Making Conscious Denim PRESERVING PLANET AZGARD9 Changing Perspective With Process AZGARD NINE LIMITED Interim Financial Report for the half year ended December 31, 2021 (Un-audited)

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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

Grant Thornton Anjum Rahman

Chartered Accountants

SHARES REGISTRAR

H. M. House, 7-Bank Square, Lahore.

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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

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 III

M/s. Hameed Majeed Associates (Pvt.) Ltd. Atta Buksh Road, 18-KM, Off: Ferozepur Road, Mouza Atari Saroba, Tehseel Cantt, Lahore.

Ph: +92(0)333 0427020-1

WEB PRESENCE

E-MAIL

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info@azgard9.com

Directors' Review

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Condensed Interim Financial Report for six months' period ended 31 December 2021.

Principal Activities

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

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

	Six Months ended 31 December 2021 (Rupees)	Six Months ended 31 December 2020 (Rupees)
Sales – Net	14,932,350,183	11,088,209,370
Operating profit	962,759,977	1,202,189,240
Other income	58,764,048	61,849,293
Other expenses	(65,188,213)	(222,690,644)
Finance Cost	(347,946,376)	(629,544,957)
Profit before Tax	608,389,436	411,802,932
Profit after Tax	460,065,648	303,263,687
Earnings per share	0.94	0.62

Review of business during this period and future outlook

During this six months' period, the sales of the Company have increased by more than 34% as compared to the same period of the previous year. Operating profit of this half year is Rs. 962.76 million, a decrease of almost 20% when compared with the operating profit of same period last year. The Company has been able to achieve a before tax profit of Rs. 608.39 million; more than 47% increase as compared to same period of last year.

New textile policy confirming continuation of DLTL scheme - duty drawback on local taxes and levies for year 2021-2022 has been approved by the ECC and the Federal Cabinet in their recent meetings. However, official notifications confirming this are still pending. Consequently, the Company has not recognised the positive effect expected of this on its income. By comparison, the results for period from July to December 2020 include a positive effect from DLTL of Rs 143.3 million.

During the period, as part of restructuring scheme, bid pertaining to spinning unit located at Alipur road, Muzaffargarh has been finalized by scheme agent banks.

During the period, global trends of increasing costs and shortages of raw materials is observed. As a result, manufacturing cost of company has significantly increased. At present, it looks difficult to fully pass on the impact of these cost increases to the market. In addition, the huge increases in sea freight have also increased our costs significantly. These factors have reduced our margins.

Future outlook of business of the Company is mainly reliant on the stability in raw material prices, currently these appear to not be settling down. So we fore see continued pressure on margins. Restructuring scheme of the Company has been implemented and the Company's debt levels should now be sustainable. To meet the sales growth, the Company is now trying to raise sufficient working capital financing.

Disclosure in respect of Montebello S.R.L is provided in note 2.2, 5.1.5 and 7.1 to the condensed interim financial report.

The board appreciates the cooperation, support and help of all the stakeholders through these difficult times. It is hoped that with their continued support in the future as well, we would continue to improve the Company's performance.

On behalf of the Board of Directors

Chief Executive Officer

Lahore

Date: February 26, 2022

ڈائر یکٹرز کا جائزہ

ایز گارڈ نائن کمیٹر (سمینی) کے ڈائر کیٹرز ہمراہ انتظامیڈیم کمپنی کی کثیف عبوری مالیاتی رپورٹ برائےشش ماہی مختمہ 31 دسمبر 2021 میش کرتے ہیں۔

اہم سرگرمیاں

آپ کی مپنی کی توجہ دھا گہ، ڈینم کیڑااور تیار ڈینم ملبوسات کی مصنوعات کی پیدواراور مارکیٹنگ پرم کوز ہے۔ ابز گارڈ نائن کمیٹٹر (شینڈ الون) کے ملی مالیاتی نتائج درج ذیل ہیں۔

شش ماہی مختتمہ 311ء تمبر 2020 (روپے)	شش ما ہی مختتمہ 31 دئیمبر 2021 (روپے)	
11,088,209,370	14,932,350,183	فروختگی (Net)
1,202,189,240	962,759,977	آ پریٹنگ منافع
61,849,293	58,764,048	د گیر کمائی
(222,690,644)	(65,188,213)	ويگراخراجات
(629,544,957)	(347,946,376)	مالياتى اخراجات
411,802,932	608,389,436	منافع قبل ازليكس
303,263,687	460,065,648	منافع بعداز نيكس
0.62	0.94	منافع فى شيئر

