Contents


233
PICANOL

Company Information

BOARD OF DIRECTORS

Mr. Khalid A.H. Al-Sagar
Chairman
Mr. Ahmed H. Shaikh
Chief Executive
Mr. Aehsun M.H. Shaikh
Mr. Irfan Nazir Ahmed
Mr. Aamer Ghias
Mr. Usman Rasheed
Mr. Naseer Miyan

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Zahid Rafiq, FCA

AUDIT COMMITTEE

Mr. Khalid A.H. Al-Sagar
Chairman
Mr. Aehsun M.H. Shaikh
Mr. Naseer Miyan

HR & REMUNERATION COMMITTEE

Mr. Irfan Nazir Ahmed
Chairman
Mr. Ahmed H. Shaikh
Mr. Aehsun M.H. Shaikh

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

BANKERS

JS Bank Limited
MCB Bank Limited
Citibank N.A
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
KASB Bank Limited
Silk Bank Limited
Summit Bank Limited
Al Baraka Bank Pakistan Limited

REGISTERED OFFICE

Ismail Aiwan-e-Science
Off Shahrah-e-Roomi Lahore, 54600.
Ph: +92(0)42 111-786-645
Fax: +92(0)42 3576-1791

PROJECT LOCATIONS

Textile & Apparel

Unit I

2.5 KM off Manga, Raiwind Road,
District Kasur.
Ph: +92(0)42 5384081
Fax: +92(0)42 5384093

Unit II

Alipur Road, Muzaffaragarh.
Ph: +92(0)661 422503, 422651
Fax: +92(0)661 422652

Unit III

20 KM off Ferozepur Road,
6 KM Badian Road on Ruhi Nala,
Der Khurd, Lahore.
Ph: +92(0)42 38460333, 38488862

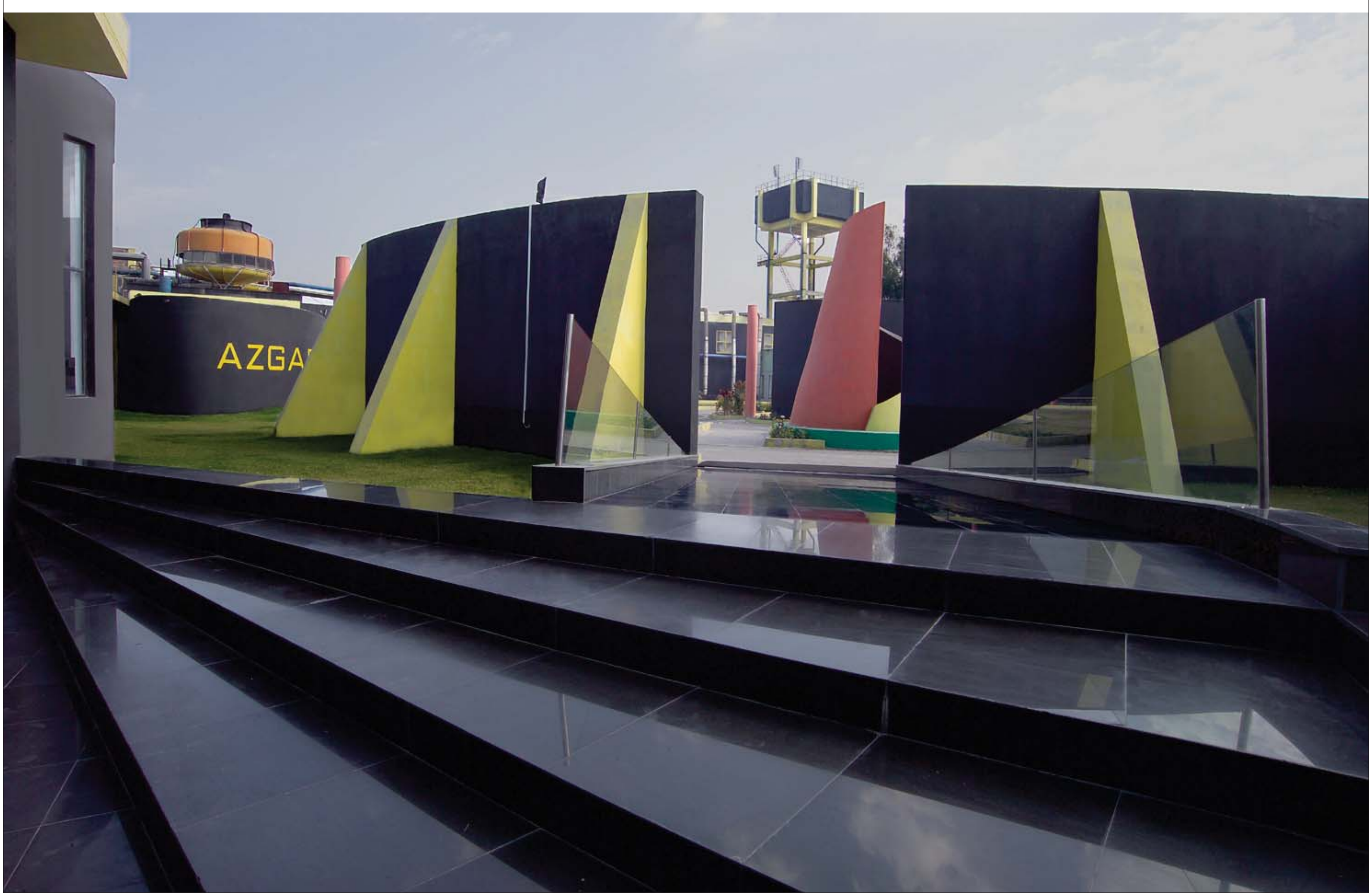
Fertilizer

Unit I

Iskanderabad,
District Mianwali.
Ph: +92(0)459 392346-49

Unit II

Hattar Road, Haripur
Ph: +92(0)955 616124-5



Directors' Report to the Shareholders

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Annual Report accompanied by the Audited Financial Statements for the year ended 30 June 2012.

These financial statements have been endorsed by the Chief Executive Officer and the Chief Financial Officer in accordance with the requirements of the Code of Corporate Governance, having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

Principal Activities

The main business of your Company is the production and marketing of denim focused textile and apparel products, ranging from raw cotton to retail ready goods. During the year under review, Azgard Nine Limited maintained its position as one of the largest denim products Company by sales in Pakistan.

The Company, through its subsidiary Agritech also carries on the business of manufacture and marketing of both Nitrogenous and Phosphatic fertilizers.

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

	Year ended 30 June 2012	18 months ended 30 June 2011
Sale - net	11,524,279,419	17,602,765,330
Operating loss	(2,536,242,646)	(530,541,156)
Finance cost	(3,424,378,071)	(3,998,409,630)
Loss before tax	(5,960,620,717)	(4,528,950,786)
Loss after tax	(6,076,575,125)	(4,702,240,421)
Loss per share	(13.36)	(10.40)

Following are the results of Azgard Nine Limited including subsidiaries (consolidated):

	Year ended 30 June 2012	18 months ended 30 June 2011
Sale - net	11,907,437,305	18,657,654,581
Operating (loss)/profit	(2,805,554,627)	1,008,298,956
Finance cost	(3,387,282,464)	(3,796,483,931)
Loss before tax	(6,192,837,091)	(4,804,782,887)
Loss after tax	(6,308,791,499)	(4,978,072,522)
Loss from discontinued operations	(1,646,592,181)	713,299,971
Total loss	(7,955,383,680)	(4,264,772,551)
(Loss)/earnings per share		
- from continuing operations	(13.87)	(11.01)
- from discontinued operations	(3.05)	1.31

Comparative Financial Statements

Comparative figures in Profit & Loss Account, Statement of Other Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity, and related notes to the accounts are for a period of 18 months and are not entirely comparable. Effective 01 January 2010 financial year of the Company had been changed from 31 December to 30 June ; consequently, the financial statements had been prepared for the period of 18 months from 01 January 2010 to 30 June 2011.

Review of Textiles and Apparel Business during the year

During the year, the Company endured challenges comprising tough global environment and domestic economic shocks coupled with the ongoing financial, operational, security and market conditions. On operations side, underutilization of production capacities had been the pivotal reason for the weak results of the Company. The driving force for this underutilization had been non-availability of working capital facilities which were linked with the restructuring of financial debts. There had been delays in the finalization of restructuring of financial debt. Resultantly, the required working capital was not at our disposal and the Company could not efficiently purchase sufficient raw material which hindered the Company's plan to achieve the desired production targets. As purchases were done on credit, purchase prices remained on higher side. On the other hand, higher financial debts resulted in higher financial costs that hampered the profitability. The Company had to operate in an increasingly competitive global textile market at a time when local cost of operations continued to go up due to increased utility cost and inflationary pressures. Inflationary pressures burdened our cost of production despite Company's efforts to implement cost cutting measures. Persistent and unprecedented energy crisis in the Country compelled the Company to generate required energy through higher cost substitutes. Increasing competition from local textile manufacturers also restricted our margins.

During the year, the Company worked on development and installation of alternate energy generation initiative and as first step towards achieving this goal started steam generation by using wood chip and rice husk during gas shortage days.

The Company in order to diversify and customize its product mix, installed SIRO devises in its spinning units to keep itself at pace with customer changing needs and has successfully increased its share in yarn export market by doing this. The Company has also increased its production of Mélange yarns in order to increase the contribution margins.

Considering the support from Government, the implementation of the Textile Policy 2009-12 faced serious obstacles owing to shortage of funds and against a total allocation of Rs 123 billion, the federal government released only Rs 24 billion accounting for 20 percent of the allocation for textile export's initiatives. Due to this, policy initiatives have not been launched causing resentment among industry.

We have been conscious of the issues that are affecting our profitability and are committed to plans to turn in to profitable Company by implementing the restructuring process for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers.

Future Outlook - Textile Business

Going forward, the Company is focusing on strategy to consolidate its customer base, rationalize production volume and achieve pricing targets to increase profitability. Bottle neck in achieving these miles stones was non-availability of working capital lines. This impediment is expected to be over in near future as the restructuring process is expected to be completed very soon and this would result in better financing opportunities vis-a-vis reduction in finance cost for the Company. Once the Company wins on the funding side, we would be in better position to embark upon timely better priced procurement of the required raw materials, interest costs, energy prices and rising inflation.

To increase profitability and improve performance, wide ranging and significant measures are being implemented by the Company focusing on cost reduction and increase in margins.

We are also hopeful that duty waivers granted by EU for Pakistani manufactured goods which include yarns, fabrics and textile made ups would improve the operational results of the Company. Considering tough business environment, textile sector, being major contributor to exports of Pakistan; do look forward to Government for measures to improve the condition of textile industry especially the export business.

Initiatives on IT during the year have been fruitful as core ERP modules have been installed on all the three textile divisions. We are expecting further amplification of controls through full implementation of production modules in ERP.

Considering focus of stakeholders and support of management, challenges would be overcome and success would be achieved through consistent team effort. It is expected that the Company will emerge on stronger footings.

Divestment of shareholding in Agritech Limited

As approved by shareholders of the Company in extraordinary general meeting held on July 23, 2010 for the divestment of 79.87% shareholding in Agritech, the agreement for the share transfer and debt swap has been signed subsequent to year end and the transaction is expected to be completed after necessary regulatory

approvals. Through this divestment sufficient funds would become available to the Company after adjustment of debts. As at June 30, 2012 over due principal and interest on loans amount to Rs. 4,196 million while overdue for preference shares and dividend thereon amount to Rs. 603 million. Through the proposed divestment of shareholding in Agritech and consequent improvement in the liquidity of the Company, repayment of Company's debts including the over dues would be done. Further the outstanding overdue on account of preference shares would be converted into long term debt instruments for which negotiations are in process. Reduction in debts would result in immediate ease on finance cost. The management is planning to use the funds available after this restructuring on the effective and efficient management of resources especially material procurement. Subject to the impact of prices of raw material, availability of inexpensive energy, inflation and global market trends, the management expects the Company to be profitable once the benefits of restructuring are reaped.

Review of Fertilizer Business during the year

Merger of Hazara Phosphate Fertilizers (Pvt) Ltd. with Agritech Limited

During the year, Board of directors of the company approved merger of Agritech Limited and Hazara Phosphate Fertilizers (Pvt.) Limited. In this regards, merger petition with scheme of amalgamation was filed with the Lahore High Court. The Hounarable court appointed commission, which conducted shareholders and creditors meeting under their supervision. After getting approvals from shareholders and creditors, the Hounarable court approved merger with effect from May 23, 2012 and issued court order accordingly.

Urea Manufacturing

The year in review continued to be an extremely difficult year for the urea fertilizer manufacturing sector in Pakistan as it faced unprecedented and extended gas load shedding. The production of the fertilizer plants on SNGPL and SSGC network was reduced beyond expectation. As a consequence of extensive and unplanned natural gas load shedding, urea plant only operated for 173 days during the year. The Urea plant could only produce 156,645 tons during the year, which is only 33% of production capacity and 28% lower production than the previous year.

The plant operations became inefficient in energy due to lower gas availability during on-stream days. The company was able to sustain the operations despite unfavorable environment. Government of Pakistan also imposed Gas development Cess on urea from Jan 1. 2012, that increased the per bag cost by Rs. 300. The cost was transferred to customers and urea price adjusted accordingly.

This is a clear reflection on the current Government of Pakistan policy, which is severely and illegally damaging the fertilizer industry. However, the company and the Industry are in continuous dialogue with the Government of Pakistan to restore the contracted gas supply to the fertilizer Industry.

DAP Trading

As part of business risk management policy and restrictions from the lenders, the DAP trading business has been temporarily discontinued by the company. This is to mitigate company's risk in prevailing volatile international DAP market, currency volatility and expected lowering of demand in the local market due to higher prices.

SSP Manufacturing

SSP business continues to post a strong performance. After acquisition of SSP business from GOP in November 2008, the management took major debottlenecking initiatives, which resulted in significant capacity expansion without major capex. Moreover, the technology of replacing imported phosphate rock with cheaper local phosphate rock as a key raw material for SSP production continued to reap healthy dividends for the company. During the year, company also expanded SSP area of sales to southern Punjab, which allowed company to mitigate the risk of sales concentration to upper punjab. Going forward, management plans to capture Sindh market as well. Tara brand of SSP is now a fully established brand and continues to maintain a strong position in the market with good profitability. The business will continue to increase market share and profitability over the next few years.

Debt Re-profiling:

The debt amortization profile, higher interest cost and associated liquidity problems have forced the company to consider the restructuring of its debt obligation to ensure continued timely discharge of its commitments to its lenders. The company initiated the debt restructuring process with the help of the key lending banks and successfully completed first round of restructuring of its debt in December 2010. This was supposed to improve the company's financial health and liquidity of the company. However, unfortunately, the company had to face the unavoidable circumstances in form of gas load shedding and gas curtailment by SNGPL. Due to this, urea plant remained non operational for a significant period resulting in huge production loss. This situation nullified the expected positive impacts of restructuring.

In lieu of the prevailing situation, the company again decided to undergo restructuring of its entire debt and initiated second round of restructuring in 2011. Lenders understood the situation, showed confidence in business and management, and approved the restructuring. As per terms of restructuring, lenders approved further one year grace period and one year extension in principal repayment period. Moreover, overdue markup is also converted into preference shares / PPTFCs.

Fertilizer Industry in 2011-2012

In 2011-12, the off take of Urea was 5.9 Million tons as compared to 5.7 Million tons in 2010-11 registering slight improvement. Urea domestic production was recorded at 4.69 Million tons as compared to. 4.98 Million tons during the same period last year, remaining well short of off takes and resulting in reliance on imported urea. The government imported 1.7 Million tons of Urea through the Trading Corporation of Pakistan (TCP) to bridge the supply demand gap.

Future Outlook-Fertilizer Business

The gas availability issue is a national issue, which will be a challenge for the fertilizer industry. However, the strong international Urea prices coupled with devaluation will make fertilizer imports more expensive and unaffordable for the GOP. Consequently, we expect the gas availability to improve over the next few months.

In order to mitigate the gas curtailment and levy of cess, the industry was forced to increase the urea prices from Rs. 1,378 per bag to Rs. 1,729 per bag by July 2012. The prices of Urea are likely to increase further, if the current gas curtailment to fertilizer industry continues.

International phosphate prices are likely to stay firm on the back of rising commodity prices and subsequently increase in demand among major consuming countries. In Pakistan, the steep rise in input prices in last two years has negatively affected the ability of the farmer to use costly imported fertilizer and potential for growth exists for cost effective indigenous fertilizers like SSP. We expect that SSP business is expected to deliver returns on the back of lowest cost technology, strong pricing and premium brand position.

Loss per share

The Loss per share for the Company for the year ended June 30, 2012 was Rs13.36 per share.

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended 30 June 2012.

Corporate governance & financial reporting framework

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

The financial statements prepared by the management of the Company present accurate state of Company's operations, cash flows and changes in equity;

Proper books of account 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 accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

The system of internal control is sound and has been effectively implemented and monitored.

The Board is satisfied that the Company is performing well as going concern under the Code of Corporate Governance.

There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

Key operating and financial data for the last six years is annexed.

There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding as on

30 June 2012 except for those disclosed in the financial statements.

The value of provident fund investment as at 30 June 2012 was Rs. 19.5 million.

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.

Board of directors

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

Name of Director	*Eligibility*	*Attended*
Mr. Khalid A.H. Al-Sagar	4	2
Mr. Ahmed H. Shaikh	4	4
Mr. Aehsun M.H. Shaikh	4	2
Mr. Irfan Nazir Ahmed	4	4
Mr. Aamer Ghais	4	4
Mr. Usman Rasheed	4	4
Mr. Naseer Miyan	4	4

Consolidated financial statements

Consolidated financial statements of the Company together with its subsidiary companies Farital A.B and Agritech Limited are also included.

Auditor's observations

Regarding the auditor's observation for liquidity issue and its repercussions, the Company is very hopeful that with completion of regulatory formalities for transfer of shares and debt settlement for which agreement of share transfer and debt swap has been signed, funds would be available with the Company. This would lower the heavy burden of finance cost. Ample funds would allow the Company to purchase cost effective timely raw material, manage the resources properly, combat the pressures of local and global market and tackle with energy crisis.

Appointment of Auditors

Messrs KPMG Taseer Hadi & Co, Chartered Accountants, member firm of KPMG International, a reputable Chartered Accountants firm completed its tenure of Appointment with the Company and being eligible has offered its services for another term.

Audit committee

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

Internal audit function

The Board set up an efficient and energetic internal control system with operational, financial and compliance controls 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.

Shareholding pattern

The shareholding pattern as at 30 June 2012 including the information under the Code of Corporate of Governance, for ordinary and preference shares, is annexed.

Web presence

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

Acknowledgment

The Board takes this opportunity to thank the Company's valued customers and the financial institutions for their corporation and support. The Board also appreciates hard work and dedication of all the employees of the Company.

On behalf of the Board of Directors

Chief Executive Officer

04 August 2012

Notice of Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of AZGARD NINE LIMITED will be held on 25 August 2012 at 10:00 A.M at the register office of the Company Ismail Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 31 October 2011.
2. To receive, consider and adopt the financial statement of the year ended 30 June 2012 together with Directors and Auditors Reports thereon.
3. To consider re-appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as external auditors for the financial year ending 30 June 2013 and to fix their remuneration, as per the recommendation of the Board.
4. To elect Seven (7) Directors as fixed by the Board of Directors in accordance with the requirements of section 178 of the Companies Ordinance, 1984 for a period of three years.

   1. Mr. Khalid A.H Al-Sagar 2. Mr. Ahmed H. Shaikh

   3. Mr. Aehsun M.H. Shaikh 4. Mr. Irfan Nazir Ahmed

   5. Mr. Usman Rasheed 6. Mr. Naseer Miyan

   7. Mr. Aamer Ghias

   All retiring Directors are eligible for re-elecion.
5. To discuss any other business that may be brought forward with the permission of the chair.

By Order of the Board

04 August 2012
Lahore

(Muhammad Ijaz Haider)
Company Secretary

NOTES

1. The share transfer books of the Company will remain closed from 19 August 2012 to 25 August 2012 (both days inclusive).
2. Any person who seeks to contest the election of Directors shall file at the Registered Office of the Company, not later than 14 days before the day of meeting, notice of his/her intention to offer himself/her self for election of Directors in terms of Section 178 (3) of the Companies Ordinance, 1984.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies, complete in every respect, in order to be effective, must be received at the Registered Office of the Company not less than forty eight (48) hours before the time of the meeting.
4. Members who have not yet submitted photocopy of computerized National Identity Card (CNIC) Card (CNIC) of the Company at requested to send the same at the earliest.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. FOR ATTENDING THE MEETING

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

b. 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

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

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

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

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

e. 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.

Financial Highlights

Six years at a glance

Azgard Nine Limited	Year ended 30 June 2012	Eighteen months ended 30 June 2011	Year ended 31 December			
			2009	2008	2007	2006
Operating performance (Rs. 000)						
Sales-net	11,524,279	17,602,765	11,737,857	10,113,499	6,628,342	4,889,682
Export Sales-Gross	9,823,943	14,469,060	10,017,267	8,222,024	5,430,603	4,128,679
Local Sales-Gorss	1,771,498	2,859,903	1,725,461	1,966,476	1,262,415	817,706
Gross (loss)/profit	(1,118,047)	180,213	3,191,493	3,453,276	2,007,353	1,186,320
Operating (loss)/profit	(2,536,243)	(530,541)	2,616,317	3,622,166	2,240,007	1,916,487
Loss before tax	(5,960,621)	(4,528,951)	178,723	999,503	1,151,460	1,260,084
Loss after tax	(6,076,575)	(4,702,240)	60,531	897,284	1,079,453	1,144,514
Financial position (Rs. 000)						
Total Equity	4,471,164	10,269,064	14,500,553	10,125,083	9,720,054	9,174,168
Surplus on revaluation of property,						
plant and equipment	3,596,276	3,724,870	3,969,152	219,356	239,073	257,360
Long term debt	11,512,029	8,468,567	7,080,736	8,189,851	8,460,143	6,245,842
Property, plant and equipment	13,395,217	13,835,133	14,054,500	8,653,622	7,811,638	7,122,546
Financial analysis						
Current ratio	1.27	1.48	0.82	1.25	1.79	1.21
Debt to equity ratio	59:41	38:62	33:67	45:55	47:53	41:59
Profitability analysis						
Operating (loss)/profit to sales (%)	(22.01)	(3.01)	22.29	35.82	33.79	39.19
(Loss)/earning per share (Rs.)	(13.36)	(10.403)	0.003	2.650	3.260	4.970

*(excluding current portion of long term debt)

Consolidated	Year ended 30 June 2012	Eighteen months ended 30 June 2011	Year ended 31 December			
			2009	2008	2007	2006
Operating performance (Rs. 000)						
Sales-net	11,907,437	29,048,102	26,276,262		12,308,605	6,504,962
Export Sales-Gross	10,237,604	13,296,159	11,751,841	8,238,448	5,432,454	4,131,916
Local Sales-Gorss	1,771,498	15,889,321	14,680,850	11,724,806	7,492,457	2,492,848
Gross (loss)/profit	(1,042,450)	3,686,308	8,293,405	6,675,682	4,574,384	1,892,804
Operating (loss)/profit	(2,805,555)	1,410,076	6,238,196	6,013,480	4,143,801	1,409,305
Loss before tax	(6,192,837)	(5,447,817)	1,363,061	1,629,430	1,916,324	213,982
Loss after tax	(6,308,791)	(4,264,773)	1,537,929	1,397,393	1,453,448	155,524
Financial position (Rs. 000)						
Total Equity	(248,312)	7,243,546	11,842,203	9,759,139	9,329,302	7,952,063
Surplus on revaluation of property, plant and equipment	6,746,439	7,003,958	3,969,152	219,356	239,073	257,361
Long term debt	11,512,029	26,561,610	20,127,565	21,040,014	11,459,503	12,740,294
Property, plant and equipment	13,416,312	50,168,926	37,077,131	25,631,529	20,483,035	20,013,878
Financial analysis						
Current ratio	1.16	0.60	0.98	0.98	1.19	0.83
Debt to equity ratio	82:18	65:35	63:37	68:32	55:45	62:38
Profitability analysis						
Operating (loss)/profit to sales (%)	(23.56)	4.85	23.74	30.47	33.67	21.67
(Loss)/earning per share (Rs.)	(13.87)	(9.441)	4.220	4.220	4.460	0.440

*(excluding current portion of long term debt)

This page has been left blank intentionally

Statement of Compliance

With best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby the Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board of Directors includes four (4) non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred in the Board during the period under reviewed.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The business operations of the Company are carried out in accordance with the Company's Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and term and conditions of employment of the chief executive officer ("CEO") and executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation courses from time to time for its directors during the year to apprise them of their duties and responsibilities.
10. Chief Financial Officer, Company Secretary and Head of Internal Audit executed their responsibilities in accordance with the appointments approved by the Board including their remuneration and terms and conditions of employment, as determined by the Chief Executive.
11. The Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such fully aware of their duties and responsibilities.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The term of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

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

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

21. The Company maintains a list of related parties which is updated on a regular basis. All transactions with related parties are placed before the audit committee on quarterly basis and are approved by the Board of Directors along with pricing methods.

22. We confirm that all other material principles contained in the code have been complied with.

On behalf of the Board of Directors

Chief Executive Officer

04 August 2012

Review Report to the Members on Statement of Compliance

With Best Practices of Code of Corporate Governance

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Paksitan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Azgard Nine Limited ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

KPMG Taseer Hadi & Co.

Lahore

Date : 04 August 2012

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

Auditors' Report to the Members

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Paksitan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

We have audited the annexed balance sheet of Azgard Nine Limited ("the Company") as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

KPMG Taseer Hadi & Co.

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the matter that the Company has incurred a loss before tax of Rs. 5,960.62 million during the year ended 30 June 2012 and, as of that date, its current liabilities exceeded its current assets by Rs. 4,373.78 million, including Rs. 4,799.08 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 7,793.72 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis for the reasons, as more fully explained in note 2.2 to the financial statements. Our opinion is not qualified in respect of this matter.

The financial statements of the Company for the period ended 30 June 2011 were audited by Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants whose report dated 10 October 2011 expressed an unqualified opinion with emphasis of matter paragraph thereon.

KPMG Taseer Hadi & Co.

Lahore

Date : 04 August 2012

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

Balance Sheet
as at 30 June 2012

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
1,500,000,000 ordinary and preference shares of Rs. 10 each	*5*	**15,000,000,000**	15,000,000,000
Issued, subscribed and paid-up capital	*5*	**4,548,718,700**	4,548,718,700
Reserves	*6*	**7,716,165,332**	7,566,084,048
Accumulated loss		**(7,793,719,801)**	(1,845,738,603)
		4,471,164,231	10,269,064,145
Surplus on revaluation of fixed assets	*7*	**3,596,275,883**	3,724,869,810
Non-current liabilities			
Redeemable capital - secured	*8*	**2,729,435,196**	3,953,868,892
Long term finances - secured	*9*	**-**	3,390,029,147
Liabilities against assets subject to finance lease - secured	*10*	**24,020,739**	37,135,730
		2,753,455,935	7,381,033,769
Current liabilities			
Current portion of non-current liabilities	*11*	**8,105,591,253**	1,531,656,600
Short term borrowings	*12*	**8,156,743,175**	8,035,475,980
Trade and other payables	*13*	**4,049,064,395**	2,743,608,344
Due to related party - unsecured, considered good	*14*	**286,395,126**	317,158,570
Interest / mark-up accrued on borrowings	*15*	**1,425,935,847**	2,111,260,162
Dividend payable	*16*	**32,729,078**	32,729,078
		22,056,458,874	14,771,888,734
Contingencies and commitments	*17*		
		32,877,354,923	36,146,856,458

The annexed notes 1 to 48 form an integral part of these financial statemements.

