ہے، نیشنل بینک آف پاکستان سے قابل وصول 306.02 ملین روپے ابھی تک وصول نہیں ہوئے۔ یہ توقع کی جاتی ہے مستقبل قریب میں وصول ہو جائیں گے۔

Montebello S.R.L. اور یکجا مالیاتی سٹیٹمنٹس کے بارے میں انکشافات مالیاتی سٹیٹمنٹس کے نوٹس 2.2 اور 21.1 مہیا کئے گئے ہیں۔

## قرضہ جات کی مالیاتی تنظیم نو

جولائی 2019 کو لاہور ہائی کورٹ سے مالیاتی تنظیم نو کی منظوری کے بعد اب مالیاتی تنظیم نو 29 اپریل 2021 کو لاگو ہو چکی ہے۔ اس سلسلے میں، اس سال کے دوران، روہی نالہ، لاہور پر واقع سلائی یونٹ فروخت ہو چکا ہے۔ رائٹ ایٹو اور سلائی یونٹ کی فروخت سے حاصل ہونے والی رقم قرض دہندگان کی اسکیم کی شرائط کے مطابق تقسیم کر دی گئی ہے۔ اس مالیاتی تنظیم نو کے ذریعہ، قرض کی اصل رقم اور سود کے بڑے حصے کی ادائیگی ہو چکی ہے۔ اس کے نتیجے میں، کمپنی کے قرض کا بوجھ اور مالیاتی لاگت کم ہو گئی ہے۔

منظرف گڑھ میں واقع دوسرے یونٹ کی فروخت کا عمل جاری ہے۔ اس کی فروخت سے حاصل ہونے والی رقم اس اسکیم سے پیدا ہونے والے مالیاتی قرضہ میں کمی کے لئے استعمال ہوگی۔ اس تنظیم نو کی وجہ سے، کمپنی کے مالیاتی معاملات میں بہتری آئی ہے۔ کمپنی نے اپنے مالی ذمہ داریوں کو پورا کرنا شروع کر دیا ہے۔ اب اس کی بحالی کی مالی حالت کے ساتھ، یہ امید کی جاتی ہے کہ کمپنی بروقت اپنی مالیاتی ذمہ داریوں کو پورا کرنے کے قابل ہوگی۔

## مستقبل کے نقطہ نظر سے ٹیکسٹائل کاروبار

کووڈ 19 کے ڈیلٹا قسم کے پھیلاؤ کی وجہ سے، آنے والے سال کی پیش گوئی کرنا مشکل ہے۔

غیر یقینی صورتحال اب بھی موجود ہے خاص طور پر یورپ میں، جہاں کمپنی کی بیشتر مصنوعات فروخت ہوتی ہیں۔ اگرچہ بہتر ویکسینیشن کے ساتھ بیشتر یورپ جون 2021 سے کھلنا شروع ہو گیا ہے۔ لیکن، ڈیلٹا قسم ایک نمایاں قسم کے طور پر ابھرنے کی وجہ سے کچھ پابندیاں دوبارہ لگائی گئی ہیں۔ آنے والا سال بہت مشکل متوقع ہے۔

خام مال کی قیمتوں میں اضافہ جاری ہے۔ کس حد تک جائیں گی یہ جاننا مشکل ہے۔ فی الحال، یہ قیمتوں میں اضافہ کے اثرات کو مکمل طور پر مارکیٹ کو منتقل کرنا مشکل ہے۔ یہ کمپنی کے منافع پر منفی اثر ڈال رہا ہے۔

دیگر عناصر جو مستقبل میں کمپنی کی کارکردگی پر اثر انداز ہو سکتے ہیں وہ ٹیکسٹائل شعبے کی طرف حکومتی پالیسیاں ہیں، جس میں گیس اور بجلی کی دستیابی اور برآمدی شعبہ کے لئے نرخ اور ٹیکسٹائل پالیسی کو حتمی شکل دینا اور اس پر عمل درآمد اور ریفرنڈ کی بروقت ادائیگی سے متعلق فیصلے شامل ہیں۔

## کارپوریٹ سماجی ذمہ داری

انتظامیہ لوگوں کو ضروری مہارت اور عالمی معیشت کی کامیابی میں بااختیار بنانے کی طرف کام کر رہی ہے۔ کمپنی مقامی کمیونٹیز کے ساتھ کام کرتی ہے اور صحت، تعلیم اور عمومی بہبود کے حوالے سے ان کی صلاحیت اور علم کو بڑھانے کی کوشش کرتی ہے۔

اس قلمی نقطہ نظر سے کمپنی کے ملازمین دل کھول کر اپنا وقت، تجربہ اور مہارت سماج کی خدمت میں صرف کرتے ہیں، کمپنی ایسا کرنے میں ان کی حوصلہ افزائی کرتی ہے۔

اضافی طور پر کمپنی ماحول کو صاف ستھرا رکھنے اور مزدوروں کی فلاح و بہبود کیلئے بہت سے عالمی اداروں کے منظور شدہ سرٹیفکیٹ رکھتی ہے۔

تفصیلی کارپوریٹ سماجی رپورٹ الگ سے سالانہ رپورٹ میں دی گئی ہے۔

## کمائی فی شیئر

مختتمہ سال 30 جون 2021 میں کمپنی کی کمائی فی شیئر مبلغ 15.38 روپے ہے۔

## منافع

بورڈ آف ڈائریکٹرز نے مختتمہ سال 30 جون 2021 کے لئے مجموعی نقصان کی بناء پر کوئی منافع تجویز نہیں کیا۔

## اہم خطرات اور غیر یقینی صورتحال

- کمپنی کی کارکردگی میں بہتری آرہی ہے۔ کمپنی کا کاروبار خطرات اور غیر یقینی صورتحال سے دوچار ہے۔ مندرجہ ذیل کچھ اہم خطرات اور غیر یقینی صورتحال ہیں:
- 1- جیسا کہ کمپنی کے نتائج سے واضح ہے، انتظامیہ کی مسلسل کوششوں سے غیر یقینی صورتحال میں حالات میں بہتری آئی ہے۔ حالیہ کووڈ 19 کی ڈیلٹا قسم کے پھیلاؤ، عالمی کاروباری حالات پر منفی اثرات ڈالے گا، غیر یقینی صورت حال واضح ہے۔ جس کی وجہ سے کمپنی کے کاروبار متاثر ہوگا۔
  - 2- مقامی اور ہمسایہ ممالک سے بڑھتا ہوا مقابلہ مستقبل میں کمپنی کے منافع میں اثر انداز ہو سکتا ہے۔
  - 3- حکومت پاکستان نے ابھی تک ٹیکسٹائل پالیسی کو منظور نہیں کیا۔ حکومتی پالیسی برآمدی منڈیوں میں مقابلہ کرنے کی صلاحیت کو بہت متاثر کرتی ہے۔

## بیلنس شیٹ کے بعد کے معاملات

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

## متعلقہ پارٹیز سے لین دین

کمپنی نے اپنے تمام متعلقہ پارٹیز لین دین کو جائزہ اور منظوری کے لئے آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز کے سامنے پیش کیا۔ تمام لین دین کو متعلقہ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز کے اجلاس میں منظور کیا گیا ہے۔ متعلقہ پارٹیز کے ساتھ لین دین کی تفصیلات منسلک شدہ سال مختتمہ 30 جون 2021 کے مالیاتی اسٹیٹمنٹس کے نوٹ 43 میں مہیا کی گئیں ہیں۔

## کارپوریٹ بریفنگ سیشن

کمپنی نے اس سال کے دوران کارپوریٹ بریفنگ سیشن کا انعقاد کیا ہے۔

## کارپوریٹ گورننس، مالیاتی رپورٹنگ اور انٹرنل کنٹرول سسٹمز

ہم رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں:

- ☆ کمپنی کی انتظامیہ کی طرف سے تیار شدہ مالیاتی اسٹیٹمنٹس کمپنی کی حالت، اس آپریشنز، کیش فلو اور ایکویٹی میں ہونے والی تبدیلیوں کے متعلق نتائج صحیح طور پر بتاتی ہیں۔
- ☆ کمپنی کے اکاؤنٹس کو مناسب طریقے میں رکھا گیا ہے۔
- ☆ مالیاتی اسٹیٹمنٹس کی تیاری تسلسل کیساتھ متعلقہ اکاؤنٹنگ پالیسی کے تحت ہے اور اکاؤنٹنگ حسابات، مناسب اور محتاط فیصلہ پر کئے گئے ہیں۔
- ☆ عالمی مالیاتی رپورٹنگ معیارات جیسا کہ پاکستان میں لاگو ہیں مالیاتی اسٹیٹمنٹس کی تیاری میں ان کو اپنایا گیا ہے اور کسی قسم کی کمی کی صورت میں مناسب وضاحت کی گئی ہے۔
- ☆ کمپنی کے اندرونی کنٹرول میں موثر طریقہ سے عمل درآمد اور نگرانی کی گئی ہے تاکہ کمپنی کی پالیسیز و طریقہ کار پر قابو پانے کو یقینی بنانے پر زور دیا ہے تاکہ کسی بے قاعدگی کی صورت میں کمپنی بروقت طور پر اس کو درست کر سکے۔
- ☆ بورڈ مطمئن ہے کہ کمپنی کی حیثیت ایسی ہے کہ یہ کام کرتی رہے گی۔

- ☆ پچھلے چھ سال کے قلیدی آپریٹنگ اور مالیاتی اعداد و شمار منسلک کئے گئے ہیں۔
- ☆ 30 جون 2021 تک ٹیکسز، ڈیوٹیز، لیویز اور اخراجات کی مد میں کوئی ادائیگی تقایا نہیں ہے ماسوائے ان کے جو مالیاتی اسٹیٹمنٹس میں بیان کی گئی ہیں۔
- ☆ سال کے دوران، جناب احمد ایچ شیخ، سی ای او نے 8,401,344 حصص بھائی سے تحفہ کے طور پر وصول کئے مزید جناب عبدالحمید احمد داگیا، ڈائریکٹر نے 5,000 حصص 17.40 روپے فی حصص کی شرح سے خریدے۔
- ☆ مندرجہ ذیل ڈائریکٹرز نے ڈائریکٹرز ٹریڈنگ پروگرام کی سرٹیفیکیشن حاصل کی ہے۔

محترمہ ملیحہ صارده اعظم

جناب ناصر علی خان بھٹی

جناب عابد حسین

جناب عبدالحمید احمد داگیا۔ کمیشن سے چھوٹ حاصل کی

جناب احمد ایچ شیخ۔ کمیشن سے چھوٹ حاصل کی

جناب محمد وسیم بٹ

کمپنی نے زیر نظر مدت کے لئے اپنے ایک ڈائریکٹر برائے ڈائریکٹرز ٹریڈنگ پروگرام رجسٹرڈ کیا اور مطلوبہ فیس بھی ادا کی تھی۔ متعلقہ اسٹی ٹیوٹ نے کووڈ 19 کی صورتحال کی وجہ سے پروگرام منسوخ کر دیا اور فیس بھی واپس کر دی۔ تاہم جناب محمد وسیم بٹ نے جولائی 2021 متعلقہ سرٹیفیکیشن حاصل کی ہے۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تحت بہترین طریقوں کی اسٹیٹمنٹ آف کمپلائنس اس سالانہ رپورٹ میں مہیا کی گئی ہے۔

### بورڈ آف ڈائریکٹرز

کمپنی کے بورڈ کے زیادہ ڈائریکٹرز غیر جانبدار/نان ایگزیکٹو ہیں جو کہ ٹرانسپیرنسی اور اچھی کارپوریٹ گورننس کی وجہ بنتے ہیں۔ نان ایگزیکٹو ڈائریکٹرز کمپنی کیلئے کاروبار، گورننس اور قانون کا وسیع تجربہ رکھتے ہیں۔ قیمتی مشورے دیتے ہیں اور کمپنی کے اونچے درجے کے معاملات کے قانونی اصولوں اور کارپوریٹ کمپلائنس کو یقینی بناتے ہیں۔

3 اپریل 2021 ڈائریکٹرز الیکشن منعقد ہوئے جہاں جناب محمد وسیم بٹ نئے ڈائریکٹر کے طور پر منتخب ہوئے اور دوسرے موجودہ ڈائریکٹرز دوبارہ منتخب ہوئے سوائے جناب منیر عالم جو ریٹائر ہو گئے۔ آڈٹ کمیٹی اور ہیومن ریسورس اینڈ معاوضہ کمیٹی کو الیکشن کے بعد دوبارہ تشکیل دیا گیا۔

بورڈ آف ڈائریکٹرز کی سال کے دوران خدمات سرانجام دینے اور بورڈ ڈائریکٹرز کے ممبران کی تفصیل اور ترتیب مندرجہ ذیل ہے۔

بورڈ آف ڈائریکٹرز کی مجموعی تعداد آٹھ ہے (بشمول چیف ایگزیکٹو آفیسر) تفصیل مندرجہ ذیل ہے۔

(اے) مرد 7 (بی) خاتون 1

بورڈ کی ترتیب مندرجہ ذیل ہے:

اے	آزاد ڈائریکٹرز	جناب زاہد محمود محترمہ ملیحہ صارده اعظم جناب ناصر علی خان بھٹی جناب محمد وسیم بٹ جناب عابد حسین
بی	نان ایگزیکٹو ڈائریکٹرز	جناب عثمان رشید جناب عبدالحمید احمد داگیا



سی	ایگزیکٹو ڈائریکٹرز	جناب احمد ایچ شیخ۔ سی ای او
ڈی	خاتون ڈائریکٹر	محترمہ ملیحہ صاروہ اعظم

بورڈز کمیٹیوں کے ممبران کے نام مندرجہ ذیل ہیں:

اے	آڈٹ کمیٹی	جناب ناصر علی خان بھٹی۔ چیئر مین محترمہ ملیحہ صاروہ اعظم۔ ممبر جناب عثمان رشید۔ ممبر
بی	ہیومن ریسورس اینڈ معاوضہ کمیٹی	محترمہ ملیحہ صاروہ اعظم۔ چیئر پرسن جناب عثمان رشید۔ ممبر جناب احمد ایچ شیخ۔ ممبر

سال مختتمہ 30 جون 2021 کے دوران ڈائریکٹرز کے نام بورڈ اور کمیٹیز کے میٹنگز کی تعداد اور ہر ڈائریکٹر کی حاضری کی تفصیل مندرجہ ذیل ہے۔

بورڈ آف ڈائریکٹرز کی میٹنگز

بورڈ آف ڈائریکٹرز کی سال کے دوران چھ میٹنگز 01 جولائی 2020 تا 30 جون 2021 تک منعقد ہوئی ہیں۔

نام	اہلیت	حاضری
جناب زاہد محمود	6	6
جناب احمد ایچ شیخ	6	6
جناب ناصر علی خان بھٹی	6	6
جناب عثمان رشید	6	6
محترمہ ملیحہ صاروہ اعظم	6	6
جناب عبدالحمید احمد داگیا	6	6
جناب عابد حسین	6	6
جناب محمد وسیم ہٹ*	2	2
جناب منیر عالم**	4	4

\* 03 اپریل 2021 کو نئے منتخب ہوئے۔

\*\* 03 اپریل 2021 کو ریٹائر ہوئے۔

ہیومن ریسورس اور معاوضہ کمیٹی (HRRC) کی میٹنگز

سال 01 جولائی 2020 تا 30 جون 2021 تک دو میٹنگز منعقد ہوئی ہیں۔

نام	اہلیت	حاضری
محترمہ ملیحہ صاروہ اعظم	2	2
جناب عثمان رشید	2	2
جناب احمد ایچ شیخ	2	2

## آڈٹ کمیٹی کی میٹنگز

سال 01 جولائی 2020 تا 30 جون 2021 تک 4 میٹنگز منعقد ہوئی ہیں۔

نام	اہلیت	حاضری
جناب ناصر علی خان بھٹی	4	4
محترمہ ملیحہ صاروہ اعظم	4	4
جناب عثمان رشید	4	4

## بورڈ کی کارکردگی کا جائزہ

بورڈ اور بورڈ کی کمیٹیوں کے ارکان کی سالانہ کارکردگی کے جائزہ کیلئے رسمی اور موثر طریقہ کار موجود ہے۔ (PKF) M/S PKF F.R.A.N.T.S۔ چارٹرڈ اکاؤنٹنٹس کو 30 جون 2021 کے لئے آزادانہ کارکردگی کے جائزہ کیلئے مقرر کیا گیا ہے۔ PKF کا آئی کیپ کے QCR میں تسلی بخش درجہ ہے اور آڈٹ اور سائٹ بورڈ میں رجسٹرڈ ہے جس کا تقرر کیا گیا ہے تاکہ بورڈ کی کارکردگی مجموعی طور پر اور بورڈ ممبران کی کارکردگی انفرادی طور پر اور بورڈ کمیٹیوں (آڈٹ کمیٹی اور HRR کمیٹی) کمپنی کی طے کردہ اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے وضع کردہ طریقہ کار کے مطابق کارکردگی کا جائزہ لیں اور اپنی سفارشات کے ساتھ اپنی رپورٹ پیش کریں تاکہ کمپنی کے گورننگ سٹرکچر میں بہتری لائی جاسکے۔

بورڈ کی مجموعی کارکردگی کے اوپر چیئر مین کی جائزہ رپورٹ منسلک ہے۔

## ڈائریکٹرز کا مشاہرہ

کمپنی میں اپنے (ایگزیکٹو اور آزادانہ ایگزیکٹو) ڈائریکٹرز اور سینئر مینجمنٹ کے ممبران کے لئے بورڈ آف ڈائریکٹرز منظور شدہ مشاہرہ پالیسی موجود ہے۔ پالیسی کو ایسے تیار کیا گیا ہے کہ یہ HR کی حکمت عملی کا حصہ ہے اور دونوں کاروبار کی حکمت عملی کے لئے مددگار ہیں۔ بورڈ کو یقین ہے کہ متعلقہ پالیسی کارآمد ہے اور بہترین ایگزیکٹوز اور ڈائریکٹرز کو راغب کرتی ہے۔ تاکہ وہ کمپنی کے ساتھ منسلک رہیں اور اس کو بہتر انداز میں چلا سکیں اور ڈائریکٹرز، ایگزیکٹوز اور حصہ داران کے درمیان رابطہ کا باعث بنیں۔ پالیسی کا مقصد ڈائریکٹرز اور سینئر انتظامیہ کو گورننس اور کارکردگی کے لئے جواب دہ بنانا ہے جس میں معاوضہ کا تعین اور ادائیگی شامل ہے۔

چیئر ایگزیکٹو کے مشاہرے کی تفصیلات مندرجہ ذیل ہیں۔

چیئر ایگزیکٹو	روپے
مینجیرل مشاہرہ	20,700,000
میڈیکل	2,070,000
یوٹیلٹی اور ہاؤس رینٹ	8,280,000
بعد از ملازمت فوائد	1,725,000
بونس	41,843,169
	<b>74,618,169</b>

کمپنی اپنے نان ایگزیکٹوز، آزاد ڈائریکٹرز کو بورڈ اور کمیٹیوں کی میٹنگز میں شرکت کیلئے معاوضہ ادا کر رہی ہے۔ متعلقہ مشاہرہ / میٹنگ فیس کی معلومات جو ڈائریکٹرز کو ادا کی گئیں منسلک شدہ مالیاتی اسٹیٹمنٹس 30 جون 2021 کے نوٹ 49 میں بھی بیان کی گئی ہیں۔

## آڈیٹر کے مشاہدات

آڈیٹر نے آڈٹ رپورٹ کے پیرا al میں اپنی رائے دی کہ MBL کے بارے میں تفصیلات موجود نہیں ہیں۔ جیسا کہ نوٹ 21.1.2 اور 19.1.7 میں بیان کیا گیا ہے کہ اٹلی کی عدالت میں کارروائی جاری ہے اور جب بینک دیوالیہ کارروائی مکمل ہوگی تو تفصیل دستیاب ہوگی۔

آڈیٹر نے آڈٹ رپورٹ کے پیرا bl میں مالی ذمہ داریوں کو منصفانہ/ارعایتی قدروں پر تسلیم نہ کرنے کے لیے اپنی رائے دی ہے۔ آڈیٹر کی طرف سے تجویز کردہ ایڈجسٹمنٹس، فنانشل انسٹرومنٹس پر بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈ کے تحت مطلوب ہیں۔ انتظامیہ کا خیال ہے کہ روپے کے منصفانہ قدر میں 3,256.59 ملین روپے فائدے کو تسلیم کرنا اور پھر ان مالیاتی واجبات کی مدت کے دوران اخراجات وصول کر کے منافع کو تبدیل کرنا مالیاتی بیانات کے صارفین کے لیے الجھن کا باعث ہوگا اور اس وجہ سے اس منافع کو تسلیم نہیں کیا ہے۔