اس معیاد کے دوران کا روبار کا جائز ہ اور مستقبل پر نظر

اس شش ماہی کی مدت کے دوران کمپنی کی سینز میں چھیلے سال کی ای مدت کی نسبت تقریبًا 34 فیصد کا اضافہ ہوا ہے۔ آپریٹنگ منافع اس شش ماہی کا 962.76 ملین روپے ہے جو کہ چھلےسال اس شش ماہی کی نسبت تقریبًا 20 فیصد کم ہے۔ کمپنی 608.39 ملین روپے منافع قبل از نیکس حاصل کرنے میں کامیاب ہوئی ہے جو کہ پچھلے سال اس شش ماہی کی نسبت 47 فیصد سے زیادہ اضافہ ہوا ہے۔

نى نيك ناكل ياليسى بشمول DLTL اسكيم، مقامى نيكسوں اور ليويز پر ڈيو ٹی ڈرابيک، كے تسلسل برائے سال 2022-2021 كواي سى اوروفاقى كابيندنے اینے حالیہ اجلاسوں میں منظور کر دیا ہے۔ تاہم، اس کی تصدیق کرنے والی سرکاری ٹوٹیٹیکیشنز ابھی تک زیرالتواء ہیں۔اس لئے بمپنی نے اپنی آمدنی براس سے متوقع مثبت اثر کوشامل نہیں کیا ہے۔ پچھلے سال، جولائی ہے دمبر 2020 کے دورانیے کے نتائج پر 143.3 سال ملین رویے کا مثبت اثر شامل

اس مدت کے دوران تنظیم نواسمیم کے جھے کے طور پر علی یور مظفر گڑھ پرواقع اسپنگ یونٹ کی بولی مے متعلق ایجنٹ مینکوں نے فائنل کر دیا ہے۔

اس وصے کے دوران، بڑھتی ہوئی لاگت اور خام مال کی کمی کے عالمی رجحان دیکھا گیا ہے۔اس کے نتیجے میں ممپنی کی مینوفین مجر نگ لاگت میں نمایاں اضافیہ ہوا ہے۔ فی الحال ،ایبالگتا ہے مارکیٹ میں اس لا گت میں اضافے کے اثرات کو کلمل طور پر نتقل کرنا مشکل ہے۔ اس کے علاوہ ،سمندری مال برداری میں بہت ، بڑے اضافے نے اخراجات میں نمایاں اضافہ کر دیا ہے۔ان وجوحات نے نمپنی کے مار جنز میں کی کر دی ہے۔

مستقبل کے نقط نظر ہے تمینی کے کاروبار کا انحصار بنیا دی طور پر خام مال کی قیمتوں میں استحکام مرمخصر ہے، جو کہ ٹی الحال میں مشخکم نہیں ہورہی ہیں۔لبذا ہم تمینی کے مار جنز پرمسلسل دباؤ دیکیورہے ہیں۔ کمپنی کی تنظیم نواسکیم لا گوہو چکی ہے اور قرضہ جات اب یائیدار سطح پرآ جائیں گے۔ فروخت میں اضافے کو یورا کرنے کے لئے بمپنی در کنگ کیپیل فنانسنگ میں اضافے کی کوشش کررہی ہے۔

. .Montebello S.R.L کے بارے میں انکشاف کیجامالیاتی شیشمٹس کے نوٹ 2.2ء 5.1.5 اور 7.1 میں مہیا کئے گئے ہیں۔ بورڈاس مشکل وقت میں اپنے تمام شراکت داروں کے تعاون جمایت اور مددکوسراہتا ہے۔ بیامید کی جاتی ہے کہان کامتنتبل میں بھی مسلسل تعاون جاری رہےگا۔ہم کمپنی کی کارکر دگی میں بہتری کے لئے کوشاں ہیں۔

بورڈ آف ڈائر یکٹرز کی جانب سے



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INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF AZGARD NINE LIMITED

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Azgard Nine Limited as at December 31, 2021 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 7.1 to the annexed financial information that on December 18, 2014, the Court of Vicenza, Italian Republic had approved bankruptcy proposal of public prosecutor and appointed a Trustee to manage the affairs of Company's wholly owned subsidiary, Montebello s.r.l. ("MBL"). Resultantly, the Company has ceased recognizing and presenting MBL as its subsidiary and such investment is being presented as other investment against which impairment has also been recognized in full. During last year, the bankruptcy proceedings of MBL were purchased by Taybah Capital Limited (TCL), a Company registered in United Arab Emirates. On March 31, 2021, Taybah filed suit for a claim of EUR 7 million which is being defended by the Company. During this period, the Court of Vicenza has also accepted and awarded TCL's claim to the extent of EUR 2.049 million. The Company has filed appeal against this Order which is pending for adjudication.