Lahore

Chief Executive

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**13,395,217,269**	13,835,133,413
Intangible assets	*19*	**3,907,224**	8,289,489
Long term investments	*20*	**1,765,517,738**	2,692,146,629
Derivative financial assets	*21*	**-**	-
Long term deposits - unsecured, considered good	*22*	**30,030,493**	21,613,393
		15,194,672,724	16,557,182,924
Current assets			
Stores, spares and loose tools	*23*	**173,319,525**	473,028,964
Stock in trade	*24*	**3,027,802,430**	3,763,161,375
Trade receivables	*25*	**2,384,301,663**	3,185,586,167
Advances, deposits, prepayments and other receivables	*26*	**831,308,310**	955,318,688
Short term investments	*27*	**10,969,811,440**	10,969,811,440
Current taxation	*28*	**6,417,088**	76,509,215
Cash and bank balances	*29*	**289,721,743**	166,257,685
		17,682,682,199	19,589,673,534
		32,877,354,923	36,146,856,458

Director

Profit and Loss Account
for the year ended 30 June 2012

	Note	**01 July 2011 to 30 June 2012**	01 January 2010 to 30 June 2011
		Rupees	Rupees
Sales - net	*30*	**11,524,279,419**	17,602,765,330
Cost of sales	*31*	**(12,642,326,813)**	(17,490,491,403)
Gross (loss) / profit		**(1,118,047,394)**	112,273,927
Selling and distribution expenses	*32*	**(918,944,533)**	(728,452,647)
Administrative and general expenses	*33*	**(429,064,490)**	(631,126,020)
Net other (expense) / income	*34*	**(70,186,229)**	716,763,584
Operating loss		**(2,536,242,646)**	(530,541,156)
Finance cost	*35*	**(3,424,378,071)**	(3,998,409,630)
Loss before taxation		**(5,960,620,717)**	(4,528,950,786)
Taxation	*36*	**(115,954,408)**	(173,289,635)
Loss after taxation		**(6,076,575,125)**	(4,702,240,421)
Loss per share - basic and diluted	*37*	**(13.359)**	(10.403)

The annexed notes 1 to 48 form an integral part of these financial statemements.

Lahore

Chief Executive

Director

Statement of Comprehensive Income

for the year ended 30 June 2012

	01 July 2011 to 30 June 2012	01 January 2010 to 30 June 2011
	Rupees	Rupees
Loss after taxation	**(6,076,575,125)**	(4,702,240,421)
Other comprehensive income:		
Changes in fair value of cash flow hedges	**(48,894,931)**	(21,848,425)
Changes in fair value of available for sale financial assets	**198,976,215**	608,533,443
Other comprehensive income for the year - net of taxes	**150,081,284**	586,685,018
Total comprehensive loss for the year / period	**(5,926,493,841)**	(4,115,555,403)

The annexed notes 1 to 48 form an integral part of these financial statemements.

Lahore

Chief Executive

Director

Cash Flow Statement
for the year ended 30 June 2012

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
Cash flow from operating activities			
Cash generated from operations	*39*	**388,960,848**	535,455,052
Interest / mark-up paid		**(242,360,070)**	(1,356,497,467)
Taxes paid		**(45,862,281)**	(178,955,940)
Long term deposits		**(10,413,900)**	3,207,509
Net cash generated from / (used in) operating activities		**90,324,597**	(996,790,846)
Cash flow from investing activities			
Capital expenditure		**(114,514,264)**	(817,457,775)
Proceeds from disposal of property, plant and equipment		**16,350,533**	17,563,650
Proceeds from sale of investments - net of investment		**-**	2,149,922,620
Net cash (used in) / generated from investing activities		**(98,163,731)**	1,350,028,495
Cash flow from financing activities			
Loan from related party		**8,437,008**	(820,880,445)
Redemption of term finance certificates		**-**	(1,380,000)
Repayment of long term finances		**-**	(54,154,092)
Repayment of liabilities against assets subject to finance lease		**(7,097,857)**	(36,007,869)
Transaction costs on borrowings		**-**	(122,386,789)
Net increase in short term borrowings		**129,964,041**	790,261,873
Redemption of preference shares		**-**	(86,731,895)
Preference dividend paid		**-**	(60,045,861)
Net cash generated from / (used in) financing activities		**131,303,192**	(391,325,078)
Net increase / (decrease) in cash and cash equivalents		**123,464,058**	(38,087,429)
Cash and cash equivalents at beginning of the year / period		**166,257,685**	204,345,114
Cash and cash equivalents at end of the year / period	*29*	**289,721,743**	166,257,685

The annexed notes 1 to 48 form an integral part of these financial statemements.

Lahore | Chief Executive | Director

Statement of Changes in Equity
for the year ended 30 June 2012

	Share capital			Reserves							
	Ordinary shares	Preference shares	Total	Share premium	Cash flow hedges	Reserve on merger	Preference shares Redemption reserve	Available for sale financial assets	Total	Accumulated loss	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 January 2010	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	70,743,356	105,152,005	625,500,000	3,784,006,078	6,943,648,200	2,677,561,193	14,500,553,273
Total comprehensive income for the period											
Loss for the eighteen months ended 30 June 2011	-	-	-	-	-	-	-	-	-	(4,702,240,421)	(4,702,240,421)
Other comprehensive (loss) / income for eighteen months ended 30 June 2011	-	-	-	-	(21,848,425)	-	-	608,533,443	586,685,018	-	586,685,018
Total comprehensive (loss) / income for the period	-	-	-	-	(21,848,425)	-	-	608,533,443	586,685,018	(4,702,240,421)	(4,115,555,403)
Transferred to preference shares redemption reserve	-	-	-	-	-	-	35,750,830	-	35,750,830	(35,750,830)	-
Preference dividend	-	-	-	-	-	-	-	-	-	(29,590,953)	(29,590,953)
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	-	(330,625,180)
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	244,282,408	244,282,408
As at 30 June 2011	4,548,718,700	-	4,548,718,700	2,358,246,761	48,894,931	105,152,005	661,250,830	4,392,539,521	7,566,084,048	(1,845,738,603)	10,269,064,145
As at 01 July 2011	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**48,894,931**	**105,152,005**	**661,250,830**	**4,392,539,521**	**7,566,084,048**	**(1,845,738,603)**	**10,269,064,145**
Total comprehensive income for the year											
Loss for the year ended 30 June 2012	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**(6,076,575,125)**	**(6,076,575,125)**
Other comprehensive (loss) / income for the year ended 30 June 2011	**-**	**-**	-	**-**	**(48,894,931)**	**-**	**-**	**198,976,215**	**150,081,284**	**-**	**150,081,284**
Total comprehensive (loss) / income for the year	**-**	**-**	**-**	**-**	**(48,894,931)**	**-**	**-**	**198,976,215**	**150,081,284**	**(6,076,575,125)**	**(5,926,493,841)**
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**128,593,927**	**128,593,927**
As at 30 June 2012	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**-**	**105,152,005**	**661,250,830**	**4,591,515,736**	**7,716,165,332**	**(7,793,719,801)**	**4,471,164,231**

The annexed notes 1 to 48 form an integral part of these financial statemements.

Lahore

Chief Executive

Director

Notes to the Financial Statements
for the year ended 30 June 2012

1 Reporting entity

1.1 Azgard Nine Limited ("the Company") was incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) 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 20 km off Ferozpur Road, 6 km Bandian Road on Ruhi Nala, Der Khud, Lahore and Unit III at Alipur Road, Muzaffargarh.

1.2 The Company changed its financial year in the previous period from 31 December to 30 June as a result of which it prepared its statutory accounts for the eighteen months period ended 30 June 2011. Resultantly, the comparative figures in profit and loss account, statement of comprehensive income, cash flow statement, statement of changes in equity and related notes to the accounts are for the period of eighteen months and are not entirely comparable.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

2.2 Going concern assumption

The Company in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. Due to liquidity problems and unavailability of working capital finances, the Company was not able to make timely purchases of raw materials and had to procure raw material at higher prices, resulting in substantial increase in cost of sales. High finance costs also had an adverse impact on profitability of the Company. This has perpetuated temporary liquidity issues as referred to in note 42.2.2 to the financial statements. Due to these factors, the Company has incurred a loss before tax of Rs. 5,960.62 million during the year ended 30 June 2012 and, as of that date, its current liabilities exceeded current assets by Rs. 4,373.78 million and its accumulated loss stood at Rs. 7,793.72 million. These conditions also cast doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the sale of Agritech Limited as explained in the succeeding paragraph and expectation of future profitability and positive cash flows from operating activities.

The shareholders of the Company in the extraordinary general meeting held on 23 July 2010, approved the divestment of 79.87% shares held in Agritech Limited. Majority of the funds generated through divestment of shares will be utilized towards repayment / prepayment of the Company's debts to the extent of Rs. 9,059.95 million. Additionally, funds amounting to Rs. 926 million approximately will be available to the Company for working capital requirements. During the year, Share Transfer & Debt Swap Agreement dated 12 April 2012 and First Supplemental Agreement dated subsequent to year end for the sale of Agritech Limited has been signed between the Company and the purchasers. The

Notes to the Financial Statements
for the year ended 30 June 2012

shares transfer of Agrritech Limited to the purchasers are expected to be completed soon subject to necessary Regulatory approvals. Furthermore, the amount outstanding towards preference shareholders is proposed to be settled through conversion into new long term debt instrument for which the negotiations are in process.

Subsequent to the divestment of shareholding in Agritech Limited and other proposed measures mentioned above, the management of the Company envisages that sufficient financial resources will be available for the continuing operations of the Company. With positive impact on finance costs, more effective management of resources and raw material procurement, the Company is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial instruments at 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.

2.4 Judgments, estimates and assumptions

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

2.4.1 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 18.1.

2.4.2 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.

2.4.3 Fair values based on inputs from other than active market

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

Notes to the Financial Statements
for the year ended 30 June 2012

2.4.4 Taxation

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

2.4.5 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.

2.4.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. 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.

2.5 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 Significant accounting polices

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

3.1 Property, plant and equipment

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.

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

The Company recognizes depreciation in 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 18.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

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

Notes to the Financial Statements
for the year ended 30 June 2012

3.2 Surplus / deficit arising on revaluation of property, plant and equipment

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

3.3 Intangible assets

An intangible asset is measured initially at cost. The cost of the intangible asset acquired comprises its purchase price, including non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition. Costs incurred after the asset is in the condition necessary for it to operate in the manner intended by the management are recognized in profit or loss. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

All intangible assets are amortized over the period, not exceeding five years, over which the Company expects to obtain economic benefits, on a straight line basis. All intangible assets are tested for impairment at each reporting date. The particular measurement methods adopted are disclosed in the individual policy statements associated with each intangible asset.

3.4 Software

The cost of acquisition, development and installation of identifiable software products having finite useful lives of more than one year is recognized as an intangible asset at cost. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any.

3.5 Research and development expenditure

Research activities are activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditure on research activities is recognized in profit or loss as and when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized and recognized as an intangible asset only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has the sufficient technical, financial and other resources to complete development and to use or sell the asset or its output for which a market exists. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparation of the asset for its intended use. All other development expenditure is recognized in profit or loss as and when incurred. The intangible asset so recognized is initially measured at cost. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any. Expenditure previously recognized in profit or loss is not capitalized as part of the cost of intangible asset.

3.6 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method.

Notes to the Financial Statements
for the year ended 30 June 2012

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

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

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.

3.8 Employee benefits

Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit 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

The Company operates an approved defined contributory provident fund for its employees excluding expatriates. Equal contributions are made by the Company and employees at 8.5% of basic salary.

3.9 Financial instruments

3.9.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

3.9.2 Classification and measurement

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

Notes to the Financial Statements
for the year ended 30 June 2012

3.9.2(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets. The Company does not have any financial assets classified as financial asset at fair value through profit or loss as at the balance sheet date.

3.9.2(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held-to-maturity investments unless these are designated on initial recognition as financial assets at fair value through profit or loss or available for sale financial assets or these meet the definition of loans and receivables. Where, as a result of change in intention or ability to hold financial assets initially classified as held-to-maturity investments to maturity or where due to sales or reclassification of a significant amount of held-to-maturity investments, classification as held-to-maturity investments is no longer appropriate, these are reclassified as available for sale financial assets. Financial assets in this category are presented as non-current assets except for maturities within twelve months from the reporting date where these are presented as current assets. The Company does have any investment classified as held-to-maturity investment as at the reporting date.

3.9.2(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument. Refer to note 41.1 to the financial statements for financial assets classified in this category.

3.9.2(d) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Assets in this category are presented as non-current assets unless the management intends to dispose of the asset within twelve months from the reporting date. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument. Refer to note 41.1 to the financial statements for financial assets classified in this category.

3.9.2(e) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each

Notes to the Financial Statements

for the year ended 30 June 2012

instrument. Refer to note 41.2 to the financial statements for financial liabilities classified in this category.

3.9.2(f) Derivative financial instruments

Derivatives are classified as financial assets and liabilities at fair value through profit or loss unless the derivative is a designated and effective hedging instrument or a financial guarantee contract. Derivatives are initially recognized at cost, being fair value on the date the contract is entered into by the Company. Subsequent to initial recognition these are measured at fair value. Gains and losses arising from changes in fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss are recognized in profit or loss. Where derivatives are designated hedging instruments the method of recognizing gains and losses arising from changes in fair value depends on the nature of item being hedged. The Company designates derivatives as either a fair value hedge or a cash flow hedge.

Fair value hedges

These are hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss, together with changes in fair value of hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

These are hedges of a particular risk associated with the fair value of recognized asset or liability or a highly probable forecast transaction. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity to the extent hedge is effective. The gain or loss relating to the ineffective portion is recognized in profit or loss.

3.9.3 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

3.9.4 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.9.5 Regular way purchases and sales of financial assets

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

3.10 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares and share options are recognized as deduction from equity.

Notes to the Financial Statements
for the year ended 30 June 2012

3.11 Preference share capital

Preference share capital is recognized as equity in accordance with the interpretation of the provisions of the Companies Ordinance, 1984, including those pertaining to implied classification of preference shares.

3.12 Redeemable capital

Redeemable capital, including embedded equity component existing due to conversion options, if any, is recognized as 'loans and borrowings', in accordance with the interpretation of the provisions of the Companies Ordinance, 1984, including those pertaining to implied classification of redeemable capital.

3.13 Investments in equity securities

Investments in equity securities, which are intended to be held for an indefinite period of time and may be sold only in response to need for liquidity or significant changes in equity prices, and investments in equity securities of subsidiaries are classified as 'available for sale financial assets'. On initial recognition these are measured at cost, being their fair value on date of acquisition, less attributable transaction costs. Subsequent to initial recognition, investments in equity securities of subsidiaries are measured at fair value. Investments in other equity securities, where prices are available from active market, are measured at fair value subsequent to initial recognition, however in absence of active market, these are measured at cost less accumulated impairment losses. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit or loss.

Investment in equity securities which are acquired principally for the purpose of selling and repurchasing in the near term and short term profit taking are classified as 'financial assets at fair value through profit or loss'. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in profit or loss. Gains and losses on de-recognition are recognized in profit or loss.

3.14 Investments in debt securities

Investments in debt securities, which the Company has the positive intention and ability to hold to maturity, are classified as 'held-to-maturity investments'. On initial recognition, these are measured at cost, being their fair value on the date of acquisition, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost, with any difference between cost and value at maturity recognized in the profit or loss over the period of the investment on an effective interest basis.

Investments in debt securities, which the Company does not intend, or is not able, to hold to maturity, including those previously classified as 'held-to-maturity investments' are classified as 'available for sale financial assets'. On initial recognition / reclassification, these are measured at cost, being their fair value on the date of acquisition / reclassification, less attributable transaction costs incurred on acquisition. Subsequent to initial recognition, securities for which prices are available from active market are measured at fair value. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit or loss. Securities with no active market are carried at cost subsequent to initial recognition.

Notes to the Financial Statements
for the year ended 30 June 2012

3.15 Loans and borrowings

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

3.16 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'property, plant and equipment'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for property, plant and equipment. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and ' loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 ' Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

3.17 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

3.18 Trade and other payables

3.18.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

3.18.2 Non-financial liabilities

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

3.19 Provisions and contingencies

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

Notes to the Financial Statements
for the year ended 30 June 2012

3.20 Trade and other receivables

3.20.1 Financial assets

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

3.20.2 Non-financial assets

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

3.21 Revenue

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

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

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

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

3.22 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than those changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of other comprehensive income', with the exception of changes in surplus on revaluation of property, plant and equipment, which are required to be presented on balance sheet after share capital and reserves, by section 235 of and fourth schedule to the Companies Ordinance, 1984.

3.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

Notes to the Financial Statements

for the year ended 30 June 2012

3.24 Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Subsequent to initial recognition grants related to assets are recognized in profit or loss on a systematic basis over the useful life of the assets whereas grants relating to income are recognized in profit or loss in the same period in which related expenses are recognized. Grants that compensate the Company for expenses or losses already incurred are recognized in profit or loss in the period in which these become receivable.

3.25 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in 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 other comprehensive income.

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

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.26 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.

3.27 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

Notes to the Financial Statements
for the year ended 30 June 2012

3.28 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

3.29 Impairment

3.29.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.29.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Notes to the Financial Statements
for the year ended 30 June 2012

3.30 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

3.31 Dividend distribution to preference shareholders

Dividend distribution to the preference shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unpaid, in the Company's financial statements at the end of each year from the issue of preference shares.

4 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

Notes to the Financial Statements
for the year ended 30 June 2012

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

    - IAS 1 *Presentation of Financial Statements is amended to clarify that* only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

    - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

    - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

    - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

    - IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

The amendments have no impact on financial statements of the Company.

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
5 Share capital			
Authorized share capital			
Ordinary shares of Rs. 10 each			
900,000,000 (2011: 900,000,000) voting shares		**9,000,000,000**	9,000,000,000
300,000,000 (2011: 300,000,000) non-voting shares		**3,000,000,000**	3,000,000,000
		12,000,000,000	12,000,000,000
Preference shares of Rs. 10 each			
300,000,000 (2011: 300,000,000) non-voting shares		**3,000,000,000**	3,000,000,000
		15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital			
Voting ordinary shares of Rs. 10 each			
323,712,733 (2011: 323,712,733) shares fully paid in cash		**3,237,127,330**	3,237,127,330
62,548,641 (2011: 62,548,641) shares issued as fully paid bonus shares		**625,486,410**	625,486,410
12,276,073 (2011: 12,276,073) shares issued as consideration for machinery		**122,760,730**	122,760,730
50,811,992 (2011: 50,811,992) shares issued as consideration on merger		**508,119,920**	508,119,920
		4,493,494,390	4,493,494,390
Non-voting ordinary shares of Rs. 10 each			
4,753,719 (2011: 4,753,719) shares fully paid in cash		**47,537,190**	47,537,190
768,712 (2011: 768,712) shares issued as fully paid bonus shares		**7,687,120**	7,687,120
		55,224,310	55,224,310
		4,548,718,700	4,548,718,700
6 Reserves			
Share premium	*6.1*	**2,358,246,761**	2,358,246,761
Cash flow hedges	*6.2*	**-**	48,894,931
Merger reserve	*6.3*	**105,152,005**	105,152,005
Redemption of preference shares	*6.4*	**661,250,830**	661,250,830
Available for sale financial assets	*6.5*	**4,591,515,736**	4,392,539,521
		7,716,165,332	7,566,084,048

6.1 Share premium

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

6.2 Cash flow hedges

The Company has entered into cross currency / interest rate swap contracts with Faysal Bank Limited (formerly Royal Bank of Scotland) to hedge the possible adverse movements in interest rates and foreign exchange rates.

Notes to the Financial Statements
for the year ended 30 June 2012

6.3 Reserve on merger

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

6.4 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 as referred to note 11.1 for details.

6.5 Available for sale financial assets

This represents surplus on revaluation of investments classified as available for sale financial assets.

	Note	2012 Rupees	2011 Rupees
7 Surplus on revaluation of fixed assets			
As at beginning of the year / period		**3,724,869,810**	3,969,152,218
Incremental depreciation transferred to accumulated loss		**(128,593,927)**	(244,282,408)
As at end of the year / period		**3,596,275,883**	3,724,869,810
8 Redeemable capital - secured			
Term Finance Certificates - II	*8.3*	**1,498,649,061**	1,498,649,061
Term Finance Certificates - IV	*8.4*	**2,498,000,000**	2,498,000,000
Term Finance Certificates - V	*8.5*	**823,620,000**	823,620,000
Privately Placed Term Finance Certificates - VI	*8.6*	**3,218,670,000**	-
		8,038,939,061	4,820,269,061
Deferred notional income	*8.1*	**(1,124,890,714)**	-
Transaction cost	*8.2*	**(74,354,806)**	(86,964,537)
		6,839,693,541	4,733,304,524
Less: Amount shown as current liability			
Amount payable within next twelve months		**(2,559,131,063)**	(779,435,632)
Amount due after 30 June 2013	*8.7*	**(1,551,127,282)**	-
		(4,110,258,345)	(779,435,632)
		2,729,435,196	3,953,868,892

Notes to the Financial Statements
for the year ended 30 June 2012

8.1 This represents the difference between amortized cost and face value of zero-coupon Privately Placed Term Finance Certificates - VI, with five year maturity (refer to note 8.6). Amortized cost has been determined using effective interest rate of 13.23% per annum being the weighted average rate of return on redeemable capital. Movement is as follows:

	Note	2012 Rupees	2011 Rupees
Deferred notional income			
As at beginning of the year / period		**-**	-
Occurred during the year / period		**1,189,908,326**	-
Amortized during the year / period		**(65,017,612)**	-
As at end of the year / period		**1,124,890,714**	-

8.2 **Transaction costs**

	Note	2012 Rupees	2011 Rupees
As at beginning of the year / period		**86,964,537**	24,419,643
Incurred during the year / period		**-**	71,192,954
Amortized during the year / period	*35*	**(12,609,731)**	(8,648,060)
As at end of the year / period		**74,354,806**	86,964,537

8.3 These Term Finance Certificates - II (TFC - II) have been issued by way of private placements and public subscription and are listed on Karachi Stock Exchange (Guarantee) Limited. The total issue comprises of 428,734 certificates of Rs. 5,000 each. In context of the overall debt restructuring of the Company, the issue was restructured in previous period by way of Master Restructuring and Intercreditor Agreement ("MRA") dated 01 December 2010. This issue has also been rescheduled during the year by way of Amendment No. 1 to Master Restructuring and Intercreditor Agreement ("MRA-1") dated 11 April 2012. The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFC - II is structured to be in ten un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid semi-annually starting from 20 September 2013.

Return on TFCs

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

Six months KIBOR plus 1.00% per annum in 2010 - 2011

Six months KIBOR plus 1.25% per annum in 2012 - 2015

Six months KIBOR plus 1.75% per annum in 2016 onwards

Notes to the Financial Statements
for the year ended 30 June 2012

The Company has entered into the cross currency swap arrangement with Faysal Bank Limited whereby the Company is liable to pay mark-up at fixed LIBOR of 6.915% per annum on the outstanding USD notional amount to Faysal Bank Limited against receipt of six months KIBOR per annum.

Trustee

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

Security

For detail of securities refer to note 8.8.

8.4 These Term Finance Certificates - IV (TFC - IV) have been issued by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. In context of the overall debt restructuring of the Company, the issue was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFC - IV is structured to be in ten un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid semi-annually starting from 04 December 2013.

Return on TFCs

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

Six months KIBOR plus 1.00% per annum in 2010 - 2011

Six months KIBOR plus 1.25% per annum in 2012 - 2015

Six months KIBOR plus 1.75% per annum in 2016 onwards

Trustee

In order to protect the interests of TFC holders, Pak Brunei Investment Company remains trustee of the issue, with power to enforce the Company's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the trust deed and MRA.

Security

For detail of securities refer to note 8.8.

At the reporting date interest / mark-up amounting to Rs. 106.101 million was overdue. Refer to note 42.2.2 for details.

Notes to the Financial Statements
for the year ended 30 June 2012

8.5 These Term Finance Certificates - V (TFC - V) represent restructuring of various short term facilities amounting to Rs. 825,000,000. The total issue comprised of 165,000 TFCs having face value of Rs. 5,000 each. In context of the overall debt restructuring of the Company, the issue was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFC - V is structured to be in nine un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid quarterly starting from 18 February 2014.

Return on TFCs

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

Twelve months KIBOR plus 1.00% per annum from 18 May 2010 till 18 May 2011

Three months KIBOR plus 1.00% per annum from 18 May 2011 till 18 November 2011

Three months KIBOR plus 1.25% per annum from 18 November 2011 onwards

Trustee

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

Security

For detail of securities refer to note 8.8.

At the reporting date interest / mark-up amounting to Rs. 13.946 million was overdue. Refer to note 42.2.2 for details.

8.6 This represent restructuring of outstanding mark-up amounting to Rs. 3,218.670 million related to long term debts and short term borrowings till 31 March 2012. The trust deed was entered on 28 June 2012. These were issued during the year by way of private placements. The total issue comprised of 643,734 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in seven unequal semi annual installments starting from 31 March 2014.

Notes to the Financial Statements
for the year ended 30 June 2012

Call option

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

Return on PPTFCs

The issue carries nil return (also refer to note 8.1).

Trustee

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

Security

The issue is secured by:

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

- Ranking mortgage charge over the mortgaged properties in the amount of up to Rs. 4,666.667 million

8.7 During the year, the Company could not make certain interest / mark-up payments on due dates. As a consequence, the financiers are entitled to declare all outstanding amount of the issue immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS - 1), all liabilities under these loan agreements are required to be classified as current liabilities. Based on the above, loan installments due as per agreed terms after 30 June 2013 amounting to Rs. 1,551.127 million have been shown as current liability.

8.8 Common security

All redeemable capital and long term finances except for TFC - VI, have been secured by way of common security which is as follows:

- First charge in favour of National Bank of Pakistan, as Security trustee for the benefit of the Financers, on all present and future assets and properties of Azgard Nine Limited.

- Pledge of 100,000 shares of Agritech Limited (in favour of National Bank of Pakistan - Security Trustee).

- Personal Guarantee of Sponsor Director.

Notes to the Financial Statements

for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
9	**Long term finances - secured**			
	United Bank Limited	*9.2*	**75,000,000**	75,000,000
	National Bank of Pakistan	*9.3*	**1,000,000,000**	1,000,000,000
	Deutsche Investitions - Und MBH (Germany)	*9.4*	**1,422,000,000**	1,588,113,482
	Saudi Pak Industrial and Agricultural Company Limited	*9.5*	**100,000,000**	100,000,000
	HSBC Bank (Middle East) Limited	*9.6*	**272,113,408**	272,113,408
	Citi Bank N.A (Pakistan)	*9.7*	**567,539,466**	567,539,466
			3,436,652,874	3,602,766,356
	Transaction costs	*9.1*	**(28,254,867)**	(43,430,609)
			3,408,398,007	3,559,335,747
	Less: Amount shown as current liability			
	Amount payable within next twelve months		**(1,936,345,512)**	(169,306,600)
	Amount due after 30 June 2013	*9.8*	**(1,472,052,495)**	-
			(3,408,398,007)	(169,306,600)
			-	3,390,029,147

9.1 Transaction costs

	Note	2012 Rupees	2011 Rupees
As at beginning of the year / period		**43,430,609**	-
Incurred during the year / period		**-**	51,193,835
Amortized during the year / period	*35*	**(15,175,742)**	(7,763,226)
As at end of the year / period		**28,254,867**	43,430,609

9.2 The finance has been obtained from United Bank Limited for import of plant and machinery. In context of the overall debt restructuring of the Company, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms the entire principal is payable on the date at which shares of Agritech Limited are transferred to the purchasers. For detail of securities refer to note 8.8.

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

Six months KIBOR plus 1.00% per annum in 2011 - 2012
Six months KIBOR plus 1.25% per annum in 2013 - 2016
Six months KIBOR plus 1.75% per annum in 2017 onwards

9.3 The finance has been obtained from National Bank of Pakistan to finance the acquisition of Agritech Limited, a subsidiary of the Company. In context of the overall debt restructuring of the Company, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms the entire principal is payable on the date at which shares of Agritech Limited are transferred to the purchasers. The finance is secured by pledge of Rs. 83.420 million shares of Agritech Limited and Common Security as disclosed in note 8.8.

Notes to the Financial Statements
for the year ended 30 June 2012

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

Six months KIBOR plus 1.00% per annum in 2010 - 2011

Six months KIBOR plus 1.25% per annum in 2012 - 2015

Six months KIBOR plus 1.75% per annum in 2016 onwards

9.4 This represents Euros 15 million obtained from Deutsche Investitions - Und MBH (Germany) to finance the setup of new textile and apparel project. In context of the overall debt restructuring of the Company, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms the loan is payable in twenty-one un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid quarterly starting from 15 July 2015. The facility is secured by pledge of Rs. 96.773 million shares of Agritech Limited and Common Security as disclosed in note 8.8.