## آڈیٹر کی تعیناتی

میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس، آزاد نامہ نگار فرم برائے Deloitte Touche Tohmatsu Limited، ایک باعزت چارٹرڈ اکاؤنٹنٹس فرم نے کمپنی کے ساتھ اپنی تقرری کی مدت مکمل کی ہے اور اہل ہونے کے ساتھ اپنی خدمات کو اگلی مدت کیلئے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر آنے والے سال کے لئے دوبارہ تعیناتی کیلئے کمپنی کے آڈیٹر کے طور پر میسرز یوسف عادل کا نام تجویز کیا ہے۔ چونکہ موجودہ انگیجمنٹ پارٹنر نے پانچ سال کی مدت مکمل کر لی ہے لہذا اسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی ضروریات کے مطابق انگیجمنٹ پارٹنر کو بدلنے کی سفارش کی جاتی ہے۔ آڈٹ کمیٹی نے بورڈ آف ڈائریکٹرز کو آڈیٹر کو اور مزید بورڈ آف ڈائریکٹرز نے چیف ایگزیکٹو آفیسر کو آڈیٹر کے مشاہرہ کے تعین کے لئے مجاز کیا ہے۔

## آڈٹ کمیٹی

بورڈ آف ڈائریکٹرز پر مشتمل ایک مکمل فعال آڈٹ کمیٹی تین ممبران پر مشتمل ہے، جس میں سے دو غیر جانبدار ڈائریکٹرز ہیں اور ایک نان ایگزیکٹو ڈائریکٹر ہے۔ کمیٹی کی ٹرم آف ریفرنس اسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے مطابق بورڈ آف ڈائریکٹرز نے وضع کی ہے، پس اس میں یقینی شفاف انٹرنل آڈٹ، اکاؤنٹنگ اور انتظامی کنٹرول رپورٹنگ سٹرکچر اور کمپنی کے اثاثہ جات کو محفوظ کرنا شامل ہیں۔

## انٹرنل آڈٹ فنکشن

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

## رسک فریم ورک اور انٹرنل کنٹرول سسٹم

رسک گورننس اینڈ انٹرنل کنٹرول اقدامات کی پالیسی بورڈ آف ڈائریکٹرز سے منظور شدہ ہے جو کہ تعین کرتی ہے کہ تمام تنظیم میں کمپنی کیسے رسک اور انٹرنل کنٹرول فریم ورک کو لاگو کئے ہوئے ہے۔

پالیسی کا مقصد مندرجہ ذیل ہے۔

- ☆ رسک مینجمنٹ کا ڈھانچہ ایسا ہے کہ کمپنی اپنے کاروباری مقاصد حاصل کر سکے۔
- ☆ ایسا طریقہ کار رسک انتظامیہ کو وضع کرنا، جس کی کمپنی کو خطرہ پر قابو کرنے کے لئے ضرورت ہو۔
- ☆ تنظیم میں رسک انتظامیہ کے لئے واضح ملکیت اور جوابدہی پیدا کرنا۔
- ☆ کمپنی کی رسک پالیسی کی نوعیت کا تعین اور رسک مینجمنٹ کے لئے وسیع سوچ۔
- ☆ ایسے گورننس ڈھانچے کی تشخیص جو کہ رسک مینجمنٹ عمل کا احاطہ کرے۔

## شیئر ہولڈنگ پیٹرن

شیئر ہولڈنگ پیٹرن 30 جون 2021 منسلک کیا گیا ہے۔

## شیئر کیپٹل کی نوعیت اور اقسام

کمپنی نے ادا شدہ حصص سرمایہ عمومی حصص اور نان ووٹنگ عمومی حصص پر مشتمل ہے۔ عمومی حصص کو تمام حقوق اور مراعات، بشمول حق رائے دہی لاگو قوانین کے مطابق حاصل ہیں۔ نان ووٹنگ عمومی حصص داران کو حق رائے دہی، حاضری اور اجلاس کانٹریکٹس وصول کرنے کا حق حاصل نہیں، سوائے وہ حقوق جو کسی اور قوانین میں مہیا کیے گئے ہیں۔ البتہ نان ووٹنگ حصص داران کو تمام عمومی حصص والے دیگر حقوق حاصل ہیں، بشمول منافع کا حق اور کمپنی کے اثاثوں میں حصہ کا حق، وائنڈنگ اپ پر۔

## ویب موجودگی

کمپنی کی سالانہ اور عبوری مالیاتی سٹیٹمنٹس، شیئر ہولڈرز اور دیگر کی معلومات کیلئے ایگزیکٹو گارڈن ان کی ویب سائٹ [www.azgard9.com](http://www.azgard9.com) پر موجود ہے۔

## اعتراف

ہم اپنے قابل قدر خریداروں کے مسلسل اعتماد، مالیاتی اداروں کی مدد اور تعاون، تمام ملازمین کی ان تھک محنت اور کمپنی کے تمام شرکاء کی شرکت داروں کے شکر گزار ہیں۔ یہ امید کی جاتی ہے کہ شرکت داروں کی حمایت سے کمپنی میں مالی بہتری آئے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے



چیئر مین



چیف ایگزیکٹو آفیسر

30 اکتوبر 2021



Making  
Conscious  
Denim

PRESERVING PLANET

**AZGARD9**

Changing Perspective With Process

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Corporate Social Responsibility Report 2021

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## ACCREDITATIONS

We are proud to share our ethical and responsible manufacturing certifications.



ISO 14001:2015

ISO 14001 sets out the criteria for an Environmental Management System (EMS). It maps out a framework that a company or organization must follow to set up an effective EMS. While ensuring, no harm to environment or eco system is inflicted.

QMS ISO 9001-2015 (Quality Management System)



A primary quality certification which gives our customer a confidence about our product. It ensures that company has a well-established quality management system and our products are standardized accordingly.

GOTS (Global Organic Textile Standard)



GOTS covers all aspects of production of natural fibers including processing, manufacturing, packing, labeling, exportation, importation and distribution.

OCS ( Organic Content Standard )



The organic fiber percentage in a product is tracked and documented throughout the supply chain.

GRS ( Global Recycled Standard )



For tracking and verifying the content of recycled materials in a final product.

RCS ( Recycled Content Standard )



Used as a chain of custody standard to track recycled raw materials through the supply chain. The standard ensures complete traceability of the end product.

CCS ( Content Claim Standard )



The foundation of all the textile exchange standards which tracks the flow of raw material from source to the final product.

BCI ( Better Cotton Initiative )



The aim is to make global cotton production better for the people who produce it while emphasizing on sustainability.

ACCREDITATIONS



SCORE 77

(FEM)

FACILITY, ENVIRONMENT  
MODULE

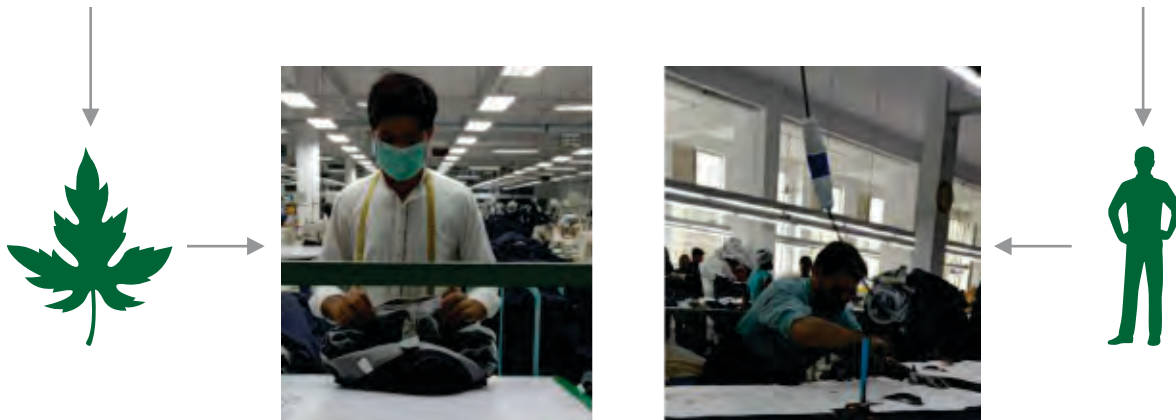
SCORE 91

(FSLM)

FACILITY SOCIAL & LABOUR  
MODULE

The Higg Facility Environmental Module (Higg FEM) inform manufacturers, brands, and retailers about the environmental performance of their individual facilities, empowering them to scale sustainability improvements.

Uses the Social & Labor Convergence Program (SLCP) to ensure consistency in assessment and measurement throughout the industry. It is a tool dedicated to promote safe and fair social & labor conditions for value chain workers globally.



OEKO-TEX



Sustainable Textile Production (STeP) by OEKO-TEX® is a certification system for brands, retail companies and manufacturers from the textile chain who want to communicate their achievements regarding sustainable manufacturing processes to the public in a transparent, credible and clear manner.



STANDARD 100 by OEKO-TEX® is one of the world's best-known labels for textiles tested for harmful substances. It stands guarantee & provide confidence to customers about high product safety. If a textile article carries the STANDARD 100 label, customer is ensured that every component of this article like thread, button and other accessories, has been tested for harmful substances and the article is safe for human use and is free of toxic chemicals.

ACCREDITATIONS



Sedex leads to work with buyers & suppliers to deliver improvements in responsible and ethical business practices in global supply chains. It includes four pillars which are Labour Standards, Health & Safety, Environment and Business Ethics.



**Business Social Compliance Initiative**

To improve the political and legal framework for trade in a sustainable way.



Dedicated to the promotion and certification of lawful, humane and ethical manufacturing throughout the world.



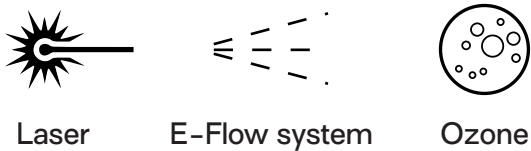
A safety measure that the trade industry takes against terrorism. It provides an added feature to shipping internationally, fast and safe.

Based on internationally recognized standards of decent work, including the universal declaration of human rights, ILO conventions, national laws. It applies a management systems approach to social performance and emphasizes on continuous improvement.



ENSURING SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

PROCESS INNOVATION



WATER LITRES / KG OF GARMENTS



■ PROCESS LIQUOR RATIO

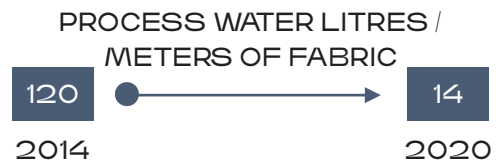


Reduction in green house gases. magnificent climate positive impact.

100% Renewable Steam Energy From Biomass

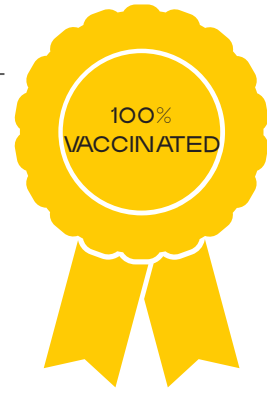
ACHIEVEMENT

90% REDUCED

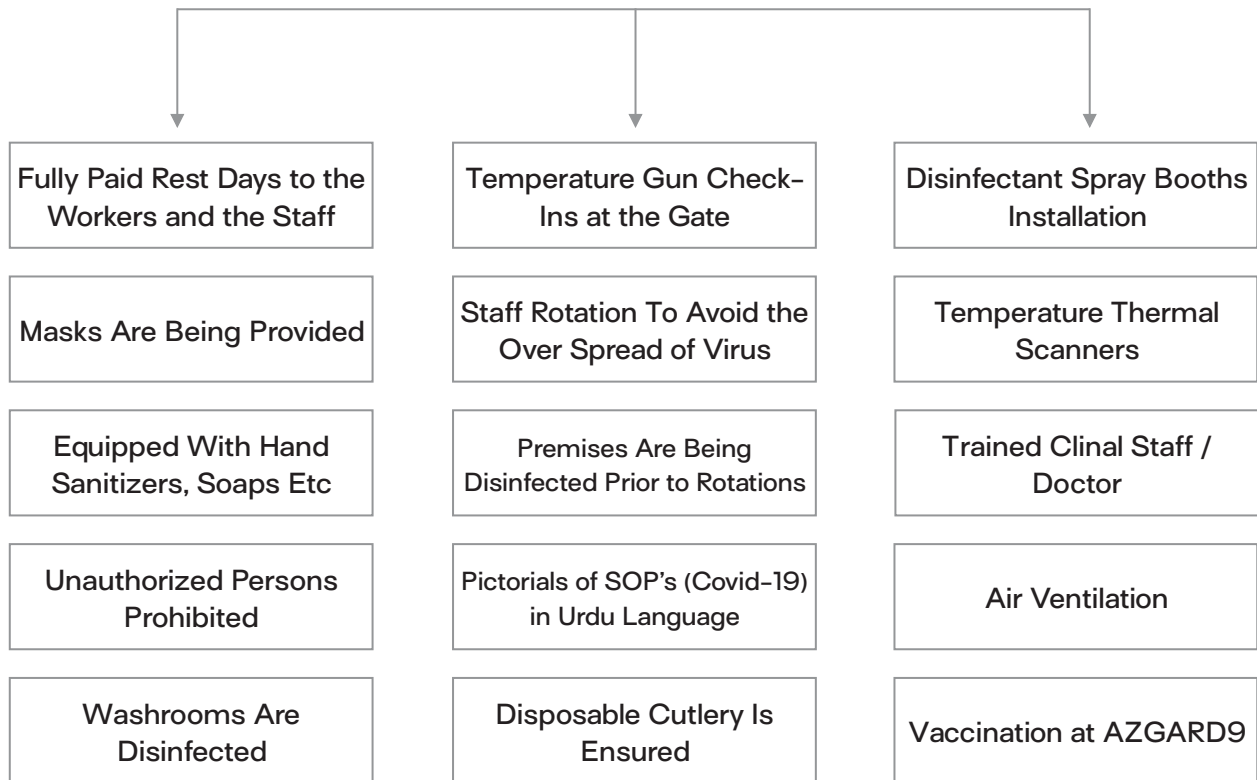




TOTAL COMMITMENT



The company followed and successfully implemented all directives and SOP as issued by GOP to help the fight against COVID-19. Following are some of the measures:



CARE FOR THE PEOPLE

Health Surveillance Program



Ration Distribution



Blood Donation Camp (Fatimid Foundation)



Fatimid Foundation



Community Development Welfare Projects



Community Education



Labor Laws



PSDF Courses



Safety Training



Risk Assessment Training



HSE Training Program



Women's Day Celebration



Women's Empowerment Program



Community Training

## COMMUNITY DEVELOPMENT

Cricket Tournament April 2021 – Prize Distribution Ceremony



Subsidized Food / the Best Food in Lahore

Dormitories



Plantation Drive With Best Seller



Transportation Facility

Green Pakistan Campaign



## WE TAKE THE RESPONSIBILITY

- ❖ In association with Punjab Skill Development Fund, we initiated the training program at our garment division to provide quality skills to the people in need.
- ❖ We are the only one in Pakistan to use the tag “CARE FOR PLANET” by ZARA JOINLIFE sustainable commitment.
  - ★ Produced with ecologically grown methods.
  - ★ Natural pesticides and fertilizers help preserve freshwater resources.
  - ★ Natural growth techniques help to preserve biodiversity.
  - ★ Produced without genetically modified seeds.

# AZGARD9

## FUTURE BEFORE FASHION

### CORPORATE RESPONSIBILITY

#### EFFLUENT TREATMENT PLANT (ETP)

In compliance with the ISO standards and to demonstrate our commitment towards environmental protection, we have state of the art Waste Water Treatment Plant.

#### RO PLANT ADDITION

Installation of RO plant, which will perform Tertiary Waste Treatment. It will make the quality of the effluent better than before and this water will be used by Agriculture Lands as it contains Nutrients. Moreover, Zero discharge of hazardous chemicals Aspirational Parameters will be achieved with the help of this proving to be environmental friendly.

#### PLANTATION DRIVE WITH BEST SELLER

Our valued customer Best Seller also participated in plantation campaign at the facility. A plantation drive was organized in the memory of Alfred, Alma & Agnes on April 23rd along with the Country Head of Best Seller and rest of the team.

#### RENEWABLE ENERGY

With the use of renewable energy, we are playing our part in reduction of greenhouse gases emission. We are proud to claim that more than 70% of Azgard9's energy is through renewable resources. It's percentage will increase further in coming years.

# AZG9

### NON RETALIATION POLICY

At Azgard9 non retaliation policy is fully implemented, company doesn't allow any retaliation attitude towards the complaints who in good faith, seeks advice, raises a concern or reports misconduct about company representative/ employee. If anything is surfaced, strict action is taken against the defaulter.

THANK YOU



## NOTICE OF TWENTY EIGHTH ANNUAL GENERAL MEETING

Notice is hereby given that Twenty Eighth Annual General Meeting of the Members of AZGARD NINE LIMITED ('the Company') will be held on Saturday, November 27, 2021 at 11.00 am at the Registered Office of the Company Ismail Aiwan-i-Science, Off: Shahrah-i-Roomi, Lahore, Pakistan; to transact the following businesses:

1. To confirm the minutes of Extraordinary General Meeting of the Company held on April 03, 2021;
2. To receive, consider, approve and adopt the audited financial statements of the Company for the financial year ended June 30, 2021, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report;
3. To appoint the Statutory Auditors for the year ending June 30, 2022 and to fix their remuneration. The Board of Directors on the recommendation of Audit Committee has recommended the appointment of retiring auditors, Messers Yousuf Adil, Chartered Accountants who being eligible have offered themselves for re-appointment. Since present engagement partner has completed threshold of five years, therefore, recommendation is with rotation of engagement partner in compliance with requirement of the Listed Companies (Code of Corporate Governance) Regulations, 2019;
4. To transact any other business with the permission of the Chair.

By order of the Board

**MUHAMMAD AWAIS**  
Company Secretary

Lahore: November 04, 2021

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from November 20, 2021 to November 27, 2021 (both days inclusive). Transfers received in order at the Office of Company's Share Registrar M/s. Hameed Majeed Associates (Private) Limited, H. M. House, 7-Bank Square, Lahore, Pakistan ('Registrar') at the close of business on November 19, 2021 will be considered in time to attend and vote at the Meeting.
2. Financial Statements for the year ended June 30, 2021 will be available at the website of the Company [www.azgard9.com](http://www.azgard9.com) twenty one days before the date of meeting.

Further, the Company is transmitting Annual Report for the year ended June 30, 2021 through email to those members whose email addresses are available with the Company and through CD/DVD to those members whose email addresses are not available with the Company. However, the members may request a hard copy of Annual Report free of cost and in this respect standard request form is available at the website of the Company [www.azgard9.com](http://www.azgard9.com) for convenience of members.

3. The Preference Shareholders are not entitled to attend the meeting.
4. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
5. All possible safety measures shall be taken in respect of COVID-19 and relevant SOPs shall be strictly followed including checking of temperature, wearing of face masks, use of hand sanitizer and maintenance of proper social/physical distance. All members physically attending the meeting are requested and expected to cooperate in this respect.
6. In pursuance of Circular No. 4 of 2021 dated February 15, 2021 issued by the Securities and Exchange Commission of Pakistan; the members shall also be entitled to attend this meeting through video link facility/electronic means after completing verification and identification requirements. Members interested in attending this meeting through video link facility/electronic means are requested to register themselves by submitting following particulars at email address [companysecretary@azgard9.com](mailto:companysecretary@azgard9.com) before the close of business (i.e. 05.00 pm) on November 24, 2021:

Name	* CNIC No. / Passport No. (in case of foreigner)	Folio / No. CDC Account No.	Mobile No.	No. of Shares Held

\* Please also attach legible scanned copy of CNIC/Passport (in case of foreigner).

The Company will send the link of video/electronic facility and other relevant information to respective members in order to enable them to access the video/electronic facility and attend this meeting.

It is clarified that members attending this meeting by availing above facility shall only vote through postal ballot (if required) in accordance with the relevant requirements.

7. The 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 holders 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 holders and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirements.
  - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - iii. Attested copies of CNIC or the passport of the beneficial owner and the proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his/her original CNIC or original Passport at the time of meeting.
  - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
8. Members may avail video conference facility for this Annual General Meeting at Karachi, provided the Company receives consent (standard format is given below) atleast 07 days prior to the date of the Meeting from members holding in aggregate 10% or more shareholding residing at above location.

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

“I/we \_\_\_\_\_ of \_\_\_\_\_ being member(s) of Azgard Nine Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Registered Folio No./CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at Karachi in respect of 28th Annual General Meeting of the Company.

\_\_\_\_\_  
Signature of Member”

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

**IMPORTANT NOTICES TO SHAREHOLDERS**

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

- **Change in Address: Change in their addresses, if any.**
- Submission of copy of CNIC/NTN: Valid and legible copy of CNIC/Passport (in case of individual) and NTN Certificate (in case of corporate entity). Please note that CNIC number is mandatory for payment of cash dividend and in the absence of this information payment of dividend shall be withheld.
- Dividend Mandate Information: Dividend mandate information mentioning title of bank account, International Bank Account Number (IBAN), bank name, branch name, code and address towards direct transfer/credit of cash dividend in your accounts. Please note that all future dividends shall only be paid through online bank transfer as required under Section 242 of the Companies Act, 2017. For convenience, a Standard Request Form has also been made available on the Company's website [www.azgard9.com](http://www.azgard9.com).
- Email Address: Valid email addresses as pursuant to Section 223 of the Companies Act, 2017, the Company is allowed to send audited financial statements and reports to its members electronically. For convenience, a Standard Request Form has also been made available on the Company's website [www.azgard9.com](http://www.azgard9.com).