The Company has not made any provision on account of claim of EUR 7 million as well as recent Court order for EUR 2 million against the company in these interim financial statements. In absence of definite determination of these claims, we are unable to satisfy ourselves as to the appropriateness of amounts recorded and related disclosures made in these interim financial statements; and



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A creditors' scheme of arrangement (the Scheme) approved by the Honorable Lahore High Court (LHC) was implemented on April 29, 2021, during last 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) comprising of redeemable capital, long term finances and certain short-term borrowings of the Company. The new restructured finances are either zero coupon or at 5% markup i.e., below market rate. However, the Company has recognized these finances at their respective face values, instead of their fair values.

Had these finances been recognised at their fair value on the date of restructuring, equity of the Company would have increased by Rs. 3,029 million with a corresponding decrease in carrying value of such restructured finances as well as increase in finance cost of these six months by Rs. 134 million.

Qualified Conclusion

Based on our review, except for effects of the matters described in Basis for Qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements, are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting

Other Matters

We also draw attention towards that:

- annual financial statements for the year ended June 30, 2021 were audited by another firm
 of auditors, whose report dated November 03, 2021 expressed qualified opinion thereon
 w.r.t non-amortisation of restructured financings and appropriateness of impairment of
 investment in MBL recorded and disclosures made in respect of claims lodged against the
 company during bankruptcy of MBL in those financial statements;
- condensed interim financial statements for half year ended December 31, 2020 were reviewed by another firm of auditors, whose report dated February 26, 2021 expressed qualified conclusion thereon w.r.t appropriateness of impairment of investment and trade receivables of MBL recorded as well as related disclosures made in those interim financial statements; and
- 3. the figures of condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended December 31, 2021 in the annexed condensed financial statements have not been reviewed, as we are required to review only cumulative figures for the six-months period ended December 31, 2021.

The engagement partner on the review resulting in this independent auditors' review report is Imran Afzal.

Grant Thornton Augus Pulman Grant Thornton Anjum Rahman Chartered Accountants

Date: February 26, 2022

Lahore

Condensed Interim Statement of Financial Position As at December 31, 2021

		(Un-audited)	(Audited)
		December 31,	June 30,
		2021	2021
EQUITY AND LIABILITIES	Note	Rupees	Rupees
Share capital and reserves			
Authorized share capital		15,000,000,000	15,000,000,000
·			
Issued, subscribed and paid up capital		4,913,753,370	4,913,753,370
Reserves		3,214,437,408	3,214,437,408
Surplus on revaluation of fixed assets Accumulated loss		3,375,878,594 (3,049,326,695)	3,414,941,189 (3,548,454,938
Accumulated 1033		8,454,742,677	7,994,677,029
Non-current liabilities			
Redeemable capital - secured	4	2,532,280,441	3,561,791,275
New Zero Coupon privately placed term finance certificates	•	5,103,510,000	5,103,510,000
Long term finances - secured		1,081,208,933	1,081,208,932
Lease liabilities		3,704,377	4,672,573
Deferred liability-gratuity		535,830,522	495,679,868
Current liabilities		9,256,534,273	10,246,862,648
Current portion of non-current liabilities		149,437,771	150,772,866
Short term borrowing	4	2,183,961,506	1,423,689,035
Trade and other payables		3,466,063,602	2,545,679,458
Contract liabilities		119,312,564	53,186,265
Interest / mark-up accrued on borrowings		292,902,947	200,066,382
Dividend payable on preference shares		9,413,535	9,413,535
Unclaimed dividend on ordinary shares		3,753,252	3,753,252
		6,224,845,177	4,386,560,793
Contingencies and commitments	5		
		23,936,122,127	22,628,100,470
ASSETS			
Non-current assets	6	10,499,198,808	10 222 500 073
Property, plant and equipment Long term investments	7	12,608,052	10,232,590,972 12,608,052
Long term deposits and receivables	,	37,294,396	38,034,396
Long term deposits and receivables		10,549,101,256	10,283,233,420
Current assets		164 455 456	140 (44 020
Stores, spares and loose tools Stock-in-trade	8	164,455,456 5,692,273,647	148,644,939 4,599,739,102
Trade receivables	6	2,661,808,473	2,418,068,551
Advances, deposits, prepayments and other receivables		2,761,543,879	2,514,947,274
Short term investments	9	139,993,989	139,993,989
Receivable from National Bank of Pakistan	-	306,022,500	306,022,500
Income tax recoverable		33,804,111	37,480,182
Funds for restructuring scheme		56,675,942	17,170,862
Cash and bank balances		306,442,874	898,799,653
		12,123,020,871	11,080,867,050
Non- current assets held for sale	10	1,264,000,000	1,264,000,000
		23,936,122,127	22,628,100,470

The annexed notes 1 to 16 form an integral part of these interim financial statements.