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

Six months EURIBOR plus 3.25% per annum till date of sale of Agritech Limited

Three months EURIBOR plus 0.75% per annum from date of sale of Agritech Limited - 14 July 2015

Three months EURIBOR plus 1.00% per annum from 15 July 2015 onwards

In addition to the above, additional interest of 2% per annum will be levied if principal and mark-up are not paid on due dates.

At the reporting date principal amounting to Rs. 1,066.500 million and interest / mark-up amounting to Rs. 200.962 million was overdue. Refer to note 42.2.2 for details.

9.5 The finance has been obtained from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements. In context of the overall debt restructuring of the Company, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms the loan is payable in eighteen un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid quarterly starting from 13 November 2013. For detail of securities refer to note 8.8.

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

Six months KIBOR plus 1.00% per annum in 2010 - 2011

Six months KIBOR plus 1.25% per annum in 2012 - 2015

Six months KIBOR plus 1.75% per annum in 2016 onwards

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

Notes to the Financial Statements
for the year ended 30 June 2012

At the reporting date interest / mark-up amounting to Rs. 1.512 million was overdue. Refer to note 42.2.2 for details.

9.6 The finance has been obtained from HSBC Bank Middle East Limited for long term working capital requirements. In context of the overall debt restructuring of the Company, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms, the loan is payable in nine un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid semi-annually starting from 01 May 2013. For detail of securities refer to note 8.8.

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

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

Six months KIBOR plus 1.25% per annum in 2013 onwards

At the reporting date interest / mark-up amounting to Rs. 2.984 million was overdue. Refer to note. 42.2.2 for details.

9.7 As part of the overall debt restructuring, the finance was converted from various short term borrowings. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms, the loan is payable in six un-equal installments. Installment are to be paid semi-annually starting from 01 May 2014. For detail of securities refer to note 8.8.

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

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

Six months KIBOR plus 1.25% per annum in 2013 onwards

At the reporting date interest / mark-up amounting to Rs. 6.022 million was overdue. Refer to note. 42.2.2 for details.

9.8 During the year, the Company could not make certain interest / mark-up payments on due dates. As a consequence, the financiers are entitled to declare all outstanding amount of the issue immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS - 1), all liabilities under these loan agreements are required to be classified as current liabilities. Based on the above, loan installments due as per agreed terms after 30 June 2013 amounting to Rs. 1,472.052 million have been shown as current liability.

10 Liabilities against assets subject to finance lease - secured

The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Present value of minimum lease payments	*10.1 & 10.2*	**36,436,705**	45,531,163
Current maturity presented under current liabilities	*11*	**(12,415,966)**	(8,395,433)
		24,020,739	37,135,730

10.1 These represent plant and machinery, and vehicles acquired under finance lease arrangements and are secured by specific charge on leased assets, joint ownership of leased assets with the lender and lien over documents of title. Rentals are payable monthly / quarterly. The leases are priced at rates ranging from three months to twelve months KIBOR plus 2.00% to 4.00% (2011: three months to twelve months KIBOR plus 2.00% to 4.75%) per annum. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option.

10.2 The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

	Note	2012 Rupees	2011 Rupees
Not later than one year		**17,050,310**	9,984,609
Later than one year but not later than five years		**27,769,672**	45,949,348
Total future minimum lease payments		**44,819,982**	55,933,957
Finance charge allocated to future periods		**(8,383,277)**	(10,402,794)
Present value of future minimum lease payments		**36,436,705**	45,531,163
Not later than one year	*11*	**(12,415,966)**	(8,395,433)
Later than one year but not later than five years		**24,020,739**	37,135,730

11 Current portion of non-current liabilities

	Note	2012 Rupees	2011 Rupees
Preference shares of Rs. 10 each (2011: Rs. 10 each)	*11.1*	**574,518,935**	574,518,935
Redeemable capital	*8*	**4,110,258,345**	779,435,632
Long term finances	*9*	**3,408,398,007**	169,306,600
Liabilities against assets subject to finance lease	*10.2*	**12,415,966**	8,395,433
		8,105,591,253	1,531,656,600

11.1 Preference shares were issued by the Company during year ended 30 September 2004 and are non-voting, non-participatory, partly convertible and cumulative.

These were redeemable, subject to provisions of section 85 of the Companies Ordinance, 1984, as follows:

- First redemption: 50% of the issued amount at the end of fifth year from date of issue, i.e. 24 September 2009.

- Second redemption: 50% of the issued amount at the end of sixth year from date of issue, i.e. 24 September 2010.

The status of redemption as at the reporting date is as follows:

Notes to the Financial Statements
for the year ended 30 June 2012

	Redemption up to		Overdue as at	
	30 June 2012	30 June 2011	**30 June 2012**	30 June 2011
	Rupees	Rupees	**Rupees**	Rupees
First redemption	-	86,731,895	**243,893,755**	243,893,755
Second redemption	-	-	**330,625,180**	330,625,180
	-	86,731,895	**574,518,935**	574,518,935

Previously, when the first redemption went overdue, the Company and preference shareholders had agreed in principal that these shares were to be redeemed out of a fresh issue of term finance certificates and the same was expected to be completed in April 2010. However, in context of the overall restructuring, the matter was deferred till all other matters with banks were settled. Following the successful debt restructuring of the Company, the Company intends to settle its entire liability towards preference shares through conversion into a fresh issue of Financial Instruments, the terms of which have already been agreed upon with the majority of the investors and the process is expected to be materialized in due course.

12 Short term borrowings

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

	Note	**2012**	2011
		Rupees	Rupees
Secured			
Running finance	*12.1*	**2,006,675,760**	2,162,209,670
Term loan	*12.1*	**5,030,610,401**	4,753,809,296
Bridge finance	*12.2*	**1,119,457,014**	1,119,457,014
		8,156,743,175	8,035,475,980

12.1 These facilities have been obtained from various banking companies and financial institutions for working capital requirements and are secured by Common Security (refer to note 8.8), lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, pledge of stocks, ranking charge amounting to Rs. 750 million on current and future assets of the Company and pledge of Rs. 3.459 million shares of Agritech Limited.

Mark-up on these finances is payable quarterly / semi-annually. Local currency finances carry mark-up at rates ranging from one to twelve months KIBOR plus 1% per annum (2011: one to six months KIBOR plus 1% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR / EURIBOR of matching tenor plus 2% to 6.5% per annum (2011: LIBOR of matching tenor plus 2% to 6.5% per annum). Mark-up on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of 10% per annum plus banks' spread of 1% per annum (2011: 10% per annum plus banks' spread of 1% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.10% to 0.15% per quarter (2011: 0.1% to 0.15% per quarter).

Notes to the Financial Statements
for the year ended 30 June 2012

At the reporting date interest / mark-up amounting to Rs. 52.932 million was overdue. Refer to note 42.2.2 for details.

12.2 Bridge finance was obtained from a consortium of lenders as part of overall debt restructuring of the Company's debt finances, to bridge finance the operations and working capital requirements of the Company and is secured by way of pledge of Rs. 58.333 million shares held in Agritech Limited, and through Common Security mentioned under note 8.8. The said facility carries mark-up rate of twelve months KIBOR plus 1% per annum and is payable after 365 days from the disbursement date or the date on which the consideration for the sale of Agritech Shares is received in terms of the Master Restructuring and Intercreditor Agreement whichever is earlier. Faysal bank Limited is acting as syndicate agent for this facility.

At the reporting date principal amounting to Rs. 1,119.457 million and interest / mark-up amounting to Rs. 30.950 million was overdue. Refer to note 42.2.2 for details.

12.3 The aggregate available short term funded facilities amounts to Rs. 10,308 million (2011: Rs. 10,008 million) out of which Rs. 1,474 million (2011: Rs. 1,914 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit amounts to Rs. 2,107 million (2011: Rs. 2,107 million) of which the limits remaining un-utilized as at the reporting date amounts to Rs. 144 million (2011: Rs. 297 million).

	Note	**2012**	2011
		Rupees	Rupees
13 Trade and other payables			
Trade creditors		**1,499,989,313**	827,963,698
Bills payable	*13.1*	**1,755,448,679**	1,303,216,228
Accrued liabilities		**519,327,523**	339,688,115
Advances from customers		**102,516,590**	71,347,853
Payable to Provident Fund Trust	*13.2*	**96,248,979**	114,122,901
Workers' Profit Participation Fund	*13.3*	**47,015,366**	40,013,078
Tax deducted at source		**10,941,701**	9,757,421
Derivative financial liability	*21.1*	**7,424,080**	-
Other payables		**10,152,164**	37,499,050
		4,049,064,395	2,743,608,344

13.1 At the reporting date bills amounting to Rs. 1,517.318 million and interest / mark-up amounting to Rs. 77.156 million were overdue. Refer to note 42.2.2 for details.

13.2 Interest on outstanding liability towards fund is charged at 16.10% (2011: 15.50%) per annum.

13.3 Interest on outstanding liability towards fund is charged at 17.5% (2011: 17.5%) per annum.

14 Due to related party - unsecured, considered good

This represents short term loan obtained from Agritech Limited, a subsidiary of the Company and is repayable on demand. The loan is unsecured and carries mark-up at 15.50% per annum (2011: 15.50% per annum).

Notes to the Financial Statements

for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
15	**Interest / mark-up accrued on borrowings**			
	Redeemable capital		**388,702,771**	932,608,731
	Long term finances		**304,019,043**	357,033,441
	Short term borrowings		**664,634,827**	696,096,295
	Payable to a related party		**68,579,206**	125,521,695
			1,425,935,847	2,111,260,162
16	**Dividend payable**			
	Unclaimed dividend on ordinary shares		**4,002,037**	4,002,037
	Dividend payable on preference shares	*16.1*	**28,727,041**	28,727,041
			32,729,078	32,729,078

16.1 Preference dividend was due for payment on 21 November 2010, however no payments have been made up to the reporting date. The management intends to settle this amount along with the settlement of outstanding overdue preference shares.

17 Contingencies and commitments

17.1 Contingencies

17.1.1 The Company was denied exemption under SRO 554(1)/1998 from levy of customs duty and sales tax on certain plant and machinery by the customs department. An appeal was filed before the Honourable Lahore High Court which was referred back to Collector of Customs (Adjudication). Collector of Customs adjudicated the matter and reduced the duty to Rs. 2.8 million and imposed penalty of Rs. 2.0 million instead of previously determined amount of Rs. 9.9 million. The Company is in the process of filing an appeal in Appellate Tribunal against the imposed penalty.

17.1.2 Several ex-employees of Agritech Limited have filed a petition against the Company demanding terminal benefits including those under the golden hand shake scheme. The claim, valued at Rs. 8.0 million, is pending before the Honourable Lahore High Court and the Company expects a favourable outcome.

17.1.3 The Company has issued indemnity bonds amounting to Rs. 641 million (2011: Rs. 338 million) in favour of Collector of Customs and Sales Tax department in lieu of levies under various statutory notifications and these are likely to be released after the fulfillment of the terms of related notifications.

17.1.4 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 169.73 million (2011: Rs. 167.79 million).

17.1.5 As referred to in note 11.1 to the financial statements, no redemption of preference shares has been made up to the reporting date in respect of second and final redemption, whereas, only partial redemption has been carried out in respect of first redemption. Further, non-payment or delayed payment of dividend on preference share, as referred to in note 16.1 may attract penalties in the form of dividend at higher rates.

Notes to the Financial Statements
for the year ended 30 June 2012

17.1.6 Contingencies related to tax matters are referred to note 36 to the financial statements.

		Note	2012 Rupees	2011 Rupees
17.2	**Commitments**			
17.2.1	Commitments under irrevocable letters of credit for:			
	- purchase of stores, spare and loose tools		**30,507,298**	141,745,448
	- purchase of machinery		**14,639,280**	5,919,288
	- purchase of raw material		**76,726,497**	25,800,276
			121,873,075	173,465,012
17.2.2	Commitments for capital expenditure		**3,236,108**	-
18	**Property, plant and equipment**			
	Operating fixed assets	*18.1*	**13,387,681,719**	13,835,133,413
	Capital work in progress	*18.2*	**7,535,550**	-
			13,395,217,269	13,835,133,413

Notes to the Financial Statements
for the year ended 30 June 2012

18.1 Operating fixed assets

Particulars	As at 01 July 2011	Additions during the year	Disposals	Transfers	As at 30 June 2012	Rate %	As at 01 July 2011	For the year	Adjustment (disposals)/ transfers	As at 30 June 2012	Net Book Value as at 30 June 2012
	30 June 2012										
	COST / REVALUED AMOUNT						DEPRECIATION				
Assets Owned by the Company											
Freehold land											
- cost	558,010,024	-	-	-	558,010,024		-	-	-	-	558,010,024
- revaluation	719,724,976	-	-	-	719,724,976		-	-	-	-	719,724,976
	1,277,735,000	-	-	-	1,277,735,000		-	-	-	-	1,277,735,000
Buildings on freehold land											
- cost	2,656,348,696	23,911,287	-	-	2,680,259,983	2.5	468,595,349	54,828,042	-	523,423,391	2,156,836,592
- revaluation	703,539,295	-	-	-	703,539,295	2.5	146,510,554	13,955,475	-	160,466,029	543,073,266
	3,359,887,991	23,911,287	-	-	3,383,799,278		615,105,903	68,783,517	-	683,889,420	2,699,909,858
Plant and machinery											
- cost	9,590,058,342	36,843,458	(15,641,073)	-	9,611,260,727	2-5	2,869,217,700	293,184,848	(11,046,452)	3,151,356,096	6,459,904,631
- revaluation	3,743,286,955	-	(9,890,357)	-	3,733,396,598	2-5	1,295,170,861	111,733,125	(6,985,029)	1,399,918,957	2,333,477,641
	13,333,345,297	36,843,458	(25,531,430)	-	13,344,657,325		4,164,388,561	404,917,973	(18,031,481)	4,551,275,053	8,793,382,272
Furniture, fixtures and office equipment	192,499,787	4,616,998	(60,000)	-	197,056,785	10	85,681,414	10,909,376	(17,248)	96,573,542	100,483,243
Vehicles	58,078,729	1,683,455	(21,184,941)	41,249,731	79,826,974	20	37,267,073	4,348,199	14,026,036	55,641,308	24,185,666
Tools and equipments	377,132,492	13,806,209	-	-	390,938,701	10	97,584,733	28,922,035	-	126,506,768	264,431,933
Electrical installations	146,248,076	26,117,307	-	-	172,365,383	10	69,494,861	9,277,652	-	78,772,513	93,592,870
	18,744,927,372	106,978,714	(46,776,371)	41,249,731	18,846,379,446		5,069,522,545	527,158,752	(4,022,693)	5,592,658,604	13,253,720,842
Assets subject to finance lease											
Plant and machinery	218,023,444	-	-	-	218,023,444	2-5	83,871,777	6,008,759	-	89,880,536	128,142,908
Vehicles	52,062,898	-	-	(41,249,731)	10,813,167	20	26,485,979	4,203,138	(25,693,919)	4,995,198	5,817,969
	270,086,342	-	-	(41,249,731)	228,836,611		110,357,756	10,211,897	(25,693,919)	94,875,734	133,960,877
	19,015,013,714	106,978,714	(46,776,371)	-	19,075,216,057		5,179,880,301	537,370,649	(29,716,612)	5,687,534,338	13,387,681,719

Notes to the Financial Statements
for the year ended 30 June 2012

18.1.1 Operating fixed assets

	30 June 2011										
	COST / REVALUED AMOUNT						DEPRECIATION				
Particulars	As at 01 January 2010	Additions during the year	Disposals	Leased assets transfers	As at 30 June 2011	Rate %	As at 01 January 2010	For the year	Adjustment	As at 30 June 2011	Net book value as at 30 June 2011
Assets owned by the Company											
Freehold land											
- cost	558,010,025	-	-	-	558,010,025		-	-	-	-	558,010,025
- revaluation	719,724,975	-	-	-	719,724,975		-	-	-	-	719,724,975
	1,277,735,000	-	-	-	1,277,735,000		-	-	-	-	1,277,735,000
Buildings on freehold land											
- cost	2,253,499,726	395,892,880	-	6,956,090	2,656,348,696	2.5	362,279,160	106,316,189	-	468,595,349	2,187,753,347
- revaluation	703,539,295	-	-	-	703,539,295	2.5	117,602,258	28,908,296	-	146,510,554	557,028,741
	2,957,039,021	395,892,880	-	6,956,090	3,359,887,991		479,881,418	135,224,485	-	615,105,903	2,744,782,088
Plant and machinery											
- cost	9,236,558,028	334,087,457	-	19,412,857	9,590,058,342	2-5	2,309,330,469	559,887,231	-	2,869,217,700	6,720,840,642
- revaluation	3,743,286,955	-	-	-	3,743,286,955	2-5	1,079,796,750	215,374,111	-	1,295,170,861	2,448,116,094
	12,979,844,983	334,087,457	-	19,412,857	13,333,345,297		3,389,127,219	775,261,342	-	4,164,388,561	9,168,956,736
Furniture, fixtures and office equipment	180,551,529	12,129,605	(181,347)	-	192,499,787	10	68,739,262	16,990,940	(48,788)	85,681,414	106,818,373
Vehicles	53,488,521	1,201,414	(13,436,538)	16,825,332	58,078,729	20	28,261,993	6,923,140	2,081,940	37,267,073	20,811,656
Tools and equipments	334,404,465	42,728,027	-	-	377,132,492	10	52,339,121	45,245,612	-	97,584,733	279,547,759
Electrical installations	140,484,671	5,763,405	-	-	146,248,076	10	56,997,530	12,497,331	-	69,494,861	76,753,215
	17,923,548,190	791,802,788	(13,617,885)	43,194,279	18,744,927,372		4,075,346,543	992,142,850	2,033,152	5,069,522,545	13,675,404,827
Assets subject to finance lease											
Plant and machinery	218,023,444	-	-	-	218,023,444	2-5	73,110,164	10,761,613	-	83,871,777	134,151,667
Vehicles	91,337,477	394,268	(22,843,515)	(16,825,332)	52,062,898	20	30,666,078	14,867,580	(19,047,679)	26,485,979	25,576,919
	309,360,921	394,268	(22,843,515)	(16,825,332)	270,086,342		103,776,242	25,629,193	(19,047,679)	110,357,756	159,728,586
	18,232,909,111	792,197,056	(36,461,400)	26,368,947	19,015,013,714		4,179,122,785	1,017,772,043	(17,014,527)	5,179,880,301	13,835,133,413

Notes to the Financial Statements

for the year ended 30 June 2012

18.1.2 Disposal of property, plant and equipment

	2012						
	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
Plant and machinery							
Reiter C-60 Cards	4,129,582	1,187,120	2,942,462	3,500,000	557,538	Negotiation	Regent Traders
Scutchure Hergeth - Germany	1,652,086	1,572,531	79,555	89,025	9,470	Negotiation	Al Faisal Enterprises
Scutchure Installation Charges	52,576	50,069	2,507	2,805	298	Negotiation	Al Faisal Enterprises
Scutcher Hergeth-1968	1,339,615	1,261,655	77,960	87,240	9,280	Negotiation	Al Faisal Enterprises
Drawing Frames DX-500	3,188,660	2,814,763	373,897	418,405	44,508	Negotiation	Al Faisal Enterprises
Simplex Frame FL-16 (120 Spindles Each)	8,451,634	6,994,861	1,456,773	1,630,184	173,411	Negotiation	Al Faisal Enterprises
2 Nos DFH-8 Drawing Frames Complete	6,717,278	4,150,482	2,566,796	2,872,341	305,545	Negotiation	Al Faisal Enterprises
	25,531,431	18,031,481	7,499,950	8,600,000	1,100,050		
Furniture, fixture and office equipment							
Laptop computer	60,000	17,248	42,752	43,114	362	Company policy	Employee
Vehicles - owned							
Suzuki Mehran	456,181	227,877	228,304	182,772	(45,532)	Company Policy	Employee
Suzuki Liana	929,592	464,219	465,373	372,137	(93,236)	Company Policy	Employee
Suzuki Mehran	414,783	232,942	181,841	166,300	(15,541)	Company Policy	Employee
Suzuki Mehran	414,533	232,749	181,784	166,200	(15,584)	Company Policy	Employee
Suzuki Cultus	632,438	82,217	550,221	253,300	(296,921)	Company Policy	Employee
Suzuki Mehran	470,189	234,267	235,922	188,400	(47,522)	Company Policy	Employee
Suzuki Cultus	712,740	416,353	296,387	285,500	(10,887)	Company Policy	Employee
Suzuki Cultus	650,120	384,663	265,457	260,350	(5,107)	Company Policy	Employee
Suzuki Cultus	784,653	397,962	386,691	314,162	(72,529)	Company Policy	Employee
Suzuki Cultus	673,130	273,291	399,839	174,000	(225,839)	Company Policy	Employee
Hyundai Shahzor	1,208,000	1,074,005	133,995	455,000	321,005	Negotiation	Mohammad Ilyas
Suzuki Cultus	640,266	368,718	271,548	256,400	(15,148)	Company Policy	Employee
Suzuki Mehran	423,683	251,331	172,352	79,077	(93,275)	Company Policy	Employee
Suzuki Cultus	637,270	377,473	259,797	160,892	(98,905)	Company Policy	Employee
Suzuki Mehran	477,116	250,253	226,863	191,000	(35,863)	Company Policy	Employee
Honda City	1,030,735	558,715	472,020	413,800	(58,220)	Company Policy	Employee
Suzuki Mehran	475,189	253,789	221,400	190,076	(31,324)	Company Policy	Employee
Suzuki Cultus	650,120	399,142	250,978	260,300	9,322	Company Policy	Employee
Suzuki Bolan	450,000	311,933	138,067	200,000	61,933	Negotiation	Muhammad Khurram
Suzuki Cultus	905,190	434,310	470,880	366,000	(104,880)	Company Policy	Employee
Toyota Corolla	1,773,405	850,880	922,525	709,650	(212,875)	Company Policy	Employee
Suzuki Cultus	826,400	370,990	455,410	345,860	(109,550)	Company Policy	Employee
Suzuki Mehran	659,370	400,730	258,640	165,150	(93,490)	Company Policy	Employee
Toyota Corolla	1,014,000	558,917	455,083	418,850	(36,233)	Company Policy	Employee
Suzuki Cultus	661,000	391,240	269,760	169,905	(99,855)	Company Policy	Employee
Suzuki Cultus	661,000	391,240	269,760	169,905	(99,855)	Company Policy	Employee
Suzuki Mehran	416,084	261,347	154,737	106,550	(48,187)	Company Policy	Employee
Suzuki Mehran	414,533	260,479	154,054	103,933	(50,121)	Company Policy	Employee
Suzuki Cultus	900,190	450,275	449,915	360,500	(89,415)	Company Policy	Employee
Suzuki Mehran	414,731	263,731	151,000	106,250	(44,750)	Company Policy	Employee
Suzuki Mehran	408,300	241,844	166,456	115,200	(51,256)	Company Policy	Employee
	21,184,941	11,667,882	9,517,059	7,707,419	(1,809,640)		
2012	46,776,371	29,716,612	17,059,761	16,350,533	(709,228)		
2011	36,461,400	17,014,527	19,446,873	17,563,650	(1,883,223)		

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
18.1.3 The depreciation charge for the year / period has been allocated as follows:			
Cost of sales	*31*	**517,909,929**	997,254,876
Administrative and general expenses	*33*	**19,460,720**	20,517,167
		537,370,649	1,017,772,043

18.2 Capital work in progress

	2012			
	as at 01 July	**Additions**	**Transfers**	**As at 30 June**
	Rupees	**Rupees**	**Rupees**	**Rupees**
Building	**-**	**15,645,811**	**(15,383,639)**	**262,172**
Plant and machinery	**-**	**7,273,378**	**-**	**7,273,378**
	-	**22,919,189**	**(15,383,639)**	**7,535,550**

	2011			
	As at 01 January	Additions	Transfers	As at 30 June
	Rupees	Rupees	Rupees	Rupees
Building	713,960	6,242,130	(6,956,090)	-
Plant and machinery	-	19,412,857	(19,412,857)	-
	713,960	25,654,987	(26,368,947)	-

	Note	2012 Rupees	2011 Rupees
19 Intangible assets			
Development costs	*19.1*	**-**	1,777,448
Software	*19.2*	**3,907,224**	6,512,041
		3,907,224	8,289,489

19.1 This represents expenditure on development of new products and processes to gain competitive advantage in the national and international market.

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Cost			
As at beginning of the year / period		**87,853,404**	87,853,404
Additions during the year / period		**-**	-
As at end of the year / period		**87,853,404**	87,853,404
Accumulated amortization			
As at beginning of the year / period		**(86,075,956)**	(82,875,904)
Amortization for the year / period	*31*	**(1,777,448)**	(3,200,052)
As at end of the year / period		**(87,853,404)**	(86,075,956)
		-	1,777,448
Rate of amortization		**20%**	20%

19.2 This represents expenditure incurred on implementation of Oracle Financials Suite.

	Note	2012 Rupees	2011 Rupees
Cost			
As at beginning of the year / period		**13,024,081**	13,024,081
Additions during the year / period		**-**	-
As at end of the year / period		**13,024,081**	13,024,081
Accumulated amortization			
As at beginning of the year / period		**(6,512,040)**	(2,604,816)
Amortization for the year / period	*33*	**(2,604,817)**	(3,907,224)
As at end of the year / period		**(9,116,857)**	(6,512,040)
		3,907,224	6,512,041
Rate of amortization		**20%**	20%

20 Long term investments

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

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Investments in related parties			
Cost		**2,891,100,557**	2,891,108,013
Fair value adjustment		**-**	(198,974,248)
		2,891,100,557	2,692,133,765
Accumulated impairment			
Opening balance		**-**	-
Charge during the year / period	*34*	**(1,125,597,650)**	-
Accumulated impairment		**(1,125,597,650)**	-
	20.1	**1,765,502,907**	2,692,133,765
Other investments			
Cost		**18,664**	18,664
Fair value adjustment	*20.2*	**(3,833)**	(5,800)
		14,831	12,864
		1,765,517,738	2,692,146,629

20.1 Investments in related parties

Unquoted

Farital AB
14,700 (2011: 14,700) ordinary shares with a capital of Swedish Krona 260,150,100
Proportion of capital held: 100% (2011: 100%)
Activity: *Textile and Apparel*
Relationship: *Parent - Subsidiary*

	Note	2012 Rupees	2011 Rupees
Cost	*20.1.1*	**2,625,026,049**	2,625,026,049
Fair value adjustment		**-**	(198,974,248)
		2,625,026,049	2,426,051,801
Accumulated impairment			
Opening balance		**-**	-
Charge during the year / period	*34*	**(1,125,597,650)**	-
Accumulated impairment		**(1,125,597,650)**	-
		1,499,428,399	2,426,051,801
Agritech Limited			
53,259 Term Finance Certificates of Rs. 5,000 each (2011: 53,259 Term Finance Certificates of Rs. 5,000 each)	*20.1.2*	**266,074,508**	266,081,964
		1,765,502,907	2,692,133,765

20.1.1 Investment in equity securities of Farital AB was made in order to acquire 100% interest in Montebello s.r.l., owner of an italian fabric and jeans brand and a wholly owned subsidiary of Farital AB. The investment has been measured at fair value at Rs. 102,002 (2011: Rs. 165,038) per share. For basis of valuation, refer to note 41.3 to the financial statements.

Notes to the Financial Statements
for the year ended 30 June 2012

20.1.2 These represent 53,259 (2011: 53,259) term finance certificates of Rs. 5,000 each (2011: 5,000 each) issued by Agritech Limited and carry return at six months KIBOR plus 1.75 % and are redeemable in fifteen unequal semi-annual installments after a grace period of three years starting from 14 July 2013. Since these certificates are pledged as security with providers of debt finance, these have been presented as long term investment.