**Unclaimed Dividend/Shares**

Information of unclaimed dividend/shares has been placed at the website of the Company [www.azgard9.com](http://www.azgard9.com). Respective shareholders are requested to contact Share Registrar of the Company to collect their unclaimed dividend/shares.

**Deposit of Physical Shares into CDC Account**

As per Section 72 of the Companies Act, 2017; after the commencement of Act from a date notified by the Commission, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission. Therefore, members having shares in physical form are informed to make necessary arrangements to replace their physical shares with book-entry form in CDS.

## FINANCIAL HIGHLIGHTS

### Six Years at a glance

	Year ended 30 June 2021	Year ended 30 June 2020	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2016
<b>Operating performance (Rs. 000)</b>						
Sales - net	22,070,231	16,909,299	20,214,971	15,982,435	12,802,374	13,176,284
Export sales-gross	19,377,821	15,574,022	18,064,934	14,143,354	11,186,121	11,737,168
Local sales-gross	2,017,655	1,046,623	1,557,833	984,078	1,213,012	1,323,912
Gross profit	3,188,597	2,462,318	3,488,280	2,591,076	1,885,660	1,499,159
Operating profit	1,600,552	1,027,353	2,063,507	1,422,577	932,003	599,786
Profit / (loss) before tax	7,773,229	(223,264)	501,301	299,076	(43,093)	(683,602)
Profit / (loss) after tax	7,559,400	(389,449)	305,312	196,623	(133,565)	(814,147)
<b>Financial position (Rs. 000)</b>						
Equity without surplus	4,579,736	(3,622,304)	(3,786,216)	(4,201,953)	(4,526,061)	(4,525,986)
Surplus on revaluation of property plant and equipment	3,414,941	4,742,276	4,849,769	4,630,688	4,753,666	4,879,014
Equity with surplus	7,994,677	1,119,972	1,063,554	428,735	227,605	353,028
Long term debt	10,007,499	8,067,856	8,065,357	7,817,738	7,702,140	7,688,228
Property, plant and equipment	10,232,591	10,254,009	10,167,665	13,215,447	13,168,500	13,194,251
<b>Financial analysis</b>						
Current ratio (times)*	2.62	0.71	0.69	0.57	0.50	0.48
Debt to equity (ratio)	56:44	88:12	88:12	95:5	97:3	96:4
<b>Profitability analysis</b>						
Operating profit to sales (%)	7.25	6.08	10.21	8.84	7.28	4.55
Earnings per share (Rs.)	15.38	(0.84)	0.67	0.43	(0.29)	(1.79)

\* (excluding current portion of long term debt)



## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

**Name of Company :** Azgard Nine Limited ( the Company)  
**Year ended :** 30-06-2021

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) in the following manner:

1. The total numbers of Directors are eight (including Chief Executive Officer) as per the following:
  - a) Male 7
  - b) Female 1
2. The composition of Board is as follows:

i.	Independent Directors	Mr. Zahid Mahmood
		Ms. Maliha Sarda Azam
		Mr. Nasir Ali Khan Bhatti
		Mr. Muhammad Wasim Butt
		Mr. Abid Hussain
ii.	Non-executive Directors	Mr. Usman Rasheed
		Mr. Abdul Hamid Ahmed Dagia
iii.	Executive Directors	Mr. Ahmed H. Shaikh
iv.	Female Directors	Ms. Maliha Sarda Azam

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations.
7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations.
9. The following Directors have acquired certification under a Directors' Training Program or have obtained exemption from the Securities and Exchange Commission of Pakistan (the Commission):

Ms. Maliha Sarda Azam  
Mr. Nasir Ali Khan Bhatti  
Mr. Muhammad Wasim Butt  
Mr. Abid Hussain  
Mr. Abdul Hamid Ahmed Dagia– obtained exemption from the Commission  
Mr. Ahmed H. Shaikh– obtained exemption from the Commission

The Company had registered its one Director for Directors' Training Program during the period under review and had also paid the required fee. The concerned Institute cancelled the program due to COVID-19 situation and also returned the fee. However, Mr. Muhammad Wasim Butt has acquired certification in July 2021.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
- a) **Audit Committee**
- |                           |            |
|---------------------------|------------|
| Mr. Nasir Ali Khan Bhatti | - Chairman |
| Ms. Maliha Sarda Azam     | - Member   |
| Mr. Usman Rasheed         | - Member   |
- b) **HR and Remuneration Committee**
- |                       |               |
|-----------------------|---------------|
| Ms. Maliha Sarda Azam | - Chairperson |
| Mr. Ahmed H. Shaikh   | - Member      |
| Mr. Usman Rasheed     | - Member      |
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees were as per following:
- a) **Audit Committee** Quarterly - Four meetings were held during the financial year with at least one meeting in each quarter
- b) **HR and Remuneration Committee** Half Yearly - Two meetings were held during the financial year
15. The Board has set up an effective internal audit function.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



**AHMED H. SHAIKH**  
Chief Executive Officer



**ZAHID MAHMOOD**  
Chairman

Dated: October 30, 2021

**INDEPENDENT AUDITORS' REVIEW REPORT  
TO THE MEMBERS OF AZGARD NINE LIMITED**

**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED  
COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **AZGARD NINE LIMITED** (the Company) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations require 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. 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.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.



**Chartered Accountants**

**Engagement Partner:**

Rana M. Usman Khan

Lahore

Dated: November 03, 2021



# **FINANCIAL STATEMENTS**

## INDEPENDENT AUDITORS' REPORT

To the members of Azgard Nine Limited

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the annexed financial statements of Azgard Nine Limited (“the Company”) which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that except as stated in Basis for Qualified Opinion section of our report, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

Except for the possible effect of the matter discussed in the Basis for Qualified Opinion section of our report, in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Qualified Opinion

- a) As stated in note 21.1.2 to the financial statements that on December 18, 2014, the Court of Vicenza, Italian Republic approved bankruptcy proposal of public prosecutor and appointed Trustee to manage the affairs of Company's wholly owned subsidiary, Montebello s.r.l. (“MBL”). Resultantly, the Company ceased recognizing and presenting MBL as its subsidiary and the investment in MBL has been presented as other investment – unquoted, an impairment has been recognized in full. Further, during the current year, the bankruptcy proceedings of MBL were purchased by Taybah Capital Limited (Taybah), a Company registered in United Arab Emirates. On March 31, 2021, Taybah filed suit for a claim of EUR 7 million. A writ of summons for a hearing to be held on November 23, 2021, and to appear before the Court of Venice has been received by the Company.

Based on the advice from the Company's legal counsel, the management is of the view that proceedings may be settled with no material financial implications. As a result, no provision has been recorded in the financial statements on account of this fresh claim. In view of the absence of definite determination of the claims, we are unable to satisfy ourselves as to the appropriateness of the amounts recorded and related disclosures made in the financial statement, by the Company.

- b) A creditors' scheme of arrangement (the Scheme) approved by the Honorable Lahore High Court (LHC) was implemented on April 29, 2021, during the current year. As per this Scheme, new finances (sub Privately Placed Term Finance Certificates, New Zero Coupon Privately Placed Term Finance Certificates and Settlement Finance) replaced the existing liabilities (principal and mark-up both) comprising of redeemable capital, long term finances and certain short-term borrowings of the Company (refer to notes 9 & 10). The new restructured finances are either zero coupon or at 5% markup i.e., below market rate. As per International Financial Reporting Standard 9 'Financial Instruments' (IFRS 9), a financial liability shall be initially recognized at its fair value, which in this case is equivalent to the present value of the future cash flows using the prevailing market rate of interest. The Company has recognized the above mentioned finances at their respective face values, instead of their fair values.

Had these finances been recognised at their fair values, a gain aggregating to Rs. 3,256.59 million would have been recorded in the financial statements of the Company with a corresponding decrease in the carrying value of these finances (refer to notes 9 & 10). Further impact of unwinding of the present value impact would have been Rs.93.34 million which would have had increased the finance cost for the year and respective carrying amounts of the new finances.

Except as stated in Basis for Qualified Opinion above, we conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in Basis for Qualified Opinion and the Material Uncertainty Related to Going Concern sections, we have determined the matters described below to be the Key Audit Matters to be communicated in our report:

Sr. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Revenue Recognition</b></p> <p>The Company has three major streams of revenue; local sales, indirect exports and direct exports. Revenue from sale of goods is recognized when the Company satisfies the performance obligation under the contract by transferring the promised goods to the customers.</p> <p>Revenue recognition criteria has been explained in note 3.11 to the financial statements.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on the satisfaction the performance obligation under the contract with the customer in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of and assessing the design and implementation to ensure that revenue is recognized in the appropriate accounting period and based on stated accounting policy;</li> <li>• assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>• comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period;</li> <li>• checked on a sample basis the recorded sales transactions with underlying supporting documents; and</li> <li>• assessed the adequacy of related disclosures in the financial statements.</li> </ul>
2	<p><b>Financial Re-structuring and Non-Current Assets Held for Sale</b></p> <p>A creditors' scheme of arrangement (the Scheme) was approved by the Honorable Lahore High Court (LHC) during last year which is implemented during the current year (refer note 2.3 to the financial statements).</p> <p>In accordance with the Scheme, the Company was required to raise funds through right issue and disposal of its two secondary units. In this respect, proceeds from right issue and sale of one unit have been received and second unit is classified as held for sale under International Financial Reporting Standard 5 'Non-current Assets Held For Sale and Discontinued Operations' (IFRS - 5) as at the reporting date, as disclosed in note 4 to the financial statements.</p> <p>Funds received from proceeds of right issue and sale of one unit have been distributed in accordance with the Scheme to the lenders choosing "Option A" and "Option B" at Time Zero Date i.e., April 29, 2021, and the remaining amounts were distributed on pro-rata basis to lenders choosing "Option B" and "Option C".</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• reviewed the Scheme approved by LHC;</li> <li>• reviewed the correspondence of agent bank, approved by LHC, with creditors on selection of the Option A, B or C of the Scheme;</li> <li>• obtained confirmation from agent bank for transactions made at Time Zero Date;</li> <li>• checked the intimation letters sent by agent bank to creditors containing the amount to be paid, haircut, remaining principal and conversion of the same into sub PPTFCs / sub Sukuks, New Zero Coupon PPTFCs and Settlement Finance;</li> <li>• traced the amounts paid, on a sample basis, through the bank statements;</li> <li>• obtained confirmation from investment agent approved by LHC for issuance of new securities (sub PPTFCs / sub Sukuks and New Zero Coupon PPTFCs;)</li> </ul>

<b>2</b>	<b>Financial Re-structuring and Non-Current Assets Held for Sale</b>	
	<p>For the remaining amount payable, the Company has created Sub-Privately Placed Term Finance Certificates (Sub PPTFCs, Sub-Sukuks, New Zero Coupon Privately Placed Term Finance Certificates (New Zero Coupon PPTFCs)), Settlement Finance Under Restructuring Scheme (refer notes 9 &amp; 10), which will be issued in due course.</p> <p>In view of the monetary value of the financial restructuring and the non-current assets classified as held for sale and the complexities involved in the accounting treatment of the same, we have identified this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>• recalculated the number and amounts of new securities as per the Scheme;</li> <li>• recalculated the amount of interest expense and resulting gain from implementation of the Scheme;</li> <li>• checked the documentation for unit sold during the year;</li> <li>• reviewed agreements of each new securities formed under the Scheme; and</li> <li>• checked valuation and classification of assets as non-current assets as 'held for sale', appropriateness of related disclosures.</li> </ul>

### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) except for the possible effects of the matter discussed in Basis for Qualified Opinion section of our report proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) except for the possible effects of the matter discussed in the Basis for Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditors' report is Rana M. Usman Khan.



Chartered Accountants  
Lahore  
Date: November 03, 2021



## STATEMENT OF FINANCIAL POSITION

### As at June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital	6	15,000,000,000	15,000,000,000
Issued, subscribed and paid up capital	6	4,913,753,370	4,913,753,370
Reserves	7	3,214,437,408	3,216,320,430
Surplus on revaluation of fixed assets	8	3,414,941,189	4,742,276,247
Accumulated losses		(3,548,454,938)	(11,752,377,928)
		7,994,677,029	1,119,972,119
<b>Non-current liabilities</b>			
Redeemable capital - secured	9	3,561,791,275	-
New zero coupon privately placed term finance certificates	10	5,103,510,000	-
Long term finances - secured	11	1,081,208,932	-
Lease liabilities	12	4,672,573	7,117,689
Deferred liability	13	495,679,868	383,204,296
		10,246,862,648	390,321,985
<b>Current liabilities</b>			
Current portion of non-current liabilities	14	150,772,866	8,139,942,728
Short term borrowings	15	1,423,689,035	5,067,529,093
Trade and other payables	16	2,545,679,458	1,474,806,412
Contract liabilities		53,186,265	254,630,353
Interest / mark-up accrued on borrowings	17	200,066,382	6,520,946,044
Dividend payable on preference shares	18	9,413,535	9,413,535
Unclaimed dividend on ordinary shares		3,753,252	3,763,905
		4,386,560,793	21,471,032,070
<b>Contingencies and commitments</b>			
	19	22,628,100,470	22,981,326,174
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	20	10,232,590,972	10,254,008,713
Long term investments	21	12,608,052	12,608,052
Long term deposits and receivables	22	38,034,396	38,034,396
		10,283,233,420	10,304,651,161
<b>Current assets</b>			
Stores, spares and loose tools		148,644,939	128,358,354
Stock-in-trade	23	4,599,739,102	3,190,805,924
Trade receivables	24	2,418,068,551	2,225,064,263
Advances, deposits, prepayments and other receivables	25	2,514,947,274	2,147,978,705
Short term investments	26	139,993,989	139,993,989
Receivable from National Bank of Pakistan	27	306,022,500	306,022,500
Income tax recoverable	28	37,480,182	880,794
Funds for restructuring scheme	29	17,170,862	571,284,720
Cash and bank balances	30	898,799,651	787,189,396
		11,080,867,050	9,497,578,645
<b>Non-current assets held for sale</b>			
	4	1,264,000,000	3,179,096,368
		22,628,100,470	22,981,326,174

The annexed notes from 1 to 55 form an integral part of these financial statements.

Lahore

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

## STATEMENT OF PROFIT OR LOSS

### For the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>Sales - net</b>	31	<b>22,070,230,674</b>	16,909,299,380
Cost of sales	32	<b>(18,881,633,863)</b>	(14,446,980,920)
<b>Gross profit</b>		<b>3,188,596,811</b>	2,462,318,460
Selling and distribution expenses	33	<b>(978,161,441)</b>	(884,982,511)
Administrative expenses	34	<b>(609,883,158)</b>	(549,982,576)
<b>Profit from operations</b>		<b>1,600,552,212</b>	1,027,353,373
Other income	35	<b>116,168,835</b>	142,232,161
Other expenses	36	<b>(98,114,676)</b>	(15,663,732)
Impairment loss on financial asset		-	(94,701,891)
Finance cost	37	<b>(908,231,757)</b>	(1,282,483,682)
<b>Profit / (loss) before taxation and restructuring gain</b>		<b>710,374,614</b>	(223,263,771)
Gain on restructuring of loans - net	38	<b>7,062,854,286</b>	-
<b>Profit / (loss) before taxation</b>		<b>7,773,228,900</b>	(223,263,771)
Taxation	39	<b>(213,828,823)</b>	(166,185,382)
<b>Profit / (loss) after taxation</b>		<b>7,559,400,077</b>	(389,449,153)
<b>Earning / (loss) per share - basic and diluted</b>	40	<b>15.38</b>	(0.84)

The annexed notes from 1 to 55 form an integral part of these financial statements.

  
 Lahore Chief Executive Officer

  
Director

  
Chief Financial Officer

## STATEMENT OF COMPREHENSIVE INCOME

### For the year ended June 30, 2021

	2021	2020
	Rupees	Rupees
<b>Profit / (loss) after taxation</b>	7,559,400,077	(389,449,153)
<b>Other comprehensive income:</b>		
<b>Items that may not be subsequently reclassified to profit or loss account:</b>		
Re-measurement of post retirement benefits obligation	(1,883,022)	80,832,858
Deficit on revaluation of property, plant and equipment	(383,159,621)	-
Reversal of revaluation surplus on non-current asset held for sale	(299,652,524)	-
<b>Other comprehensive income</b>	(684,695,167)	80,832,858
<b>Total comprehensive income for the year</b>	<b>6,874,704,910</b>	<b>(308,616,295)</b>

The annexed notes from 1 to 55 form an integral part of these financial statements.

Lahore




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 Chief Executive Officer




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 Director




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 Chief Financial Officer

## STATEMENT OF CASH FLOWS

### For the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
<b><u>Cash flows from operating activities</u></b>			
Cash generated from operations	41	1,091,900,500	1,714,523,247
Interest / mark-up paid		(418,562,964)	(121,574,875)
Taxes paid	28	(250,428,211)	(197,780,221)
Post retirement benefits paid	13.2	(92,560,690)	(52,246,799)
<b>Net cash generated from operating activities</b>		<b>330,348,635</b>	<b>1,342,921,352</b>
<b><u>Cash flows from investing activities</u></b>			
Capital expenditure		(757,287,791)	(468,938,279)
Long term deposits - net		-	50,782,850
Advance against sale of asset		-	206,250,000
Proceeds from disposal of property, plant and equipment		10,305,373	5,230,778
Proceeds from sale of non-current asset held for sale		825,000,000	-
<b>Net cash generated from / (used in) investing activities</b>		<b>78,017,582</b>	<b>(206,674,651)</b>
<b><u>Cash flows from financing activities</u></b>			
Repayment of long term finances	45	(332,724,496)	(8,418,294)
Repayment of redeemable capital		(228,743,997)	-
Repayment of lease liabilities	45	(3,100,342)	(2,473,553)
Short term borrowings - net	45	(200,300,473)	(242,548,444)
Proceeds from issue of new shares		-	365,034,670
<b>Net cash (used in) / generated from financing activities</b>		<b>(764,869,308)</b>	<b>111,594,379</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(356,503,091)</b>	<b>1,247,841,080</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,016,477,278</b>	<b>(231,363,802)</b>
<b>Cash and cash equivalents at end of the year</b>	42	<b>659,974,187</b>	<b>1,016,477,278</b>

The annexed notes from 1 to 55 form an integral part of these financial statements.

Lahore


  
 Chief Executive Officer


  
 Director


  
 Chief Financial Officer

## STATEMENT OF CHANGES IN EQUITY

### For the year ended June 30, 2021

	Issued, subscribed and paid-up capital	Capital reserves						Surplus on revaluation of fixed assets	Accumulated losses	Total reserves	Total equity
		Share premium	Reserve on merger	Preference share redemption reserve	Post retirement benefits obligation reserve						
As at July 01, 2019	4,548,718,700	2,358,246,761	105,152,005	661,250,830	10,837,976	4,849,769,249	(11,470,421,777)	(3,485,164,956)	1,063,553,744		
Total comprehensive income for the year:											
Profit for the year ended June 30, 2020	-	-	-	-	-	-	-	(389,449,153)	(389,449,153)	(389,449,153)	
Other comprehensive income for the year ended June 30, 2020	-	-	-	-	80,832,858	-	-	-	80,832,858	80,832,858	
Total comprehensive income for the year	-	-	-	-	80,832,858	-	-	(389,449,153)	(308,616,295)	(308,616,295)	
Transaction with owners:											
Issue of right shares	365,034,670	-	-	-	-	-	-	-	-	365,034,670	
Transfer of incremental depreciation from surplus on revaluation of operating fixed assets	-	-	-	-	-	(107,493,002)	-	107,493,002	-	-	
As at June 30, 2020	4,913,753,370	2,358,246,761	105,152,005	661,250,830	91,670,834	4,742,276,247	(11,752,377,928)	(3,793,781,251)	1,119,972,119		
Total comprehensive income for the year:											
Profit for the year ended June 30, 2021	-	-	-	-	-	-	-	7,559,400,077	7,559,400,077	7,559,400,077	
Other comprehensive income for the year ended June 30, 2021	-	-	-	-	(1,883,022)	(383,159,621)	-	-	(385,042,643)	(385,042,643)	
Reversal of revaluation surplus on non-current assets held for sale	-	-	-	-	-	(299,652,524)	-	-	(299,652,524)	(299,652,524)	
Total comprehensive income for the year	-	-	-	-	(1,883,022)	(682,812,145)	-	7,559,400,077	6,874,704,910	6,874,704,910	
Transfer of incremental depreciation from surplus on revaluation of operating fixed assets	-	-	-	-	-	(103,436,350)	-	103,436,350	-	-	
Transfer of revaluation surplus on disposal of non-current asset held for sale	-	-	-	-	-	(541,086,563)	-	541,086,563	-	-	
As at June 30, 2021	4,913,753,370	2,358,246,761	105,152,005	661,250,830	89,787,812	3,414,941,189	(3,548,454,938)	3,080,923,659	7,994,677,029		

The annexed notes from 1 to 55 form an integral part of these financial statements.