Lahore **Chief Executive Officer**

Chief Financial Officer

Contract of the second

Condensed Interim Statement of Profit or Loss (Un-audited) For the half year and quarter ended December 31, 2021

•	202:	1	202	20
•	July to	October to	July to	October to
	December	December	December	December
Note	Rupees	Rupees	Rupees	Rupees
Sales - net	14,932,350,183	7,465,020,673	11,088,209,370	5,886,661,986
Cost of sales	(12,803,505,573)	(6,328,790,419)	(9,073,680,367)	(4,869,616,174)
Gross profit	2,128,844,610	1,136,230,254	2,014,529,003	1,017,045,812
Selling and distribution expenses	(845,187,565)	(435,559,212)	(533,640,621)	(260,006,148)
Administrative expenses	(320,897,068)	(165,238,212)	(278,699,142)	(140,580,895)
Profit from operations	962,759,977	535,432,830	1,202,189,240	616,458,769
Other income	58,764,048	43,941,013	61,849,293	33,641,100
Other expenses	(65,188,213)	(20,544,949)	(26,295,488)	(7,440,335)
Loss on sale of non current asset held for sale	-	-	(196,395,156)	(196,395,156)
Finance cost 12	(347,946,376)	(180,552,965)	(629,544,957)	(304,505,282)
Profit before taxation	608,389,436	378,275,929	411,802,932	141,759,096
Taxation	(148,323,788)	(74,123,831)	(108,539,245)	(57,608,163)
Profit after taxation	460,065,648	304,152,098	303,263,687	84,150,933
Earnings per share - basic and diluted	0.94	0.62	0.62	0.17
-aos per estate and andrea	0.54	0.02	0.02	0.17

The annexed notes 1 to 16 form an integral part of these interim financial statements.

Chief Executive Officer

Lahore

Condensed Interim Statement of Comprehensive Income (Un-audited) For the half year and quarter ended December 31, 2021

_	202	1	202	2020		
	July to December	October to December	July to December	October to December		
	Rupees	Rupees	Rupees	Rupees		
Profit for the period	460,065,648	304,152,098	303,263,687	84,150,933		
Other comprehensive income for the period	-	-	-	-		
Total comprehensive income for the period	460,065,648	304,152,098	303,263,687	84,150,933		

The annexed notes 1 to 16 form an integral part of these interim financial statements.

Lahore

Condensed Interim Statement of Cash Flows (Un-audited) For the half year ended December 31, 2021

	2021	2020
	July to	July to
	December	December
	Rupees	Rupees
Cash flows from operating activities		
Profit before taxation	608,389,435	411,802,932
Adjustments	457,630,063	1,114,807,518
Operating profit before working capital changes	1,066,019,498	1,526,610,450
Changes in working capital	(614,635,761)	(1,323,019,499)
Cash generated from operations	451,383,737	203,590,951
Refunds / (Payments) for:		
Finance cost	(56,328,932)	(182,472,787)
Income tax	(144,647,748)	(95,373,238)
Post retirement benefits	(41,534,467)	(64,728,772)
Long term deposits	740,000	
Net cash from/(used in) operating activities	209,612,590	(138,983,846)
Cash flows from investing activities		
Capital expenditure incurred	(515,926,273)	(135,123,091)
Proceeds from disposal of fixed assets	28,735,043	626,280,000
Net cash (used in)/from investing activities	(487,191,230)	491,156,909
Cash flows from financing activities		
Repayment of lease liabilities	(2,303,291)	(1,495,274)
Increase/(decrease) in Short term borrowings-net	(272,969,766)	52,228,Q79
Net cash (used in)/from financing activities	(275,273,057)	50,732,805
Net (decrease)/increase in cash and cash equivalents	(552,851,697)	402,905,868
Cash and cash equivalents at the beginning of period	915,970,513	1,016,477,278
Cash and cash equivalents at the end of period	363,118,816	1,419,383,146

The annexed notes 1 to 16 form an integral part of these interim financial statements.