20.1.3 Details of investments pledged as security are referred to in note 44 to the financial statements.

	Note	2012 Rupees	2011 Rupees
20.2 Other investments			
Quoted			
Colony Mills Limited			
4,332 (2011: 4,332) ordinary shares of Rs. 10 each			
Market value Rs. 1.72 per share (2011: Rs. 1.7 per share)			
Cost		**8,664**	8,664
Fair value adjustment		**(1,213)**	(1,300)
		7,451	7,364
JS Value Fund Limited			
1,000 (2011: 1,000) ordinary shares of Rs. 10 each.			
Market value Rs. 7.38 per share (2011: Rs. 5.5 per share)			
Cost		**10,000**	10,000
Fair value adjustment		**(2,620)**	(4,500)
		7,380	5,500
		14,831	12,864

21 Derivative financial assets

<u>Cash flow hedges</u>

Hedged item	Hedging instrument	Note	2012 Rupees	2011 Rupees
Mark-up payments on Term Finance Certificates at six months KIBOR plus 1.75% per annum.	Mark-up payments to Faysal Bank Limited on outstanding USD notional amount at fixed rate of 6.915% per annum.	8.3	**-**	48,894,931
			-	48,894,931
			-	(48,894,931)
Current maturity presented under current assets			-	-

21.1 The notional amount outstanding at the year end was US Dollar 3.755 million (2011: US Dollar 8.222 million). The derivative had a negative fair value of Rs. 7.424 million (2011: positive fair value of Rs. 48.895 million) as at reporting date which have been charged to finance cost and appearing as a liability under trade and other payables (refer to note 13).

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
22 Long term deposits - unsecured, considered good			
Utility companies and regulatory authorities	*22.1*	**26,983,893**	16,569,993
Financial institutions	*22.2*	**3,046,600**	5,043,400
		30,030,493	21,613,393

22.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as its amortized cost is impracticable to determine.

22.2 These have been deposited with various banking companies and financial institutions against finance leases.

	2012 Rupees	2011 Rupees
23 Stores, spares and loose tools		
Stores and loose tools	**300,484,737**	428,173,995
Spares	**34,564,133**	44,854,969
Less: provision for slow moving and obsolete items	**(161,729,345)**	-
	173,319,525	473,028,964

23.1 Stores, spares and loose tools include items which may result in fixed capital expenditure but are not distinguishable.

	Note	2012 Rupees	2011 Rupees
24 Stock in trade			
Raw material		**1,602,140,598**	2,307,910,797
Work in process		**1,126,493,487**	1,153,108,764
Finished goods		**376,974,302**	302,141,814
Less: diminution in value of stock due to net realizable value	*24.1*	**(77,805,957)**	-
		3,027,802,430	3,763,161,375

24.1 Diminution in the value of stock is related to raw material.

24.2 Details of stock in trade pledged as security are referred to in note 44 to the financial statement.

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
25 Trade receivables			
Local			
- secured	*25.1*	**7,427,983**	17,040,551
- unsecured, considered good		**156,800,352**	277,329,657
- unsecured, considered doubtful		**12,240,583**	16,547,550
		176,468,918	310,917,758
Foreign			
- secured	*25.1*	**222,401,742**	1,820,864,506
- unsecured, considered good	*25.2*	**1,997,671,586**	1,070,351,453
- unsecured, considered doubtful		**140,646,800**	149,841,853
		2,360,720,128	3,041,057,812
		2,537,189,046	3,351,975,570
Less: provision against trade receivables	*25.3*	**(152,887,383)**	(166,389,403)
		2,384,301,663	3,185,586,167

25.1 These are secured against letters of credit

25.2 These include following amounts due from related parties.

Related party	Nature of relationship		2012 Rupees	2011 Rupees
Montebello s.r.l	Parent - Subsidiary	*25.2.1*	**943,574,911**	1,070,351,453

25.2.1 Due to recession in textile sector in European market there has been slow recovery from Montebello s.r.l ("MBR"). However, the lenders of the Company have agreed under clause 5.1.20 of the Master Restructuring and Intercreditor Agreement that the receivables due from MBR will be brought down to Euro 9.0 million at the end of 2012, Euro 7.2 million at the end of 2013 onwards. MBR has given a confirmation to the Company in this regard.

	2012 Rupees	2011 Rupees
25.3 Movement in provision of trade receivables		
As at beginning of the year / period	**166,389,403**	16,547,550
Provision recognized during the year / period	**174,666,838**	149,841,853
Less: provision written off	**(188,168,858)**	-
As at end of the year / period	**152,887,383**	166,389,403

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
26 Advances, deposits, prepayments and other receivables			
Advances to suppliers - unsecured, considered good		**350,232,226**	263,502,393
Advances to employees - unsecured, considered good	*26.1*	**33,673,181**	43,100,179
Security deposits		**5,435,136**	5,419,669
Margin deposits	*26.2*	**34,238,755**	40,684,741
Rebate receivable		**187,929,559**	255,001,106
Derivative financial assets		**-**	48,894,931
Sales tax recoverable		**159,637,765**	166,482,518
Letters of credit		**48,712,485**	71,115,722
Insurance claims		**1,160,685**	42,066,943
Other receivables - unsecured, considered good		**10,288,518**	19,050,486
		831,308,310	955,318,688

26.1 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy and include advances to executives amounting Rs. 25.400 million (2011: Rs 38.153 million).

26.2 These represent deposits against letters of credit / guarantee and other working capital lines utilized.

	2012 Rupees	2011 Rupees
27 Short term investments		
Quoted		
Agritech Limited		
313,423,184 (2011: 313,423,184) ordinary shares of Rs. 10 each		
Proportion of capital held: 79.87% (2011: 79.87%)		
Activity: *Fertilizer*		
Relationship: *Parent - Subsidiary*		
Cost	**6,378,291,871**	6,378,291,871
Fair value adjustment	**4,591,519,569**	4,591,519,569
	10,969,811,440	10,969,811,440

27.1 The investment in equity securities of Agritech Limited has been measured at fair value at Rs. 35.00 (2011: Rs. 35.00) per share as compared to the market value of Rs. 12.54 (2011: Rs. 19.00) per share. Price is based on the Share Transfer and Debt Swap Agreement dated 12 April 2012 and First Supplemental Agreement dated subsequent to year end entered between the Company and the purchasers, being the consortium of banks and financial institutions.

27.2 Out of 313,423,184 ordinary shares held in Agritech Limited, 307,085,191 (2011: 307,085,191) ordinary shares are pledged with providers of debt finance.

Notes to the Financial Statements

for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
28 Current taxation		
As at beginning of the year / period	**76,509,215**	70,842,910
Paid during the year / period	**45,862,281**	178,955,940
Provision for the year / period	**(115,954,408)**	(173,289,635)
As at end of the year / period	**6,417,088**	76,509,215

	Note	2012 Rupees	2011 Rupees
29 Cash and bank balances			
Cash in hand		**1,296,860**	2,485,613
Cash at banks			
- current accounts in local currency		**154,120,175**	46,366,342
- deposit accounts in local currency	*29.1*	**133,879,196**	116,973,030
- deposit accounts in foreign currency	*29.2*	**425,512**	432,700
		288,424,883	163,772,072
		289,721,743	166,257,685

29.1 These carry return at 5.00% to 13.34% per annum (2011: 5.00% to 15.12% per annum).

29.2 These carry return at prevailing LIBOR per annum (2011: prevailing LIBOR per annum).

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
30 Sales - net			
Local		**1,771,497,625**	2,859,903,373
Export	*30.1 & 30.2*	**9,823,943,126**	14,469,060,085
		11,595,440,751	17,328,963,458
Rebate on exports		**46,963,486**	360,603,844
Sales tax		**(7,162,598)**	(3,992,502)
Trade discount		**(110,962,220)**	(82,809,470)
		11,524,279,419	17,602,765,330

30.1 These include indirect exports, taxable under Section 154 (3b) of the Income Tax Ordinance, 2001, amounting to Rs. 101.644 million (2011: Rs. 757.756 million).

30.2 These include sales to related parties amounting to Rs. 480.577 million (2011: Rs. 1,172.901 million).

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	01 July 2011 to 30 June 2012	01 January 2010 to 30 June 2011
		Rupees	Rupees
31 Cost of sales			
Raw materials consumed		**8,838,342,995**	11,764,434,564
Salaries, wages and benefits	*31.1*	**1,519,645,224**	2,094,794,648
Fuel and power		**897,713,749**	1,076,548,877
Store and spares consumed		**494,836,797**	513,539,081
Traveling, conveyance and entertainment		**138,103,555**	126,875,842
Rent, rates and taxes		**13,387,780**	34,049,143
Insurance		**65,594,577**	113,128,403
Repair and maintenance		**38,497,321**	75,260,107
Processing charges		**90,808,768**	81,281,293
Depreciation	*18.1.3*	**517,909,929**	997,254,876
R & D amortization	*19.1*	**1,777,448**	3,813,813
Printing & stationery		**9,148,588**	16,764,537
Communications		**5,272,985**	6,441,304
Others		**59,504,308**	60,788,151
		12,690,544,024	16,964,974,639
Work in process			
As at beginning of the year / period		**678,642,704**	827,422,829
As at end of the year / period		**(1,126,493,487)**	(678,642,704)
		(447,850,783)	148,780,125
Cost of goods manufactured		**12,242,693,241**	17,113,754,764
Finished goods			
As at beginning of the year / period		**776,607,874**	1,153,344,513
As at end of the year / period		**(376,974,302)**	(776,607,874)
		399,633,572	376,736,639
		12,642,326,813	17,490,491,403

31.1 These include charge in respect of employees retirement benefits amounting to Rs. 38.095 million (2011: Rs. 53.958 million).

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	**01 July 2011 to 30 June 2012 Rupees**	01 January 2010 to 30 June 2011 Rupees
32 Selling and distribution expenses			
Salaries and benefits	*32.1*	**124,686,047**	126,336,729
Traveling, conveyance and entertainment		**38,457,947**	49,912,237
Fuel and power		**24,965**	58,820
Repair and maintenance		**981,578**	1,042,272
Rent, rates and taxes		**622,721**	864,269
Insurance		**4,464,768**	892,743
Freight and other expenses		**369,241,123**	396,585,968
Printing and stationery		**222,767**	405,538
Communication		**29,100,990**	50,919,350
Advertisement and marketing		**531,100**	3,910,858
Legal and professional charges		**75,000**	1,672,000
Fee and subscription		**435,588**	557,531
Commission		**348,397,024**	93,046,397
Miscellaneous		**1,702,915**	2,247,935
		918,944,533	728,452,647

32.1 These include charge in respect of employees retirement benefits amounting to Rs. 2.473 million (2011: Rs. 2.777 million).

	Note	**01 July 2011 to 30 June 2012 Rupees**	01 January 2010 to 30 June 2011 Rupees
33 Administrative and general expenses			
Salaries and benefits	*33.1*	**205,215,121**	302,594,840
Traveling, conveyance and entertainment		**58,018,212**	108,107,483
Fuel and power		**24,636,687**	38,167,556
Repair and maintenance		**22,944,178**	36,897,225
Rent, rates and taxes		**7,667,054**	12,694,168
Insurance		**2,531,231**	2,299,648
Printing and stationery		**6,381,630**	10,933,131
Communication		**24,179,405**	37,732,950
Legal and professional charges	*33.2*	**16,309,560**	21,304,770
Depreciation	*18.1.3*	**19,460,720**	20,517,167
Amortization	*19.2*	**2,604,817**	3,293,463
Fee and subscription		**32,898,641**	36,583,619
Donations		**1,401,810**	-
Others		**4,815,424**	-
		429,064,490	631,126,020

33.1 These include charge in respect of employees retirement benefits amounting to Rs. 9.468 million (2011: Rs. 12.656 million).

Notes to the Financial Statements
for the year ended 30 June 2012

	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
33.2 These include following in respect of auditors' remuneration		
Annual statutory audit	**1,445,000**	2,000,000
Report on consolidated financial statements	**750,000**	750,000
Half yearly review	**500,000**	1,000,000
Review report under Code of Corporate Governance	**150,000**	150,000
Certification and other services	**360,000**	360,000
Out of pocket expenses	**150,000**	100,000
	3,355,000	4,360,000

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
34 Net other (expense) / income			
Net (losses) / gains on financial instruments			
Deferred notional income	*8.1*	**1,189,908,326**	-
Return on investments	*34.1*	**39,192,996**	107,396,081
Foreign exchange (loss) / gain		**(59,445,803)**	75,304,525
Provision against trade receivables	*25.3*	**(174,666,838)**	(149,841,853)
Impairment of long term investment	*20.1*	**(1,125,597,650)**	-
Return on bank deposits		**22,106,895**	8,287,889
Gain on sale of investments		**-**	577,783,089
Gain on settlement of long term finance		**-**	48,892,014
Changes in fair value of fair value hedges	*34.2*	**-**	14,472,950
		(108,502,074)	682,294,695
Other income			
Loss on disposal of property, plant and equipment	*18.1.2*	**(709,228)**	(1,883,223)
Miscellaneous		**39,025,073**	36,352,112
		38,315,845	34,468,889
		(70,186,229)	716,763,584

34.1 This represents return on investment in Term Finance Certificates in Agritech Limited.

34.2 This represents gain arising from changes in fair value of fair value hedges.

Notes to the Financial Statements

for the year ended 30 June 2012

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
35 Finance cost			
Interest / mark-up on:			
Redeemable capital		**850,745,432**	972,157,714
Long term finances		**399,313,448**	407,246,385
Liabilities against assets subject to finance lease		**9,444,085**	8,234,778
Short term borrowings		**1,685,509,158**	2,085,042,958
Borrowings from related party		**61,896,928**	137,231,055
Interest on Provident Fund		**20,193,978**	4,618,785
Interest on worker's profit participation fund		**7,002,288**	8,319,551
		3,034,105,317	3,622,851,226
Amortization of transaction costs and deferred notional income	*8.1 , 8.2 & 9.1*	**92,803,085**	16,411,286
Foreign exchange (gain) / loss		**(79,485,627)**	53,102,591
Bank charges and commission		**376,955,296**	306,044,527
		3,424,378,071	3,998,409,630

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
36 Taxation			
Current taxation	*36.1*	**115,954,408**	173,289,635
Deferred taxation	*36.8*	**-**	-
		115,954,408	173,289,635

36.1 Provision for current tax has been made in accordance with section 154 of the Income Tax Ordinance, 2001 ("the Ordinance") keeping in view the provisions of circular no. 5 of 2000 and section 5 of the Ordinance.

36.2 In Tax Year 2007 the Income Tax Department passed the order under section 122(1) assessed loss at Rs. 175.711 million. The Company filed appeal against the order in CIT-A. The Income Tax Department filed second appeal in Appellate Tribunal Inland Revenue (ATIR). ATIR dismissed the departmental appeal. The appeal order has not yet been issued by the department in this respect.

36.3 Income tax return for the tax year 2008 has been filed and is deemed to have been assessed under section 120 of the Ordinance has been amended under section 122(5A) of the Ordinance. The Company filed Appeal against the Order in CIT-A. The CIT-A allowed Tax Payers appeal. Income Tax Department filed second appeal in ATIR. The ATIR dismissed the departmental appeal. The appeal order has not yet been issued by the department in this respect.

36.4 In tax year 2009 the Income Tax Department passed the order under section 122(1) of the Ordinance. The Company filed appeal against the order in CIT-A. The CIT-A dismissed the Taxpayer's appeal. The Taxpayer filled second appeal before ATIR. ATIR allowed the taxpayer appeal. The appeal order has not yet been issued by the department in this respect.

Notes to the Financial Statements
for the year ended 30 June 2012

36.5 Income tax return for the tax year 2010 has been filed and is deemed to have been assessed under section 120 of the Ordinance. Later on Deputy Commissioner Inland Revenue rectified the Order under section 221 of the Ordinance for charge of Worker's Welfare Fund and Turnover tax on local sales under section 113 separately. The Company filed appeal against the rectification orders before CIT-A. The CIT-A allowed Taxpayer's appeal and delete the Worker's Welfare Fund. Whereas CIT-A upheld the order of Deputy Commissioner on issue of turnover tax. The taxpayer filed second appeal before ATIR which is pending for adjudication.

36.6 Income Tax Return for the tax year 2011 has been filled which deemed to have been assessed under section 120 of the Ordinance.

36.7 Various other cases involving point of law are pending for adjudication before the Honourable Lahore High Court.

36.8 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.

36.9 There is no relationship between tax expense and accounting profit since the Company's profits are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.

	Unit	**01 July 2011 to 30 June 2012** **Rupees**	01 January 2010 to 30 June 2011 Rupees
37 Loss per share - basic and diluted			
Loss attributable to ordinary shareholders	*Rupees*	**(6,076,575,125)**	(4,731,831,374)
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**454,871,870**	454,871,870
Loss per share	*Rupees*	**(13.359)**	(10.403)

There is no dilution effect on the basic earnings per share as the Company has no such commitments.

38 Government grant

During the year, the Company lodged claims amounting to Rs. 63.225 million (2011: Rs. 360.604 million) as export rebate respectively which have been accounted for as government grant in accordance with IAS 20 'Government Grants'. Research and rebates has been recognized as income and added to sales.

Notes to the Financial Statements
for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
39 Cash generated from operations		
Loss before taxation	**(5,960,620,717)**	(4,528,950,786)
Adjustments for non-cash and other items		
Interest / mark-up expense	**2,692,311,629**	3,609,912,890
Loss on disposal of fixed assets	**709,228**	1,883,223
Gain on settlement of long term finances	-	(48,892,014)
Gain on disposal of investments	-	(577,783,089)
Foreign exchange gain - net	**(20,039,824)**	(22,201,934)
Changes in fair value of fair value hedges	**-**	(14,472,950)
Return on investments	**(39,192,996)**	(107,396,081)
Depreciation	**537,370,649**	1,017,772,043
Amortization of transaction costs and deferred notional income	**92,803,085**	16,411,286
Amortization of intangible assets	**4,382,265**	7,107,276
Provision for impairment of receivables	**174,666,838**	149,841,853
Deferred notional income	**(1,189,908,326)**	-
Loss on cash flow hedge	**7,424,080**	-
Provision for impairment of investment	**1,125,597,650**	-
	3,386,124,278	4,032,182,503
Operating loss before changes in working capital	**(2,574,496,439)**	(496,768,283)
Changes in working capital		
Decrease / (increase) in current assets:		
Stores, spares and loose tools	**299,709,439**	(68,577,854)
Stock in trade	**735,358,945**	651,691,293
Trade receivables	**558,475,017**	(136,737,373)
Advances, deposits, prepayments and other receivables	**75,115,447**	231,256,206
	1,668,658,848	677,632,272
Increase in current liabilities:		
Trade and other payables	**1,294,798,439**	354,591,063
Cash generated from operations	**388,960,848**	535,455,052

Notes to the Financial Statements
for the year ended 30 June 2012

40 Transactions and balances with related parties

Related parties from the Company's perspective comprise subsidiaries, associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. 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 at arm's length.

	Note	2012 Rupees	2011 Rupees
Details of transactions and balances with related parties is as follows:			
40.1 Transactions with related parties			
40.1.1 Subsidiaries			
Sales	*30*	**480,576,672**	1,172,900,745
Return on investments	*34*	**39,192,996**	107,396,081
Interest / mark-up on borrowings	*35*	**61,896,928**	137,231,055
Temporary loan - *net*	*14*	**(30,763,444)**	(928,396,526)
40.1.2 Post employment benefit plans			
Contribution to employees Provident Fund Trust	*31, 32 & 33*	**50,036,239**	69,391,147
Interest payable on employees provident fund	*35*	**20,193,978**	4,618,785

40.1.3 Key management personnel

Related parties include associated companies, directors, executives and key management personnel. The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 45 to the financial statements.

	Note	2012 Rupees	2011 Rupees
40.2 Balances with related parties			
40.2.1 Subsidiaries			
Borrowings	*14*	**286,395,126**	317,158,570
Trade receivables	*25.2*	**943,574,911**	1,070,351,453
Interest / mark-up payable	*15*	**68,579,206**	125,521,695
Investment in ordinary shares	*27*	**6,378,291,871**	6,378,291,871
Investment in term finance certificates	*20.1.2*	**266,074,508**	266,081,964
40.2.2 Post employment benefit plans			
Payable to employees provident fund trust	*13*	**96,248,979**	114,122,901
40.2.3 Key management personnel			
Short term employee benefits payable		**3,824,609**	4,834,943

Notes to the Financial Statements
for the year ended 30 June 2012

41 Financial instruments

41.1 Financial assets by class and category

	Note	2012			
		Loans and receivables	**Available for sale financial assets**	**Derivatives**	**Total financial assets**
		Rupees	**Rupees**	**Rupees**	**Rupees**
Investments	20	**-**	**12,735,329,178**	**-**	**12,735,329,178**
Long term deposits	22	**30,030,493**	**-**	**-**	**30,030,493**
Trade receivables	25	**2,384,301,663**	**-**	**-**	**2,384,301,663**
Advances to employees	26	**33,673,181**	**-**	**-**	**33,673,181**
Security deposits	26	**5,435,136**	**-**	**-**	**5,435,136**
Margin deposits	26	**34,238,755**	**-**	**-**	**34,238,755**
Letters of credit	26	**48,712,485**	**-**	**-**	**48,712,485**
Insurance claims	26	**1,160,685**	**-**	**-**	**1,160,685**
Other receivables	26	**10,288,518**	**-**	**-**	**10,288,518**
Cash and bank balances	29	**289,721,743**	**-**	**-**	**289,721,743**
		2,837,562,659	**12,735,329,178**	**-**	**15,572,891,837**

	Note	2011			
		Loans and receivables	Available for sale financial assets	Derivatives	Total financial assets
		Rupees	Rupees	Rupees	Rupees
Investments	20	-	13,661,958,069	-	13,661,958,069
Cash flow hedges		-	-	48,894,931	48,894,931
Long term deposits	22	21,613,393	-	-	21,613,393
Trade receivables	25	3,185,586,167	-	-	3,185,586,167
Advances to employees	26	43,100,179	-	-	43,100,179
Security deposits	26	5,419,669	-	-	5,419,669
Margin deposits	26	40,684,741	-	-	40,684,741
Letters of credit	26	71,115,722			71,115,722
Insurance claims	26	42,066,943	-	-	42,066,943
Other receivables	26	19,050,486			19,050,486
Cash and bank balances	29	166,257,685	-	-	166,257,685
		3,594,894,985	13,661,958,069	48,894,931	17,305,747,985

Notes to the Financial Statements
for the year ended 30 June 2012

41.2 Financial liabilities by class and category

		2012		
		Financial liabilities at amortized cost	**Derivatives**	**Total financial liabilities**
	Note	**Rupees**	**Rupees**	**Rupees**
Redeemable capital	*8*	**8,038,939,061**	**-**	**8,038,939,061**
Long term finances	*9*	**3,436,652,874**	**-**	**3,436,652,874**
Liabilities against assets subject to finance lease	*10*	**36,436,705**	**-**	**36,436,705**
Short term borrowings	*12*	**8,156,743,175**	**-**	**8,156,743,175**
Trade creditors	*13*	**1,499,989,313**	**-**	**1,499,989,313**
Accrued liabilities	*13*	**519,327,523**	**-**	**519,327,523**
Bills payable	*13*	**1,755,448,679**	**-**	**1,755,448,679**
Payable to provident fund trust	*13*	**96,248,979**	**-**	**96,248,979**
Workers' profit participation fund	*13*	**47,015,366**	**-**	**47,015,366**
Other payables	*13*	**10,152,164**	**-**	**10,152,164**
Due to related party	*14*	**286,395,126**	**-**	**286,395,126**
Mark-up accrued on borrowings	*15*	**1,425,935,847**	**-**	**1,425,935,847**
Dividend payable	*16*	**32,729,078**	**-**	**32,729,078**
Derivative financial liability	*13*	**-**	**7,424,080**	**7,424,080**
		25,342,013,890	**7,424,080**	**25,349,437,970**

		2011		
		Financial liabilities at amortized cost	Derivatives	Total financial liabilities
	Note	Rupees	Rupees	Rupees
Redeemable capital	*8*	4,820,269,061	-	4,820,269,061
Long term finances	*9*	3,602,766,356	-	3,602,766,356
Liabilities against assets subject to finance lease	*10*	45,531,163	-	45,531,163
Short term borrowings	*12*	8,035,475,980	-	8,035,475,980
Trade creditors	*13*	827,963,698	-	827,963,698
Accrued liabilities	*13*	339,688,115	-	339,688,115
Bills payable	*13*	1,303,216,228	-	1,303,216,228
Payable to provident fund trust	*13*	114,122,901	-	114,122,901
Workers' profit participation fund	*13*	40,013,078	-	40,013,078
Other payables	*13*	37,499,050	-	37,499,050
Due to related party	*14*	317,158,570	-	317,158,570
Mark-up accrued on borrowings	*15*	2,111,260,162	-	2,111,260,162
Dividend payable	*16*	32,729,078	-	32,729,078
		21,627,693,440	-	21,627,693,440

Notes to the Financial Statements
for the year ended 30 June 2012

41.3 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

41.3.1 Methods of determining fair values

Fair values of financial instruments, with the exception of investment in subsidiaries, for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market and those of investments in subsidiaries are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

41.3.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

41.3.3 Significant assumptions used in determining fair values

Fair values of financial asset and liabilities that are measured at fair value subsequent to initial recognition are determined by using discounted cash flow analysis. This analysis requires management to make significant assumptions and estimates which may cause material adjustments to the carrying amounts of financial assets and financial liabilities in future periods. These assumptions are not fully supportable by observable market prices or rates. Significant assumptions used by the Company in determining fair value of financial assets and liabilities and information about other estimation uncertainties are as follows:

Investments in subsidiary - Montebello s.r.l

In determining the fair values of investments in subsidiaries, discount factor adjusted for country and other risks of 12% (2011: 15%) per annum has been used. If discount factor was 1% higher or lower, the carrying amount of investment would decrease or increase by Rs. 125.76 million or Rs. 149.86 million (2011: Rs. 3.436 million or Rs. 4.138 million) respectively. The management also makes various other assumptions based on historical trends and future plans of the management. There are normal risks associated with these assumptions and may include effects of regulatory and legislative changes, increased competition, technological changes, pricing pressures, changes in labour and material costs and the prevalent general business and economic conditions. However, there are no other sources of estimation uncertainty that may have a significant risk of causing any material adjustment to the carrying amounts of investments.

Derivative financial instruments

In determining fair values of derivative financial instruments, a risk adjusted discount factor of 11.96% (2011: 13.78%) per annum has been used. If discount factor was 1% higher or lower, the carrying amount of derivative financial instruments would increase or decrease by Rs. 0.016 million or Rs. 0.016 million (2011: decrease or increase by Rs. 0.25 million or Rs. 0.26 million) respectively. The Company also makes assumptions about future foreign exchange rates which may effect fair values of derivative financial instruments. Sensitivity of fair values of derivative financial instruments to changes in foreign exchange rates is referred to in note 42.3.2 to the financial instruments. However, there are no other sources of estimation uncertainty that may have a significant risk of causing any material adjustment to the carrying amounts of derivative financial instruments.

Notes to the Financial Statements
for the year ended 30 June 2012

41.3.4 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.

42 Financial risk exposure and management

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company’s exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company’s exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

42.1 Credit risk

Credit risk is the risk of financial loss to the Company, if counterparty to a financial asset fails to meet its obligations.

42.1.1 Maximum exposure to credit risk

The maximum exposure to credit risk as at the reporting date is as follows:

Notes to the Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
Available for sale financial assets			
Non current investment	*20*	**1,765,517,738**	2,692,146,629
Current investment	*27*	**10,969,811,440**	10,969,811,440
Loans and receivables			
Long term deposit with utility companies and regulatory authorities	*22.1*	**26,983,893**	16,569,993
Long term deposits with financial institutions	*22.2*	**3,046,600**	5,043,400
Trade receivables	*25*	**2,154,471,938**	1,347,681,110
Security deposits	*26*	**5,435,136**	5,419,669
Advance to employees	*26*	**33,673,181**	43,100,179
Margin deposits	*26*	**34,238,755**	40,684,741
Insurance claims	*26*	**1,160,685**	42,066,943
Cash at banks	*29*	**288,424,883**	163,772,072
		2,547,435,071	1,664,338,107
Derivative financial assets			
Cash flow hedges		**-**	48,894,931
		15,282,764,249	15,375,191,107

42.1.2 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:

	2012 Rupees	2011 Rupees
Customers	**2,154,471,938**	1,347,681,110
Banking companies and financial institutions	**331,145,374**	263,814,813
Others	**12,797,146,937**	13,763,695,184
	15,282,764,249	15,375,191,107

42.1.3 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

Notes to the Financial Statements
for the year ended 30 June 2012

ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

42.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits, security deposits, margin deposits, insurance claims and cash flow hedges, and issuers of debt securities which are counterparties to investment in debt securities and accrued return thereon. These 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.