**Chief Executive Officer**



**Director**



**Chief Financial Officer**

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended June 30, 2021

#### 1. Legal status and nature of business

Azgard Nine Limited ("the Company") was incorporated in Pakistan as a public limited company on April 7, 2004 and listed on Pakistan Stock Exchange Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh, and Unit IV at Atta Buksh Road, 18-km, off Ferozepur Road, Mouza Atari Saroba, Tehseel Cantt, Lahore. Unit IV is rented facility. Unit I and IV are operational. Unit II is non-operational and is being held for sale, whilst unit III has been sold and the full payment from the sale amount has been received.

#### 2. Basis of preparation

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

##### 2.2 Investment in Montebello s.r.l. ("MBL")

The Company had the following subsidiary at the start of the year ended June 30, 2018:

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

As mentioned in previous financial statements of the Company, during the year ended June 30, 2015, the Court of Vicenza, Italian Republic (the Court) granted bankruptcy proposal of the Italian Public Prosecutor and appointed trustee to manage affairs of MBL.

During the year June 30, 2018, the management, based on advice from the Company's legal counsel, has concluded that as result of ongoing bankruptcy proceedings and management of affairs of MBL by the Court-appointed trustee, the Company has ceased to exercise control over activities of MBL. Furthermore, in view of the guidance in International Financial Reporting Standard 10 'Consolidated Financial Statements', the management has concluded that the Company does not have the power to direct the relevant activities of MBL. Resultantly, the Company has ceased recognizing and presenting MBL as its subsidiary. Accordingly, the Company's investment in MBL has been presented as other investment - unquoted (note 21.1).

##### 2.3 Financial restructuring

The creditors' scheme of arrangement approved by the Honorable Lahore High Court (LHC) vide order dated July 31, 2019 has been finalized on 29 April, 2021 (Time Zero Date), during the current year. In accordance with the court approved scheme of the arrangement (the Scheme), the lenders were given three options ("Option A", "Option B", or "Option C") to opt, and the Company required to raise funds through right issue, sale of 28,022 TFCs of Agritech Limited and disposal of its two secondary units.

Lenders of "Option A" would be entitled to payment of 15% of Principal amount and payment of 10% of accrued interest amount upto Time Zero Date (i.e. April 29, 2021).

Lenders who opted for "Option B" were entitled to pro rata settlement against their Principal amount and conversion of their remaining principal into new finances under Settlement finance (refer to note 11.5) and Sub PPTFCs / sub Sukuk (refer to note 9.7 and 9.8), and payment of 10% of Zero Coupon PPTFC amount and accrued interest amount upto Time Zero Date.

Option C Lenders were entitled to pro rata settlement against their Principal amount and conversion of their remaining principal into new finances under Settlement finance (refer to note 11.5) and Sub PPTFCs / Sub Sukuk certificates (refer to note 9.7 and 9.8) against their Principal amount, and New zero coupon PPTFCs (refer to note 10) against their Zero Coupon PPTFC amount and accrued interest amount upto Time Zero Date.

In this respect, proceeds from right issue and sale of one unit had been received. Second unit is held for sale under IFRS - 5. The 28,022 TFCs of Agritech Limited have been classified as short term investments. Funds received from proceeds of right issue and sale one unit is distributed in accordance with the Scheme to lenders opting "Option A" (Interest + Principal) and "Option B" (Interest payment) and the remaining amount is distributed on pro-rata basis to lenders opting "Option B" and "Option C". The financial restructuring of the Company has significantly reduced the debt burden and finance cost of the Company.

## **2.4 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.

## **2.5 Use of estimates and judgments**

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

### **2.5.1 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 20.1.

### **2.5.2 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.

### **2.5.3 Fair values based on inputs from other than active market**

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

### **2.5.4 Taxation**

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

### **2.5.5 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.

### 2.5.6 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 revaluation 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. The Company uses accumulated depreciation elimination method for appropriate adjustment in financial statements.

### 2.5.7 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 June 30, 2021. 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 June 30, 2021.

### 2.5.8 Provision for doubtful debts, advances and other receivables

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

### 2.5.9 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.

## 2.6 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

## 3. Summary of significant accounting policies

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

### 3.1 Property, plant and equipment

#### *Owned*

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

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



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

The Company recognizes depreciation in the Statement of Profit or Loss by applying reducing balance method over the useful life of each item of property, plant and equipment using rates specified in note 20.1 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 Statement of Profit or Loss.

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

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the Statement of Profit or Loss, the increase is first recognized in the Statement of Profit or Loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the Statement of Profit or Loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Profit or Loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

### 3.3 Stores, spare parts and loose tools

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

### 3.4 Stock-in-trade

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

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

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

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

### 3.5 Employee benefits

#### ***Short-term employee benefits***

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

#### ***Post-employment benefits*** ***Defined benefit plan***

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment

subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the Scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2021.

### 3.6 Financial instruments

Financial assets and financial liabilities are recognized in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Profit or Loss.

#### 3.6.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

##### Classification of financial assets

#### a) Debt instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost.

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries cash and cash equivalents, trade receivables, due from related parties and employees' advances at amortized cost.

#### b) Debt instruments measured at Fair Value Through Other Comprehensive Income (FVTOCI)

Debt instruments that meet specified conditions and are measured subsequently FVTOCI.

As at reporting date, the Company does not hold any debt instrument classified as at FVTOCI.

#### c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company does not hold any equity instruments designated as at FVTOCI.

**d) Financial assets measured subsequently at Fair Value Through Profit or Loss (FVTPL)**

By default, all other financial assets are measured subsequently through FVTPL.

As at reporting date, the Company does not possess any financial assets classified as at FVTPL.

**Impairment of financial assets**

The Company recognizes a loss allowance for Expected Credit Losses (ECL) on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL for trade receivables using simplified approach. The expected credit losses on these financial assets are determined using probability based estimation of future expected cash flows under different scenarios, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**(i) Definition of default:**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**(ii) Credit-impaired financial assets:**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

**Write-off policy**

The Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in the Statement of Profit or Loss.

### **Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the Statement of Profit or Loss.

### **3.6.2 Financial liabilities**

Subsequent measurement of financial liabilities

Financial liabilities that are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

### **Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Statement of Profit or Loss.

### **3.7 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

### **3.8 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 Statement of Profit or Loss over the period of the borrowings on an effective interest rate basis.

### **3.9 Leases**

#### **3.9.1 Right-of-use asset**

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the reducing balance method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

### 3.9.2 Lease liability

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if there is a change in Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in the Statement of Profit or Loss if the carrying amount of the right of use asset has been reduced to zero.

### 3.10 Trade and other payables

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

### 3.11 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue from local sales is recognized when goods are dispatched to customers and export sales are recognized on shipment of goods (when performance obligation meets). Export rebate is recognized on accrual basis at the time of making the export sales.

Dividend income from investment is recognized when the Company's right to receive dividend is established.

### 3.12 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in the Statement of Profit or Loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in the Statement of Comprehensive Income.

#### Current tax

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

### ***Deferred taxation***

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

### **3.13 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.

### **3.14 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 values, and are used by the Company in the management of its short-term commitments.

### **3.15 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 of yarn using natural and artificial fibers), Weaving (production of different qualities of fabric using yarn), and Garments (manufacturing of garments using processed fabric).

### **3.16 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.

**3.17 Dividend distribution**

Dividend is recognized as a liability in the period in which it is declared.

**3.18 Non-current assets held for sale**

Non-current assets held for sale are presented separately in the statement of financial position when the following criteria are met: the Company is committed to selling the assets, an active plan of sale has commenced, and in the judgement of the management it is highly probable that the sale will be completed within 12 months. Assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets classified as held for sale are no longer depreciated from July 01, 2019. As of June 30, 2021, assets held for sale mainly of the assets geographically located at Muzaffargarh. These assets have been classified as held for sale considering the factors explained in note 4. The Company is expecting to dispose off these assets in the coming year.

**4. Non-current assets held for sale**

As mentioned in note 2.3, in accordance with the Scheme, one unit of the Company (Stitching Unit at Ferozpur Road, Lahore) has been sold, and resultant proceeds have been distributed as per approved creditor's scheme of arrangement. Spinning Unit at Alipur Road, Muzaffargarh is classified as non-current assets held for sale as at the reporting date, in accordance with International Financial Reporting Standards "Non-Current Assets Held for Sale and Discontinued Operations" (IFRS - 5). Major assets of this unit comprise of freehold land, building thereon and plant & machinery. The Company has received bids for Spinning Unit at Alipur Road, Muzaffargarh, therefore it is recognized at bid value (FV in current situation), and the Company expects to enter into a sale agreement in a year.

The carrying amounts of assets are as follows:

	<b>2021</b>	2020
	<b>Rupees</b>	Rupees
Freehold land	<b>490,319,272</b>	1,341,000,800
Buildings on freehold land	<b>299,680,728</b>	669,532,163
Plant and machinery	<b>452,110,635</b>	1,107,183,001
Furniture, fixtures and office equipment	<b>1,329,260</b>	8,160,034
Vehicles	<b>558,014</b>	1,257,355
Tools and equipment	<b>12,539,051</b>	31,783,674
Electrical installations	<b>7,463,040</b>	20,179,341
	<b><u>1,264,000,000</u></b>	<u>3,179,096,368</u>

**5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021**

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from Accounting period beginning on or after</b>
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
- Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material January 01, 2020
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform January 01, 2020

## 5.2 'New accounting standards, amendments and IFRS interpretations that are not yet effective'

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

### Effective from annual period beginning on or after:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) January 01, 2021
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021 April 01, 2021
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework January 01, 2022

### Effective from annual period beginning on or after:

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use January 01, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract January 01, 2022
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies January 01, 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates January 01, 2023

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

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

- FRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts



6	<b>Share capital</b>	Note	2021 Rupees	2020 Rupees
	<b><u>Authorized share capital</u></b>			
	Ordinary shares of Rs. 10 each			
	900,000,000 (2020: 900,000,000) voting shares		9,000,000,000	9,000,000,000
	300,000,000 (2020: 300,000,000) non-voting shares		3,000,000,000	3,000,000,000
			<b>12,000,000,000</b>	12,000,000,000
	Preference shares of Rs. 10 each			
	300,000,000 (2020: 300,000,000) non-voting shares		3,000,000,000	3,000,000,000
			<b>3,000,000,000</b>	3,000,000,000
			<b>15,000,000,000</b>	15,000,000,000
	<b><u>Issued, subscribed and paid up capital</u></b>			
	Voting ordinary shares of Rs. 10 each			
	359,773,025 (2020: 359,773,025) shares fully paid in cash		3,597,730,250	3,597,730,250
	62,548,641 (2020: 62,548,641) shares issued as paid bonus shares		625,486,410	625,486,410
	12,276,073 (2020: 12,276,073) shares issued as consideration for machinery		122,760,730	122,760,730
	50,811,992 (2020: 50,811,992) shares issued as consideration on merger		508,119,920	508,119,920
			<b>4,854,097,310</b>	4,854,097,310
	Non-voting ordinary shares of Rs. 10 each			
	5,196,894 (2020: 5,196,894) shares fully paid in cash		51,968,940	51,968,940
	768,712 (2020: 768,712) shares issued as fully paid bonus shares		7,687,120	7,687,120
			<b>59,656,060</b>	59,656,060
		6.1	<b>4,913,753,370</b>	4,913,753,370

**6.1** As at June 30, 2021, Jahangir Siddiqui & Co. Limited holds 120,657,363 (2020: 120,657,363) number of voting ordinary shares of the Company.

## 7 Reserves

Share premium	7.1	2,358,246,761	2,358,246,761
Merger reserve	7.2	105,152,005	105,152,005
Redemption of preference shares	7.3	661,250,830	661,250,830
Post retirement benefits obligation reserve	7.4	89,787,812	91,670,834
		<b>3,214,437,408</b>	3,216,320,430

### 7.1 Share premium

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

### 7.2 Merger reserve

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

### 7.3 Preference shares redemption reserve

This reserve has been created for redemption of preference shares issued by the Company as required to be created and maintained under the terms of issue and Companies Act, 2017.

### 7.4 Post retirement benefits obligation reserve

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

		2021 Rupees	2020 Rupees
<b>8</b>	<b>Surplus on revaluation of fixed assets</b>		
	As at beginning of the year	4,742,276,247	4,849,769,249
	Less: deficit on revaluation during the year	(383,159,621)	-
	Less: incremental depreciation transferred to accumulated losses	(103,436,350)	(107,493,002)
	Less: revaluation surplus transferred to accumulated losses on sale of non current assets held for sale	(541,086,563)	-
	Less: revaluation surplus transferred to accumulated losses on non current assets held for sale	-	-
		(299,652,524)	-
	As at end of the year	<b>3,414,941,189</b>	<b>4,742,276,247</b>
<b>9</b>	<b>Redeemable capital - secured</b>		
	Term Finance Certificates - II	-	651,066,836
	Privately Placed Term Finance Certificates - IV	-	949,075,824
	Term Finance Certificates - V	-	527,682,637
	Privately Placed Term Finance Certificates - VI	-	3,218,300,030
	Privately Placed Term Finance Certificates	250,602,457	326,456,184
	Privately Placed Term Finance Certificates	166,732,493	217,200,000
	Sub-Privately Placed Term Finance Certificates	3,056,480,000	-
	Sub-Sukuk certificates	193,520,000	-
		<b>3,667,334,950</b>	<b>5,889,781,511</b>
	Less: transaction costs	(105,543,675)	(53,187,020)
		<b>3,561,791,275</b>	<b>5,836,594,491</b>
	Less: current maturity presented under current liabilities	-	(5,836,594,491)
		<b>3,561,791,275</b>	<b>-</b>

**9.1** These Term Finance Certificates - II ("TFC - II") had been issued by way of private placements and public subscription and were listed on Pakistan Stock Exchange Limited. The total outstanding TFCs in issue are 400,184 certificates of Rs. 5,000. During the year, the outstanding amount payable against these TFCs has been settled / restructured as per the terms of the Honorable Lahore High Court Approved Scheme of Arrangement (the Scheme) as on Time Zero Date. As a result of restructuring, major part of TFC-II extinguished in the current year through cash settlement, write-off, conversion into Settlement Finance (note 11.5), Sub PPTFCs / Sub Sukuk Certificates (note 9.7 & 9.8). Post restructuring settlements, the remaining amount of these TFCs was also fully repaid by the Company from own sources on June 29, 2021. As at the reporting date, no amount is payable against these TFCs.

**9.2** These Privately Placed Term Finance Certificates - IV ("PPTFC - IV") had been issued by way of private placements. The total issue comprised of 500,000 certificates of Rs. 5,000 each. During the year, the outstanding amount payable against these PPTFCs has been settled / restructured as per the terms of the Scheme as on date. As a result of restructuring, major part of PPTFCs-IV extinguished in the current year through cash settlement, write-off, conversion into Settlement Finance (note 11.5) and Sub PPTFCs (note 9.7). Post restructuring settlements, the remaining amount of these PPTFCs was also fully repaid by the Company from own sources at June 29, 2021. As at the reporting date, no amount is payable against these PPTFCs.

**9.3** These Term Finance Certificates - V ("TFC - V") represented 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. During the year the outstanding amount payable against these PPTFCs has been settled / restructured as per the terms of the Scheme as on date. As a result of restructuring, major part of TFC-V extinguished in the current year through cash settlement, write-off, conversion into Settlement Finance (note 11.5) and Sub PPTFCs (note 9.7). Post restructuring settlements, the remaining amount of these PPTFCs was also fully repaid by the Company from own sources at June 29, 2021. As at the reporting date, no amount is payable against these PPTFCs.

- 9.4 These Privately Placed Term Finance Certificates - VI ("PPTFC - VI") represented restructuring of outstanding mark-up amounting to Rs. 3,218.67 million related to long term debts and short term borrowings till March 31, 2012. During the year the outstanding amount payable against these PPTFCs has been settled / restructured as per the terms of the Scheme as on date. As a result of restructuring, PPTFCs-VI extinguished in the current year through cash settlement, waivers and conversion into New Zero Coupon PPTFCs (note 10). As at the reporting date, no amount is payable against these PPTFCs.
- 9.5 These Privately Placed Term Finance Certificates ("PPTFCs") were issued in 2012 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 comprises of 12 PPTFCs having face value of Rs. 27.21 million each. During the year, certain portion of these PPTFCs has been settled through cash and conversion into Settlement Finance (note 11.5). The original terms of this issue stand restructured as per the Scheme. The revised terms and conditions of the issue are as follows:

**Principal redemption**

As per the terms of the Scheme, the balance long term financing shall be restructured for 10 years from Time Zero Date with 2 years grace period. Based on the projected cash flows of the Company, the redemption of these PPTFCs has been presented as in twenty equal quarterly installments starting from July 29, 2023 and ending on April 29, 2028 but as per the terms of Approved Scheme the maximum tenor for redemption of these PPTFCs is ten years from Time Zero Date.

**Return on PPTFCs**

The issue carries a fixed mark-up rate at 5% per annum.

**Trustee**

In order to protect the interests of PPTFC holders, JS Bank Limited has been appointed as Trustee under a Trust Deed for the issue of PPTFCs entered on October 23, 2012.

**Security**

For detail of securities, refer to note 9.10

- 9.6 These Privately Placed Term Finance Certificates ("PPTFCs") were issued by way of Settlement Agreement ("the Agreement") between the Company and lenders dated October 22, 2012 effective from October 19, 2012. The total issue comprised of 21,720 PPTFCs having face value of Rs. 10,000 each. During the year, certain portion of these PPTFCs has been settled through cash and conversion into Settlement Finance (note 11.5). The original terms of this stand restructured as per the Scheme. The revised terms and conditions of the issue are as follows:

**Principal redemption**

As per the terms of the Scheme, the balance long term financing shall be restructured for 10 years from date with 2 years grace period. Based on the projected cash flows of the company, the redemption of these PPTFCs has been presented as in twenty equal quarterly installments starting from July 29, 2023 and ending on April 29, 2028 but as per the terms of Approved Scheme the maximum period for redemption of these PPTFCs is ten years from Time Zero Date.

**Return on PPTFCs**

The issue carries a fixed mark-up rate at 5% per annum.

**Trustee**

In order to protect the interests of PPTFC holders, JS Bank Limited has been appointed as Trustee under a Trust Deed for the issue of PPTFCs entered on October 23, 2012.

**Security**

For detail of securities, refer to note 9.10

- 9.7 These Privately Placed Term Finance Certificates ("Sub PPTFCs") represent restructuring of outstanding principal amounting to Rs. 3,056 million related to long term debts and short term borrowings till April 29, 2021 as per the terms of the Honorable Lahore High Court approved Scheme of Arrangement (the "Approved Scheme") and are to be issued to existing creditors of the Company who had opted for settlement Option "B" and "C" of the Scheme. The total issue will comprise of 611,296 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue are as follows:

**Principal redemption**

Based on the projected cash flows of the Company, the principal redemption of Sub PPTFCs is structured to be in twenty equal quarterly installments starting from July 29, 2023 and ending on April 29, 2028 but as per the terms of Approved Scheme the maximum tenor for redemption of these PPTFCs is ten years from Time Zero Date.

**Return on Sub PPTFCs**

The issue carries profit at fixed rate of 5% per annum, payable only if excess cash is available with the Company. In case excess cash is not available, the annual markup payable will be converted into zero coupon unsecured PPTFCs. The zero coupon unsecured PPTFCs shall be paid at a future date as per the Company's available cash flows within 10 years from Time Zero Date after payment of all other long term liabilities (except the New Zero-Coupon PPTFCs) as per clause 13(v) of the scheme.

**Investment agent**

In order to protect the interests of PPTFC holders, Pak Brunei Investment Company Limited has been appointed as Investment agent under the Sub PPTFCs issuance agreement in order to safeguard the rights and interest of Sub PPTFC holders.

**Security**

For detail of securities, refer to note 9.10

- 9.8 These Privately Placed Sukuk Certificates ("Sub Sukuk Certificates") represent restructuring of outstanding principal amounting to Rs. 193.52 million related to long term debts and short term borrowings till April 29, 2021 as per the terms of the Honourable Lahore High Court approved Scheme of Arrangement ("Approved Scheme") and are to be issued to Faysal Bank Limited. The total issue comprises of 38,704 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue are as follows:

**Principal redemption**

Based on the projected cash flows of the Company, the principal redemption of Sub Sukuk Certificates is structured to be in twenty equal quarterly installments starting from July 29, 2023 and ending on April 29, 2028 but as per the terms of Approved Scheme the maximum tenor for redemption of these Sub Sukuk Certificates is ten years from Time Zero Date.

**Return on Sub PPTFCs**

The issue carries profit at fixed rate of 5% per annum, payable only if excess cash is available with the Company. In case excess cash is not available, the annual markup payable will be converted into sub Sukuk unsecured Certificates. The sub Sukuk unsecured Certificates shall be paid at a future date as per the Company's available cash flows within 10 years from Time Zero Date after payment of all other long term liabilities (except the New Zero-Coupon PPTFCs) as per clause 13(v) of the scheme.

**Investment Agent**

In order to protect the interests of Sub Sukuk Certificates holder, Pak Brunei Investment Company Limited has been appointed as investment agent under the Sub Sukuk Investment agency agreement in order to safeguard the rights and interest of Sub Sukuk Certificates holder.