Lahore

Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended December 31, 2021

				Capital reserves			Revenue reserves		
	Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Preference share redemption reserve	Post employment benefits obligation reserve	Surplus on revaluation of fixed assets	Accumulated loss	Total reserves	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at July 01, 2020 - Audited	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
Profit for the half year ended December 31, 2020 Other comprehensive income for the period ended December 31, 2020							303,263,687	303,263,687	303,263,687
Total comprehensive income for the period ended December 31, 2020							303,263,687	303,263,687	303,263,687
Transfer of incremental depreciation from surplus on revaluation of operating fixed assets Transfer of surplus on disposal of revalued assets					•	(51,518,752) (539,558,128)	51,518,752 539,558,128		
As at December 31, 2020 - Unaudited	4,913,753,370	2,358,246,761	105,152,005	661,250,830	91,670,834	4,151,199,367	(10,858,037,361)	(3,490,517,564)	1,423,235,806
As at July 01, 2021 - Audited	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
Profit for the half year ended December 31, 2021 Other comprehensive income for the period ended				,			460,065,648	460,065,648	460,065,648
December 31, 2021 Total comprehensive income for the period ended December 31, 2021]]] _	<u>.</u>	460,065,648	460,065,648	460,065,648
Transfer (disposal of revalued assets and incremental depreciation from surplus on revaluation of operating fixed assets)			•		•	(39,062,595)	39,062,595		
As at December 31, 2021 - Unaudited	4,913,753,370	2,358,246,761	105,152,005	661,250,830	89,787,812	3,375,878,594	(3,049,326,695)	3,540,989,307	8,454,742,677
The annexed notes 1 to 16 form an integral part of these interim financial Salaments.	terim financial slatkmen	ts.			((

Chief Financial Officer

Chief Executive Officer

Lahore

Condensed Interim Selected Explanatory Notes to the Financial Statements (Un-audited) For the half year ended December 31, 2021

1. Status and nature of business

Azgard Nine Limited ("the Company") is incorporated in Pakistan as a public limited company and is listed on Pakistan Stock Exchange Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-i-Science, off Shahrah-i-Roomi, Lahore. The Company has three units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh, Unit III at Atta Buksh Road, 18 km, off Ferozpur Road, Mouza Atari Saroba, Tehsil Cantt, Lahore. Unit III is rented facility. Unit I and III are operational, Unit II is nonoperational and being classified as held for sale.

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim $financial \, reporting \, comprise \, of: \,$

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual audited financial statements for the year ended June 30, 2021.

Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2021 whereas comparative statement of profit or loss, statement of changes in equity and statement of cash flows are extracted from un-audited $condensed\ in terim\ financial\ statements\ for\ the\ quarter\ ended\ on\ December\ 31,2020.$

These condensed interim financial statements are being submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

2.2 Basis of non preparation of consolidated accounts

The Company had 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 annual 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, had 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. Further, 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 relevant activities of MBL. Resultantly, effective from the financial year ended June 30, 2018, the Company ceased recognizing and presenting MBL as its subsidiary.

During 2021, M/s. Taybah Capital Limited, a company based in United Arab Emirates, has purchased liquidation process of MBL and resultantly, the Bankruptcy/liquidation process of MBL has been completed.

3. Accounting policies and estimates

- **3.1** The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2021.
- **3.2** Judgements and estimates made by the management in the preparation of the condensed interim financial information are the same as those applied in preparation of annual published financial statements of the Company for the year ended June 30, 2021.

			(Un-audited)	(Audited)
			December 31,	June 30,
		Note	2021	2021
4.	Redeemable capital-secured		Rupees	Rupees
	Privately Placed Term Finance Certificates		250,602,457	250,602,457
	Privately Placed Term Finance Certificates		166,732,493	166,732,493
	Sub-Privately Placed Term Finance Certificates	4.1	2,029,275,000	3,056,480,000
	Sub-Sukuk certificates		193,520,000	193,520,000
			2,640,129,950	3,667,334,950
	Less: transaction costs		(107,849,509)	(105,543,675)
			2,532,280,441	3,561,791,275

4.1 During the period, redeemable capital in respect of Silk Bank Limited and Summit Bank Limited amounting to Rs. 998 million has been converted into short term SBP funded facilities (ERF) while an amount of Rs. 28.78 million has been waived off by the banks.

5. Contingencies and commitments

5.1 Contingencies

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

- 5.1.2 The Company has issued indemnity bonds amounting to Rs. 1.82 billion (June 30, 2021: 1.63 billion) in favour of the Collector of Customs and Sales Tax department in lieu of levies under various statutory notifications which are likely to be released after fulfillment of terms of related notifications.
- 5.1.3 NAB Court reference has been filed on September 9, 2017, in relation to previous settlement (first restructuring) of the Company's financing arrangements during 2012, whereby 18 financial institutions had partially rescheduled / settled the Company's liabilities against its investment held in shares of Agritech Limited. During the period, Honorable Supreme Court has quashed reference of NAB court.
- **5.1.4** Other multiple cases involving point of law are subject to adjudication before Honorable Lahore High Court and other forums. However, individually these are not so significant and the management expects favourable outcome of such cases.
- 5.1.5 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 has 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.