42.1.3(b) Counterparties without external credit ratings

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

	2012		2011	
	Gross carrying amount	**Accumulated impairment**	Gross carrying amount	Accumulated impairment
	Rupees	**Rupees**	Rupees	Rupees
Neither past due nor impaired	**400,069,403**	**-**	1,333,775,005	-
Past due by 0 to 6 months	**467,036,689**	**-**	443,829,974	-
Past due by 6 to 12 months	**1,293,128,743**	**-**	265,822,268	-
Past due by more than one year	**376,954,211**	**152,887,383**	1,308,548,323	166,389,403
	2,537,189,046	**152,887,383**	3,351,975,570	166,389,403

The Company's five significant customers account for Rs. 1,343 million (2011: Rs. 2,071 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 3% (2011: 5%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 230 million (2011: Rs. 1,838 million) secured through confirmed letters of credit and thus do not carry any significant credit risk.

Based on historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due or those past due by less one year, since these relate to customers who have had good payment record with the Company.

Notes to the Financial Statements
for the year ended 30 June 2012

42.1.4 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.

42.1.5 Credit risk management

As mentioned in note 42.1.3(b) to the financial statements, 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.

42.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

42.2.1 Exposure to liquidity risk

42.2.1(a) Contractual maturities of financial liabilities, including estimated interest payments.

	2012				
	Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Non-derivative financial liabilities					
Redeemable capital	8,038,939,061	9,228,296,765	2,844,243,569	2,136,201,971	4,247,851,225
Long term finances	3,436,652,874	3,921,163,422	2,058,623,610	528,022,039	1,334,517,773
Liabilities against assets subject to finance lease	36,436,705	44,819,982	17,050,310	27,769,672	-
Short term borrowings	8,156,743,175	8,515,251,826	8,515,251,826	-	-
Trade creditors	1,499,989,313	1,499,989,313	1,499,989,313	-	-
Accrued liabilities	519,327,523	519,327,523	519,327,523	-	-
Payable to provident fund trust	96,248,979	96,248,979	96,248,979	-	-
Workers' profit participation fund	47,015,366	47,015,366	47,015,366	-	-
Other payables	10,152,164	10,152,164	10,152,164	-	-
Bills payable	1,755,448,679	1,755,448,679	1,755,448,679	-	-
Due to related party	286,395,126	286,395,126	286,395,126	-	-
Mark-up accrued on borrowings	1,425,935,847	1,425,935,847	1,425,935,847	-	-
Dividend payable	32,729,078	32,729,078	32,729,078	-	-
	25,342,013,890	27,382,774,070	19,108,411,390	2,691,993,682	5,582,368,998
Derivative financial liabilities					
Cross currency swaps	7,424,080	7,623,558	7,623,558	-	-
	25,349,437,970	27,390,397,628	19,116,034,948	2,691,993,682	5,582,368,998

Notes to the Financial Statements

for the year ended 30 June 2012

	2011				
	Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Non-derivative financial liabilities					
Redeemable capital	4,820,269,061	7,867,587,388	1,885,045,389	2,328,683,310	3,653,858,689
Long term finances	3,602,766,356	5,641,143,185	695,682,244	2,050,132,418	2,895,328,523
Liabilities against assets subject to finance lease	45,531,163	55,933,957	9,984,609	45,949,348	-
Short term borrowings	8,035,475,980	8,432,838,742	8,432,838,742	-	-
Trade creditors	827,963,698	827,963,698	827,963,698	-	-
Accrued liabilities	339,688,115	339,688,115	339,688,115	-	-
Payable to provident fund trust	114,122,901	114,122,901	114,122,901	-	-
Workers' profit participation fund	40,013,078	40,013,078	40,013,078	-	-
Other payables	37,499,050	37,499,050	37,499,050	-	-
Bills payable	1,303,216,228	1,303,216,228	1,303,216,228	-	-
Due to related party	317,158,570	317,158,570	317,158,570	-	-
Mark-up accrued on borrowings	2,111,260,162	2,111,260,162	2,111,260,162	-	-
Dividend payable	32,729,078	32,729,078	32,729,078	-	-
	21,627,693,440	27,121,154,152	16,147,201,864	4,424,765,076	6,549,187,212
Derivative financial liabilities					
Cross currency swaps	-	-	-	-	-
	-	-	-	-	-
	21,627,693,440	27,121,154,152	16,147,201,864	4,424,765,076	6,549,187,212

42.2.1(b) Periods in which cash flows associated with cash flow hedges are expected to occur

	2012				
	Carrying amount	**Expected cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Assets	-	-	-	-	-
Liabilities	**7,424,080**	**7,623,558**	**7,623,558**	-	-
	7,424,080	**7,623,558**	**7,623,558**	-	-

	2011				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	48,894,931	54,714,489	54,714,489	-	-
Liabilities	-	-	-	-	-
	48,894,931	54,714,489	54,714,489	**-**	**-**

Notes to the Financial Statements

for the year ended 30 June 2012

42.2.1(c) Periods in which cash flows associated with cash flow hedges are expected to impact profit or loss

	2012				
	Carrying amount	**Expected cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Assets	-	-	-	-	-
Liabilities	**7,424,080**	**7,623,558**	**7,623,558**	-	-
	7,424,080	**7,623,558**	**7,623,558**	-	-

	2011				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	48,894,931	54,714,489	54,714,489	-	-
Liabilities	-	-	-	-	-
	48,894,931	54,714,489	54,714,489	-	-

42.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company is facing a temporary liquidity shortfall due to the facts disclosed in note 2.2 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	Principal	**Interest/ mark-up**	**Total**
	Rupees	**Rupees**	**Rupees**
Nature of liability			
Preference shares	574,518,935	-	574,518,935
Dividend on preference shares	28,727,041	-	28,727,041
Long term finances	1,066,500,000	211,479,391	1,277,979,391
Redeemable capital	-	120,047,098	120,047,098
Short term borrowings	1,119,457,014	83,881,949	1,203,338,963
Bills payables	1,517,317,503	77,156,021	1,594,473,524
	4,306,520,493	**492,564,459**	**4,799,084,952**

Notes to the Financial Statements
for the year ended 30 June 2012

The Company during the year entered into MRA-1 as a result of which it has been allowed grace period ranging from one to three years for the repayment of long term debts after adjustment of Rs. 4,480.477 million at the date shares of Agritech Limited are transferred to the purchasers. Further, the Company during the year has also converted outstanding mark-up till 31st March 2012 amounting to Rs. 3,218.670 million into PPTFC's. With the proposed divestment of shareholding in Agritech Limited as explained in note 2.2 and consequent improvement in liquidity of the Company, the Company will make repayment / prepayment of some of the Company's debts including the current overdues. Further, the amount outstanding towards preference shares and abovementioned overdue mark-up is proposed to be converted into long term debt instruments for which negotiations are in process.

All the long term financial liabilities mentioned above have been classified as current liabilities in these financial statements as stated in note 8.7 & 9.8.

42.3 Market risk

42.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

42.3.1(a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2012					
	AED	EURO	USD	GBP	CHF	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Investments	-	1,499,428,399	-	-	-	1,499,428,399
Trade receivables	-	1,304,739,358	880,533,636	175,447,134	-	2,360,720,128
Cash and bank balances	-	313,405	112,107	-	-	425,512
	-	2,804,481,162	880,645,743	175,447,134	-	3,860,574,039
Liabilities						
Long term finances	-	(1,422,000,000)	-	-	-	(1,422,000,000)
Short term borrowings	-	(38,621,304)	(441,391,310)	-	-	(480,012,614)
Mark-up accrued on borrowings	-	(238,107,307)	(9,758,124)	-	-	(247,865,431)
Trade creditors	-	(39,293,136)	(53,194,399)	(58,728)	-	(92,546,263)
Bills payable	(32,786)	(39,773,458)	(203,843,804)	-	(722,367)	(244,372,415)
	(32,786)	(1,777,795,205)	(708,187,637)	(58,728)	(722,367)	(2,486,796,723)
Gross balance sheet exposure	(32,786)	1,026,685,957	172,458,106	175,388,406	(722,367)	1,373,777,316
Fair value of hedging instruments						(7,424,080)
Net balance sheet exposure						1,366,353,236

Notes to the Financial Statements
for the year ended 30 June 2012

	2011					
	AED	EURO	USD	GBP	YEN	Total
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Assets						
Investments	-	2,426,051,801	-	-	-	2,426,051,801
Trade receivables	-	1,820,858,979	862,355,303	208,001,677	-	2,891,215,959
Cash and bank balances	-	330,293	102,407	-	-	432,700
	-	4,247,241,073	862,457,710	208,001,677	-	5,317,700,460
Liabilities						
Long term finances	-	(1,588,113,482)	-	-	-	(1,588,113,482)
Short term borrowings	-	-	(247,393,750)	-	-	(247,393,750)
Mark-up accrued on borrowings	-	-	(3,311,712)	-	-	(3,311,712)
Trade creditors	-	(128,546,980)	(64,028,909)	(62,560)	-	(192,638,449)
Bills payable	(977,547)	(6,809,065)	(55,242,278)	-	-	(63,028,890)
	(977,547)	(1,723,469,527)	(369,976,649)	(62,560)	-	(2,094,486,283)
Gross balance sheet exposure	(977,547)	2,523,771,546	492,481,061	207,939,117	-	3,223,214,177
Fair value of hedging instruments						48,894,931
Net balance sheet exposure						3,272,109,108

42.3.1(b) Exchange rates applied during the year

Foreign exchange rates applied during the year are as follows:

	2012		
	Spot rate		**Average rate**
	Buying	**Selling**	**for the year**
	Rupees	**Rupees**	**Rupees**
EURO	**118.25**	**118.50**	**119.56**
USD	**94.00**	**94.20**	**89.35**
GBP	**146.76**	**147.07**	**141.53**
CHF	**98.41**	**98.62**	**99.2**
AED	**25.59**	**25.65**	**24.35**

	2011		
	Spot rate		Average rate
	Buying	Selling	for the year
	Rupees	**Rupees**	**Rupees**
EURO	124.60	124.89	122.71
USD	85.85	86.05	85.08
GBP	138.30	138.62	136.85
YEN	1.07	1.07	0.99
AED	23.37	23.43	23.01

Notes to the Financial Statements
for the year ended 30 June 2012

42.3.1(c) Sensitivity analysis

A ten percent depreciation in Pak Rupee against the following currencies would have increased / (decreased) loss and equity by the amounts presented below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2012		2011	
	Equity	**Profit**	Equity	Profit
	Rupees	**Rupees**	Rupees	Rupees
AED	**-**	**(3,279)**	-	(97,755)
EURO	**-**	**102,668,596**	-	252,377,155
USD	**-**	**17,245,811**	4,889,493	49,248,106
GBP	**-**	**17,538,841**	-	20,793,912
CHF	**-**	**(72,237)**	-	-
	-	**137,377,732**	4,889,493	322,321,418

A ten percent appreciation in Pak Rupee against the above currencies would have any equal but opposite effect profit or loss and equity.

42.3.1(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected / forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly bases, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities / payments to assets / receipts, using source inputs in foreign currency and arranging cross currency swaps to hedge non-functional currency debt. 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. The Company also occasionally uses currency options to cover any significant unfavourable rate scenarios.

42.3.2 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.

42.3.2(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:

Notes to the Financial Statements
for the year ended 30 June 2012

	2012		2011	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	Rupees	**Rupees**	Rupees	Rupees
Non-derivative financial instruments				
Fixed rate instruments	**709,310**	**4,066,574,126**	116,973,030	317,158,570
Variable rate instruments	**399,669,906**	**12,669,922,815**	266,514,664	16,504,042,560
Derivative financial instruments				
Cash flow hedges	**-**	**7,424,080**	48,894,931	-

42.3.2(b) ***Fair value sensitivity analysis for fixed rate instruments and fair value hedges***

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss

42.3.2(c) ***Cash flow sensitivity analysis for variable rate instruments and cash flow hedges***

A change of 100 basis points in interest rates as at the reporting date would have increased/(decreased) profit and equity by amounts presented below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	2012		2011	
	Equity	**Profit**	Equity	Profit
	Rupees	**Rupees**	Rupees	Rupees
Increase of 100 basis points				
Variable rate instruments	**-**	**(122,702,529)**	-	(168,212,011)
Cash flow hedges		**16,207**	(254,458)	
	-	**(122,686,322)**	(254,458)	(168,212,011)
Decrease of 100 basis points				
Variable rate instruments	**-**	**122,702,529**	-	168,212,011
Cash flow hedges	**-**	**(16,278)**	254,458	-
	-	**122,686,251**	254,458	168,212,011

42.3.2(d) ***Interest rate risk management***

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points. Cross currency swaps are also arranged to transfer exposure to more stable markets. Fair value interest rate risk are managed by arranging fixed to variable rate swaps.

Notes to the Financial Statements
for the year ended 30 June 2012

42.3.3 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. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

43 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises, redeemable capital, long term finances and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity as shown in the balance sheet plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2012**	2011
		Rupees	Rupees
Total debt	*Rupees*	**11,512,028,640**	8,468,566,580
Total equity	*Rupees*	**8,067,440,114**	13,993,933,955
Total capital employed		**19,579,468,754**	22,462,500,535
Gearing	*% age*	**58.80%**	37.70%

There were no changes in the Company's approach to capital management during the year. However, defaults/overdue relating to financial obligations of the Company, as referred to in note 42.2.2 to the financial statements, may cause changes in the Company's approach to capital management. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

	2012	2011
	Rupees	Rupees
44 Restriction on title and assets pledged as security		
Mortgages and charges		
Hypothecation of all present and future assets and properties	**27,000,000,000**	27,000,000,000
Mortgage over land and building	**27,000,000,000**	27,000,000,000
Pledge		
Raw material	**1,441,543,177**	1,074,182,210
Finished goods	**205,141,000**	84,117,194
Investments in equity securities	**6,249,311,083**	6,249,311,083
Investments in debt securities	**266,074,508**	266,081,964

Notes to the Financial Statements
for the year ended 30 June 2012

Pledge of equity securities amounting to Rs. 1,322.777 million (2011: Rs. 1,322.777 million) relates to facilities availed by the subsidiary Company.

45 Remuneration of chief executive, directors and executives

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2012		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**15,999,996**	**14,458,860**	**118,836,832**
Allowances and perquisites	**8,000,004**	**7,436,444**	**64,399,633**
Post employment benefits	**1,359,996**	**1,229,004**	**9,403,689**
	25,359,996	**23,124,308**	**192,640,154**
Number of persons	**1**	**6**	**102**

	2011		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	17,399,997	17,671,060	154,278,402
Allowances and perquisites	12,700,003	10,735,696	81,270,556
Post employment benefits	1,478,997	1,178,097	12,083,611
	31,578,997	29,584,853	247,632,569
Number of persons	1	6	96

45.1 The chief executive, two directors and certain executives are provided with free use of Company maintained car.

46 Plant capacity and actual production

	Unit	**2012**	2011
		Rupees	Rupees
Spinning			
Number of rotors installed	*No.*	**2,416**	2,416
Plant capacity on the basis of utilization converted into 6.5s count	*Kgs*	**8,722,579**	11,218,474
Actual production converted into 6.5s count	*Kgs*	**6,844,047**	9,104,294
Number of spindles installed	*No.*	**54,408**	54,408
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**7,085,211**	12,814,834
Actual production converted into 20s count	*Kgs*	**6,444,272**	11,339,742

Notes to the Financial Statements
for the year ended 30 June 2012

	Unit	2012 Rupees	2011 Rupees
Weaving			
Number of looms installed	*No.*	**230**	230
Annual capacity on the basis of utilization converted into 38 picks	*Mtrs.*	**41,382,945**	69,486,535
Actual production converted into 38 picks	*Mtrs.*	**21,018,374**	35,413,708
Garments			
Number of stitching machines installed	*No.*	**2,229**	2,229
Annual capacity on the basis of utilization	*Pcs*	**13,582,294**	11,109,339
Actual production	*Pcs*	**11,634,736**	9,558,897

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.

47 Date of authorization for issue

These financial statements were authorized for issue on 04 August 2012 by the Board of Directors of the Company.

48 General

Figures have been rounded off to the nearest rupee.

Lahore | Chief Executive | Director

This page has been left blank intentionally

Consolidated Financial Statements

Auditors' Report to the Members

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Paksitan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Azgard Nine Limited ("the Holding Company") and its subsidiaries Agritech Limited ("AGL") and Farital AB ("here-in-after collectively referred as 'the Group') as at 30 June 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary Company except for Farital AB which was audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such Company is based solely on the report of other auditor.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the consolidated financial position of the Group and its subsidiary companies as at 30 June 2012 and the results of their operations, their cash flows, their comprehensive income and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

We draw attention to the following matters;

1. The shareholders of the Holding Company in their extraordinary general meeting held on 23 July 2010 approved the divestment of its entire holding in AGL. In this respect, Share Transfer & Debt Swap Agreement dated 12 April 2012 and First Supplemental Agreement dated subsequent to year end for the sale of AGL have been signed between the Holding Company and the purchasers, being a consortium of banks and financial institutions. Accordingly AGL has been treated as a disposal group held for sale as disclosed in note 37 to the consolidated financial statements;

KPMG Taseer Hadi & Co.

2. The Group from its continuing operations has incurred a loss before tax of Rs. 6,192.84 million during the year ended 30 June 2012 and, as of that date, its current liabilities exceeded its current assets by Rs. 14,761.27 million, including Rs. 4,799.08 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 8,293.12 million. These conditions indicate the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern. These consolidated financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the consolidated financial statements; and

3. Note 7.4 to the accompanying consolidated financial statements, whereby Redeemable Preference shares have been treated by the Group as part of equity, in view of the requirements of the Companies Ordinance, 1984. The matter of its classification will be dealt in accordance with the clarification from the Securities and Exchange Commission of Pakistan, as fully explained in the above referred note.

Our opinion is not qualified in respect of the above matters.

The consolidated financial statements of the Group for the eighteen months period ended 30 June 2011 were audited by Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants whose report dated 10 October 2011 expressed an unqualified opinion with emphasis of matter paragraph thereon.

KPMG Taseer Hadi & Co.

Lahore

Date : 04 August 2012

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

Consolidated Balance Sheet
as at 30 June 2012

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	5	**15,000,000,000**	15,000,000,000
Issued, subscribed and paid-up capital	5	**4,548,718,700**	4,548,718,700
Reserves	6	**3,107,198,909**	3,159,053,369
Accumulated loss		**(7,904,229,485)**	(464,226,537)
		(248,311,876)	7,243,545,532
Non-controlling interest	7	**3,917,588,149**	2,582,107,738
		3,669,276,273	9,825,653,270
Surplus on revaluation of property, plant and equipment	8	**6,746,439,428**	7,003,957,881
Non-current liabilities			
Subordinated loan - unsecured	37	**-**	340,000,000
Redeemable capital - secured	9	**2,729,435,196**	13,327,897,970
Long term finances - secured	10	**-**	9,966,538,549
Liabilities against assets subject to finance lease - secured	11	**24,020,739**	177,573,883
Long term payables - unsecured	37	**-**	31,135,199
Deferred taxation	37	**-**	2,973,657,218
Employees retirement benefits	37	**-**	20,372,547
		2,753,455,935	26,837,175,366
Current liabilities			
Current portion of non-current liabilities	12	**8,105,591,253**	3,212,265,941
Short term borrowings	13	**8,433,954,491**	11,284,647,753
Trade and other payables	14	**4,277,177,878**	6,740,024,803
Interest / mark-up accrued on borrowings	15	**1,357,356,641**	5,485,634,382
Dividend payable	16	**32,729,078**	32,729,078
Liabilities of subsidiary classified as held for sale	37	**30,828,943,270**	-
		53,035,752,611	26,755,301,957
Contingencies and commitments	17	**-**	-
		66,204,924,247	70,422,088,474

The annexed notes 1 to 51 form an integral part of these consolidated financial statemements.

Lahore

Chief Executive

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**13,416,311,530**	50,143,794,203
Intangible assets	*19*	**696,249,150**	5,434,849,132
Long term investments	*20*	**14,831**	12,864
Derivative financial assets	*21*	**-**	-
Long term deposits - unsecured, considered good	*22*	**39,488,956**	52,831,484
Long term advances	*37*	**-**	28,663,924
Non-current assets held for disposal	*23*	**-**	713,092,558
		14,152,064,467	56,373,244,165
Current assets			
Stores, spares and loose tools	*24*	**173,319,525**	2,581,479,175
Stock in trade	*25*	**3,131,907,430**	4,430,657,751
Trade receivables	*26*	**2,826,169,806**	4,480,130,994
Advances, deposits, prepayments and other receivables	*27*	**892,886,051**	1,953,047,605
Current taxation	*28*	**110,270,269**	298,819,762
Cash and bank balances	*29*	**310,989,124**	304,709,022
Assets of subsidiary classified as held for sale	*37*	**44,607,317,575**	-
		52,052,859,780	14,048,844,309
		66,204,924,247	70,422,088,474

Director

Consolidated Profit and Loss Account

for the year ended 30 June 2012

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
Continuing operations			
Sales - net	*30*	**11,907,437,305**	18,657,654,581
Cost of sales	*31*	**(12,949,887,639)**	(18,055,776,455)
Gross (loss) / profit		**(1,042,450,334)**	601,878,126
Selling and distribution expenses	*32*	**(938,099,240)**	(854,270,906)
Administrative and general expenses	*33*	**(630,202,550)**	(1,153,086,011)
Net other (expense) / income	*34*	**(194,802,503)**	397,179,835
Operating loss		**(2,805,554,627)**	(1,008,298,956)
Finance cost	*35*	**(3,387,282,464)**	(3,796,483,931)
Loss before taxation		**(6,192,837,091)**	(4,804,782,887)
Taxation	*36*	**(115,954,408)**	(173,289,635)
Loss after taxation from continuing operations		**(6,308,791,499)**	(4,978,072,522)
Discontinued operations			
(Loss) / profit after taxation from discontinued operations	*37*	**(1,646,592,181)**	713,299,971
Total loss for the year / period		**(7,955,383,680)**	(4,264,772,551)
(Loss) / profit attributable to:			
Ordinary equity holders of the Parent Company		**(7,697,521,401)**	(4,381,551,589)
Non-controlling interest		**(257,862,279)**	116,779,038
		(7,955,383,680)	(4,264,772,551)
(Loss) / earning per share - basic and diluted			
- continuing operations	*38.1*	**(13.87)**	(11.01)
- discontinued operations	*38.2*	**(3.05)**	1.31

The annexed notes 1 to 51 form an integral part of these consolidated financial statemements.

Lahore

Chief Executive

Director

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	01 July 2011 to 30 June 2012	01 January 2010 to 30 June 2011
	Rupees	Rupees
Loss after taxation	**(7,955,383,680)**	(4,264,772,551)
Other comprehensive loss:		
Changes in fair value of cash flow hedges	**(48,894,931)**	(21,848,425)
Changes in fair value of available for sale financial assets	**1,967**	(23,903)
Foreign exchange differences on translation of foreign subsidiary	**(2,961,496)**	(6,959,117)
Other comprehensive loss for the year / period - net of taxes	**(51,854,460)**	(28,831,445)
Total comprehensive loss for the year / period	**(8,007,238,140)**	(4,293,603,996)
Total comprehensive loss attributable to:		
Ordinary equity holders of the Parent Company	**(7,749,375,861)**	(4,410,383,034)
Non-controlling interest	**(257,862,279)**	116,779,038
	(8,007,238,140)	(4,293,603,996)

The annexed notes 1 to 51 form an integral part of these consolidated financial statemements.

Lahore

Chief Executive

Director

Consolidated Cash Flow Statement

for the year ended 30 June 2012

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
Cash flow from operating activities			
Cash generated from operations	*40*	**301,470,921**	796,292,177
Interest / mark-up paid		**(244,885,706)**	(1,234,734,900)
Taxes paid		**(40,285,387)**	(285,300,966)
Long term deposits		**(5,108,883)**	-
Net cash generated from / (used in) operating activities		**11,190,945**	(723,743,689)
Net cash (used in) / generated from operating activities of discontinued operations		**(860,194,286)**	4,480,774,338
		(849,003,341)	3,757,030,649
Cash flow from investing activities			
Capital expenditure		**(114,908,812)**	(819,364,320)
Proceeds from disposal of property, plant and equipment		**16,350,533**	55,453,591
Proceeds from sale of investments - net of investment		**-**	2,149,817,198
Net cash (used in) / generated from investing activities		**(98,558,279)**	1,385,906,469
Net cash used in from investing activities of discontinued operations		**(1,104,107,044)**	(8,379,664,533)
		(1,202,665,323)	(6,993,758,064)
Cash flow from financing activities			
Redemption of term finance certificates		**-**	(1,380,000)
Repayment of long term finances		**-**	(54,154,092)
Repayment of liabilities against assets subject to finance lease		**(7,097,855)**	(36,036,351)
Transaction costs on borrowings		**-**	(122,386,789)
Net increase in short term borrowings		**327,439,586**	450,602,434
Redemption of preference shares		**-**	(86,731,895)
Dividend paid		**-**	(60,045,861)
Issue of preference shares		**1,593,342,690**	-
Net cash generated from financing activities		**1,913,684,421**	89,867,446
Net cash generated from financing activities of discontinued operations		**144,264,345**	3,012,963,304
Net increase / (decrease) in cash and cash equivalents		**6,280,102**	(133,896,665)
Cash and cash equivalents at beginning of the year / period		**304,709,022**	437,814,314
Unrealized exchange gain on cash and cash equivalents		**-**	791,373
Cash and cash equivalents at end of the year / period	*41*	**310,989,124**	304,709,022

The annexed notes 1 to 51 form an integral part of these consolidated financial statemements.

Lahore | Chief Executive | Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	Attributable to equity holders of the parent													
	Share capital			Reserves										
	Ordinary shares	Preference shares	Total	Share premium	Cash flow hedges	Reserve on merger	Translation reserve	Preference shares redemption reserve	Available for sale financial assets	Total	Accumulated profit / (loss)	Total	Non-controlling interest	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 January 2010	4,548,718,700	330,625,180	4,879,343,880	2,358,246,761	70,743,356	105,152,005	(7,526,241)	625,500,000	18,103	3,152,133,984	3,810,725,980	11,842,203,844	-	11,842,203,844
Effect of dilution of holding in subsidiary	-	-	-	-	-	-	-	-	-	-	(226,964,090)	(226,964,090)	2,465,328,700	2,238,364,610
Total comprehensive income for the period														
(Loss) / income for the eighteen months ended 30 June 2011	-	-	-	-	-	-	-	-	-	-	(4,381,551,589)	(4,381,551,589)	116,779,038	(4,264,772,551)
Other comprehensive loss for eighteen months ended 30 June 2011	-	-	-	-	(21,848,425)	-	(6,959,117)	-	(23,903)	(28,831,445)	-	(28,831,445)	-	(28,831,445)
Total comprehensive loss for the period	-	-	-	-	(21,848,425)	-	(6,959,117)	-	(23,903)	(28,831,445)	(4,381,551,589)	(4,410,383,034)	116,779,038	(4,293,603,996)
Transferred to preference shares redemption reserve	-	-	-	-	-	-	-	35,750,830	-	35,750,830	(35,750,830)	-	-	-
Preference dividend	-	-	-	-	-	-	-	-	-	-	(29,590,953)	(29,590,953)	-	(29,590,953)
Preference shares classified as current liability	-	(330,625,180)	(330,625,180)	-	-	-	-	-	-	-	-	(330,625,180)	-	(330,625,180)
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	398,904,945	398,904,945	-	398,904,945
As at 30 June 2011	4,548,718,700	-	4,548,718,700	2,358,246,761	48,894,931	105,152,005	(14,485,358)	661,250,830	(5,800)	3,159,053,369	(464,226,537)	7,243,545,532	2,582,107,738	9,825,653,270
As at 01 July 2011	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**48,894,931**	**105,152,005**	**(14,485,358)**	**661,250,830**	**(5,800)**	**3,159,053,369**	**(464,226,537)**	**7,243,545,532**	**2,582,107,738**	**9,825,653,270**
Total comprehensive income for the year														
Loss for the year ended 30 June 2012	-	-	-	-	-	-	-	-	-	-	(7,697,521,401)	(7,697,521,401)	(257,862,279)	(7,955,383,680)
Other comprehensive (loss) / income for the year ended 30 June 2012	-	-	-	-	(48,894,931)	-	(2,961,496)	-	1,967	(51,854,460)	-	(51,854,460)		(51,854,460)
Total comprehensive (loss) / income for the year	-	-	-	-	(48,894,931)	-	(2,961,496)	-	1,967	(51,854,460)	(7,697,521,401)	(7,749,375,861)	(257,862,279)	(8,007,238,140)
Preference shares issued to NCI during the year	-	-	-	-	-	-	-	-	-	-	-	-	1,593,342,690	1,593,342,690
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	257,518,453	257,518,453	-	257,518,453
As at 30 June 2012	**4,548,718,700**	**-**	**4,548,718,700**	**2,358,246,761**	**-**	**105,152,005**	**(17,446,854)**	**661,250,830**	**(3,833)**	**3,107,198,909**	**(7,904,229,485)**	**(248,311,876)**	**3,917,588,149**	**3,669,276,273**

* This includes accumulated profits of Rs. 388.89 million related to AGL which has been treated as a disposal group in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS-5).