**Security**

For detail of securities, refer to note 9.10

9.9	Transaction costs	Note	2021 Rupees	2020 Rupees
	As at beginning of the year		53,187,020	26,735,194
	Capitalized / transferred during the year		56,111,522	31,753,452
	Less: amortized during the year	37	(3,754,867)	(5,301,626)
	As at end of the year		<b>105,543,675</b>	<b>53,187,020</b>

#### 9.10 Common security

All redeemable capital and long term finances are secured by way of common security which is as follows:

- First priority hypothecation and mortgage charge of Rs. 23,809 million each in favor of National Bank of Pakistan, as security trustee
- Personal Guarantee of Sponsor Director

#### 10. New zero coupon privately placed term finance certificates

These New Zero Coupon Privately Placed Term Finance Certificates ("New Zero Coupon PPTFCs") are issued to Option "C" Creditors of the Company as per the terms of the Honourable Lahore High Court approved Scheme of Arrangement. These PPTFCs are issued to them against their Zero Coupon PPTFCs (TFC-VI) exposure as at date and their outstanding mark-up on long term debts and short term borrowings till April 29, 2021. The total issue comprises of 1,020,702 PPTFCs having face value of Rs. 5,000 each. The terms and conditions of the issue are as follows:

##### Principal redemption

The principal redemption of New Zero Coupon PPTFCs is structured to be one time bullet payment on April 29, 2031.

##### Return on New Zero Coupon PPTFCs

The issue carries nil return.

##### Investment Agent

In order to protect the interests of New Zero Coupon PPTFC holders, Pak Brunei Investment Company Limited has been appointed as Investment agent to safeguard the rights and interest of New Zero Coupon PPTFC Holders.

##### Security

The issue is secured by:

Ranking hypothecation and Mortgage charge in favor of the Security Agent i.e. National Bank of Pakistan over the hypothecated assets in the amount of up to Rs. 7,000 million each.

Personal Guarantee of Sponsor Director

11	<b>Long term finances - secured</b>	Note	<b>2021 Rupees</b>	2020 Rupees
	Deutsche Investitions - Und MBH (Germany)	11.1	-	1,324,295,017
	Saudi Pak Industrial and Agricultural Company Limited	11.2	-	43,251,155
	Meezan Bank Limited	11.3	-	234,568,765
	Citi Bank N.A (Pakistan)	11.4	-	565,781,488
	Settlement finance under restructuring scheme	11.5	<b>1,081,208,932</b>	-
			<b>1,081,208,932</b>	2,167,896,425
	Less: transaction costs	11.6	-	(15,976,280)
			<b>1,081,208,932</b>	2,151,920,145
	Less: current maturity presented under current liabilities	14	-	(2,151,920,145)
			<b>1,081,208,932</b>	-

**11.1** This Loan was obtained from Deutsche Investitions - Und MBH (Germany) ("DEG") during year 2006 - 2007 to finance the setup of new textile and apparel project. During the current year, as per the Scheme option A has been adopted by the lender, so the outstanding amount payable against DEG loan has been fully settled through cash payment and write-off as per the Scheme. As at the reporting date, no amount is payable against this loan.

**11.2** This finance had been obtained from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements of the Company. During the year, as per the Scheme option C has been adopted by the lender, so the outstanding amount payable against these this loan has been settled / restructured as per the terms of the Scheme as on Time Zero Date. As a result of restructuring, major part of this finance extinguished in the current year through cash settlement, conversion into Settlement Finance (note 11.5) and Sub PPTFCs (note 9.7). Post restructuring settlements, the remaining amount of loan was also fully repaid by the Company from own sources at June 29, 2021. As at the reporting date, no amount is payable against this loan.

**11.3** This finance had been obtained from Meezan Bank Limited for long term working capital requirements of the Company. During the current year, as per the Scheme option A has been adopted by the lender, so the outstanding amount payable against this loan has been fully settled through cash payment and write-off as per the Scheme as on Time Zero Date. As at the reporting date, no amount is payable against this loan.

**11.4** As per Master Restructuring Agreement (MRA) dated on December 1, 2010, this finance facility had been converted into long term loan from various short term borrowings from Citi Bank N.A. During the current reporting year, as per the Scheme option A has been adopted by the lender, so the outstanding amount payable against this loan has been fully settled through cash payment and write-off as per the Scheme as on Time Zero Date. As at the reporting date, no amount is payable against this loan.

**11.5** This Settlement Finance has been created as per Clause 5.2 (c) & 5.3(c) of the Scheme and represents the amount payable to Option "B" and "C" creditors within 2 years from Time Zero Date (April 29, 2021) from the sale proceeds of 28,022 AGL PPTFCs and Unit-II of the Company classified as held for sale under IFRS - 5 ("Non-current Assets Held for Sale and Discontinued Operations"). The terms and conditions of the Settlement Finance are as follows:

**Principal repayment**

The Settlement Finance is to be settled from the sale proceeds of 28,022 AGL PPTFCs and Unit-II (Muzaffargarh unit) of the Company. In case the net proceeds (net of mark-up on Settlement Finance and Restructuring expenses) received in Escrow account are more than the outstanding settlement finance amount then after total repayment of settlement finance amount, short term financing and new Sub PPTFCs / Sub Sukuk Certificates will be adjusted from these excess funds.

**Return on Term Loan**

This carries a fixed mark-up rate at 5% per annum which will be paid from the sale proceeds of Unit II (as per clause 5.2 (c) and 5.3 (c) of the Scheme)

**Security**

The issue is secured by:

- The original title deeds of Muzaffargarh property documents are held as security with Escrow Agent Bank i.e. Summit Bank Limited.

- Common Security (refer to note 9.10)

The Company has recognised the settlement finance as non-current liability which is to be paid from the proceeds to be obtained on the sale of Muzaffargarh plant which is classified as Held for sale (note 4).

		2021 Rupees	2020 Rupees
<b>11.6 Transaction costs</b>	<b>Note</b>		
As at beginning of the year		15,976,280	8,593,908
Capitalised during the year		-	9,839,275
Less: amortized / transferred during the year	9.9	(15,976,280)	(2,456,903)
As at end of the year		-	15,976,280
<b>12 Lease liabilities</b>			
As at beginning of the year		10,178,526	9,869,079
Recognized during the year		-	2,783,000
Interest expense for the year		653,913	1,229,298
Payments made during the year		(3,754,255)	(3,702,851)
As at end of the year		7,078,184	10,178,526
Current portion of lease liability	14	2,405,611	3,060,837
Non-current portion of lease liability		4,672,573	7,117,689
<b>13 Deferred liability</b>			
Gratuity payable		495,679,868	383,204,296

The Company operates a defined benefit plan comprising an un-funded gratuity scheme for its permanent employees.

	2021 Rupees	2020 Rupees
<b>13.1 Amounts recognized in the statement of financial position</b>		
Present value of the defined benefit obligation	519,739,945	419,524,491
Benefits due but not paid - recognized as current liability	(24,060,077)	(36,320,195)
Net liability recognized in the statement of financial position	495,679,868	383,204,296
<b>13.2 Movement in the present value of the defined benefit obligation</b>		
Obligation at the beginning of the year	419,524,491	368,530,545
Current service cost	161,733,531	139,640,129
Interest cost	29,159,591	44,433,474
Benefits paid during the year	(92,560,690)	(52,246,799)
Actuarial gain / (loss) during the year	2,701,245	(8,204,946)
Experience adjustments	(818,223)	(72,627,912)
Obligation at the end of the year	519,739,945	419,524,491

	2021 Rupees	2020 Rupees
<b>13.3 Movement in liability</b>		
At the beginning of the year	419,524,491	368,530,545
Charge for the year	190,893,122	184,073,603
Remeasurements chargeable in other comprehensive income	1,883,022	(80,832,858)
Benefits paid	(92,560,690)	(52,246,799)
At the end of the year	<u>519,739,945</u>	<u>419,524,491</u>
<b>13.4 Amount recognized in the Statement of Profit or Loss</b>		
Current service cost	161,733,531	139,640,129
Interest cost	29,159,591	44,433,474
	<u>190,893,122</u>	<u>184,073,603</u>
<b>13.5 Amount chargeable to other comprehensive income</b>		
Actuarial losses from changes in financial assumptions	2,701,245	(8,204,946)
Experience adjustments	(818,223)	(72,627,912)
	<u>1,883,022</u>	<u>(80,832,858)</u>
<b>Expense recognized in following line items in the Statement of Profit or Loss</b>		
Cost of sales	159,220,262	148,884,773
Selling and distribution expenses	20,793,134	12,930,714
Administrative expenses	10,879,726	22,240,683
	<u>190,893,122</u>	<u>184,056,170</u>
<b>13.6 Principal actuarial assumptions used were as follows</b>		
Discount rate used for interest cost in profit and loss account	8.50%	14.25%
Discount rate used for year end obligation	10.00%	8.50%
Future salary increase per annum	9.00%	7.50%
Mortality rates	SLIC 2001-2005	SLIC 2001-2005
Withdrawal factor	Age Based	Age Based
Retirement age of the employee	60 years	60 years

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

	2021	
	Impact on defined benefit obligation	
	1% Increase in assumption	1% Decrease in assumption
Discount rate	461,031,601	535,738,413
Salary growth rate	537,249,028	459,038,873
	2020	
	Impact on defined benefit obligation	
	1% Increase in assumption	1% Decrease in assumption
Discount rate	356,492,902	414,194,540
Salary growth rate	415,428,293	354,886,404



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

14. Current portion of non-current liabilities	Note	2021 Rupees	2020 Rupees
Preference shares of Rs.10 each (2020 : Rs.10 each)	14.1	148,367,255	148,367,255
Redeemable capital - <i>secured</i>	9	-	5,836,594,491
Long term finances - <i>secured</i>	11	-	2,151,920,145
Lease liabilities	12	2,405,611	3,060,837
		<b>150,772,866</b>	<b>8,139,942,728</b>

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

At the reporting date, entire outstanding amount of preference shares were overdue, refer to note 44.2.2 for details. The Company intends to settle its remaining liability towards preference shares through conversion into a fresh issue of financial instruments, cash or other settlement options.

## 15. Short term borrowings

### Secured

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

	Note	2021 Rupees	2020 Rupees
Running finance	15.1&15.2	255,996,326	341,996,838
Term loan	15.1&15.2	1,108,943,513	4,114,601,624
Morabaha / LPO	15.1&15.2	4,535,181	158,490,103
Bills payable	15.1-15.3	54,214,015	452,440,528
		<b>1,423,689,035</b>	<b>5,067,529,093</b>

- 15.1 These facilities have been obtained from various banking companies and financial institutions for working capital requirements and are secured by common security, lien over firm export orders / documents, demand promissory notes, counter guarantees and pledge of stocks etc.

Mark-up on these finances is payable quarterly / semi-annually. Local currency finances carry mark-up at three months KIBOR plus 1.00% per annum (2020: one to twelve months KIBOR plus 1.00% per annum). Mark-up on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of 2.00% per annum plus banks' spread of 1.00% per annum (2020: 2.00% per annum plus banks' spread of 1.00% per annum). Morabaha carry mark-up at rate three months KIBOR plus 1.00% per annum (2020: six to twelve months KIBOR plus 1.00% to 3.00% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.10% to 0.40% per quarter (2020: 0.10% to 0.40% per quarter). Certain finances also carry a penalty interest / mark-up.

At the reporting date, there is nil (2020: principal amounts to Rs. 474.02 million and markup amounts to Rs. 2,185.38 million) overdue amount in respect of short term borrowings.

- 15.2 The aggregate available short term funded facilities amount to Rs. 2,165.02 million (2020: Rs. 6,637.27 million) out of which Rs. 242.17 million (2020: Rs. 1,210.49 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit amounts to Rs. 300 million (2020: Rs. 602.18 million) of which the limits remaining unutilized as at the reporting date amounts to Rs. 245.79 million (2020: Rs. 149.74 million).

15.3 At the reporting date, no bills payable (2020: Rs. 337.50 million) and no interest / mark-up (2020: Rs. 343.34 million) are overdue.

		<b>2021</b>	2020
	<b>Note</b>	<b>Rupees</b>	Rupees
<b>16 Trade and other payables</b>			
Trade and other creditors		<b>1,778,164,708</b>	894,882,806
Accrued liabilities		<b>702,480,069</b>	548,267,855
Tax deducted at source		<b>18,335,939</b>	17,429,571
Workers' profits participation fund	16.1	<b>37,388,138</b>	-
Other payables		<b>9,310,604</b>	14,226,180
		<b>2,545,679,458</b>	1,474,806,412
<b>16.1 Workers' profits participation fund</b>			
Balance at the beginning of the year		-	26,384,272
Allocation for the year	36	<b>37,388,138</b>	-
		<b>37,388,138</b>	26,384,272
Less: payments during the year		-	(26,384,272)
Balance at the end of the year		<b>37,388,138</b>	-
<b>17 Interest / mark-up accrued on borrowings</b>			
Redeemable capital - <i>secured</i>		<b>181,307,384</b>	2,545,432,052
Long term finances - <i>secured</i>		<b>9,330,981</b>	1,362,728,165
Short term borrowings - <i>secured</i>		<b>9,428,017</b>	2,612,785,827
		<b>200,066,382</b>	6,520,946,044

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

#### 18. Dividend payable on preference shares

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

#### 19 Contingencies and commitments

##### 19.1 Contingencies

19.1.1 The Company has not accrued expense relating to Gas Infrastructure Development Cess ("GIDC") billed to the Company prior to the promulgation of The Gas Infrastructure Development Cess, 2015. Total amount billed to the Company till June 30, 2021 is Rs. 98.19 million (2020: Rs. 123.84 million). This is in lieu of stay order granted by Honourable Lahore High Court against GIDC arrears in SNGPL bills. Also, as per the advice of the Company's legal advisor, the management is of the view that it has arguable case and a favourable decision is expected.

19.1.2 The Company has issued indemnity bonds amounting to Rs. 1.63 billion (2020: 1.29 billion) 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.

19.1.3 Counter Guarantees given by the Company to its bankers as at the reporting date amount to Rs. 266.44 million (2020: Rs. 201.49 million).

19.1.4 Bills discounted as at reporting date aggregated to Rs. 2,627.60 million (2020: Rs. 868.98 million).

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

**19.1.6** Other cases involving point of law are subject to adjudication before Honorable Lahore High Court and other forums.

**19.1.7** Taybah Capital Limited ("TCL"), a company based in United Arab Emirates, has taken over the liquidation process of M/S Montebello S.R.L (MBL). Through writ of summon dated March 31, 2021, TCL instituted claim of EUR 7 million on account of quantification of damages against the Company.

The Company has engaged legal advisor for contesting this case in the Court of Venice, Italy. As per the legal advisor of the Company, no material implication is expected in respect of this case. Hence, no provision is recorded as at the reporting date.

<b>19.2</b>	<b>Commitments</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
			<b>Rupees</b>	<b>Rupees</b>
<b>19.2.1</b>	<b>Commitments under irrevocable letters of credit for:</b>			
	- purchase of plant, machinery and loose tools		<b>82,158,945</b>	27,599,517
	- purchase of dyes and chemicals		<b>65,028,427</b>	33,199,186
			<b>147,187,372</b>	<b>60,798,703</b>
<b>19.2.2</b>	Commitments for capital expenditure		<b>200,921,358</b>	<b>57,177,007</b>
<b>20</b>	<b>Property, plant and equipment</b>			
	Operating fixed assets	20.1	<b>9,938,195,993</b>	9,996,709,467
	Capital work in progress - <i>at cost</i>	20.2	<b>286,900,952</b>	247,931,712
	Right of use asset	20.3	<b>7,494,027</b>	9,367,534
			<b>10,232,590,972</b>	<b>10,254,008,713</b>

## 20.1 Operating fixed assets

Particulars	2021										Net Book Value as at June 30, 2021	
	Cost / Revalued amount					Depreciation					As at June 30, 2021	2021
	As at July 01, 2020	Revaluation Surplus/(Deficit)	Additions	Disposals	Revaluation adjustment	As at June 30, 2021	Rate %	As at July 01, 2020	For the year	Disposals	Revaluation adjustment	
Rupees												
<b>Owned assets</b>												
Freehold land	1,259,170,000	57,235,000	-	-	-	1,316,405,000	-	-	-	-	-	1,316,405,000
Buildings on freehold land	2,810,246,977	135,830,617	118,241,378	-	(837,969,446)	2,226,349,526	2.5	786,069,883	51,899,563	-	(837,969,446)	2,226,349,526
Plant and machinery	11,839,550,221	(576,225,238)	564,450,403	(32,326,326)	(5,754,564,727)	6,040,884,333	4-5	5,479,152,969	292,675,133	(17,263,375)	(5,754,564,727)	6,040,884,333
Furniture, fixtures and office equipment	205,226,331	-	9,075,092	-	-	214,301,423	10	133,976,024	7,436,069	-	-	141,412,093
Vehicles	52,515,190	-	3,307,050	(202,400)	-	55,619,840	20	39,209,305	3,197,533	(193,067)	-	42,213,771
Tools and equipment	416,473,172	-	20,046,918	-	-	436,520,090	10	240,883,252	18,519,058	-	-	259,402,310
Electrical installations	195,398,892	-	7,964,619	-	-	203,363,511	10	102,579,883	9,639,673	-	-	112,219,556
<b>Grand Total</b>	<b>16,778,580,783</b>	<b>(383,159,621)</b>	<b>723,085,460</b>	<b>(32,528,726)</b>	<b>(6,592,534,173)</b>	<b>10,493,443,723</b>		<b>6,781,871,316</b>	<b>383,367,029</b>	<b>(17,456,442)</b>	<b>(6,592,534,173)</b>	<b>9,938,195,993</b>
Rupees												
2020												
	As at July 01, 2019	Revaluation Surplus/(Deficit)	Additions	Disposals	Revaluation adjustment	As at June 30, 2020	Rate %	As at July 01, 2019	For the year	Disposals	Revaluation adjustment	Net Book Value as at June 30, 2020
Rupees												
<b>Owned assets</b>												
Freehold land	1,259,170,000	-	-	-	-	1,259,170,000	-	-	-	-	-	1,259,170,000
Buildings on freehold land	2,786,495,090	-	23,751,887	-	-	2,810,246,977	2.5	734,572,986	51,496,897	-	-	2,824,177,094
Plant and machinery	11,660,167,036	-	187,980,912	(8,597,727)	-	11,839,550,221	4-5	5,191,526,030	291,824,686	(4,197,747)	-	6,360,397,252
Furniture, fixtures and office equipment	188,003,192	-	17,223,139	-	-	205,226,331	10	126,717,417	7,258,607	-	-	212,984,938
Vehicles	45,252,849	-	8,983,301	(1,720,960)	-	52,515,190	20	38,718,365	2,112,685	(1,621,745)	-	52,806,100
Tools and equipment	387,658,112	-	28,815,060	-	-	416,473,172	10	222,409,398	18,473,854	-	-	434,947,026
Electrical installations	152,247,656	-	43,151,236	-	-	195,398,892	10	95,036,467	7,543,416	-	-	202,942,308
<b>Grand Total</b>	<b>16,478,993,935</b>	<b>-</b>	<b>309,905,535</b>	<b>(10,318,687)</b>	<b>-</b>	<b>16,778,580,783</b>		<b>6,408,980,663</b>	<b>378,710,145</b>	<b>(5,819,492)</b>	<b>-</b>	<b>9,996,709,467</b>

20.1.1 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage of immovable property	Total area (in acres)	Covered area (in sq.ft)
Manga	Manufacturing facility	71.54	1,389,022
Muzaffar Garh	Manufacturing facility	59.19	595,918
<b>20.1.2</b>	<b>The depreciation charge for the year has been allocated as follows:</b>	<b>Note</b>	
		<b>2021</b>	<b>2020</b>
		<b>Rupees</b>	<b>Rupees</b>
Cost of sales	<b>32</b>	<b>370,859,921</b>	369,764,082
Administrative expenses	<b>34</b>	<b>12,507,108</b>	11,113,985
		<b>383,367,029</b>	<b>380,878,067</b>

20.1.3 The Company follows the revaluation model for its Freehold land, Building on freehold land, and Plant & Machinery. The fair value measurement of Freehold land, Building on freehold land and Plant & Machinery as at June 30, 2021 was performed by MYK Associates (Pvt) Limited, independent valuer not related to the Company. MYK Associates (Pvt.) Limited is on panel of Pakistan Banks Association as 'any amount' asset valuator. It is also on panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations.