TCL also joined the liquidation proceedings in the Court of Vicenza, Italy. During this period, the Court of Vicenza has accepted and awarded TCL's claim to the extent of Euro 2,048,783.63. The Company has filed appeal against this Order which is pending for adjudication.

As per advice of legal counsel of the Company, recent decision regarding Euro 2.05 million is part of overall claim of Euro 7 million of TCL. The Company is expected to get relief from both cases. Hence, no provision against both cases is recorded in this interim financial information.

	(Un-audited)	(Audited)
	December 31,	June 30,
5.2 Commitments	2021	2021
5.2.1 Commitments under irrevocable letters of credit for:	Rupees	Rupees
 purchase of Plant, machinery and loose tools 	24,023,471	82,158,945
- purchase of raw material	36,579,412	65,028,427
	60,602,883	147,187,372
5.2.2 Commitments for capital expenditure	132,521,571	200,921,358
•		

- **5.2.3** Counter Guarantees given by the Company to its bankers as at the reporting date amount to Rs. 228.58 million (June 30, 2021: Rs. 266.44 million).
- **5.2.4** Bills discounted as at reporting date aggregated to Rs. 2,887.03 million (June 30, 2021: Rs. 2,627.60 million).

6 Property, plant and equipment

Operating fixed assets	10,031,573,910	9,938,195,993
Right of use assets	6,744,626	7,494,027
Capital work in progress	460,880,272	286,900,952
	10,499,198,808	10,232,590,972

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
6.1 Operating fixed assets	Rupees	Rupees
Net book value as at the beginning of the period / year	9,938,195,993	9,996,709,467
Additions during the period / year	341,946,947	723,085,460
Surplus on revaluation during the period / year	-	(383,159,621)
Disposals during the period / year - Net book value	(63,417,759)	(15,072,284)
Depreciation charged during the period / year	(185,151,271)	(383,367,029)
Net book value as at the end of the period / year	10,031,573,910	9,938,195,993
6.1.1 Additions- Cost		
Assets owned by the Company		
Building on freehold land	8,611,453	118,241,378
Plant and Machinery	295,894,457	563,590,403
Others	37,441,037	41,253,679
	341,946,947	723,085,460

7. 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:

			(Un-audited) December 31, 2021	(Audited) June 30, 2021
		Note	Rupees	Rupees
7.1	Investment in Montebello s.r.l ("MBL")	7.1.1	-	-
	Investment in Agritech Limited TFCs		12,608,052	12,608,052
			12,608,052	12,608,052
7.1.1	Montebello s.r.l. ("MBL")			
	6,700,000 ordinary shares with capital of Euro 6,70	0,000 cost	2,625,026,049	2,625,026,049
	Accumulated impairment		(2,625,026,049)	(2,625,026,049)

7.1.2 Investment in Montebello s.r.l ("MBL")

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

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

7.1.4 As disclosed in the note 2.2, bankruptcy/liquidation process of MBL is completed. The Company's claim was accepted as subordinate claim due to Company being the parent of MBL at that time. The Company was 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 contested with the Court of Vicenza that its claim should be accepted as at least unsecured claim rather than being subordinate claim. The Court of Vicenza did not accepted plea of the Company to change classification of its claim. The Company filed an appeal in Italian Supreme Court against such decision of the Court of Vicenza. Although the proceedings of Italian Supreme Court are still underway, however, as per lawyer's opinion chances of any recovery from the Company's claim are remote as bankruptcy process of MBL by the Court of Vicenza has been completed.

			(Un-audited)	(Audited)
			December 31,	June 30,
			2021	2021
8	Stock in trade	Note	Rupees	Rupees
	Raw material		1,843,736,180	1,663,621,735
	Work in process		2,327,831,649	1,804,241,914
	Finished goods		1,520,705,818	1,131,875,453
			5,692,273,647	4,599,739,102
9	Short term investments			
	28,022 Term Finance Certificates (Rs. 5,000 each)			
	of Agritech Limited	9.1	139,993,989	139,993,989

- **9.1** During last 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 within one year and these TFCs have been classified as short term investments.
- 10. In accordance with approved scheme of arrangement, one unit of the Company (spinning unit located at Muzaffargarh) is classified as Non-Current Asset Held for Sale at reporting date.
 During the period, bid offer of Rs. 1,420 million has been accepted by the scheme agent bank.

11. 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.