The annexed notes 1 to 51 form an integral part of these consolidated financial statemements.

Lahore

Chief Executive

Director

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

1 Reporting entity

The Group comprises of the following Companies:

1.1 Azgard Nine Limited ("ANL") - Parent Company

ANL was incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. ANL 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 K.M. off Manga, Raiwind Road, District Kasur, Unit II at 20 K.M. off Ferozpur Road, 6 K.M. Bandian Road on Ruhi Nala, Der Khud, Lahore and Unit III at Alipur Road, Muzaffargarh.

Agritech Limited ("AGL") - Subsidiary Company

AGL was incorporated in Pakistan as an unquoted Public Limited Company and is engaged in production and sale of Urea and Granulated Single Super Phosphate ("GSSP") fertilizer. Proportion of interest held by ANL as at reporting date is 79.89%. AGL was acquired on 01 July 2006.

AGL has been treated as a disposal group in accordance with the International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5) in these consolidated financial statements due to the facts stated in note 2.2 (b). For details refer to note 37.

Farital AB ("FAB") - Subsidiary Company

FAB was incorporated in Sweden. Investment in FAB was made in order to acquire Montebello SRL ("MSRL") a limited liability Company incorporated in Italy and owner of an Italian fabric brand. MSRL is engaged in import, export, wholesale and retail marketing and manufacturing of textile and apparel products and accessories. Effective control of FAB and MSRL was obtained on 31 December 2008 by ANL. Proportion of interest held by ANL is 100%.

1.2 ANL changed its financial year in previous period from 31 December to 30 June as a result of which it prepared its consolidated accounts for the eighteen months period as at 30 June 2011. Resultantly, the comparative figures in consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and related notes to the accounts are for the period of eighteen months and are not entirely comparable.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

2.2 Going concern assumption

a) The continuing operations of the Group in line with the worldwide and nationwide recessionary trends and other economic conditions are facing liquidity crisis. Due to liquidity problems and unavailability of working capital finances, it was not able to make timely purchases of raw materials and had to procure raw material at higher prices, resulting in substantial increase in cost of sales. High finance costs also had an adverse impact on its profitability. This has perpetuated temporary liquidity issues, as referred to in note 44.2.2 to the consolidated financial statements. Due to these factors, the Group from its continuing operations has incurred a loss before tax of Rs. 6,192.84 million during the year ended 30 June 2012 and, as of that date, its current liabilities exceeded current assets by Rs. 14,761.27 million and its accumulated loss stood at Rs. 8,293.12 million. These conditions also cast doubt about its ability to continue as a going concern. These consolidated financial statements have however been prepared on a going concern basis. The assumption that the Group would continue as a going concern is based on the sale of Agritech Limited as explained in the succeeding paragraph and expectation of future profitability and positive cash flows from operating activities.

b) The shareholders of ANL in the extraordinary general meeting held on 23 July 2010, approved the divestment of 79.87% shares held in AGL. Majority of the funds generated through divestment of shares will be utilized towards repayment / prepayment of ANL's debts to the extent of Rs. 9,059.95 million. Additionally, funds amounting to Rs. 926 million approximately will be available to the Group for working capital requirements. During the year, Share Transfer & Debt Swap Agreement dated 12 April 2012 and First Supplemental Agreement subsequent to year end for the sale of Agritech Limited have been signed between ANL and the purchasers. In this context a First Supplemental Agreement was also signed subsequent to the year end. The shares transfer of AGL to the purchasers is expected to be completed soon subject to necessary Regulatory approvals. Furthermore, the amount outstanding towards preference shareholders is proposed to be settled through conversion into new long term debt instrument for which the negotiations are in process.

c) With the divestment of shareholding in AGL and other proposed measures mentioned above, the management of the Group envisages that sufficient financial resources will be available for the continuing operations of the Group. With positive impact on finance costs, more effective management of resources and raw material procurement, the Group is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

2.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments measured at fair value and / or amortized cost, employees retirement benefits under defined benefit plan at present value and certain items of property, plant and equipment measured 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.

2.4 Judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

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

2.4.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Group 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 Group expects to derive from that item and the maximum period upto which such benefits are expected to be available.

2.4.2 Recoverable amount of assets / cash generating units and impairment

The management of the Group 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.

2.4.3 Fair values based on inputs from other than active market

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

2.4.4 Taxation

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

2.4.5 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 Group would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. 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.

2.5 Functional currency

These consolidated financial statements have been prepared in Pak Rupees which is the Group's functional currency.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

3 Significant accounting polices

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

3.1 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing controls, potential voting rights, if any, that are currently exercisable are taken into account. However, potential voting rights that are not currently exercisable are not included in determination of the proportions of profit and loss and changes in equity attributable to the Group.

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of the subsidiaries are changed when necessary to align them with those adopted by the Group. The assets and liabilities of the subsidiaries are consolidated on line-by-line basis except subsidiaries classified as held for sale and the carrying amount of the investment in subsidiaries is eliminated against the subsidiary's share capital and pre-acquisition reserves. All intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in full in preparing the consolidated financial statements.

3.2 Property, plant and equipment

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, plant and machinery and building which are measured at revalued amount less accumulated depreciation 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.

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 Group and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

The Group recognizes depreciation in profit and loss on property, plant and equipment using depreciation methods and useful lives / depreciation rates specified below. 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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

Fertilizer Segment	Useful lives in years
Buildings on freehold land	50
Plant and machinery	50
Residential colony assets	3-20
Furniture, fixtures and office equipment	3-10
Vehicles and rail transport	5
Road, bridges and culverts	20
Tools and other equipment	3-10
Electrical and other installations	20
Books and literature	10
Catalyst	As used by the Group

Textile and apparel segment	Depreciation rates per year
Buildings on freehold land	2.50%
Plant and machinery	2% - 5%
Furniture, fixtures and office equipment	10%
Vehicles	20%
Tools and other equipment	10%
Electrical and other installations	10%

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

3.3 Surplus / deficit arising on revaluation of property, plant and equipment

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

3.4 Intangible assets

An intangible asset is measured initially at cost. The cost of the intangible asset acquired comprises its purchase price, including non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition. Costs incurred after the asset is in the condition necessary for it to operate in the manner intended by the management are recognized in profit and loss. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

All intangible assets are amortized over the period, not exceeding five years, over which the Group expects to obtain economic benefits, on a straight line basis. All intangible assets are tested for impairment at each reporting date. The particular measurement methods adopted are disclosed in the individual policy statements associated with each intangible asset.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

3.5 Software

The cost of acquisition, development and installation of identifiable software products having finite useful lives of more than one year is recognized as an intangible assets at cost, subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any.

3.6 Research and development expenditure

Research activities are activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditure on research activities is recognized in profit and loss as and when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized and recognized as an intangible asset only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has the sufficient technical, financial and other resources to complete development and to use or sell the asset or its output for which a market exists. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparation of the asset for its intended use. All other development expenditure is recognized in profit and loss as and when incurred. The intangible asset so recognized is initially measured at cost. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any. Expenditure previously recognized in profit and loss is not capitalized as part of the cost of intangible asset.

3.7 Goodwill acquired in business combination

Goodwill acquired in business combination represents future economic benefits arising from assets that are not capable of being individually identified and separately recognized. Goodwill is initially recognized at cost which is determined as the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

3.8 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method.

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

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.

3.10 Employee benefits

Short-term employee benefits

The Group recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit and loss 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 contribution plan

ANL operates an approved defined contributory provident fund for its employees excluding expatriates. Equal contributions are made by ANL and employees at 8.5% of basic salary. Interest is charged at 8.25% on outstanding fund balance and is recognized in profit and loss.

AGL operates an approved defined contribution provident fund for its employees at their option. Equal contributions are made by AGL and employees at 10% of basic salary for workers and 8.3% of basic salary for executives. Interest is charged at 8.5% on the outstanding fund balance and is recognized in profit and loss.

Defined benefit plan

AGL operates a funded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service excluding employees who were members of the discontinued pension scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit and loss. The determination of obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being, increase in remuneration, expected remaining lives of employees and discount rates. These assumptions are determined by independent actuaries.

The amount recognized in the balance sheet represents the present value of defined benefit obligation less fair value of plan assets as adjusted for unrecognized actuarial gains and losses.

Actuarial gains and losses are recognized using the "10% corridor approach" as set out by International Accounting Standard 19 - Employee Benefits.

3.11 Financial instruments

3.11.1 Recognition

A financial instrument is recognized when the Group becomes a party to the contractual provisions of the instrument.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

3.11.2 Classification and measurement

The Group classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Group determines the classification of its financial assets and liabilities at initial recognition.

3.11.2(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit and loss if the Group manages such assets and evaluates their performance based on their fair value in accordance with the Group's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets. The Group does not have any financial assets classified as financial asset at fair value through profit and loss as at the balance sheet date.

3.11.2(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity are classified as held-to-maturity investments unless these are designated on initial recognition as financial assets at fair value through profit and loss or available for sale financial assets or these meet the definition of loans and receivables. Where, as a result of change in intention or ability to hold financial assets initially classified as held-to-maturity investments to maturity or where due to sales or reclassification of a significant amount of held-to-maturity investments, classification as held-to-maturity investments is no longer appropriate, these are reclassified as available for sale financial assets. Financial assets in this category are presented as non-current assets except for maturities within twelve months from the reporting date where these are presented as current assets. The Group does not have any investment classified as held-to-maturity investment as at the reporting date.

3.11.2(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument. Refer to note 43.1 to the consolidated financial statements for financial assets classified in this category.

3.11.2(d) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss. Assets in this category are presented as non-current assets unless the management intends to dispose of the asset within twelve months from the reporting date.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument. Refer to note 43.1 to the consolidated financial statements for financial assets classified in this category.

3.11.2(e) ***Financial liabilities at amortized cost***

Non-derivative financial liabilities that are not financial liabilities at fair value through profit and loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument. 43.2 to the consolidated financial statements for financial liabilities classified in this category.

3.11.2(f) ***Derivative financial instruments***

Derivatives are classified as financial assets and liabilities at fair value through profit and loss unless the derivative is a designated and effective hedging instrument or a financial guarantee contract. Derivatives are initially recognized at cost, being fair value on the date the contract is entered into by the Group. Subsequent to initial recognition these are measured at fair value. Gains and losses arising from changes in fair value of derivatives classified as financial assets and liabilities at fair value through profit and loss are recognized in profit and loss. Where derivatives are designated hedging instruments the method of recognizing gains and losses arising from changes in fair value depends on the nature of item being hedged. The Group designates derivatives as either a fair value hedge or a cash flow hedge.

Fair value hedges

These are hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit and loss, together with changes in fair value of hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

These are hedges of a particular risk associated with the fair value of recognized asset or liability or a highly probable forecasted transaction. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity to the extent hedge is effective. The gain or loss relating to the ineffective portion is recognized in profit and loss.

3.11.3 De-recognition

Financial assets are de-recognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Group's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit and loss.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

3.11.4 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Group has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.11.5 Regular way purchases and sales of financial assets

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

3.12 Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale or a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation has been discontinued from the start of the comparative period.

3.13 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares and share options are recognized as deduction from equity.

3.14 Preference share capital

Preference share capital is recognized as equity in accordance with the interpretation of the provisions of the Companies Ordinance, 1984, including those pertaining to implied classification of preference shares.

Convertible preference shares are treated as equity until such time the conversion option is available. In case of lapse of conversion option, they are treated as liability.

3.15 Redeemable capital

Redeemable capital, including embedded equity component existing due to conversion options, if any, is recognized as 'loans and borrowings', in accordance with the interpretation of the provisions of the Companies Ordinance, 1984, including those pertaining to implied classification of redeemable capital.

3.16 Investments in equity securities

Investments in equity securities, which are intended to be held for an indefinite period of time and may be sold only in response to need for liquidity or significant changes in equity prices, and investments in equity securities of subsidiaries are classified as 'available for sale financial assets'. On initial recognition these are measured at cost, being their fair value on date of acquisition, less attributable transaction costs. Subsequent to initial recognition, investments in equity securities of subsidiaries are measured at fair value. Investments in other equity securities, where prices are available from active market, are measured at fair value subsequent to initial recognition, however

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

in absence of active market, these are measured at cost less accumulated impairment losses. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit and loss.

3.17 Investments in debt securities

Investments in debt securities, which the Group has the positive intention and ability to hold to maturity, are classified as 'held-to-maturity investments'. On initial recognition, these are measured at cost, being their fair value on the date of acquisition, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost, with any difference between cost and value at maturity recognized in the profit and loss over the period of the investment on an effective interest basis.

Investments in debt securities, which the Group does not intend, or is not able, to hold to maturity, including those previously classified as 'held-to-maturity investments' are classified as 'available for sale financial assets'. On initial recognition / reclassification, these are measured at cost, being their fair value on the date of acquisition / reclassification, less attributable transaction costs incurred on acquisition. Subsequent to initial recognition, securities for which prices are available from active market are measured at fair value. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit and loss. Securities with no active market are carried at cost subsequent to initial recognition.

3.18 Loans and borrowings

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

3.19 Finance leases

Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'property, plant and equipment'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for property, plant and equipment. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

3.20 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit and loss on a straight line basis over the lease term.

3.21 Trade and other payables

3.21.1 Financial liabilities

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

3.21.2 Non-financial liabilities

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

3.22 Provisions and contingencies

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

3.23 Trade and other receivables

3.23.1 Financial assets

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

3.23.2 Non-financial assets

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

3.24 Revenue

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

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

Interest income is recognized using effective interest method

3.25 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than those changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit and loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit and loss as required or permitted by approved accounting standards, and is presented in 'statement of other comprehensive income', with the exception of changes in surplus on revaluation of property, plant and equipment, which are required to be presented on balance sheet after share capital and reserves, by section 235 of and fourth schedule to the Companies Ordinance, 1984.

3.26 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit and loss as incurred.

3.27 Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Subsequent to initial recognition grants related to assets are recognized in profit and loss on a systematic basis over the useful life of the assets whereas grants relating to income are recognized in profit and loss in the same period in which related expenses are recognized. Grants that compensate the Group for expenses or losses already incurred are recognized in profit and loss in the period in which these become receivable.

3.28 Income tax

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

Current taxation

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

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 balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.29 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Group 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 and loss attributable to ordinary shareholders of the Group that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.30 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

3.31 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Group using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit and loss.

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of balance sheet;

b) income and expenses for each income statement are translated at average exchange rates; and

c) all resulting exchange differences are recognized as a separate component of equity.

When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of gain or loss on sale.

3.32 Impairment

3.32.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.32.2 Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

3.33 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed, in the Group's consolidated financial statements in the year in which the dividends are approved by the Group's shareholders.

3.34 Dividend distribution to preference shareholders

Dividend distribution to the preference shareholders is recognized as a deduction from accumulated profit in consolidated statement of changes in equity and as a liability, to the extent it is unpaid, in the Group's consolidated financial statements at the end of each year from the issue of preference shares. On lapse of conversion option of preference share, the related charge is treated as finance cost.

4 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on consolidated financial statements of the Group.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit and loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit and loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met from those that would never be reclassified to profit and loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on consolidated financial statements of the Group.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on consolidated financial statements of the Group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

    - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of consolidated financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to consolidated statement of financial position.

    - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

    - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

    - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

decision maker and there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on consolidated financial statements of the Group.

The amendments have no impact on consolidated financial statements of the Group.

	Note	2012 Rupees	2011 Rupees
5 Share capital			
Authorized share capital			
Ordinary shares of Rs. 10 each			
900,000,000 (2011: 900,000,000) voting shares		**9,000,000,000**	9,000,000,000
300,000,000 (2011: 300,000,000) non-voting shares		**3,000,000,000**	3,000,000,000
		12,000,000,000	12,000,000,000
Preference shares of Rs. 10 each			
300,000,000 (2011: 300,000,000) non-voting shares		**3,000,000,000**	3,000,000,000
		15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital			
Voting ordinary shares of Rs. 10 each			
323,712,733 (2011: 323,712,733) shares fully paid in cash		**3,237,127,330**	3,237,127,330
62,548,641 (2011: 62,548,641) shares issued as fully paid bonus shares		**625,486,410**	625,486,410
12,276,073 (2011: 12,276,073) shares issued as consideration for machinery		**122,760,730**	122,760,730
50,811,992 (2011: 50,811,992) shares issued as consideration on merger		**508,119,920**	508,119,920
		4,493,494,390	4,493,494,390
Non-voting ordinary shares of Rs. 10 each			
4,753,719 (2011: 4,753,719) shares fully paid in cash		**47,537,190**	47,537,190
768,712 (2011: 768,712) shares issued as fully paid bonus shares		**7,687,120**	7,687,120
		55,224,310	55,224,310
		4,548,718,700	4,548,718,700
6 Reserves			
Share premium	*6.1*	**2,358,246,761**	2,358,246,761
Cash flow hedges	*6.2*	**-**	48,894,931
Reserve on merger	*6.3*	**105,152,005**	105,152,005
Translation reserve	*6.4*	**(17,446,854)**	(14,485,358)
Preference shares redemption reserve	*6.5*	**661,250,830**	661,250,830
Available for sale financial assets	*6.6*	**(3,833)**	(5,800)
		3,107,198,909	3,159,053,369

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

6.1 Share premium

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

6.2 Cash flow hedges

ANL has entered into cross currency / interest rate swap contracts with Faysal Bank Limited to hedge the possible adverse movements in interest rates and foreign exchange rates.

6.3 Reserve on merger

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

6.4 Translation reserve

This represents foreign exchange differences arising on translation of foreign subsidiaries.

6.5 Preference shares redemption reserve

This reserve has been created for redemption of preference shares issued by ANL as required to be created and maintained under the terms of issue as referred to note 12.1 for details.

6.6 Available for sale financial assets

This represents deficit on revaluation of investments classified as available for sale financial assets.

	Note	**2012** **Rupees**	2011 Rupees
7 Non-controlling interest			
Ordinary shareholders	*7.1*	**2,236,611,611**	2,582,107,738
Preference shareholders	*7.2*	**1,680,976,538**	-
		3,917,588,149	2,582,107,738
7.1 Ordinary shareholders			
As at beginning of the year / period		**2,582,107,738**	-
Arising on divestment		**-**	2,465,328,700
Share of total comprehensive (loss) / income for the year / period		**(345,496,127)**	116,779,038
As at end of the year / period		**2,236,611,611**	2,582,107,738
7.2 Preference shareholders			
As at beginning of the year / period		**-**	-
Preference shares issued during the year / period	*7.3 & 7.4*	**1,593,342,690**	-
Share of total comprehensive income for the year / period		**87,633,848**	-
As at end of the year / period		**1,680,976,538**	-

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

7.3 During the year, AGL issued 11% local currency non-voting cumulative preference shares at the rate of Rs. 10 per share.

AGL shall have the option to redeem the preference shares plus any accumulated unpaid dividends in full or in part, within ninety days after the expiry of each anniversary of the issue date by giving at least thirty days notice in compliance with the provisions of the Companies Ordinance, 1984. AGL will maintain a Capital Redemption Reserve as per the provisions of the Companies Ordinance, 1984 in this regard.

Each Investor will also have the right to convert the preference shares into ordinary shares of AGL. The conversion price is the average price of the ordinary share quoted in the daily quotation of Karachi Stock Exchange during the 360 working days prior to the relevant conversion date; adjusted for any corporate action / announcement of AGL, including but not limited to rights issue, cash dividend to ordinary shareholders, bonus shares, stock split, etc., during the last 360 working days prior to the conversion date. This option will be available from the fifth anniversary onwards. During this period the investors can convert up to 100% of their preference shares at the conversion ratio as defined in letters of rights by giving a thirty days notice to the Issuer prior to any conversion date. For the purpose of this right, a conversion date shall be the last business day of each financial quarter commencing from the fifth anniversary of the Issue Date.

7.4 The preference shares ("the Shares") have been treated as part of equity on the following basis:

- The Shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

- The financial capital of AGL and the issue of the shares were duly approved by the shareholders of AGL at the Extraordinary General Meeting held on 29 August 2011.

- Return of allotment of Shares was filed under section 73(1) of the Ordinance.

- AGL is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the Shares redeemed which effectively makes Redeemable Preference shares a part of equity.

- The requirements of the Ordinance takes precedence over the requirements of International Accounting Standards.

- The preference shareholders have the right to convert these shares into ordinary shares.

Further, the matter regarding the classification of Redeemable Preference share capital as either debt or equity instrument has been examined by the Institute of Chartered Accountants of Pakistan (ICAP) as a result of which the ICAP has advised the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the Companies Ordinance, 1984 and the International Accounting Standards. Pending the decision of the SECP in this matter, the Preference share capital has been treated as equity in these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
8 Surplus on revaluation of property, plant and equipment			
As at beginning of the year / period		**7,003,957,881**	3,969,152,218
Surplus arising during the year / period - net of deferred tax		**-**	3,465,791,633
Incremental depreciation recognized in other comprehensive income - net of deferred tax		**(257,518,453)**	(430,985,970)
As at end of the year / period	*8.1*	**6,746,439,428**	7,003,957,881

8.1 This includes Rs. 3,150.163 million related to AGL which has been treated as a disposal group in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS-5).

	Note	2012 Rupees	2011 Rupees
9 Redeemable capital - secured			
Term Finance Certificates - II	*9.3*	**1,498,649,061**	1,498,649,061
Term Finance Certificates - IV	*9.4*	**2,498,000,000**	2,498,000,000
Term Finance Certificates - V	*9.5*	**823,620,000**	823,620,000
Privately Placed Term Finance Certificates - VI	*9.6*	**3,218,670,000**	-
Term Finance Certificates - V	*9.9*	**-**	6,628,398,036
Term Finance Certificates - VI	*9.9*	**-**	1,498,760,400
Term Finance Certificates - VII	*9.9*	**-**	495,460,751
Sukkuks	*9.9*	**-**	1,600,000,000
		8,038,939,061	15,042,888,248
Deferred notional income	*9.1*	**(1,124,890,714)**	-
Transaction cost	*9.2*	**(74,354,806)**	(323,091,516)
		6,839,693,541	14,719,796,732
Less: Amount shown as current liability			
Amount payable within next twelve months		**(2,559,131,063)**	(1,391,898,762)
Amount due after 30 June 2013	*9.7*	**(1,551,127,282)**	-
		(4,110,258,345)	(1,391,898,762)
		2,729,435,196	13,327,897,970

9.1 This represents the difference between amortized cost and face value of zero-coupon Privately Placed Term Finance Certificates - VI issued by ANL, with five year maturity (refer to note 9.6). Amortized cost has been determined using effective interest rate of 13.23% per annum being the weighted average rate of return on redeemable capital. Movement is as follows:

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
	Deferred notional income			
	As at beginning of the year / period		**-**	-
	Occurred during the year / period		**1,189,908,326**	-
	Amortized during the year / period		**(65,017,612)**	-
	As at end of the year / period		**1,124,890,714**	-
9.2	**Transaction costs**			
	As at beginning of the year / period		**323,091,516**	155,550,430
	Classified as held for sale		**(236,126,979)**	-
	Incurred during the year / period		**-**	225,976,137
	Amortized during the year / period	*35*	**(12,609,731)**	(58,435,051)
	As at end of the year / period		**74,354,806**	323,091,516

9.3 These Term Finance Certificates - II ("TFC - II") have been issued by ANL by way of private placements and public subscription and are listed on Karachi Stock Exchange (Guarantee) Limited. The total issue comprises of 428,734 certificates of Rs. 5,000 each. In context of the overall debt restructuring of ANL, the issue was restructured in previous period by way of Master Restructuring and Intercreditor Agreement ("MRA") dated 01 December 2010. This issue has also been rescheduled during the year by way of Amendment No. 1 to Master Restructuring and Intercreditor Agreement ("MRA-1") dated 11 April 2012. The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFC - II is structured to be in ten un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid semi-annually starting from 20 September 2013.

Return on TFCs

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

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

ANL has entered into the cross currency swap arrangement with Faysal Bank Limited whereby it is liable to pay mark-up at fixed LIBOR of 6.915% per annum on the outstanding USD notional amount to Faysal Bank Limited against receipt of six months KIBOR per annum.

Trustee

In order to protect the interests of TFC holders, Faysal Bank Limited has been appointed as trustee under a trust deed

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

with power to enforce the ANL's obligations in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the trust deed and MRA.

Security

For detail of securities refer to note 9.8.

9.4 These Term Finance Certificates - IV ("TFC - IV") have been issued by ANL by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. In context of the overall debt restructuring of ANL, the issue was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFC - IV is structured to be in ten un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid semi-annually starting from 04 December 2013.

Return on TFCs

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

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

Trustee

In order to protect the interests of TFC holders, Pak Brunei Investment Company remains trustee of the issue, with power to enforce the ANL's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the trust deed and MRA.

Security

For detail of securities refer to note 9.8.

At the reporting date interest / mark-up amounting to Rs. 106.101 million was overdue. Refer to note 44.2.2 for details.

9.5 These Term Finance Certificates - V ("TFC - V") represent restructuring of various short term facilities of ANL amounting to Rs. 825,000,000. The total issue comprised of 165,000 certificates having face value of Rs.5,000 each. In context of the overall debt restructuring of ANL, the issue was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. The revised terms and conditions of the issue after rescheduling are as follows:

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

Principal redemption

The principal redemption of TFC - V is structured to be in nine un-equal installments. First installment is due on the date at which shares of Agritech Limited are transferred to the purchasers, remaining installments are to be paid quarterly starting from 18 February 2014.

Return on TFCs

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

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

Trustee

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

Security

For detail of securities refer to note 9.8.

At the reporting date interest / mark-up amounting to Rs. 13.946 million was overdue. Refer to note 44.2.2 for details.

9.6 This represent restructuring of outstanding mark-up of ANL amounting to Rs. 3,218.670 million related to long term debts and short term borrowings till 31 March 2012. The trust deed was entered on 28 June 2012. These were issued during the year by way of private placements. The total issue comprised of 643,734 certificates having face value of Rs. 5,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in seven unequal semi annual installments starting from 31 March 2014.

Call option

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

Return on PPTFCs

The issue carries nil return (also refer to note 9.1).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

Trustee

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

Security

The issue is secured by:

- Ranking hypothecation charge in favor of the Trustee over the hypothecated assets in the amount of upto Rs. 4,666.667 million; and

- Ranking mortgage charge over the mortgaged properties in the amount of upto Rs. 4,666.667 million.

9.7 During the year, ANL could not make certain interest / mark-up payments on due dates. As a consequence, the financiers are entitled to declare all outstanding amount of the issue immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS-1), all liabilities under these loan agreements are required to be classified as current liabilities. Based on the above, loan installments due as per agreed terms after 30 June 2013 amounting to Rs. 1,551.127 million have been shown as current liability.

9.8 Common security

All redeemable capital and long term finances except for TFC - VI of ANL, have been secured by way of common security which is as follows:

- First charge in favor of National Bank of Pakistan, as Security trustee for the benefit of the Financers, on all present and future assets and properties of ANL.

- Pledge of 100,000 shares of Agritech Limited (in favor of National Bank of Pakistan - Security Trustee).

- Personal Guarantee of Sponsor Director.