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

Had there been no revaluation the cost, accumulated depreciation and net book value of the revalued property plant and equipment as at June 30, 2021 would be as follows:

	2021		
	Cost	Accumulated depreciation	Net book value
	-----Rupees-----		
Freehold land	190,982,598	-	190,982,598
Buildings on freehold land	2,092,698,673	650,941,828	1,441,756,845
Plant and machinery	9,027,128,178	4,276,797,331	4,750,330,847
	2020		
	Cost	Accumulated depreciation	Net book value
	-----Rupees-----		
Freehold land	190,982,598	-	190,982,598
Buildings on freehold land	1,974,457,295	615,726,253	1,358,731,042
Plant and machinery	8,506,722,071	4,079,192,752	4,427,529,319

Details of the Company's assets and information about fair value hierarchy as at June 30, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Land	-	1,316,405,000	-	1,316,405,000
Building	-	2,226,349,526	-	2,226,349,526
Plant and machinery	-	6,040,884,333	-	6,040,884,333
Total	-	9,583,638,859	-	9,583,638,859

Details of the Company's assets and information about fair value hierarchy as at June 30, 2020 are as follows :

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Land	-	1,259,170,000	-	1,259,170,000
Building	-	2,024,177,094	-	2,024,177,094
Plant and machinery	-	6,360,397,252	-	6,360,397,252
<b>Total</b>	<b>-</b>	<b>9,643,744,346</b>	<b>-</b>	<b>9,643,744,346</b>

## 20.2 Capital work in progress

	2021			
	As at July 01, 2020	Additions	Transfers	As at June 30, 2021
	-----Rupees-----			
Building	46,309,270	76,363,794	(98,130,816)	24,542,248
Plant and machinery	201,622,442	619,650,307	(558,914,045)	262,358,704
	<b>247,931,712</b>	<b>696,014,101</b>	<b>(657,044,861)</b>	<b>286,900,952</b>
	-----			
	2020			
	As at July 01, 2019	Additions	Transfers	As at June 30, 2020
	-----Rupees-----			
Building	13,312,236	66,894,263	(33,897,229)	46,309,270
Plant and machinery	75,586,750	291,859,164	(165,823,472)	201,622,442
	<b>88,898,986</b>	<b>358,753,427</b>	<b>(199,720,701)</b>	<b>247,931,712</b>

## 20.3 Right of use asset

Particulars	2021						Net Book Value as at June 30, 2021		
	Cost / Revalued amount		Depreciation		As at June 30, 2021	As at June 30, 2021			
	As at July 01, 2020	As at June 30, 2021	Rate %	For the year				Disposals	
Vehicles	17,568,000	-	17,568,000	20	8,200,466	1,873,507	-	10,073,973	7,494,027
<b>Grand Total</b>	<b>17,568,000</b>	<b>-</b>	<b>17,568,000</b>		<b>8,200,466</b>	<b>1,873,507</b>	<b>-</b>	<b>10,073,973</b>	<b>7,494,027</b>
	----- Rupees -----								
	----- Rupees -----								
Particulars	2020						Net Book Value as at June 30, 2020		
	Cost / Revalued amount		Depreciation		As at June 30, 2020	As at June 30, 2020			
	As at July 01, 2019	As at June 30, 2020	Rate %	For the year				Disposals	
Vehicles	14,785,000	2,783,000	17,568,000	20	6,032,544	2,167,922	-	8,200,466	9,367,534
<b>Grand Total</b>	<b>14,785,000</b>	<b>2,783,000</b>	<b>17,568,000</b>		<b>6,032,544</b>	<b>2,167,922</b>	<b>-</b>	<b>8,200,466</b>	<b>9,367,534</b>
	----- Rupees -----								

20.3.1 The depreciation charge for the year has been allocated to cost of sales.

## 20.4 Disposal of property, plant and equipment

Particulars of assets	2021						Mode of disposal		
	Sold to Third party	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss)			
								----- Rupees -----	
Autocoro Machines	International Textile Machinery Enterprises	15,004,184	8,649,934	6,354,250	4,700,853	(1,653,397)	Negotiation		
Drawing Machines	International Textile Machinery Enterprises	2,200,679	1,207,335	993,344	213,675	(779,669)	Negotiation		
Blow Room Machine	International Textile Machinery Enterprises	3,670,181	1,898,657	1,771,524	341,880	(1,429,644)	Negotiation		
Carding Machines	International Textile Machinery Enterprises	5,826,084	2,802,884	3,023,200	2,243,590	(779,610)	Negotiation		
Stitching Machines	Insurance Companies	5,625,198	2,704,565	2,920,633	2,775,375	(145,258)	Insurance Claim		
Motorcycles	Usman Irshad	202,400	193,067	9,333	30,000	20,667	Negotiation		
<b>Grand Total</b>		<b>32,528,726</b>	<b>17,456,442</b>	<b>15,072,283</b>	<b>10,305,373</b>	<b>(4,766,910)</b>			
	----- Rupees -----								

## 21. Long term investments

These represent investments in equity and debt securities, classified as fair value through other comprehensive income financial assets. Particulars of investments are as follows:

	Note	2021 Rupees	2020 Rupees
<b><u>Other investments</u></b>			
Unquoted	21.1	<b>12,608,052</b>	12,608,052
<b>21.1 Other investments - unquoted</b>			
<b><u>Agritech Limited</u></b>	21.1.1		
25,237 (2020: 25,237) Term Finance Certificates of Rs. 5,000 each			
Cost		<b>126,080,519</b>	126,080,519
Less: impairment allowance		<b>(113,472,467)</b>	(113,472,467)
		<b>12,608,052</b>	12,608,052
<b><u>Montebello s.r.l. ("MBL")</u></b>	21.1.2		
6,700,000 ordinary shares with a capital of Euro 6,700,000			
Cost		<b>2,625,026,049</b>	2,625,026,049
Accumulated impairment		<b>(2,625,026,049)</b>	(2,625,026,049)
		-	-
		<b>12,608,052</b>	12,608,052

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

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

**21.1.2** As disclosed in the note 2.2, the management, based on advice from the Company's legal counsel, has concluded that the MBL has ceased to be a subsidiary of the Company. Accordingly, the investment in MBL has been presented in note 21.1 as other investment-unquoted. MBL has gone into liquidation process and the Court of Vicenza has been appointed as a trustee to manage the affairs of MBL.

During the bankruptcy proceedings, 48 parties filed their claims with the Court and all have been accepted by the Court aggregating to Euro 7,893,794.48. The value of priority claims included therein are of Euro 3,929,380.36 and the value of unsecured and subordinated claims are of Euro 3,964,414.12. The Company has been advised by its legal counsel that, in accordance to the law, priority claims would be paid first and then unsecured and subordinated claims will be paid. The Company's claim aggregating to Euro 3,835,344 has been accepted on account of principal and interest as subordinate claim due to Company being the parent of MBL.

The Company has contested with the Court that its claim should be accepted as at least unsecured claim rather than being subordinate claim. The Court has appointed an expert to decide whether claim of the Company should be accepted as unsecured claim or subordinate. The expert has given his opinion that claim of the Company should be subordinated. The Company questioned the decision of expert in the Court and lodged its defense regarding the classification of its claim. On 15 July 2019, the Court rejected the defense of the Company and has upheld the decision of expert. The Company has filed appeal in Italian Supreme Court and the proceedings are still underway.



22	<b>Long term deposits and receivables</b>	Note	2021 Rupees	2020 Rupees
	Utility companies, regulatory authorities and others	22.1	34,575,796	34,575,796
	Financial institutions	22.2	3,458,600	3,458,600
			<b>38,034,396</b>	<b>38,034,396</b>
22.1	These have been deposited with various utility companies and regulatory authorities. These are classified as amortized cost under IFRS 9 - 'Financial Instruments - Recognition and Measurement'. 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.			
22.2	These have been deposited with financial institutions.			
23	<b>Stock-in-trade</b>		2021 Rupees	2020 Rupees
	Raw material		1,663,621,735	964,602,202
	Work in process		1,804,241,914	1,552,708,246
	Finished goods		1,131,875,453	673,495,476
			<b>4,599,739,102</b>	<b>3,190,805,924</b>
23.1	Details of stock in trade pledged as security are referred to in note 48 to the financial statements.			
23.2	Finished goods include stock in transit amounting to Rs. 154.10 million (2020: Rs. 95.11 million).			
24	<b>Trade receivables</b>	Note	2021 Rupees	2020 Rupees
	<b><u>Local</u></b>			
	- secured	24.1	107,290,765	42,052,155
	- unsecured, considered good		368,583,614	177,284,676
	- unsecured, considered doubtful		11,878,047	12,677,447
			<b>487,752,426</b>	<b>232,014,278</b>
	<b><u>Foreign</u></b>			
	- secured	24.1	1,486,984,493	1,650,487,979
	- unsecured, considered good		455,209,679	355,239,445
	- unsecured, considered doubtful		478,623,462	452,529,563
			<b>2,420,817,634</b>	<b>2,458,256,987</b>
		24.3	<b>2,908,570,060</b>	<b>2,690,271,265</b>
	Less: provision against trade receivables	24.2	<b>(490,501,509)</b>	<b>(465,207,002)</b>
			<b>2,418,068,551</b>	<b>2,225,064,263</b>
24.1	These are secured against letters of credit.			
24.2	<b>Movement in provision of trade receivables</b>		2021 Rupees	2020 Rupees
	As at beginning of the year		465,207,002	462,087,398
	Provision recognized during the year		25,294,507	3,119,604
	As at end of the year		<b>490,501,509</b>	<b>465,207,002</b>
24.3	This includes an amount of Rs. 452.53 million (2020: 452.53 million) receivable from MBL, a related party, and this amount have been fully provided for due to the facts mentioned in note 21.1.			

25	<b>Advances, deposits, prepayments and other receivables</b>	Note	<b>2021 Rupees</b>	2020 Rupees
	Advances to suppliers - <i>unsecured, considered good</i>		311,042,958	634,276,920
	Advances to employees - <i>unsecured, considered good</i>			
	- against salaries and post employment benefits	25.1	18,424,059	14,661,449
	- against purchases and expenses		45,620,733	39,567,868
	Security deposits		23,209,186	23,014,186
	Margin deposits	25.2	315,397,260	73,336,468
	Rebate receivable		676,319,303	405,524,351
	Sales Tax / FED recoverable		1,067,727,608	903,473,516
	Due from AGL - <i>secured</i>		100,492,120	100,492,120
	Less: impairment allowance		(78,283,733)	(47,618,612)
			22,208,387	52,873,508
	Letters of credit		11,244,967	206,057
	Insurance claims		22,600,178	142,236
	Other receivables - <i>unsecured, considered good</i>		1,152,635	902,146
			<b>2,514,947,274</b>	<b>2,147,978,705</b>

25.1 These includes 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:

	<b>2021 Rupees</b>	2020 Rupees
As at beginning of the year	5,461,652	3,512,805
Additions during the year	10,345,000	8,227,532
Less: adjustments during the year	(7,056,982)	(6,278,685)
As at end of the year	<b>8,749,670</b>	<b>5,461,652</b>

25.2 These represent deposits against bank guarantees.

## 26 Short term investments

These represent investments in equity securities. These have been classified as fair value through other comprehensive income financial assets. Particulars of investments are as follows:

	Note	<b>2021 Rupees</b>	2020 Rupees
28,022 Term Finance Certificates (Rs. 5,000 each) of Agritech Limited	26.1	<b>139,993,989</b>	139,993,989

26.1 During the year, the Company's creditors' scheme of arrangement for restructuring of liabilities has been implemented on April 29, 2021. A part of this scheme, 28,022 TFCs amounting to Rs. 139.99 million are due to be settled with the lenders and these TFCs have been classified as short term investments.

27	<b>Receivable from National Bank of Pakistan</b>	Note	<b>2021 Rupees</b>	2020 Rupees
	Put option agreement for repurchase of preference shares of AGL	27.1	<b>306,022,500</b>	306,022,500

27.1 This represents receivable from The National Bank of Pakistan ("NBP") against a put option exercised by the Company on July 12, 2019, under an agreement, dated June 25, 2014, for the repurchase of preference shares of Agritech Limited. Under the agreement 58.29 million preference shares of Agritech Limited were transferred to the Company as security by NBP to be repurchased at an agreed price of Rs. 5.25 per share upon exercise of put option by the Company. As the Company has exercised the put option as stipulated in the agreement which has been duly acknowledged / accepted by NBP, the Company has derecognized its investment in preference shares of Agritech Limited and has recognized a receivable from NBP aggregating to Rs. 306.02 million.

		2021 Rupees	2020 Rupees
<b>28</b>	<b>Income tax recoverable</b>		
	Note		
	As at beginning of the year	880,794	(31,594,839)
	Provision for the year	213,828,823	166,185,382
	Less: paid / adjusted during the year	(250,428,211)	(198,661,015)
	As at end of the year	<u>37,480,182</u>	<u>880,794</u>
<b>29</b>	<b>Funds for restructuring scheme</b>		
	Cash in escrow account against sale of assets	17,170,862	206,250,000
	Funds in right share subscription account	-	365,034,720
		<u>17,170,862</u>	<u>571,284,720</u>
<b>30</b>	<b>Cash and bank balances</b>		
	Cash in hand	3,019,939	6,786,308
	Cash at banks:		
	- current accounts in local currency	390,007,587	493,787,064
	- deposit accounts in local currency	505,087,159	285,916,606
	- deposit accounts in foreign currency	684,966	699,418
		<u>895,779,712</u>	<u>780,403,088</u>
		<u>898,799,651</u>	<u>787,189,396</u>
<b>30.1</b>	These carry return under mark-up arrangement at 5.50% to 6.25% per annum (2020: 6.50% to 12.25% per annum).		
<b>30.2</b>	These carry return under mark-up arrangement at prevailing LIBOR per annum (2020: prevailing LIBOR per annum).		
<b>31</b>	<b>Revenue from customers</b>	2021 Rupees	2020 Rupees
	Note		
	Local	2,017,655,400	1,046,623,341
	Export	19,952,064,536	16,046,895,580
	Less: Sales Tax on indirect export sales	(574,243,219)	(472,873,903)
		<u>19,377,821,317</u>	<u>15,574,021,677</u>
		<u>21,395,476,717</u>	<u>16,620,645,018</u>
	Discount	(12,591,359)	(2,106,867)
		<u>21,382,885,358</u>	<u>16,618,538,151</u>
	<b>Other income</b>		
	Rebate on exports	687,345,316	290,761,229
		<u>22,070,230,674</u>	<u>16,909,299,380</u>
<b>31.1</b>	<b>Local</b>		
	Sales	2,217,944,277	1,141,082,867
	Processing income	108,141,448	52,885,792
	Waste	34,376,717	30,965,344
		<u>2,360,462,442</u>	<u>1,224,934,003</u>
	Less: Sales Tax on local sales	(342,807,042)	(178,310,662)
		<u>2,017,655,400</u>	<u>1,046,623,341</u>
<b>31.2</b>	These include indirect exports, taxable under Section 154 (3b) of the Income Tax Ordinance, 2001, amounting to Rs. 3,378.11 million (2020: Rs. 2,781.61 million).		
<b>31.3</b>	Export Development Surcharge applicable under SRO 10(1)/2003 dated January 04, 2003 amounting Rs. 39.60 million (2020: Rs. 34.29 million) has been deducted from gross export sales.		

32	Cost of sales	Note	2021 Rupees	2020 Rupees
	Raw and packing materials consumed		13,566,543,639	9,786,611,282
	Salaries, wages and benefits	32.1	3,544,289,055	2,972,713,646
	Fuel and power		1,122,836,544	862,788,643
	Store, spares and loose tools consumed		397,241,206	237,634,179
	Traveling, conveyance and entertainment		154,774,252	149,218,655
	Rent, rates and taxes		72,040,696	65,745,659
	Insurance		38,755,717	33,625,310
	Repair and maintenance		38,070,080	22,731,367
	Processing charges		263,595,765	198,226,011
	Depreciation	20.1.2 & 20.3	372,733,428	369,764,082
	Printing and stationery		11,494,315	9,679,234
	Communications		4,838,074	6,523,815
	Miscellaneous		4,334,735	4,253,636
			<b>19,591,547,506</b>	<b>14,719,515,519</b>
	<i>Work in process:</i>			
	As at beginning of the year		<b>1,552,708,246</b>	<b>1,280,854,360</b>
	As at end of the year		<b>(1,804,241,914)</b>	<b>(1,552,708,246)</b>
			<b>(251,533,668)</b>	<b>(271,853,886)</b>
	<b>Cost of goods manufactured</b>		<b>19,340,013,838</b>	<b>14,447,661,633</b>
	<i>Finished goods:</i>			
	As at beginning of the year		<b>673,495,476</b>	<b>672,814,763</b>
	As at end of the year		<b>(1,131,875,451)</b>	<b>(673,495,476)</b>
			<b>(458,379,975)</b>	<b>(680,713)</b>
			<b>18,881,633,863</b>	<b>14,446,980,920</b>

32.1 These include charge in respect of employees retirement benefits amounting Rs. 159.22 million (2020: Rs. 148.88 million).

33	Selling and distribution expenses	Note	2021 Rupees	2020 Rupees
	Salaries, wages and benefits	33.1	245,508,292	278,909,309
	Traveling, conveyance and entertainment		28,237,600	76,307,935
	Repair and maintenance		1,868,144	2,911,576
	Rent, rates and taxes		2,323,793	6,269,281
	Insurance		3,104,996	2,068,961
	Freight and other expenses		330,166,486	191,907,759
	Communication		1,690,440	2,142,899
	Advertisement and marketing		124,831,588	125,471,926
	Fee and subscription		4,871,166	6,190,131
	Commission		235,063,963	192,242,825
	Miscellaneous		494,973	559,909
			<b>978,161,441</b>	<b>884,982,511</b>

33.1 These include charge in respect of employees retirement benefits amounting Rs. 20.79 million (2020: Rs. 12.93 million).

		2021 Rupees	2020 Rupees
<b>34</b>	<b>Administrative expenses</b>		
	Salaries and benefits	418,315,463	364,110,885
	Traveling, conveyance and entertainment	48,904,732	58,439,695
	Fuel and power	24,585,835	15,754,293
	Repair and maintenance	40,446,783	32,503,836
	Rent, rates and taxes	7,764,102	7,810,588
	Insurance	3,418,414	4,290,470
	Printing and stationery	2,702,784	3,271,332
	Communication	7,528,289	8,024,146
	Legal and professional charges	11,817,655	13,412,030
	Depreciation	12,507,108	11,113,985
	Fee and subscription	27,367,502	26,255,598
	Miscellaneous	4,524,490	4,995,718
		<b>609,883,158</b>	<b>549,982,576</b>
<b>34.1</b>	These include charge in respect of employees retirement benefits amounting Rs 10.88 million (2020: Rs. 22.24 million).		
<b>34.2</b>	These include following in respect of auditors' remuneration		
	Annual statutory audit	2,799,369	2,666,066
	Half yearly review	904,050	861,000
	Review report under Code of Corporate Governance	287,369	273,685
	Certification and other services	216,486	245,175
	Out of pocket expenses	394,064	375,299
		<b>4,601,338</b>	<b>4,421,225</b>
<b>35</b>	<b>Other income</b>		
	Return on bank deposits	114,986,276	140,741,854
	Gain on disposal of property, plant and equipment	-	731,565
	Miscellaneous	1,182,559	758,742
		<b>116,168,835</b>	<b>142,232,161</b>
<b>36</b>	<b>Other expenses</b>		
	Provision against trade receivables	25,294,507	3,119,604
	Loss on disposal of property, plant and equipment	4,766,910	-
	Workers' profits participation fund	37,388,138	-
	Reversal of profit on sales tax refund bonds	-	1,589,674
	Impairment loss on non current assets held for sale	-	10,954,454
	Impairment loss on interest receivable on investments	30,665,121	-
		<b>98,114,676</b>	<b>15,663,732</b>
<b>37</b>	<b>Finance cost</b>		
	Interest / mark-up on:		
	- Redeemable capital	265,120,771	380,912,363
	- Long term finances	102,902,979	188,519,088
	- Lease liabilities	653,913	1,229,298
	- Short term borrowings	308,917,249	439,459,491
		<b>677,594,912</b>	<b>1,010,120,240</b>
	Amortization of transaction costs and unwinding effect of present value	3,754,867	7,758,527
	Exchange (gain)/loss on foreign currency borrowings	(50,711,878)	10,608,411
	Bank discounting and other charges	277,593,857	253,996,504
		<b>908,231,757</b>	<b>1,282,483,682</b>

38	Gain on restructuring of loans - net	2021		
		Principal	Mark-up and Old Zero coupon PPTFCs	Aggregate gain/(loss)
		----- Rupees -----		
	Write-off / waiver from restructuring	3,298,490,453	4,679,695,378	7,978,185,831
	Exchange loss on DEG	(131,516,043)	(64,345,427)	(195,861,470)
	Differences at Time Zero Date	-	70,973,767	70,973,767
	Impairment on Muzaffargarh Unit	-	-	(594,048,688)
	Loss on sale of Ferozpur Unit	-	-	(196,395,154)
		<b>3,166,974,410</b>	<b>4,686,323,718</b>	<b>7,062,854,286</b>

39	Taxation	Note	2021 Rupees	2020 Rupees
	<i>Income tax</i>			
	- current tax	39.1	213,828,823	166,185,382
	- deferred tax	39.5	-	-
			<b>213,828,823</b>	<b>166,185,382</b>

39.1 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.

39.2 The assessments of the Company up to and including tax year 2020 have been completed except for tax years 2003, 2007, 2008 and 2009 which are referred by the Income Tax Department in Honorable High Court of Lahore ("Court"). However, orders of CIR Appeal and Appellate Tribunal Inland Revenue (ATIR) for mentioned tax years are in the favor of the Company. Even in case of unfavorable decision of the Court, no material impact is expected on the financial statements.