Details of transaction and balances with related parties are as follows:

11.1	Transactions with related parties	(Un-audited) July to December 2021	2020
11.1.1	Other related parties	Rupees	Rupees
	JS Bank Limited		
	Mark-up expense	1,566,528	3,138,171
	Trusteeship Fee Paid	1,500,000	500,000
	JS Value Fund Limited		
	Mark-up expense	470,324	1,105,457
	Mark-up expense	470,324	1,105,457
	Unit Trust of Pakistan		
	Mark-up expense	770,584	1,403,763
	JS Large Cap Fund		
	Mark-up expense	2,056,184	4,611,393
	Markup Paid/ Settled	1,600,306	-
	markap rais, cettes	_,555,555	
	JS Global Capital Limited		
	Mark-up expense	8,071,839	18,102,666
	Markup Paid/ Settled	6,282,226	-
	JS Principal Secure Fund		
	Mark-up expense	827,815	1,856,535
	Markup Paid/ Settled	644,279	-
	,		
	JS Income Fund		
	Mark-up expense	948,084	1,821,073
	JS Growth Fund		
	Mark-up expense	1,979,344	4,481,236
	Markup Paid/ Settled	1,235,446	-
11.1.2	Key management personnel		
	Short-term employee benefits	198,536,877	169,681,068
		(Un-audited)	(Audited)
		December 31,	June 30,
		2021	2021
11.2	Balances with related parties	Rupees	Rupees
	JS Bank Limited		
	Sub PPTFCs	48,280,000	48,280,000
	Term Loan	13,870,315	13,870,315
	New Zero Coupon PPTFCs	63,025,000	63,025,000
	Mark-up payable	2,102,894	534,900
	JS Value Fund Limited		
	Sub PPTFCs	14,495,000	14,495,000
	Term Loan	4,164,612	4,164,612
	New Zero Coupon PPTFCs	33,250,000	33,250,000
	Mark-up payable	631,359	160,595

I	(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Rupees	Rupees
Unit Trust of Pakistan Sub PPTFCs Term Loan New Zero Coupon PPTFCs Mark-up payable	23,750,000 6,822,073 49,485,000 1,034,425	23,750,000 6,822,073 49,485,000 263,120
JS Large Cap Fund Redeemable capital - PPTFCs Term Loan New Zero Coupon PPTFCs Mark-up payable	63,837,358 17,739,525 59,745,000 1,159,898	63,837,358 17,739,525 59,745,000 703,601
JS Global Capital Limited Redeemable capital - PPTFCs Term Loan New Zero Coupon PPTFCs Mark-up payable	250,602,457 69,638,980 234,545,000 4,553,340	250,602,457 69,638,980 234,545,000 2,762,085
JS Principal Secure Fund Redeemable capital - PPTFCs Term Loan New Zero Coupon PPTFCs Mark-up payable	25,700,755 7,141,887 24,050,000 466,972	25,700,755 7,141,887 24,050,000 283,268
JS Pension Savings Fund New Zero Coupon PPTFCs	3,850,000	3,850,000
JS Income Fund Sub PPTFCs Term Loan New Zero Coupon PPTFCs Mark-up payable	29,220,000 8,394,214 62,040,000 1,272,700	29,220,000 8,394,214 62,040,000 323,729
JS Growth Fund Redeemable capital - PPTFCs Sub PPTFCs Term Loan New Zero Coupon PPTFCs Mark-up payable	49,282,809 12,080,000 17,165,525 73,830,000 1,421,609	49,282,809 12,080,000 17,165,525 73,830,000 677,021
12 Finance Cost	(Un-audited) July to December 2021 Rupees	(Un-audited) July to December 2020 Rupees
Interest / mark-up on: Redeemable capital & Long term finances Lease liabilities Short term borrowings	119,990,912 175,061 26,693,688 146,859,661	249,550,396 392,254 182,900,373 432,843,023
Amortization of transaction costs Exchange loss on foreign currency borrowings Bank discounting and other charges	6,781,401 - 194,305,314 347,946,376	1,628,138 64,423,264 130,650,532 629,544,957