9.9 These relate to AGL which has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS-5). Accordingly, related redeemable capital as at reporting date has been reported as liabilities of subsidiary classified as held for sale as referred to in note 37.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
10	**Long term finances - secured**			
	United Bank Limited	*10.2*	**75,000,000**	75,000,000
	National Bank of Pakistan	*10.3*	**1,000,000,000**	1,000,000,000
	Deutsche Investitions - Und MBH (Germany)	*10.4*	**1,422,000,000**	1,588,113,482
	Saudi Pak Industrial and Agricultural Company Limited	*10.5*	**100,000,000**	100,000,000
	HSBC Bank (Middle East) Limited	*10.6*	**272,113,408**	272,113,408
	Citi Bank N.A (Pakistan)	*10.7*	**567,539,466**	567,539,466
	KASB Bank Limited	*10.9*	**-**	300,000,000
	National Bank of Pakistan	*10.9*	**-**	508,384,456
	Dubai Islamic Bank Limited	*10.9*	**-**	365,000,000
	Syndicate Term Finance - I	*10.9*	**-**	475,000,000
	Syndicate Term Finance - II	*10.9*	**-**	3,000,000,000
	Syndicate Term Finance - III	*10.9*	**-**	3,026,389,549
			3,436,652,874	11,277,540,361
	Transaction costs	*10.1*	**(28,254,867)**	(128,761,126)
			3,408,398,007	11,148,779,235
	Less: Amount shown as current liability			
	Amount payable within next twelve months		**(1,936,345,512)**	(1,182,240,686)
	Amount due after 30 June 2013	*10.8*	**(1,472,052,495)**	-
			(3,408,398,007)	(1,182,240,686)
			-	9,966,538,549

		Note	2012 Rupees	2011 Rupees
10.1	**Transaction costs**			
	As at beginning of the year / period		**128,761,126**	-
	Classified as held for sale	*37*	**(85,330,517)**	-
	Incurred during the year / period		**-**	147,336,936
	Amortized during the year / period	*35*	**(15,175,742)**	(18,575,810)
	As at end of the year / period		**28,254,867**	128,761,126

10.2 The finance has been obtained by ANL from United Bank Limited for import of plant and machinery. In context of the overall debt restructuring of ANL, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms the entire principal is payable on the date at which shares of Agritech Limited are transferred to the purchasers. For detail of securities refer to note 9.8.

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

Six months KIBOR plus 1.00% per annum in 2011 - 2012
Six months KIBOR plus 1.25% per annum in 2013 - 2016
Six months KIBOR plus 1.75% per annum in 2017 onwards

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

10.3 The finance has been obtained by ANL from National Bank of Pakistan to finance the acquisition of AGL. In context of the overall debt restructuring of ANL, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms the entire principal is payable on the date at which shares of AGL are transferred to the purchasers. The finance is secured by pledge of Rs. 83.420 million shares of AGL and Common Security as disclosed in note 9.8.

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

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

10.4 This represents Euros 15 million obtained by ANL from Deutsche Investitions - Und MBH (Germany) to finance the setup of new textile and apparel project. In context of the overall debt restructuring of ANL, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms the loan is payable in twenty-one un-equal installments. First installment is due on the date at which shares of AGL are transferred to the purchasers, remaining installments are to be paid quarterly starting from 15 July 2015. The facility is secured by pledge of Rs. 96.773 million shares of AGL and Common Security as disclosed in note 9.8.

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

Six months EURIBOR plus 3.25% per annum till date of sale of AGL
Three months EURIBOR plus 0.75% per annum from date of sale of AGL - 14 July 2015
Three months EURIBOR plus 1.00% per annum from 15 July 2015 onwards

In addition to the above, additional interest of 2% per annum will be levied if principal and mark-up are not paid on due dates.

At the reporting date principal amounting to Rs. 1,066.500 million and interest / mark-up amounting to Rs. 200.962 million was overdue. Refer to note 44.2.2 for details.

10.5 The finance has been obtained from Saudi Pak Industrial and Agricultural Company Limited by ANL for long term working capital requirements. In context of the overall debt restructuring of ANL, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms the loan is payable in eighteen un-equal installments. First installment is due on the date at which shares of AGL are transferred to the purchasers, remaining installments are to be paid quarterly starting from 13 November 2013. For detail of securities refer to note 9.8.

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

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

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

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

At the reporting date interest / mark-up amounting to Rs. 1.512 million was overdue. Refer to note 44.2.2 for details.

10.6 The finance has been obtained from HSBC Bank Middle East Limited by ANL for long term working capital requirements. In context of the overall debt restructuring of ANL, the finance was restructured in previous period by way of MRA dated 01 December 2010. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms, the loan is payable in nine un-equal installments. First installment is due on the date at which shares of AGL are transferred to the purchasers, remaining installments are to be paid semi-annually starting from 01 May 2013. For detail of securities refer to note 9.8.

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

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

At the reporting date interest / mark-up amounting to Rs. 2.984 million was overdue. Refer to note 44.2.2 for details.

10.7 As part of the overall debt restructuring of ANL, the finance was converted from various short term borrowings. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms, the loan is payable in six un-equal installments. Installment are to be paid semi-annually starting from 01 May 2014. For detail of securities refer to note 9.8.

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

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

At the reporting date interest / mark-up amounting to Rs. 6.022 million was overdue. Refer to note 44.2.2 for details.

10.8 During the year, ANL could not make certain interest / mark-up payments on due dates. As a consequence, the financiers are entitled to declare all outstanding amount of the issue immediately due and payable. In terms of provisions of International Accounting Standard on Presentation of financial statements (IAS-1), all liabilities under these loan agreements are required to be classified as current liabilities. Based on the above, loan installments due as per agreed terms after 30 June 2013 amounting to Rs. 1,472.052 million have been shown as current liability.

10.9 These relate to AGL which has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS-5). Accordingly, related long term loan as at reporting date has been reported as liabilities of subsidiary classified as held for sale as referred to in note 37.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

11 Liabilities against assets subject to finance lease - secured

The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	Note	**2012** **Rupees**	2011 Rupees
Present value of minimum lease payments	*11.1 & 11.2*	**36,436,705**	241,181,441
Current maturity presented under current liabilities	*12*	**(12,415,966)**	(63,607,558)
		24,020,739	177,573,883

11.1 These represent plant and machinery, and vehicles acquired under finance lease arrangements by ANL and are secured by specific charge on leased assets, joint ownership of leased assets with the lender and lien over documents of title. Rentals are payable monthly / quarterly. The leases are priced at rates ranging from three months to twelve months KIBOR plus 2.00% to 4.00% (2011: three months to twelve months KIBOR plus 2.00% to 4.75%) per annum. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by ANL. ANL also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option.

11.2 The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

	Note	**2012** **Rupees**	2011 Rupees
Not later than one year		**17,050,310**	94,502,764
Later than one year but not later than five years		**27,769,672**	212,742,892
Total future minimum lease payments		**44,819,982**	307,245,656
Finance charge allocated to future periods		**(8,383,277)**	(66,064,215)
Present value of future minimum lease payments		**36,436,705**	241,181,441
Not later than one year	*12*	**(12,415,966)**	(63,607,558)
Later than one year but not later than five years		**24,020,739**	177,573,883

11.3 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related liabilities against assets subject to finance lease as at reporting date have been reported as liabilities of subsidiary classified as held for sale as referred in note 37.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
12 Current portion of non-current liabilities			
Preference shares of Rs. 10 each (2011: Rs. 10 each)	*12.1*	**574,518,935**	574,518,935
Redeemable capital	*9*	**4,110,258,345**	1,391,898,762
Long term finances	*10*	**3,408,398,007**	1,182,240,686
Liabilities against assets subject to finance lease	*11.2*	**12,415,966**	63,607,558
		8,105,591,253	3,212,265,941

12.1 Preference shares were issued by ANL during year ended 30 September 2004 and are non-voting, non-participatory, partly convertible and cumulative.

These were redeemable, subject to provisions of section 85 of the Companies Ordinance, 1984, as follows:

- First redemption: 50% of the issued amount at the end of fifth year from date of issue, i.e. 24 September 2009.

- Second redemption: 50% of the issued amount at the end of sixth year from date of issue, i.e. 24 September 2010.

The status of redemption as at the reporting date is as follows:

	Total amount due	Redemption upto		Overdue as at	
		2012	2011	**2012**	2011
	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
First redemption	**330,625,650**	**-**	86,731,895	**243,893,755**	243,893,755
Second redemption	**330,625,180**	**-**	-	**330,625,180**	330,625,180
	661,250,830	**-**	86,731,895	**574,518,935**	574,518,935

Previously, when the first redemption went overdue, ANL and preference shareholders had agreed in principal that these shares were to be redeemed out of a fresh issue of term finance certificates and the same was expected to be completed in April 2010. However, in context of the overall restructuring, the matter was deferred till all other matters with banks were settled. Following the successful debt restructuring of ANL, it intends to settle its entire liability towards preference shares through conversion into a fresh issue of Financial Instruments, the terms of which have already been agreed upon with the majority of the investors and the process is expected to be materialized in due course.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

13 Short term borrowings

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

	Note	2012 Rupees	2011 Rupees
Secured			
Running finance	*13.1*	**2,006,675,760**	4,126,425,934
Term loans	*13.1*	**5,030,610,401**	5,959,029,034
Bridge finance	*13.2*	**1,119,457,014**	1,119,457,014
		8,156,743,175	11,204,911,982
Un-secured			
Finance against foreign bills		**277,211,316**	79,735,771
		8,433,954,491	11,284,647,753

13.1 These facilities have been obtained from various banking companies and financial institutions for working capital requirements and are secured by Common Security (refer to note 9.8), lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, pledge of stocks, ranking charge amounting to Rs. 750 million on current and future assets of ANL and pledge of Rs. 3.459 million shares of AGL.

Mark-up on these finances is payable quarterly / semi-annually. Local currency finances carry mark-up at rates ranging from one to twelve months KIBOR plus 1.00% per annum (2011: one to six months KIBOR plus 1.00% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR / EURIBOR of matching tenor plus 2.00% to 6.50% per annum (2011: LIBOR of matching tenor plus 2.00% to 6.50% per annum). mark-up on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of 10.00% per annum plus bank's spread of 1.00% per annum (2011: 10.00% per annum plus bank's spread of 1.00% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.10% to 0.15% per quarter (2011: 0.10% to 0.15% per quarter). Mark-up on Finance against foreign bills ranges from 2.50% to 7.00% per annum (2011: 2.50% to 7.00% per annum).

At the reporting date interest / mark-up amounting to Rs. 52.932 million was overdue. Refer to note 44.2.2 for details.

13.2 Bridge finance was obtained from a consortium of lenders as part of overall debt restructuring of ANL's debt finances, to bridge finance the operations and working capital requirements of ANL and is secured by way of pledge of Rs. 58.333 million shares held in AGL, and through Common Security mentioned under note 9.8. The said facility carries mark-up rate of twelve months KIBOR plus 1% per annum and is payable after 365 days from the disbursement date or the date on which the consideration for the sale of Agritech Shares is received in terms of the Master Restructuring and Intercreditor Agreement whichever is earlier. Faysal bank Limited is acting as syndicate agent for this facility.

At the reporting date principal amounting to Rs. 1,119.457 million and interest / mark-up amounting to Rs. 30.950 million was overdue. Refer to note 44.2.2 for details.

13.3 The aggregate available short term funded facilities amounts to Rs. 10,604 million (2011: Rs. 10,304 million) out of which Rs. 1,493 million (2011: Rs. 1,914 million) remained unavailed as at the reporting date. Limits available for

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

opening of letters of credit amounts to Rs. 2,107 million (2011: Rs. 2,107 million) of which the limits remaining unutilized as at the reporting date amounts to Rs. 144 million (2011: Rs. 297 million).

13.4 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related short term borrowings as at reporting date have been reported as liabilities of subsidiary classified as held for sale as referred in note 37.

	Note	**2012 Rupees**	2011 Rupees
14 Trade and other payables			
Trade creditors		**1,590,268,928**	3,106,583,119
Bills payable	*14.1*	**1,755,448,679**	1,703,216,228
Accrued liabilities		**568,729,225**	563,643,371
Advances from customers		**102,516,590**	883,441,952
Payable to provident fund trust	*14.2*	**96,248,979**	114,407,990
Workers' Profit Participation Fund	*14.3*	**47,015,366**	49,866,304
Workers' Welfare Fund		**-**	11,812,961
Tax deducted at source		**10,941,701**	18,744,895
Security deposits and retention money		**-**	38,668,460
Derivative financial liabilities		**7,424,080**	-
Other payables		**98,584,330**	249,639,523
		4,277,177,878	6,740,024,803

14.1 At the reporting date bills amounting to Rs. 1,517.318 million and interest / mark-up amounting to Rs. 77.156 million were overdue. Refer to note 44.2.2 for details.

14.2 Interest on outstanding liability towards fund is charged at 16.10% (2011: 15.50%) per annum.

14.3 Interest on outstanding liability towards fund is charged at 17.5% (2011: 17.5%) per annum.

14.4 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related trade and other payables as at reporting date have been reported as liabilities of subsidiary classified as held for sale as referred in note 37.

	2012 Rupees	2011 Rupees
15 Interest / mark-up accrued on borrowings		
Redeemable capital	**388,702,771**	2,942,078,383
Long term finances	**304,019,043**	1,316,134,990
Short term borrowings	**664,634,827**	1,112,048,415
Subordinated loan	**-**	115,372,594
	1,357,356,641	5,485,634,382

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

15.1 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related interest / mark-up accrued on borrowings as at reporting date have been reported as liabilities of subsidiary classified as held for sale as referred in note 37.

	Note	2012 Rupees	2011 Rupees
16 Dividend payable			
Unclaimed dividend on ordinary shares		**4,002,037**	4,002,037
Dividend payable on preference shares	*16.1*	**28,727,041**	28,727,041
		32,729,078	32,729,078

16.1 Preference dividend was due for payment on 21 November 2010, however no payments have been made up to the reporting date. The management intends to settle this amount along with the settlement of outstanding overdue preference shares.

17 Contingencies and commitments

17.1 Contingencies

17.1.1 ANL was denied exemption under SRO 554(1)/1998 from levy of customs duty and sales tax on certain plant and machinery by the customs department. An appeal was filed before the Honorable Lahore High Court which was referred back to Collector of Customs (Adjudication). Collector of Customs adjudicated the matter and reduced the duty to Rs. 2.8 million and imposed penalty of Rs. 2.0 million instead of previously determined amount of Rs. 9.9 million. ANL is in the process of filing an appeal in Appellate Tribunal against the imposed penalty.

17.1.2 Several ex-employees of AGL have filed a petition against ANL demanding terminal benefits including those under the golden hand shake scheme. The claim, valued at Rs. 8.0 million, is pending before the Honorable Lahore High Court and ANL expects a favorable outcome.

17.1.3 ANL has issued indemnity bonds amounting to Rs. 641 million (2011: Rs. 338 million) in favor 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.

17.1.4 Counter guarantees given by ANL to its bankers as at the reporting date amount to Rs. 169.73 million (2011: Rs. 167.79 million).

17.1.5 As referred to in note 12.1 to the consolidated financial statements, no redemption of preference shares has been made upto the reporting date in respect of second and final redemption, whereas, only partial redemption has been carried out in respect of first redemption. Further, non-payment or delayed payment of dividend on preference share, as referred to in note 16.1 may attract penalties in the form of dividend at higher rates.

17.1.6 Contingencies related to tax matters are referred to note 36 to the consolidated financial statements.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
17.2	**Commitments**			
17.2.1	Commitments under irrevocable letters of credit for:			
	- purchase of stores, spare and loose tools		**30,507,298**	141,745,448
	- purchase of machinery		**14,639,280**	5,919,288
	- purchase of raw material		**76,726,497**	25,800,276
			121,873,075	173,465,012
17.2.2	Commitments for capital expenditure		**3,236,108**	-

		Note	2012 Rupees	2011 Rupees
18	**Property, plant and equipment**			
	Operating fixed assets	*18.1*	**13,408,775,980**	38,339,694,153
	Capital work in progress	*18.4*	**7,535,550**	11,804,100,050
			13,416,311,530	50,143,794,203

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

18.1 Operating fixed assets

30 June 2012

COST / REVALUED AMOUNT

	As at 01 July 2011	Additions	Exchange difference	Adjustment	Disposals	Reclassified from assets held for disposal (note 23)	Transfers	Reclassified to assets held for sale (note 37)	As at 30 June 2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets owned by the Group									
Freehold land									
- cost	640,796,398	-	-	-	-	-	-	(82,786,373)	**558,010,025**
- revaluation	3,042,092,652	-	-	-	-	-	-	(2,322,367,677)	**719,724,975**
	3,682,889,050	-	-	-	-	-	-	(2,405,154,050)	**1,277,735,000**
Buildings on freehold land									
- cost	3,910,642,234	120,781,099	-	-	-	-	-	(1,351,163,350)	**2,680,259,983**
- revaluation	1,921,515,487	-	-	-	-	-	-	(1,217,976,192)	**703,539,295**
	5,832,157,721	120,781,099	-	-	-	-	-	(2,569,139,542)	**3,383,799,278**
Plant and machinery									
- cost	21,569,580,918	12,607,473,758	(261,613)	-	(15,641,073)	674,473,491	-	(25,224,626,367)	**9,610,999,114**
- revaluation	15,389,763,948	-	-	-	(9,890,357)	646,727,759	-	(12,288,071,357)	**3,738,529,993**
	36,959,344,866	12,607,473,758	(261,613)	-	(25,531,430)	1,321,201,250	-	(37,512,697,724)	**13,349,529,107**
Residential colony assets									
- cost	14,649,316	4,603	-	-	-	-	-	(14,653,919)	**-**
- revaluation	226,043,586	-	-	-	-	-	-	(226,043,586)	**-**
	240,692,902	4,603	-	-	-	-	-	(240,697,505)	**-**
Roads, bridges and culverts	88,857,450	-	-	-	-	-	-	(88,857,450)	**-**
Furniture, fixtures and office equipment	267,006,667	21,252,140	(299,942)	-	(60,000)	-	-	(85,256,541)	**202,642,324**
Vehicles and rail transport	165,695,449	4,995,003	(141,083)	-	(21,184,941)	-	41,249,731	(107,850,210)	**82,763,949**
Tools and equipment	578,818,852	13,989,099	(501,936)	-	-	-	-	(192,020,243)	**400,285,772**
Electrical and other installations	1,500,612,351	26,271,795	(655,962)	-	-	-	-	(1,341,647,458)	**184,580,726**
Plantation	296,476	-	-	-	-	-	-	-	**296,476**
Books and literature	926,479	-	-	-	-	-	-	(926,479)	**-**
Catalysts	111,144,268	16,694,624	-	-	-	-	-	(127,838,892)	**-**
	49,428,442,531	**12,811,462,121**	**(1,860,536)**	**-**	**(46,776,371)**	**1,321,201,250**	**41,249,731**	**(44,672,086,094)**	**18,881,632,632**
Assets subject to finance lease									
Plant and machinery	561,484,184	137,816,930	-	(68,692,148)	-	-	-	(412,585,522)	**218,023,444**
Vehicles	131,580,201	70,000	-	-	(11,116,349)	-	(41,249,731)	(68,470,954)	**10,813,167**
	693,064,385	**137,886,930**	**-**	**(68,692,148)**	**(11,116,349)**	**-**	**(41,249,731)**	**(481,056,476)**	**228,836,611**
2012	**50,121,506,916**	**12,949,349,051**	**(1,860,536)**	**(68,692,148)**	**(57,892,720)**	**1,321,201,250**	**-**	**(45,153,142,570)**	**19,110,469,243**

DEPRECIATION

	As at 01 July 2011	For the year	Exchange difference	Reclassified from assets held for disposal (note 23)	Adjustment	Reclassified to assets held for sale (note 37)	As at 30 June 2012	Net book value as at 30 June 2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets owned by the Group								
Freehold land								
- cost	-	-	-	-	-	-	**-**	**558,010,025**
- revaluation	-	-	-	-	-	-	**-**	**719,724,975**
	-	-	-	-	-	-	**-**	**1,277,735,000**
Buildings on freehold land								
- cost	884,526,427	79,599,388	-	-	-	(440,702,424)	**523,423,391**	**2,156,836,592**
- revaluation	224,647,425	40,263,620	-	-	-	(104,445,016)	**160,466,029**	**543,073,266**
	1,109,173,852	119,863,008	-	-	-	(545,147,440)	**683,889,420**	**2,699,909,858**
Plant and machinery								
- cost	7,145,416,291	719,550,384	(104,422)	382,310,849	(11,046,452)	(5,082,466,334)	**3,153,660,316**	**6,457,338,798**
- revaluation	1,833,734,819	378,772,788	-	225,797,843	(6,985,029)	(1,031,401,464)	**1,399,918,957**	**2,338,611,036**
	8,979,151,110	1,098,323,172	(104,422)	608,108,692	(18,031,481)	(6,113,867,798)	**4,553,579,273**	**8,795,949,834**
Residential colony assets								
- cost	10,010,075	534,882	-	-	-	(10,544,957)	**-**	**-**
- revaluation	11,721,237	4,520,872	-	-	-	(16,242,109)	**-**	**-**
	21,731,312	5,055,754	-	-	-	(26,787,066)	**-**	**-**
Roads, bridges and culverts	9,218,028	1,752,281	-	-	-	(10,970,318)	**-**	**-**
Furniture, fixtures and office equipment	140,179,117	17,229,357	(123,677)	-	(17,248)	(57,950,134)	**99,317,415**	**103,324,909**
Vehicles and rail transport	138,111,441	5,189,964	(31,225)	-	14,026,036	(100,689,278)	**56,606,938**	**26,157,011**
Tools and equipment	283,468,609	30,953,432	(131,538)	-	-	(184,775,218)	**129,515,285**	**270,770,487**
Electrical and other installations	819,492,547	37,320,197	(215,012)	-	-	(772,985,010)	**83,612,722**	**100,968,004**
Plantation	296,476	-	-	-	-	-	**296,476**	**-**
Books and literature	626,023	66,801	-	-	-	(692,824)	**-**	**-**
Catalysts	111,144,268	927,480	-	-	-	(112,071,748)	**-**	**-**
	11,612,592,783	**1,316,681,446**	**(605,874)**	**608,108,692**	**(4,022,693)**	**(7,925,936,834)**	**5,606,817,529**	**13,274,815,103**
Assets subject to finance lease								
Plant and machinery	107,101,856	16,068,181	-	-	(5,332,698)	(27,956,803)	**89,880,536**	**128,142,908**
Vehicles	62,118,124	19,290,723	-	-	(33,433,992)	(42,979,657)	**4,995,198**	**5,817,969**
	169,219,980	**35,358,904**	**-**	**-**	**(38,766,690)**	**(70,936,460)**	**94,875,734**	**133,960,877**
2012	**11,781,812,763**	**1,352,040,350**	**(605,874)**	**608,108,692**	**(42,789,383)**	**(7,996,873,294)**	**5,701,693,263**	**13,408,775,980**

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

18.1.1 Operating fixed assets

	30 June 2011													
	COST / REVALUED AMOUNT							DEPRECIATION						
	As at 01 January 2010	Additions	Exchange difference	Disposals	Reclassified to assets held for disposal	Transfers	As at 30 June 2011	As at 01 January 2010	For the period	Exchange difference	Reclassified to assets held for disposal	Adjustment	As at 30 June 2011	Net book value as at 30 June 2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets owned by the Group														
Freehold land														
- cost	640,796,398	-	-	-	-	-	640,796,398	-	-	-	-	-	-	640,796,398
- revaluation	3,042,092,652	-	-	-	-	-	3,042,092,652	-	-	-	-	-	-	3,042,092,652
	3,682,889,050	-	-	-	-	-	3,682,889,050	-	-	-	-	-	-	3,682,889,050
Buildings on freehold land														
- cost	3,106,416,716	400,432,223	-	(41,393,977)	-	445,187,272	3,910,642,234	740,012,263	149,544,745	-	-	(5,030,581)	884,526,427	3,026,115,807
- revaluation	1,522,813,601	398,701,886	-	-	-	-	1,921,515,487	161,901,420	62,746,005	-	-	-	224,647,425	1,696,868,062
	4,629,230,317	799,134,109	-	(41,393,977)	-	445,187,272	5,832,157,721	901,913,683	212,290,750	-	-	(5,030,581)	1,109,173,852	4,722,983,869
Plant and machinery														
- cost	18,504,138,234	1,511,285,034	150,170	(3,699,026)	(674,473,491)	2,232,179,997	21,569,580,918	6,550,098,496	978,217,426	46,199	(382,310,849)	(634,981)	7,145,416,291	14,424,164,627
- revaluation	10,120,960,399	5,915,531,308	-	-	(646,727,759)	-	15,389,763,948	1,523,137,432	536,395,230	-	(225,797,843)	-	1,833,734,819	13,556,029,129
	28,625,098,633	7,426,816,342	150,170	(3,699,026)	(1,321,201,250)	2,232,179,997	36,959,344,866	8,073,235,928	1,514,612,656	46,199	(608,108,692)	(634,981)	8,979,151,110	27,980,193,756
Residential colony assets														
- cost	11,027,227	3,622,089	-	-	-	-	14,649,316	9,383,367	626,708	-	-	-	10,010,075	4,639,241
- revaluation	60,216,186	165,827,400	-	-	-	-	226,043,586	3,835,091	7,886,146	-	-	-	11,721,237	214,322,349
	71,243,413	169,449,489	-	-	-	-	240,692,902	13,218,458	8,512,854	-	-	-	21,731,312	218,961,590
Roads, bridges and culverts	17,412,547	71,444,903	-	-	-	-	88,857,450	9,883,931	(665,903)	-	-	-	9,218,028	79,639,422
Furniture, fixtures and office equipment	252,826,145	15,423,703	172,172	(1,415,353)	-	-	267,006,667	116,237,771	24,720,308	61,544	-	(840,506)	140,179,117	126,827,550
Vehicles and rail transport	160,905,684	5,516,182	51,235	(17,602,984)	-	16,825,332	165,695,449	131,676,122	8,432,462	11,489	-	(2,008,632)	138,111,441	27,584,008
Tools and equipment	534,295,783	44,570,745	288,119	(335,795)	-	-	578,818,852	235,306,635	48,166,156	59,526	-	(63,708)	283,468,609	295,350,243
Electrical and other installations	1,485,117,664	15,121,783	372,904	-	-	-	1,500,612,351	787,191,667	32,203,354	97,526	-	-	819,492,547	681,119,804
Plantation	296,476	-	-	-	-	-	296,476	296,476	-	-	-	-	296,476	-
Books and literature	926,479	-	-	-	-	-	926,479	525,796	100,227	-	-	-	626,023	300,456
Catalysts	111,144,268	-	-	-	-	-	111,144,268	78,668,744	32,475,524	-	-	-	111,144,268	-
	39,571,386,459	8,547,477,256	1,034,600	(64,447,135)	(1,321,201,250)	2,694,192,601	49,428,442,531	10,348,155,211	1,880,848,388	276,284	(608,108,692)	(8,578,408)	11,612,592,783	37,815,849,748
Assets subject to finance lease														
Plant and machinery	561,484,184	-	-	-	-	-	561,484,184	87,421,028	19,680,828	-	-	-	107,101,856	454,382,328
Vehicles	187,261,680	11,120,268	-	(49,976,415)	-	(16,825,332)	131,580,201	57,470,054	40,157,422	-	-	(35,509,352)	62,118,124	69,462,077
	748,745,864	11,120,268	-	(49,976,415)	-	(16,825,332)	693,064,385	144,891,082	59,838,250	-	-	(35,509,352)	169,219,980	523,844,405
2011	40,320,132,323	8,558,597,524	1,034,600	(114,423,550)	(1,321,201,250)	2,677,367,269	50,121,506,916	10,493,046,293	1,940,686,638	276,284	(608,108,692)	(44,087,760)	11,781,812,763	38,339,694,153