39.3 Other cases involving point of law are subject to adjudication before Honorable Lahore High Court.

39.4 In the year 2012, the Company claimed refund of an amount of Rs. 40.32 million in the sales tax return for the month of November 2012. This relates to payment of Federal Excise Duty (FED) in sale tax mode to National Bank of Pakistan. The claim was rejected by Deputy Commissioner Inland Revenue (DCIR), however the Commissioner Appeals has accepted the appeal filed by the Company. The Commissioner Zone-I filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and Lahore High Court (LHC) which has upheld the decision of Commissioner Appeals in favor of the Company. Afterwards, Federal Board of Revenue filed an appeal in Supreme Court (SC) against order of LHC. SC also decided the case in Company's favour. Consequent to this decision, the management is expecting to receive the refund in due course of time.

39.5 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.

39.6	Relationship between tax expense and accounting profit	2021 Rupees	2020 Rupees
	<b>Profit / (loss) before taxation and restructuring gain</b>	<b>710,374,614</b>	<b>(223,263,771)</b>
	Tax calculated at the rate of 29% (2020: 29%)	<b>206,008,638</b>	<b>(64,746,494)</b>
	Effect of taxes applicable on the basis other than profit	<b>7,820,185</b>	<b>230,931,876</b>
	<b>Tax charge for the year</b>	<b>213,828,823</b>	<b>166,185,382</b>

40	Earning / (loss) per share - basic and diluted	Unit	2021	2020
40.1	<b>Basic earning per share</b>			
	(Loss) / profit attributable to ordinary shareholders	Rupees	7,559,400,077	(389,449,153)
	Weighted average number of ordinary shares outstanding during the year	No. of shares	491,375,337	463,149,979
	(Loss) / earning per share	Rupees	15.38	(0.84)

#### 40.2 Diluted earning per share

There is no dilutive effect on the basic earning per share as the Company does not have any convertible instruments in issue as at June 30, 2021 and June 30, 2020.

41	Cash generated from operations	Note	2021 Rupees	2020 Rupees
	<b>Profit / (loss) before tax</b>		7,773,228,900	(223,263,771)
	Interest / mark-up expense	37	677,594,912	1,010,120,240
	Loss / (gain) on disposal of fixed assets	36	4,766,910	(731,565)
	Provision against trade receivables	36	25,294,507	3,119,604
	Reversal of profit on sales tax refund bonds		-	1,589,674
	Foreign exchange (gain) / loss - net	37	(50,711,878)	10,608,411
	Depreciation		385,240,536	380,878,067
	Provision for workers' profit participation fund	36	37,388,138	-
	Provision for employee benefits	13.4	190,893,122	184,073,603
	Amortization of transaction costs and deferred notional income	37	3,754,867	7,758,527
	Impairment of non-current assets held for sale		-	10,954,454
	Loss on non-current assets held for sale		-	94,701,891
	Gain on restructuring of loans- net		(7,062,854,286)	-
			(5,788,633,172)	1,703,072,906
	<b>Operating profit before changes in working capital</b>		1,984,595,728	1,479,809,135
	<b><u>Changes in working capital</u></b>			
	<i>(Increase) / decrease in current assets:</i>			
	Stores, spares and loose tools		(20,286,585)	2,141,776
	Stock in trade		(1,408,933,175)	(434,909,846)
	Trade receivables		(193,004,288)	988,986,017
	Advances, deposits, prepayments and other receivables		(366,968,569)	(15,381,047)
			(1,989,192,617)	540,836,900
	<i>Increase / (decrease) in current liabilities:</i>			
	Trade and other payables		1,096,497,389	(306,122,788)
	<b>Cash generated from operations</b>		1,091,900,500	1,714,523,247
42	<b>Cash and cash equivalents at the year end</b>	Note		
	Short term borrowings - running finance	15	(255,996,326)	(341,996,838)
	Cash and bank balances	30	898,799,651	787,189,396
	Funds for restructuring scheme	29	17,170,862	571,284,720
			659,974,187	1,016,477,278

**43. Transactions and balances with related parties**

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

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

<b>43.1 Transactions with related parties</b>	<b>2021</b>	2020
<b>43.1.1 Other related parties</b>	<b>Rupees</b>	Rupees
<b>JS Bank Limited</b>		
Mark-up expense	5,594,607	27,946,175
Trusteeship fee paid	1,500,000	1,500,000
Mark-up paid	63,042,920	28,290,849
<b>JS Value Fund Limited</b>		
Mark-up expense	1,850,246	2,844,924
Markup Paid/ Settled	20,355,338	-
<b>Unit Trust of Pakistan</b>		
Mark-up expense	2,559,325	4,495,270
Markup Paid/ Settled	30,231,593	-
<b>JS Large Cap Fund</b>		
Mark-up expense	8,272,301	9,172,662
Markup Paid/ Settled	59,747,612	-
<b>JS Global Capital Limited</b>		
Mark-up expense	32,474,070	36,008,564
Markup Paid/ Settled	234,547,588	-
<b>JS Principal Secure Fund</b>		
Mark-up expense	3,330,407	3,692,890
Markup Paid/ Settled	24,054,233	-
<b>JS Income Fund</b>		
Mark-up expense	3,257,793	5,569,229
Markup Paid/ Settled	37,915,749	-
<b>JS Growth Fund</b>		
Mark-up expense	7,928,135	9,452,118
Markup Paid/ Settled	63,088,275	-

**43.1.2 Key management personnel**

The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 49 to the financial statements.

<b>43.2 Balances with related parties</b>	<b>2021</b>	2020
<b>43.2.1 Other related parties</b>	<b>Rupees</b>	Rupees
<b>JS Bank Limited</b>		
Redeemable capital - TFC IV	-	65,021,777
Sub PPTFCs	48,280,000	-
Settlement finance under restructuring scheme	13,870,315	-
New Zero Coupon PPTFCs	63,025,000	-
Mark-up payable	534,900	57,983,213



	<b>2021</b>	2020
	<b>Rupees</b>	Rupees
<b>JS Value Fund Limited</b>		
Redeemable capital - TFC II	-	19,523,024
Redeemable capital - TFC VI	-	12,900,000
Sub PPTFCs	14,495,000	-
Settlement finance under restructuring scheme	4,164,612	-
New Zero Coupon PPTFCs	33,250,000	-
Mark-up payable	160,595	18,665,687
<b>Unit Trust of Pakistan</b>		
Redeemable capital - TFC V	-	31,980,766
Redeemable capital - PPTFC VI	-	19,265,000
Sub PPTFCs	23,750,000	-
Settlement finance under restructuring scheme	6,822,073	-
New Zero Coupon PPTFCs	49,485,000	-
Mark-up payable	263,120	27,935,389
<b>JS Large Cap Fund</b>		
Redeemable capital - PPTFCs	63,837,358	83,160,000
Settlement finance under restructuring scheme	17,739,525	-
New Zero Coupon PPTFCs	59,745,000	-
Mark-up payable	703,601	50,349,393
<b>JS Global Capital Limited</b>		
Redeemable capital - PPTFCs	250,602,457	326,456,184
Settlement finance under restructuring scheme	69,638,980	-
New Zero Coupon PPTFCs	234,545,000	-
Mark-up payable	2,762,085	197,653,567
<b>JS Principal Secure Fund</b>		
Redeemable capital - PPTFCs	25,700,755	33,480,000
Settlement finance under restructuring scheme	7,141,887	-
New Zero Coupon PPTFCs	24,050,000	-
Mark-up payable	283,268	20,270,535
<b>JS Pension Savings Fund</b>		
Redeemable capital - TFC VI	-	3,850,000
New Zero Coupon PPTFCs	3,850,000	-
<b>JS Income Fund</b>		
Redeemable capital - TFC II	-	7,369,942
Redeemable capital - TFC V	-	31,980,766
Redeemable capital - TFC VI	-	24,135,000
Sub PPTFCs	29,220,000	-
Settlement finance under restructuring scheme	8,394,214	-
New Zero Coupon PPTFCs	62,040,000	-
Mark-up payable	323,729	34,981,685
<b>JS Growth Fund</b>		
Redeemable capital - TFC II	-	16,269,187
Redeemable capital - TFC VI	-	10,750,000
Redeemable capital - PPTFCs	49,282,809	64,200,000
Sub PPTFCs	12,080,000	-
Settlement finance under restructuring scheme	17,165,525	-
New Zero Coupon PPTFCs	73,830,000	-
Mark-up payable	677,021	54,424,761

#### 44. 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 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 control 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 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.

#### 44.1 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.

##### 44.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the investments, trade receivables, 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	2021 Rupees	2020 Rupees
<b><i>Fair value through OCI</i></b>			
Long term investments	21	12,608,052	12,608,052
Short term investments	26	139,993,989	139,993,989
<b><i>At amortized cost</i></b>			
Long term deposit and receivable- <i>utility companies, regulatory authorities and others</i>	22	34,575,796	34,575,796
Long term deposit - financial institutions	22	3,458,600	3,458,600
Trade receivables	24	2,418,068,551	2,225,064,263
Due from Agritech Limited - <i>unsecured, considered good</i>	25	22,208,387	52,873,508
Other receivables - <i>unsecured, considered good</i>	25	1,152,635	902,146
Receivable from National Bank of Pakistan	27	306,022,500	306,022,500
Security deposits	25	23,209,186	23,014,186
Margin deposits	25	315,397,260	73,336,468
Insurance claims	25	22,600,178	142,236
Cash at banks	30	895,779,712	780,403,088
Funds for restructuring scheme	29	17,170,862	571,284,720
		<b>4,059,643,667</b>	<b>4,071,077,511</b>
		<b>4,212,245,708</b>	<b>4,223,679,552</b>

#### 44.1.2 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:

	2021 Rupees	2020 Rupees
Customers	2,418,068,551	2,225,064,263
Banking companies and financial institutions	1,228,347,834	1,425,024,276
Others	259,806,823	267,568,513
	<b>3,906,223,208</b>	<b>3,917,657,052</b>

#### 44.1.3 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.

##### 44.1.3(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		Rating agency	2021	2020
	Short term	Long term		Rupees	
<b><i>Bank balances</i></b>					
Albaraka Bank (Pakistan) Limited	A-1	A+	PACRA	41,070	41,070
Askari Bank Limited	A-1+	AA+	JCR-VIS	303,345,654	3,062,919
Bank Al-Habib Limited	A-1+	AA+	PACRA	95,396,703	378,185,695
Bank Alfalah Limited	A-1+	AA-	PACRA	151,024	151,024
Bank Islami Pakistan Limited	A-1	A+	PACRA	425,650	425,685
Faysal Bank Limited	A-1+	AA	PACRA	5,873,781	869,709
Habib Bank Limited	A-1+	AAA	JCR-VIS	27,357	26,357
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	-	-
JS Bank Limited	A-1+	AA-	PACRA	21,209,111	42,626,365
MCB Bank Limited	A-1+	AAA	PACRA	139,271,998	102,389,497
Meezan Bank Limited	A-1+	AAA	JCR-VIS	22,992	16,468
National Bank of Pakistan	A-1+	AAA	PACRA	3,430,987	27,802,344
Silk Bank Limited	A-2	A-	JCR-VIS	266,624,453	6,223,357
Soneri Bank Limited	A-1+	AA-	PACRA	6,224	6,224
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	1,510,061	1,060,601
Summit Bank Limited	A-3	BBB-	JCR-VIS	48,556,365	756,367,127
Samba Bank Limited	A-1	AA	JCR-VIS	16,354	15,595
The Bank of Punjab	A-1+	AA+	PACRA	677	677
United Bank Limited	A-1+	AAA	JCR-VIS	1,437,139	1,437,139
Bank of Khyber	A-1	A+	PACRA	28,622,913	30,979,955
				<b>915,970,513</b>	<b>1,351,687,808</b>
<b><i>Margin deposits</i></b>					
Summit Bank Limited	A-3	BBB-	JCR-VIS	<b>315,397,260</b>	<b>73,336,468</b>

#### 44.1.3(b) Counterparties without external credit ratings

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

	2021		2020	
	Gross carrying amount	Accumulated impairment	Gross carrying amount	Accumulated impairment
	----- Rupees -----		----- Rupees -----	
Not yet due	2,323,303,155	-	1,932,151,657	-
Past due by 0 to 6 months	89,413,510	-	262,476,313	-
Past due by 6 to 12 months	1,958,542	-	958,364	-
Past due by more than one year	493,894,664	(490,501,509)	494,684,931	(465,207,002)
	<b>2,908,569,871</b>	<b>(490,501,509)</b>	<b>2,690,271,265</b>	<b>(465,207,002)</b>

**44.1.3(c)** The Company's five significant customers account for Rs. 1,142.80 million (2020: Rs. 1,153.34 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 17.36% (2020: 14.72% ) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 1,594.28 million (2020: Rs. 1,692.54 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 against trade receivables on a time based criteria. Provision against trade receivable 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.

#### **44.1.4 Collateral held**

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

#### **44.1.5 Credit risk management**

The Company's financial assets do not carry significant credit risk, with the exception of trade receivables, which are exposed to losses arising from any non-performance by counterparties. In respect of trade receivables, 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.

#### **44.2 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.

**44.2.1 Exposure to liquidity risk**

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

		2021				
		Carrying amount	Contractual cash flows	One year or less	Two to three years	More than three years
Note		----- Rupees -----				
<i>Non-derivative financial liabilities</i>						
	9	3,667,334,950	4,516,046,687	20,866,748	773,688,361	3,721,491,578
	10	5,103,510,000	5,103,510,000	-	-	5,103,510,000
	11	1,081,208,932	1,189,329,825	-	1,189,329,825	-
	12	7,078,184	7,522,442	5,571,020	1,951,422	-
	14	148,367,255	157,780,790	157,780,790	-	-
	15	1,423,689,035	1,423,689,035	1,423,689,035	-	-
	16	1,778,164,708	1,778,164,708	1,778,164,708	-	-
	16	702,480,069	702,480,069	702,480,069	-	-
	16	9,310,604	9,310,604	9,310,604	-	-
	17	200,066,382	200,066,382	200,066,382	-	-
	18	13,166,787	13,166,787	13,166,787	-	-
		<b>14,134,376,906</b>	<b>15,101,067,330</b>	<b>4,311,096,144</b>	<b>1,964,969,608</b>	<b>8,825,001,578</b>
-----						
		2020				
		Carrying amount	Contractual cash flows	One year or less	Two to three years	More than three years
		----- Rupees -----				
<i>Non-derivative financial liabilities</i>						
	9	5,889,781,511	5,894,778,680	5,894,778,680	-	-
	11	2,167,896,425	2,167,896,425	2,167,896,425	-	-
	12	10,178,526	11,465,338	3,839,632	7,625,706	-
	14	148,367,255	157,780,790	157,780,790	-	-
	15	5,067,529,093	5,081,960,637	5,081,960,637	-	-
	16	894,882,806	894,882,806	894,882,806	-	-
		-	-	-	-	-
	16	548,267,855	548,267,855	548,267,855	-	-
		-	-	-	-	-
	16	14,226,180	14,226,180	14,226,180	-	-
	17	6,520,946,044	6,520,946,044	6,520,946,044	-	-
	18	13,177,440	13,177,439	13,177,439	-	-
		<b>21,275,253,135</b>	<b>21,305,382,194</b>	<b>21,297,756,488</b>	<b>7,625,706</b>	<b>-</b>

#### 44.2.2 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.

As mentioned in note 2.3, during the year financial restructuring of the company is done. All the overdue debt finance has been settled / rescheduled. Only preference shares and dividend / mark-up is overdue. Detail is as follows:

	2021		
	Principal	Preference dividend / interest / mark-up	Total
	Rupees -----		
<b><i>Nature of liability</i></b>			
Preference Shares	148,367,250	149,657,780	298,025,030
Dividend on Preference Shares	-	9,413,535	9,413,535
	<b>148,367,250</b>	<b>159,071,315</b>	<b>307,438,565</b>
	2020		
	Principal	Preference dividend / interest / mark-up	Total
	Rupees -----		
<b><i>Nature of liability</i></b>			
Redeemable capital	5,844,476,830	2,397,092,713	8,241,569,543
Long term finances	2,167,896,426	1,362,494,844	3,530,391,270
Preference shares	148,367,250	9,413,535	157,780,785
Short term borrowings	474,015,216	2,321,757,645	2,795,772,861
Bills payables	337,503,037	343,348,334	680,851,371
	<b>8,972,258,759</b>	<b>6,434,107,071</b>	<b>15,406,365,830</b>

#### 44.3 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.

##### 44.3.1 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 Euros and US dollars.

##### 44.3.1(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:

	2021		
	EURO	USD	Total
	In Rupees		
<i>Assets</i>			
Trade receivables	419,962,428	2,000,855,021	2,420,817,449
Cash and bank balances	496,455	188,510	684,965
	420,458,883	2,001,043,531	2,421,502,414
<i>Liabilities</i>			
Trade creditors	(74,575,999)	(81,026,919)	(155,602,918)
Bills payable	(2,262,047)	(39,695,893)	(41,957,940)
	(76,838,046)	(120,722,812)	(197,560,858)
Net balance sheet exposure	343,620,837	1,880,320,719	2,223,941,556
	2020		
	EURO	USD	Total
	In Rupees		
<i>Assets</i>			
Trade receivables	542,641,740	1,915,615,245	2,458,256,985
Cash and bank balances	499,127	200,292	699,418
	543,140,867	1,915,815,537	2,458,956,403
<i>Liabilities</i>			
Long term finances	(1,324,295,017)	-	(1,324,295,017)
Mark-up accrued on borrowings	(587,409,794)	-	(587,409,794)
Trade creditors	(26,660,478)	(101,931,142)	(128,591,620)
Bills payable	-	(170,308,933)	(170,308,933)
	(1,938,365,289)	(272,240,075)	(2,210,605,364)
Net balance sheet exposure	(1,395,224,422)	1,643,575,462	248,351,039

#### 44.3.1(b) Exchange rates applied during the year

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

	2021			2020		
	Reporting date spot rate		Average rate for the year	Reporting date spot rate		Average rate for the year
	Buying	Selling		Buying	Selling	
	----- Rupees -----			----- Rupees -----		
EURO	188.12	188.71	191.76	187.90	188.50	175.28
USD	157.80	158.30	159.96	168.00	168.30	158.28

#### 44.3.1(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.



	2021	2020
	Profit	Profit
	----- Rupees -----	
EURO	34,362,084	(139,522,442)
USD	188,032,072	164,357,546
	<b>222,394,156</b>	<b>24,835,104</b>

#### 44.3.1(d) Currency risk management

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

#### 44.3.2 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.

##### 44.3.2(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:

	2021		2020	
	Financial asset	Financial liability	Financial asset	Financial liability
	----- Rupees -----		----- Rupees -----	
<i>Non-derivative financial instruments</i>				
Fixed rate instruments	505,772,125	5,825,645,850	286,616,024	692,023,439
Variable rate instruments	126,080,519	298,396,503	126,080,519	9,374,024,792

##### 44.3.2(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 Statement of Profit or Loss. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit or loss.