13 Segment information

13.1 Information about reportable segments

	Spinning segment	gment	Weaving segment	gment	Garment segment	gment	Elimin	Eliminations	Total	
I	December 31, 2021	December 31, 2020								
	Rupees									
13.1.1 Segment revenues and results Revenue										
External revenues	1,585,905,694	764,580,356	6,131,756,279	4, 137,876, 120	7,214,688,209	6,185,752,894			14,932,350,183	11,088,209,370
Inter-segment revenues	909,136,880	301,420,882	2,348,601,395	1,971,242,669	30,466,420	3,478,249	(3,288,204,695)	(2,276,141,800)		,
	2,495,042,574	1,066,001,238	8,480,357,674	6,109,118,789	7,245,154,629	6,189,231,143	(3,288,204,695)	(2,276,141,800)	14,932,350,183	11,088,209,370
Cost of sales										
- intersegment	(909,136,880)	(301,420,882)	(2,348,601,395)	(1,971,242,669)	(30,466,420)	(3,478,249)	3,288,204,695	2,276,141,800	•	
- external	(1,167,046,809)	(697,765,743)	(5,093,706,034)	(3,093,953,096)	(6,542,752,727)	(5,281,961,528)			(12,803,505,571)	(9,073,680,367)
	(2,076,183,689)	(999, 186, 625)	(7,442,307,429)	(5,065,195,765)	(6,573,219,147)	(5,285,439,777)	3,288,204,695	2,276,141,800	(12,803,505,571)	(9,073,680,367)
Gross profit	418,858,885	66,814,613	1,038,050,245	1,043,923,023	671,935,482	903,791,366			2,128,844,612	2,014,529,003
								i		
Selling and distribution expenses	(29,521,702)	(15,337,415)	(456,165,613)	(166,491,058)	(359,500,251)	(351,812,148)			(845, 187, 566)	(533,640,621)
Administrative expenses	(55,169,501)	(57,232,711)	(112,953,030)	(105,728,132)	(152,774,538)	(115,738,299)			(320,897,069)	(278,699,142)
	(84,691,203)	(72,570,126)	(569,118,643)	(272,219,190)	(512,274,789)	(467,550,447)			(1,166,084,635)	(812,339,763)
Profit from operation	334,167,682	(5,755,513)	468,931,602	771,703,834	159,660,693	436,240,919			962,759,977	1,202,189,240
Other income									58,764,048	61,849,293
Loss on sale of non current asset held for sale	le e									(196,395,156)
Other expenses									(65, 188, 213)	(26,295,488)
Finance cost									(347,946,375)	(629,544,957)
Taxation									(148,323,788)	(108,539,245)
Profit after taxation								•	460,065,648	303,263,687
								1		

13.1.2 Inter-segment sales and purchases

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

13.1.3 Basis of inter-segment pricing

All inter-segment transfers are made at negotiated rates.

		Spinning segment	gment	Weaving segment	gment	Garment segment	gment	Eliminations	ions	Total	
		December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,	June 30,
		2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
13.1.4	13.1.4 Assets										
	Total assets for reportable segments	3,670,165,310	3,637,594,249	10,718,379,899	9,790,119,996	8,736,175,369	8,457,287,142	(823,721,709)	(702,171,202)	22,300,998,869	21,182,830,185
	Property, plant and equipment - common									1,119,822,778	969,474,882
	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									56,675,942	17,170,862
		3,670,165,310	3,637,594,249	10,718,379,899	9,790,119,996	8,736,175,369	8,457,287,142	(823,721,709)	(702,171,202)	23,936,122,130	22,628,100,470
13.1.5	13.1.5 Liabilities										
	Total liabilities for reportable segments	509,679,906	538,598,443	2,074,322,183	1,303,501,349	2,374,094,819	1,967,785,509	(823,721,709)	(702,171,202)	4,134,375,199	3,107,714,099
	Corporate liabilities - common									11,347,004,251	11,525,709,342
		906'629'605	538,598,443	2,074,322,183	1,303,501,349	2,374,094,819	1,967,785,509	(823,721,709)	(702,171,202)	15,481,379,450	14,633,423,441

13.1.6 Geographical information

The segments of the Company are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Pakstan. In presenting information on the basis of geography, segment revenue is based on the geographical location of the assets.

July to December July to December 2021 Rupees Rupees Rupees 1,905,633,829 1,1155,737/786 9,087,444,072 7,3208,955,288 20,230,959 14,577,373 2,74,891,754 1,811,076,511 13,804,689,750 10,289,847,308 14,932,349,348 571,137,383 14,932,340,148 7,724,679 14,932,340,148 7,724,679 14,932,340,148 7,724,679 10,289,481,288 7,724,679 10,280,481,388 7,724,679 10,280,481,388 7,724,679 10,280,481,481 7,724,679 10,280,481,481 7,724,679 10,280,481,481 7,724,679 10,280,481,481 7,724,679 10,280,481,481 7,724,679 10,280,481,481 7,724,679 11,081,481 7,724,679 11,082,481 7,724,679 11,082,481 7,724,679 11,082,481 7,724,679 11,082,481 7,724,679 11,082,481

14. Corresponding figures

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

15. Date of authorization

This condensed interim unconsolidated financial information was authorized for issue by the $Board of \, Directors \, of \, the \, Company \, on \, February \, 26, 2022.$

16. General

Figures have been rounded off to the nearest rupee.

Lahore

NOTE