##### 44.3.2(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.

	2021	2020
	Rupees	Rupees
Increase of 100 basis points	(1,723,160)	(92,479,443)
Decrease of 100 basis points	1,723,160	92,479,443

**44.3.2(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 and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

**44.3.3 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.

**44.4 Fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

**Interest rates used for determining fair value**

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

**Fair value hierarchy**

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

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

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

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

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

	2021			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<b>Long term investment</b>	-	12,608,052	-	12,608,052
<b>Short term investment</b>	-	139,993,989	-	139,993,989
	-	152,602,041	-	152,602,041
	2020			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<i>Long term investment</i>	-	12,608,052	-	12,608,052
<i>Short term investment</i>	-	139,993,989	-	139,993,989
	-	152,602,041	-	152,602,041

#### 44.4.1 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.

##### Debt investments - 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.

#### 44.4.2 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.

#### 44.5 Financial liabilities at amortized cost

	2021 Rupees	2020 Rupees
Redeemable capital - secured	3,667,334,950	5,836,594,491
New zero coupon privately placed term finance certificates	5,103,510,000	-
Long term finances - secured	1,081,208,932	2,151,920,145
Preference shares	148,367,255	148,367,255
Lease liabilities	7,078,184	10,178,526
Trade and other payables	1,778,164,708	1,474,806,412
Interest / mark-up accrued on borrowings	200,066,382	6,520,946,044
Short-term borrowings	1,423,689,035	5,067,529,093
Dividend payable on preference shares	9,413,535	9,413,535
Unclaimed dividend on ordinary shares	3,753,252	3,763,905
	<b>13,422,586,233</b>	<b>21,223,519,406</b>

## 45 Reconciliation of liabilities arising from financing activities

	July 01, 2020	Availed / formed during the year	Repaid during the year	Adjusted during the year	Foreign exchange gain	June 30, 2021
Redeemable capital - secured	5,889,781,511	3,250,000,000	(228,743,997)	(5,243,702,564)	-	3,667,334,950
New zero coupon privately placed term finance certificates	-	5,103,510,000	-	-	-	5,103,510,000
Long term finance	2,167,896,425	1,081,208,932	(332,724,496)	(1,885,895,589)	50,723,660	1,081,208,932
Lease liabilities	10,178,526	-	(3,100,342)	-	-	7,078,184
Short term borrowing	5,067,529,093	149,586,952	(200,300,473)	(3,593,126,537)	-	1,423,689,035
	<b>13,135,385,555</b>	<b>9,584,305,884</b>	<b>(764,869,308)</b>	<b>(10,722,724,690)</b>	<b>50,723,660</b>	<b>11,282,821,101</b>
	July 01, 2019	Availed during the year	Repaid during the year	Adjusted during the year	Foreign exchange gain	June 30, 2020
Redeemable capital - secured	5,898,199,805	-	(8,418,294)	-	-	5,889,781,511
Long term finance	2,157,288,015	-	-	-	10,608,410	2,167,896,425
Lease liabilities	9,869,079	2,783,000	(2,473,553)	-	-	10,178,526
Short term borrowing	5,647,437,315	1,921,009,690	(2,500,917,912)	-	-	5,067,529,093
	<b>13,712,794,214</b>	<b>1,923,792,690</b>	<b>(2,511,809,759)</b>	<b>-</b>	<b>10,608,410</b>	<b>13,135,385,555</b>

46 Segment information  
46.1 Information about reportable segments

	Spinning segment		Weaving segment		Garment segment		Elimination		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>46.1.1 Segment revenues and results</b>										
<b>Revenue</b>										
External revenues	2,114,579,450	1,676,337,398	8,453,300,701	5,640,215,242	11,502,350,523	9,592,746,740	-	-	22,070,230,674	16,909,299,380
Inter-segment revenues	905,408,148	464,850,152	3,577,556,497	2,708,206,531	4,430,925	14,761,278	(4,487,395,570)	(3,187,817,961)	-	-
	3,019,987,598	2,141,187,550	12,030,857,198	8,348,421,773	11,506,781,448	9,607,508,018	(4,487,395,570)	(3,187,817,961)	22,070,230,674	16,909,299,380
<b>Cost of sales</b>										
- intersegment	(905,408,148)	(464,850,152)	(3,577,556,497)	(2,708,206,531)	(4,430,925)	(14,761,278)	4,487,395,570	3,187,817,961	-	-
- external	(1,831,579,552)	(1,557,088,603)	(6,886,636,476)	(4,493,981,267)	(10,163,417,834)	(8,395,911,050)	-	-	(18,881,633,863)	(14,446,980,920)
	(2,736,987,700)	(2,021,938,755)	(10,464,192,973)	(7,202,187,798)	(10,167,848,759)	(8,410,672,328)	4,487,395,570	3,187,817,961	(18,881,633,863)	(14,446,980,920)
<b>Gross profit</b>	282,999,898	119,248,795	1,566,664,224	1,146,233,975	1,338,932,689	1,196,835,690	-	-	3,188,596,811	2,462,318,460
Selling and distribution expenses	(35,759,093)	(36,978,063)	(353,940,240)	(303,805,836)	(588,462,109)	(544,198,612)	-	-	(978,161,441)	(884,982,511)
Administrative expenses	(95,879,679)	(102,260,868)	(262,437,163)	(213,115,548)	(251,566,316)	(234,606,160)	-	-	(609,883,158)	(549,982,576)
	(131,638,772)	(139,238,931)	(616,377,403)	(516,921,384)	(840,028,425)	(778,804,772)	-	-	(1,588,044,599)	(1,434,965,087)
<b>Profit from operation</b>	151,361,126	(19,990,136)	950,286,822	629,312,591	498,904,264	418,030,918	-	-	1,600,552,212	1,027,353,373
Other income	-	-	-	-	-	-	-	-	116,168,835	142,232,161
Net gain/loss from restructuring scheme	-	-	-	-	-	-	-	-	7,062,854,286	-
Other expenses	-	-	-	-	-	-	-	-	(98,114,676)	(15,663,732)
Impairment loss on financial asset	-	-	-	-	-	-	-	-	(94,701,891)	(15,663,732)
Finance cost	-	-	-	-	-	-	-	-	(908,231,757)	(1,282,483,682)
Taxation	-	-	-	-	-	-	-	-	(213,828,823)	(166,185,382)
	-	-	-	-	-	-	-	-	7,559,400,077	(389,449,153)
<b>Profit after taxation</b>	151,361,126	(19,990,136)	950,286,822	629,312,591	498,904,264	418,030,918	-	-	1,600,552,212	1,027,353,373
Depreciation and amortization	44,533,438	48,207,193	217,193,684	216,867,137	123,513,414	115,803,734	-	-	385,240,536	380,878,064
<b>46.1.2 Inter-segment sales and purchases</b>										
Inter-segment sales and purchases have been eliminated from total figures.										
<b>46.1.3 Basis of inter-segment pricing</b>										
All inter-segment transfers are made at negotiated rates.										
<b>46.1.4 Assets</b>										
Total assets for reportable segments	3,637,594,249	4,072,911,649	9,790,119,996	9,127,739,013	8,457,287,142	8,205,168,666	(702,171,202)	(456,307,547)	21,182,830,185	20,949,511,781
Property, plant and equipment - common	-	-	-	-	-	-	-	-	969,474,882	1,001,905,132
Long term investments	-	-	-	-	-	-	-	-	12,608,052	12,608,052
Receivable from National Bank of Pakistan	-	-	-	-	-	-	-	-	306,022,500	306,022,500
Short term investments	-	-	-	-	-	-	-	-	139,993,989	139,993,989
Funds for restructuring scheme	-	-	-	-	-	-	-	-	17,170,862	571,284,720
	3,637,594,249	4,072,911,649	9,790,119,996	9,127,739,013	8,457,287,142	8,205,168,666	(702,171,202)	(456,307,547)	22,628,100,470	22,981,326,174
<b>46.1.5 Liabilities</b>										
Total liabilities for reportable segments	538,598,443	248,173,024	1,303,501,349	1,138,085,473	1,967,785,509	1,195,867,553	(702,171,202)	(456,307,547)	3,107,714,099	2,125,818,503
Corporate liabilities - common	-	-	-	-	-	-	-	-	11,525,709,342	19,735,535,552
	538,598,443	248,173,024	1,303,501,349	1,138,085,473	1,967,785,509	1,195,867,553	(702,171,202)	(456,307,547)	14,633,423,441	21,861,354,055

**46.1.6 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.

<b>Revenue</b>	<b>2021</b>	2020
	<b>Rupees</b>	Rupees
<b><u>Foreign revenue</u></b>		
Asia	<b>2,156,302,382</b>	1,488,337,813
Europe	<b>13,978,860,704</b>	11,369,192,309
South America	<b>15,520,477</b>	-
North America	<b>13,708,624</b>	4,732,665
Africa	<b>26,167,105</b>	10,461,071
Other countries	<b>3,187,258,950</b>	2,701,297,819
	<b>19,377,818,242</b>	15,574,021,677
<b><u>Local revenue</u></b>		
Pakistan	<b>2,017,655,400</b>	1,046,623,341
	<b>21,395,473,642</b>	16,620,645,018
<b>46.1.7 Non-current assets</b>		
Pakistan	<b>10,283,233,420</b>	10,304,651,161

**47. 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.

	<b>Unit</b>	<b>2021</b>	2020
Total debt	Rupees	<b>10,007,499,321</b>	8,067,856,462
Total equity including revaluation surplus	Rupees	<b>7,994,677,029</b>	1,119,972,119
Total capital employed	Rupees	<b>18,002,176,350</b>	9,187,828,581
Gearing	Percentage	<b>55.59%</b>	87.81%

Total debt comprises of redeemable capital, new zero coupon privately placed term finance certificates, long term finances, liabilities against assets subject to finance lease and current portion of non-current liabilities.

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 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.

	2021 Rupees	2020 Rupees
<b>48 Restriction on title and assets pledged as security</b>		
<b><u>Mortgages and charges</u></b>		
<b><u>First</u></b>		
Hypothecation of all present and future assets and properties	23,809,949,179	27,000,000,000
Mortgage over land and building	23,809,949,179	27,000,000,000
<b><u>Ranking</u></b>		
Hypothecation of all present and future assets and properties	11,666,666,667	4,666,666,667
Mortgage over land and building	11,666,666,667	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
<b><u>Pledge</u></b>		
Raw material	236,161,930	306,136,670
Finished goods	184,812,098	291,152,030
Investments in debt securities	126,080,519	126,080,519

**49. 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:

	2021			
	Directors			Executives
	Chief Executive	Executive	Non-executive	
	----- Rupees -----			
Managerial remuneration	20,700,000	-	-	221,534,338
Medical	2,070,000	-	-	22,153,458
Utilities and house rent	8,280,000	-	-	88,965,806
Post employment benefits	1,725,000	-	-	18,350,631
Bonus	41,843,169	-	-	-
	<b>74,618,169</b>	<b>-</b>	<b>-</b>	<b>351,004,233</b>
Number of persons as at year end	<b>1</b>	<b>-</b>	<b>7</b>	<b>98</b>
	-----			
	2020			
	Directors			Executives
	Chief Executive	Executive	Non-executive	
	----- Rupees -----			
Managerial remuneration	15,525,000	5,203,337	-	181,829,799
Medical	1,552,500	520,337	-	18,451,234
Utilities and house rent	6,210,000	1,940,701	-	77,012,065
Post employment benefits	1,725,000	466,667	-	15,377,733
Bonus	20,222,512	-	-	-
	<b>45,235,012</b>	<b>8,131,042</b>	<b>-</b>	<b>292,670,831</b>
Number of persons as at year end	<b>1</b>	<b>1</b>	<b>6</b>	<b>83</b>

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

49.2 Aggregate amount charged in the financial statements for meeting fee to seven directors (2020: six directors) was Rs. 4.08 million (2020: Rs 3.88 million).

## 50 Plant capacity and actual production

<u>Spinning</u>	Unit	2021	2020
Number of rotors installed	No.	3,984	3,544
Annual installed capacity converted into 10s count	Kgs	14,692,128	13,069,503
Actual production converted into 10s count	Kgs	8,410,589	6,941,355
Number of spindles installed	No.	54,888	54,888
Annual installed capacity converted into 20s count	Kgs	14,668,821	14,668,821
<u>Weaving</u>			
Number of looms installed	No.	242	242
Annual installed capacity converted into 48.5 picks	Mtrs.	40,037,984	40,037,984
Actual production converted into 48.5 picks	Mtrs.	28,276,305	21,928,243
<u>Garments</u>			
Number of stitching machines installed	No.	2,576	3,135
Annual installed capacity	Pcs	12,278,112	14,942,532
Actual production for the year	Pcs	10,574,224	9,226,098

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.

## 51 Number of employees

The average and total number of employees are as follows:

	2021	2020
Average number of employees during the year	6,761	6,971
Total number of employees as at end of year	6,889	5,605

## 52. Impacts of Covid-19 pandemic on the financial statements:

The impact of the various waves of Covid - 19 have impacted the business of the Company. Although, the situation was not as bad in the year ended June 30, 2021 as it was in previous year however still disruptions were there. Customers have been cancelling their orders or extending dispatch time resulting in piling up of stocks during the year under review.

Sales for year ended June 30, 2019 (before Covid - 19) was Rs. 20,214.97 million. Due to impact of Covid-19, sales for the year ended June 30, 2020 decreased to Rs. 16,909.30 million. However, during the year ended June 30, 2021, sales of Company is Rs. 22,070.23 million. With some betterment in lockdown situations, the Company achieved back its sales level.

The spread of delta variant of Covid - 19 and its impacts on the world especially on Europe can impact business of the Company. The Company hopes that with better vaccinations and other measures, business needs and demand would normalize in year 2021-22 and the Company may achieve better results.

The management has evaluated and concluded that there is no going concern uncertainty due to Covid - 19 and there are no material implications of Covid - 19 that require any specific disclosure in the financial statements.



**53. Corresponding figures**

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

**54. Date of authorization for issue**

These financial statements were authorized for issue on October 30, 2021 by the Board of Directors of the Company.

**55. General**

Figures have been rounded off to the nearest rupee.

Lahore



Chief Executive Officer



Director



Chief Financial Officer

**FORM 34**

**THE COMPANIES ACT, 2017**  
**THE COMPANIES (GENERAL PROVISIONS AND FORMS) REGULATIONS, 2018**  
 [Section 227(2)(f)]

**PATTERN OF SHAREHOLDING**  
 (ORDINARY SHARES)

**PART-I**

1.1 Name of the Company

**AZGARD NINE LIMITED****PART-II**2.1 Pattern of holding of the shares held  
by the Shareholders as at

3	0	0	6	2	0	2	1
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Number of Shareholders	Shareholdings				Total Shares held
	from	to			
375	1	-	100	Shares	11,922
669	101	-	500	Shares	265,088
646	501	-	1000	Shares	587,522
1068	1001	-	5000	Shares	2,974,947
310	5001	-	10000	Shares	2,416,621
110	10001	-	15000	Shares	1,439,103
67	15001	-	20000	Shares	1,225,226
56	20001	-	25000	Shares	1,307,116
26	25001	-	30000	Shares	732,935
12	30001	-	35000	Shares	394,410
15	35001	-	40000	Shares	576,008
7	40001	-	45000	Shares	305,210
15	45001	-	50000	Shares	734,196
13	50001	-	55000	Shares	699,671
6	55001	-	60000	Shares	350,413
6	60001	-	65000	Shares	377,520
5	65001	-	70000	Shares	340,369
8	70001	-	75000	Shares	592,061
2	75001	-	80000	Shares	160,000
7	80001	-	85000	Shares	579,448
4	85001	-	90000	Shares	356,300
2	90001	-	95000	Shares	182,744
15	95001	-	100000	Shares	1,500,000
2	100001	-	105000	Shares	205,214
2	105001	-	110000	Shares	212,700
5	110001	-	115000	Shares	560,205
2	115001	-	120000	Shares	231,500
4	120001	-	125000	Shares	500,000

4	130001	-	135000	Shares	533,400
1	135001	-	140000	Shares	140,000
2	145001	-	150000	Shares	298,500
1	150001	-	155000	Shares	152,000
2	170001	-	175000	Shares	347,000
1	175001	-	180000	Shares	176,197
2	180001	-	185000	Shares	364,000
2	190001	-	195000	Shares	382,000
5	195001	-	200000	Shares	995,500
1	210001	-	215000	Shares	211,000
4	245001	-	250000	Shares	1,000,000
1	255001	-	260000	Shares	260,000
1	275001	-	280000	Shares	277,500
1	285001	-	290000	Shares	289,000
3	295001	-	300000	Shares	900,000
1	305001	-	310000	Shares	310,000
1	330001	-	335000	Shares	333,854
1	335001	-	340000	Shares	336,102
1	360001	-	365000	Shares	364,000
1	405001	-	410000	Shares	407,500
1	415001	-	420000	Shares	419,000
1	475001	-	480000	Shares	478,523
1	485001	-	490000	Shares	490,000
3	495001	-	500000	Shares	1,498,000
1	500001	-	505000	Shares	501,000
1	515001	-	520000	Shares	517,000
1	535001	-	540000	Shares	538,000
1	555001	-	560000	Shares	558,500
1	580001	-	585000	Shares	583,722
2	595001	-	600000	Shares	1,200,000
1	640001	-	645000	Shares	641,500
1	670001	-	675000	Shares	675,000
1	700001	-	705000	Shares	702,500
1	740001	-	745000	Shares	743,500
1	760001	-	765000	Shares	764,000
1	795001	-	800000	Shares	797,000
2	895001	-	900000	Shares	1,795,500
1	925001	-	930000	Shares	929,000
1	990001	-	995000	Shares	994,500
1	995001	-	1000000	Shares	1,000,000
1	1185001	-	1190000	Shares	1,187,500
1	1215001	-	1220000	Shares	1,220,000

1	1245001	-	1250000	Shares	1,247,000
1	1290001	-	1295000	Shares	1,292,000
2	1305001	-	1310000	Shares	2,618,000
1	1495001	-	1500000	Shares	1,500,000
1	1595001	-	1600000	Shares	1,600,000
1	1730001	-	1735000	Shares	1,733,000
1	1895001	-	1900000	Shares	1,899,500
1	2400001	-	2405000	Shares	2,404,000
1	2495001	-	2500000	Shares	2,500,000
2	2570001	-	2575000	Shares	5,143,775
1	2875001	-	2880000	Shares	2,880,000
1	3490001	-	3495000	Shares	3,494,500
1	3895001	-	3900000	Shares	3,900,000
1	4585001	-	4590000	Shares	4,586,819
1	5595001	-	5600000	Shares	5,600,000
1	7895001	-	7900000	Shares	7,897,600
1	8515001	-	8520000	Shares	8,519,000
1	9495001	-	9500000	Shares	9,500,000
1	10440001	-	10445000	Shares	10,442,390
1	12795001	-	12800000	Shares	12,796,950
1	13890001	-	13895000	Shares	13,893,656
1	18415001	-	18420000	Shares	18,420,000
1	19585001	-	19590000	Shares	19,586,000
1	22425001	-	22430000	Shares	22,425,550
1	25750001	-	25755000	Shares	25,750,009
1	33320001	-	33325000	Shares	33,322,000
1	37710001	-	37715000	Shares	37,713,192
1	55955001	-	55960000	Shares	55,957,680
1	120655001	-	120660000	Shares	120,657,363
<b>3552</b>	<b>TOTAL</b>				<b>485,409,731</b>

2.3	Categories of Shareholders	Shares held	Percentage
2.3.1	Directors, Chief Executive Officer, and their spouse and minor children	56,142,254	11.57%
2.3.2	Associated Companies, undertakings and related parties	120,657,363	24.86%
2.3.3	NIT and ICP	8,398	0.00%
2.3.4	Banks, Development Financial Institutions, Non-Banking Financial Institutions	9,611,618	1.98%
2.3.5	Insurance Companies	7,158,094	1.47%
2.3.6	Modarabas and Mutual Funds	19,997,300	4.12%
2.3.7	Shareholders holding 10%	176,615,043	36.38%
2.3.8	<u>General Public</u>		
	a. Local	196,921,848	40.57%
	b. Foreign	109,917	0.02%
2.3.9	<u>Others</u>		
	Investment Companies	48,785	0.01%
	Joint Stock Companies	73,843,924	15.21%
	Provident/Pension Funds and Misc.	910,230	0.19%



## Form of Proxy Azgard Nine Limited

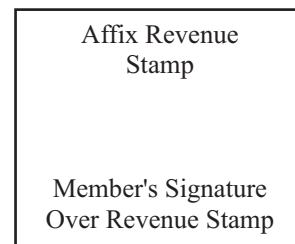
I/We \_\_\_\_\_  
son/daughter of/wife of \_\_\_\_\_  
a member of Azgard Nine Limited and holder of \_\_\_\_\_ ordinary shares as  
per Registered Folio No. \_\_\_\_\_ do hereby appoint Mr./Ms./Mrs. \_\_\_\_\_  
son of /daughter of/wife of \_\_\_\_\_ or failing him/her  
Mr./Ms./Mrs. \_\_\_\_\_  
son of/daughter of/wife 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 28th Annual General Meeting of the Company to be held on Saturday, the 27<sup>th</sup> November 2021 at 11:00 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 \_\_\_\_\_ 2021.

### WITNESSES

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC \_\_\_\_\_
2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC \_\_\_\_\_



### 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 authenticate his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport. Representative of corporate members should bring the usual documents for such purpose.

AFFIX  
CORRECT  
POSTAGE

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



# پراکسی فارم

## ایزگارڈ نائن لمیٹڈ

میں اہم.....  
 ولد/دختر/زوجہ.....  
 ایزگارڈ نائن لمیٹڈ کا ممبر اور ہولڈر.....  
 عمومی شیئرز اور رجسٹرڈ فوئیو نمبر..... جناب/محترمہ.....  
 ولد/دختر/زوجہ.....  
 کا تقرر کرتا/کرتی ہوں یا اس کے ناکام ہونے پر جناب/محترمہ.....  
 ولد/دختر/زوجہ.....  
 جو کہ خود بھی کمپنی کا/کی رجسٹرڈ فوئیو نمبر..... کے تحت ممبر ہے میرے/ہمارے پر کسی کے طور پر شرکت کرے، تقریر/ایمان کرے،  
 میرے/ہمارے لئے ووٹ دے کمپنی کے اٹھائیسویں سالانہ اجلاس عام جو کہ بروز ہفتہ 27 نومبر 2021 بوقت 11:00 بجے صبح  
 بمقام کمپنی کے رجسٹرڈ آفس: اسماعیل ایوان سائنس، آف شاہراہ رومی، لاہور میں منعقد ہوگا اور اسکے کسی التواء کی صورت میں۔  
 مورخہ 2021 کو روبرو گواہان تحریر کیا ہے۔

ریونیٹنگ لگائیں  
 ریونیٹنگ پر  
 ممبر کے دستخط

گواہ شد  
 دستخط.....  
 نام.....  
 پتہ.....  
 شناختی کارڈ نمبر.....  
 گواہ شد  
 دستخط.....  
 نام.....  
 پتہ.....  
 شناختی کارڈ نمبر.....

نوٹ:

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

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





AFFIX  
CORRECT  
POSTAGE

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

# AZGARD9

AZGARD NINE LIMITED  
ISMAIL AIWAN-I-SCIENCE, OFF: SHAHRAH-I-ROOMI,  
LAHORE-54600, PAKISTAN.  
P: +92(0)4235761794-5  
F: +92(0)4235761791

INFO@AZGARD9.COM



Azgard9.Limited



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



[azgard9ltd](https://www.instagram.com/azgard9ltd)