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

18.2 Disposal of property, plant and equipment

	2012						
	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Azgard Nine Limited - continuing operations							
Plant & Machinery							
Reiter C-60 Cards	4,129,582	1,187,120	2,942,462	3,500,000	557,538	Negotiation	Regent Traders
Scutchure Hergeth - Germany	1,652,086	1,572,531	79,555	89,025	9,470	Negotiation	Al Faisal Enterprises
Scutchure Installation Charges	52,576	50,069	2,507	2,805	298	Negotiation	Al Faisal Enterprises
Scutcher Hergeth-1968	1,339,615	1,261,655	77,960	87,240	9,280	Negotiation	Al Faisal Enterprises
Drawing Frames DX-500	3,188,660	2,814,763	373,897	418,405	44,508	Negotiation	Al Faisal Enterprises
Simplex Frame FL-16 (120 Spindles Each)	8,451,634	6,994,861	1,456,773	1,630,184	173,411	Negotiation	Al Faisal Enterprises
2 Nos DFH-8 Drawing Frames Complete	6,717,278	4,150,482	2,566,796	2,872,341	305,545	Negotiation	Al Faisal Enterprises
	25,531,431	18,031,481	7,499,950	8,600,000	1,100,050		
Furniture, fixture and office equipment							
Laptop Computer	60,000	17,248	42,752	43,114	362	Company policy	Employee
Vehicles - owned							
Suzuki Mehran	456,181	227,877	228,304	182,772	(45,532)	Company Policy	Employee
Suzuki Liana	929,592	464,219	465,373	372,137	(93,236)	Company Policy	Employee
Suzuki Mehran	414,783	232,942	181,841	166,300	(15,541)	Company Policy	Employee
Suzuki Mehran	414,533	232,749	181,784	166,200	(15,584)	Company Policy	Employee
Suzuki Cultus	632,438	82,217	550,221	253,300	(296,921)	Company Policy	Employee
Suzuki Mehran	470,189	234,267	235,922	188,400	(47,522)	Company Policy	Employee
Suzuki Cultus	712,740	416,353	296,387	285,500	(10,887)	Company Policy	Employee
Suzuki Cultus	650,120	384,663	265,457	260,350	(5,107)	Company Policy	Employee
Suzuki Cultus	784,653	397,962	386,691	314,162	(72,529)	Company Policy	Employee
Suzuki Cultus	673,130	273,291	399,839	174,000	(225,839)	Company Policy	Employee
Hyundai Shahzoor	1,208,000	1,074,005	133,995	455,000	321,005	Negotiation	Mohammad Ilyas
Suzuki Cultus	640,266	368,718	271,548	256,400	(15,148)	Company Policy	Employee
Suzuki Mehran	423,683	251,331	172,352	79,077	(93,275)	Company Policy	Employee
Suzuki Cultus	637,270	377,473	259,797	160,892	(98,905)	Company Policy	Employee
Suzuki Mehran	477,116	250,253	226,863	191,000	(35,863)	Company Policy	Employee
Honda Citi	1,030,735	558,715	472,020	413,800	(58,220)	Company Policy	Employee
Suzuki Mehran	475,189	253,789	221,400	190,076	(31,324)	Company Policy	Employee
	11,030,618	6,080,824	4,949,794	4,109,366	(840,428)		
B/F	36,622,049	24,129,553	12,492,496	12,752,480	259,984		
C/F	36,622,049	24,129,553	12,492,496	12,752,480	259,984		
Suzuki Cultus	650,120	399,142	250,978	260,300	9,322	Company Policy	Employee
Suzuki Bolan	450,000	311,933	138,067	200,000	61,933	Negotiation	Muhammad Khurram
Suzuki Cultus	905,190	434,310	470,880	366,000	(104,880)	Company Policy	Employee
Toyota Corolla	1,773,405	850,880	922,525	709,650	(212,875)	Company Policy	Employee
Suzuki Cultus	826,400	370,990	455,410	345,860	(109,550)	Company Policy	Employee
Suzuki Mehran	659,370	400,730	258,640	165,150	(93,490)	Company Policy	Employee
Toyota Corolla	1,014,000	558,917	455,083	418,850	(36,233)	Company Policy	Employee
Suzuki Cultus	661,000	391,240	269,760	169,905	(99,855)	Company Policy	Employee
Suzuki Cultus	661,000	391,240	269,760	169,905	(99,855)	Company Policy	Employee
Suzuki Mehran	416,084	261,347	154,737	106,550	(48,187)	Company Policy	Employee
Suzuki Mehran	414,533	260,479	154,054	103,933	(50,121)	Company Policy	Employee
Suzuki Cultus	900,190	450,275	449,915	360,500	(89,415)	Company Policy	Employee
Suzuki Mehran	414,731	263,731	151,000	106,250	(44,750)	Company Policy	Employee
Suzuki Mehran	408,300	241,844	166,456	115,200	(51,256)	Company Policy	Employee
	10,154,323	5,587,058	4,567,265	3,598,053	(969,212)		
	46,776,372	29,716,611	17,059,761	16,350,533	(709,228)		
Agritech Limited - held for disposal							
Honda Civic	1,557,000	1,167,750	389,250	311,400	(77,850)	Company Policy	Employee
Toyota Corolla	1,014,000	726,700	287,300	202,800	(84,500)	Company Policy	Employee
Suzuki Cultus	627,000	480,700	146,300	126,400	(19,900)	Company Policy	Employee
Suzuki Cultus	879,000	542,050	336,950	770,000	433,050	Auction	Ali Fawad Mirza
Suzuki Cultus	595,000	594,990		569,286	569,276	Auction	Muhammad Ilyas
Suzuki Cultus	754,000	527,800	226,200	677,500	451,300	Auction	Muhammad Salim Sabir
Suzuki Cultus	879,000	586,000	293,000	165,800	(127,200)	Company Policy	Employee
Suzuki Cultus	879,000	586,000	293,000	165,800	(127,200)	Company Policy	Employee
Suzuki Cultus	596,267	397,511	198,756	117,098	(81,658)	Company Policy	Employee
Suzuki Cultus	879,000	586,000	293,000	175,800	(117,200)	Company Policy	Employee
Suzuki Cultus	643,267	428,844	214,423	128,400	(86,023)	Company Policy	Employee
Suzuki Cultus	879,000	586,000	293,000	165,800	(127,200)	Company Policy	Employee
Suzuki Cultus	934,815	529,728	405,087	809,000	403,913	Auction	Rashid Saleem
	11,116,349	7,740,073	3,376,276	4,385,084	1,008,808		
2012	57,892,721	37,456,684	20,436,037	20,735,617	299,580		
2011	114,423,550	44,087,760	70,335,790	100,060,555	29,724,765		

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
18.3	**The depreciation charge for the year / period has been allocated as follows:**			
	Continued operations:			
	Cost of sales	*31*	**521,196,274**	1,910,506,788
	Administrative and general expenses	*33*	**19,460,720**	29,699,929
	Income from experimental farm		**-**	479,921
	Discontinued operations		**811,383,356**	-
			1,352,040,350	1,940,686,638

18.4 Capital work in progress

	2012			
	Additions	**Transfers**	**Classified to assets held for sale (note 37)**	**As at 30 June**
	Rupees	**Rupees**	**Rupees**	**Rupees**
Building	**15,645,811**	**(111,760,875)**	**(166,985)**	**262,172**
Plant and machinery	**896,457,303**	**(12,555,230,904)**	**(41,508,850)**	**7,273,378**
	912,103,114	**(12,666,991,779)**	**(41,675,835)**	**7,535,550**

	2011			
	Additions	Transfers	Classified as held for sale	As at 30 June
	Rupees	Rupees	Rupees	Rupees
Building	63,092,328	(6,956,090)	-	96,544,221
Plant and machinery	3,735,950,072	(76,734,363)	-	11,707,555,829
	3,799,042,400	(83,690,453)	-	11,804,100,050

		Note	2012 Rupees	2011 Rupees
19	**Intangible assets**			
	Goodwill acquired in business combination			
	Agritech Limited		**-**	3,483,647,142
	Farital AB	*19.1*	**692,341,926**	1,917,699,426
	Development costs	*19.2*	**-**	1,777,448
	Software	*19.3*	**3,907,224**	6,592,906
	Work in progress		**-**	25,132,210
			696,249,150	5,434,849,132

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		Note	2012 Rupees	2011 Rupees
19.1	Goodwill acquired in business combination		**1,917,699,426**	1,917,699,426
	Accumulated impairment		**(1,225,357,500)**	-
		19.1.1	**692,341,926**	1,917,699,426

19.1.1 This represents goodwill arising on acquisition of Montebello s.r.l and represents the excess of cost of investment over its fair value. The Group assessed the recoverable amount at 30 June 2012 for impairment test of goodwill. The recoverable amount was determined using the discounted cash flow method by using a discount factor adjusted for country and other risks of 12% per annum and a terminal growth rate of 0.5%. The resultant amount of impairment has been allocated to goodwill in accordance with the requirement of International Accounting Standard on Impairment of assets (IAS - 36).

The main reason of impairment is decrease in sales revenue during the current year and expected revenue for the future years of FAB due to prevailing economic conditions in Europe.

19.2 This represents expenditure on development of new products and processes to gain competitive advantage in the national and international market.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

19.3 This represents expenditure incurred on implementation of Oracle Financials Suite.

	Cost					Amortization				
	As at 01 July 2011	**Additions / deletions**	**Exchange difference**	**As at 30 June 2012**	**Rate %**	**As at 01 July 2011**	**Charge for the year**	**Exchange difference**	**As at 30 June 2012**	**Net book value as at 30 June 2012**
	Rupees	**Rupees**	**Rupees**	**Rupees**		**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Development cost	**87,853,404**	**-**	**-**	**87,853,404**	**20.00**	**86,075,956**	**1,777,448**	**-**	**87,853,404**	**-**
Software	**15,208,817**	**-**	**(111,340)**	**15,097,477**	**20.00**	**8,615,911**	**2,682,411**	**(108,069)**	**11,190,253**	**3,907,224**
2012	**103,062,221**	**-**	**(111,340)**	**102,950,881**		**94,691,867**	**4,459,859**	**(108,069)**	**99,043,657**	**3,907,224**

	Cost					Amortization				
	As at 01 January 2010	Additions / deletions	Exchange difference	As at 30 June 2011	Rate %	As at 01 January 2010	Charge for the period	Exchange difference	As at 30 June 2011	Net book value as at 30 June 2011
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Development cost	87,853,404	-	-	87,853,404	20.00	82,875,904	3,200,052	-	86,075,956	1,777,448
Software	15,144,906	-	63,911	15,208,817	20.00	3,786,792	4,704,103	125,016	8,615,911	6,592,906
2011	102,998,310	-	63,911	103,062,221		86,662,696	7,904,155	125,016	94,691,867	8,370,354

19.4 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related intangible assets as at reporting date have been reported as assets of subsidiary classified as held for sale as referred in note 37.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

20 Long term investments

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

	Note	2012 Rupees	2011 Rupees
Cost	*20.1*	**18,664**	18,664
Fair value adjustment	*20.1*	**(3,833)**	(5,800)
		14,831	12,864

20.1 Particulars of investments are as follows:

Colony Mills Limited
4,332 (2011: 4,332) ordinary shares of Rs. 10 each.
Market value Rs. 1.72 per share (2011: Rs. 1.70 per share)

	2012	2011
Cost	**8,664**	8,664
Fair value adjustment	**(1,213)**	(1,300)
	7,451	7,364

JS Value Fund Limited
1,000 (2011: 1,000) ordinary shares of Rs. 10 each.
Market value Rs. 7.38 per share (2011: Rs. 5.50 per share)

	2012	2011
Cost	**10,000**	10,000
Fair value adjustment	**(2,620)**	(4,500)
	7,380	5,500
	14,831	12,864

21 Derivative financial assets

Cash flow hedges

Hedged item	Hedging instrument	Note	2012	2011
Mark-up payments on Term Finance Certificates at six months KIBOR plus 1.75% per annum.	Mark-up payments to Faysal Bank Limited on outstanding USD notional amount at fixed rate of 6.915% per annum.	*21.1*	-	48,894,931
			-	48,894,931
			-	(48,894,931)
Current maturity presented under current assets			-	-

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

21.1 The notional amount outstanding at the year end was US Dollar 3.755 million (2011: US Dollar 8.222 million). The derivative had a negative fair value of Rs. 7.424 million (2011: positive fair value of Rs. 48.895 million) as at reporting date which have been charged to finance cost and appearing as a liability under trade and other payables (refer to note 14).

	Note	**2012**	2011
		Rupees	Rupees
22 Long term deposits - unsecured, considered good			
Utility companies and regulatory authorities	*22.1*	**36,442,356**	37,761,584
Financial institutions	*22.2*	**3,046,600**	15,069,900
		39,488,956	52,831,484

22.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as its amortized cost is impracticable to determine.

22.2 These have been deposited with various banking companies and financial institutions against finance leases.

22.3 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related long term deposits as at reporting date have been reported as assets of subsidiary classified as held for sale as referred in note 37.

23 Non-current assets held for disposal

Three compressors and related equipments ("equipments") were replaced by AGL as a part of revamp project of the plant. These equipments were disclosed as non-current assets held for sale as it was management's intention to sell these equipments. However, management was unable to find a suitable buyer to date, and consequently these equipments have been reclassified to property, plant and equipment during the current year.

	Note	**2012**	2011
		Rupees	Rupees
Carrying value:			
- cost	*18.1*	**292,162,642**	292,162,642
- related revaluation surplus	*18.1*	**420,929,916**	420,929,916
		713,092,558	713,092,558
Less:			
- reclassified to property, plant and equipment		**(713,092,558)**	-
		-	713,092,558

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		2012	2011
		Rupees	Rupees
24	**Stores, spares and loose tools**		
	Stores and loose tools	**300,484,737**	625,281,477
	Spares	**34,564,133**	1,956,197,698
	Less: provision for slow moving and obsolete items	**(161,729,345)**	-
		173,319,525	2,581,479,175

24.1 Stores, spares and loose tools include items which may result in fixed capital expenditure but are not distinguishable.

24.2 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related stores, spares and loose tools as at reporting date have been reported as assets of subsidiary classified as held for sale as referred in note 37.

		Note	2012	2011
			Rupees	Rupees
25	**Stock in trade**			
	Raw material		**1,602,140,598**	2,385,114,167
	Work in process		**1,126,493,487**	1,203,103,809
	Finished goods		**481,079,302**	842,439,775
	Less: diminution in value of stock due to net realizable value	*25.1*	**(77,805,957)**	-
			3,131,907,430	4,430,657,751

25.1 Diminution in the value of stock is related to raw material.

25.2 Details of stock in trade pledged as security are referred to in note 46 to the financial statement.

25.3 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related stock in trade as at reporting date have been reported as assets of subsidiary classified as held for sale as referred in note 37.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
26 Trade receivables			
Local			
- secured	*26.1*	**7,427,983**	17,040,551
- unsecured, considered good		**156,800,352**	346,131,527
- unsecured, considered doubtful		**12,240,583**	63,872,628
		176,468,918	427,044,706
Foreign			
- secured	*26.1*	**222,401,742**	3,786,397,359
- unsecured, considered good		**2,439,539,729**	330,561,557
- unsecured, considered doubtful		**266,805,715**	296,487,456
		2,928,747,186	4,413,446,372
		3,105,216,104	4,840,491,078
Less: provision against trade receivables	*26.2*	**(279,046,298)**	(360,360,084)
		2,826,169,806	4,480,130,994

26.1 These are secured against letters of credit.

26.2 Movement in provision of trade receivables

	2012 Rupees	2011 Rupees
As at beginning of the year / period	**360,360,084**	87,734,850
Classified as held for sale	**(47,325,078)**	-
Provision recognized during the year / period	**178,851,438**	272,790,534
Less: provision written off	**(205,510,797)**	-
Exchange difference	**(7,329,349)**	(165,300)
As at end of the year / period	**279,046,298**	360,360,084

26.3 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS-5). Accordingly, related trade receivables as at reporting date have been reported as assets of subsidiary classified as held for sale as referred in note 37.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
27 Advances, deposits, prepayments and other receivables			
Advances to suppliers - unsecured, considered good		**406,305,075**	578,597,182
Advances to employees - unsecured, considered good	*27.1*	**33,673,181**	66,364,998
Security deposits		**5,435,136**	48,889,937
Margin deposits	*27.2*	**34,238,755**	40,684,741
Prepayments		**3,881,911**	9,525,931
Rebate receivable		**187,929,559**	255,001,106
Derivative financial assets		**-**	48,894,931
Sales tax recoverable		**161,260,746**	215,777,174
Subsidy receivable		**-**	550,823,960
Letters of credit		**48,712,485**	71,115,722
Insurance claims		**1,160,685**	42,066,943
Other receivables - unsecured, considered good		**10,288,518**	25,304,980
		892,886,051	1,953,047,605

27.1 These represent advances to employees for purchases and expenses on behalf of ANL and those against future salaries and post employment benefits in accordance with its policy and include advances to executives amounting Rs. 25.400 million (2011: Rs 38.153 million).

27.2 These represent deposits against letters of credit / guarantee and other working capital lines utilized.

27.3 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS-5). Accordingly, related advances, deposits, prepayments and other receivables as at reporting date have been reported as assets of subsidiary classified as held for sale as referred in note 37.

	Note	2012 Rupees	2011 Rupees
28 Current taxation			
As at beginning of the year / period		**298,819,762**	326,331,600
Paid during the year / period		**45,862,281**	195,628,766
Classified as held for sale	***37***	**(112,625,780)**	-
Provision for the year / period		**(115,954,408)**	(225,075,516)
Exchange difference		**(5,831,586)**	1,934,912
As at end of the year / period		**110,270,269**	298,819,762

28.1 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related tax refund as at reporting date has been reported as assets of subsidiary classified as held for sale as referred in note 37.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	Note	2012 Rupees	2011 Rupees
29 Cash and bank balances			
Cash in hand		**1,506,281**	3,171,175
Cash at banks			
- current accounts in local currency		**154,120,175**	138,978,176
- current accounts in foreign currency		**21,057,960**	17,566,731
- deposit accounts in local currency	*29.1*	**133,879,196**	144,560,240
- deposit accounts in foreign currency	*29.2*	**425,512**	432,700
		309,482,843	301,537,847
		310,989,124	304,709,022

29.1 These carry return at 5.00% to 13.34% per annum (2011: 5.00% to 15.12% per annum).

29.2 These carry return at prevailing LIBOR per annum (2011: prevailing LIBOR per annum).

29.3 AGL has been classified as held for sale in accordance with the requirements of International Financial Reporting Standard on Non-current assets held for sale and discontinued operations (IFRS - 5). Accordingly, related cash and bank balances as at reporting date have been reported as assets of subsidiary classified as held for sale as referred in note 37.

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
30 Sales - net			
Local		**1,771,497,625**	5,193,277,023
Export	*30.1*	**10,237,604,355**	13,296,159,340
		12,009,101,980	18,489,436,363
Export rebate		**46,963,486**	360,603,844
Sales tax		**(7,162,598)**	(3,992,502)
Trade discount		**(141,465,563)**	(188,393,124)
		11,907,437,305	18,657,654,581

30.1 These include indirect exports, taxable under Section 154 (3b) of the Income Tax Ordinance, 2001, amounting to Rs. 101.644 million (2011: Rs. 757.756 million).

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
31	**Cost of sales**			
	Raw materials consumed		**8,950,265,870**	12,000,793,624
	Salaries, wages and benefits	*31.1*	**1,519,645,224**	2,072,515,841
	Fuel and power		**897,713,749**	1,107,029,354
	Store and spares consumed		**494,836,797**	513,539,081
	Traveling, conveyance and entertainment		**138,103,555**	58,936,920
	Rent, rates and taxes		**13,387,780**	26,957,851
	Insurance		**66,818,393**	117,237,347
	Repair and maintenance		**38,497,321**	75,260,107
	Processing charges		**91,079,093**	99,945,635
	Depreciation	*18.3*	**521,196,274**	1,001,524,783
	Amortization	*19.3*	**1,777,448**	3,813,813
	Printing & stationery		**9,148,588**	22,764,537
	Communications		**5,272,985**	6,441,304
	Others		**59,504,308**	47,965,651
			12,807,247,385	17,154,725,848
	Work in process			
	As at beginning of the year / period		**678,642,704**	827,422,829
	As at end of the year / period		**(1,126,493,487)**	(678,642,704)
			(447,850,783)	148,780,125
	Cost of goods manufactured		**12,359,396,602**	17,303,505,973
	Finished goods			
	As at beginning of the year / period		**1,071,570,339**	1,814,474,410
	Purchased during the year / period		**-**	9,366,411
	As at end of the year / period		**(481,079,302)**	(1,071,570,339)
			590,491,037	752,270,482
			12,949,887,639	18,055,776,455

31.1 These include charge in respect of employees retirement benefits amounting to Rs. 38.095 million (2011: Rs. 53.958 million).

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
32	**Selling and distribution expenses**			
	Salaries and benefits	*32.1*	**124,686,047**	126,336,729
	Traveling, conveyance and entertainment		**38,457,947**	49,912,237
	Fuel and power		**24,965**	58,820
	Repair and maintenance		**981,578**	1,042,272
	Rent, rates and taxes		**622,721**	864,269
	Insurance		**4,464,768**	892,743
	Freight and other expenses		**380,069,911**	441,265,292
	Printing and stationery		**222,767**	405,538
	Communication		**29,100,990**	50,919,350
	Advertisement and marketing		**8,857,019**	15,614,570
	Legal and professional charges		**75,000**	1,672,000
	Fee and subscription		**435,588**	557,531
	Commission		**348,397,024**	162,481,620
	Miscellaneous		**1,702,915**	2,247,935
			938,099,240	854,270,906

32.1 These include charge in respect of employees retirement benefits amounting to Rs. 2.473 million (2011: Rs. 2.777 million).

		Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
33	**Administrative and general expenses**			
	Salaries and benefits	*33.1*	**319,762,209**	594,367,134
	Traveling, conveyance and entertainment		**67,831,458**	201,433,232
	Fuel and power		**24,636,687**	39,350,563
	Repair and maintenance		**25,020,577**	48,680,476
	Rent, rates and taxes		**20,469,658**	51,757,338
	Insurance		**3,064,947**	12,228,237
	Printing and stationery		**6,715,202**	15,413,705
	Communication		**30,309,366**	53,321,217
	Legal and professional charges	*33.2*	**29,141,218**	75,210,970
	Depreciation	*18.3*	**19,460,720**	20,517,167
	Amortization	*19.3*	**2,682,411**	4,090,342
	Fee and subscription		**32,898,641**	21,100,719
	Donations		**1,401,810**	160,000
	Others		**46,807,646**	15,454,911
			630,202,550	1,153,086,011

33.1 These include charge in respect of employees retirement benefits amounting to Rs. 9.468 million (2011: Rs. 12.656 million).

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
33.2	**These include following in respect of auditors' remuneration**			
	Annual statutory audit		**3,510,458**	2,453,290
	Report on consolidated financial statements		**750,000**	750,000
	Half yearly review		**500,000**	1,000,000
	Review report under Code of Corporate Governance		**150,000**	150,000
	Certification and other services		**360,000**	360,000
	Out of pocket expenses		**269,675**	100,000
			5,540,133	4,813,290
34	**Net other (expense) / income**			
	Net (losses) / gains on financial instruments			
	Deferred notional income	*9.1*	**1,189,908,326**	-
	Foreign exchange (loss) / gain		**(59,445,803)**	75,304,525
	Provision against trade receivables	*26.2*	**(178,851,438)**	(225,465,456)
	Return on bank deposits		**22,106,895**	8,287,889
	Gain on sale of investments		**-**	577,783,089
	Gain on settlement of long term finance		**-**	48,892,014
	Changes in fair value of fair value hedges		**-**	14,472,950
	Impairment of goodwill arose on acquisition of Montebello s.r.l.	*19.1*	**(1,225,357,500)**	-
			(251,639,520)	499,275,011
	Other income / (expense)			
	Loss on disposal of property, plant and equipment	*18.2*	**(709,228)**	(919,975)
	Miscellaneous		**57,546,245**	(101,175,201)
			56,837,017	(102,095,176)
			(194,802,503)	397,179,835
35	**Finance cost**			
	Interest / mark-up on:			
	Long term finances and redeemable capital		**1,250,058,880**	1,272,008,018
	Liabilities against assets subject to finance lease		**9,444,085**	8,234,778
	Short term borrowings		**1,707,117,151**	2,112,080,389
	Interest on Provident Fund		**20,193,978**	4,618,785
	Interest on worker's profit participation fund		**7,002,288**	8,319,551
			2,993,816,382	3,405,261,521
	Amortization of transaction costs	*9.1, 9.2 & 10.1*	**92,803,085**	16,411,286
	Foreign exchange (gain) / loss		**(79,485,627)**	53,102,591
	Bank charges and commission		**380,148,624**	321,708,533
			3,387,282,464	3,796,483,931

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	Note	**01 July 2011 to 30 June 2012**	01 January 2010 to 30 June 2011
		Rupees	Rupees
36 Taxation			
Current taxation	*36.1*	**(115,954,408)**	(173,289,635)

36.1 Provision for current tax has been made in accordance with section 154 of the Income Tax Ordinance, 2001 ("the Ordinance") keeping in view the provisions of circular no. 5 of 2000 and section 5 of the Ordinance.

36.2 In Tax Year 2007 the Income Tax Department passed the order under section 122(1) assessed loss at Rs. 175.711 million. ANL filed appeal against the order in CIT-A. The Income Tax Department filed second appeal in Appellate Tribunal Inland Revenue (ATIR). ATIR dismissed the departmental appeal. The appeal order has not yet been issued by the department in this respect.

36.3 Income tax return for the tax year 2008 has been filed and is deemed to have been assessed under section 120 of the Ordinance has been amended under section 122(5A) of the Ordinance. ANL filed Appeal against the Order in CIT-A. The CIT-A allowed Tax Payers appeal. Income Tax Department filed second appeal in ATIR. The ATIR dismissed the departmental appeal. The appeal order has not yet been issued by the department in this respect.

36.4 In tax year 2009 the Income Tax Department passed the order under section 122(1) of the Ordinance. ANL filed appeal against the order in CIT-A. The CIT-A dismissed the Taxpayer's appeal. The Taxpayer filled second appeal before ATIR. ATIR allowed the taxpayer appeal. The appeal order has not yet been issued by the department in this respect.

36.5 Income tax return for the tax year 2010 has been filed and is deemed to have been assessed under section 120 of the Ordinance. Later on Deputy Commissioner Inland Revenue rectified the Order under section 221 of the Ordinance for charge of Worker's Welfare Fund and Turnover tax on local sales under section 113 separately. ANL filed appeal against the rectification orders before CIT-A. The CIT-A allowed Taxpayer's appeal and delete the Worker's Welfare Fund. Whereas CIT-A upheld the order of Deputy Commissioner on issue of turnover tax. The taxpayer filed second appeal before ATIR which is pending for adjudication.

36.6 Income Tax Return for the tax year 2011 has been filed which deemed to have been assessed under section 120 of the Ordinance.

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

36.7 Export sales, including proposed claims for indirect exports of ANL are expected to achieve its threshold, 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.

36.8 There is no relationship between tax expense and accounting loss since the Group's losses are subject to tax under the Final Tax Regime. Accordingly, no numerical reconciliation has been presented.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

37 Disposal group

Due to the facts disclosed in note 2.2 (b) to these consolidated financial statements, the Group's subsidiary namely AGL has now been classified as a disposal group / subsidiary held for disposal. Adjustments to the carrying value of AGL are not required as fair value less cost to sell is higher than the carrying value.

The following are the results for the year ending 30 June 2012 and the comparative period of discontinued operations.

	01 July 2011 to 30 June 2012	01 January 2010 to 30 June 2011
	Rupees	Rupees
Results of discontinued operations		
Sales - *net*	**5,697,064,161**	10,390,447,258
Cost of sales	**(4,219,244,562)**	(7,306,017,545)
Gross profit	**1,477,819,599**	3,084,429,713
Selling and distribution expenses	**(213,598,164)**	(454,465,348)
Administrative and general expenses	**(529,881,394)**	(386,608,164)
Operating profit	**734,340,041**	2,243,356,201
Finance cost	**(2,843,661,959)**	(3,053,453,110)
Net other income	**255,528,508**	167,062,907
Loss before taxation	**(1,853,793,410)**	(643,034,002)
Taxation	**207,201,229**	1,356,333,973
(Loss) / profit after taxation	**(1,646,592,181)**	713,299,971

Assets and liabilities of subsidiary classified as held for sale

		2012
		Rupees
Assets of subsidiary classified as held for sale		
Property, plant and equipment		
Operating fixed assets	**37,156,269,276**	
Capital work in progress	**41,675,835**	
		37,197,945,111
Intangible assets		
Software	**30,942,835**	
Goodwill acquired in business combination	**2,567,310,828**	
		2,598,253,663
Goodwill arising on acquisition of AGL		**916,336,314**
Long term advances		**25,297,091**
Long term deposits - *unsecured, considered good*		**41,619,209**
Stores, spares and loose tools		**2,106,731,093**
Stock in trade		**667,938,748**
Trade receivables		
Gross trade receivables	**56,473,210**	
Less: provision for doubtful balances	**(43,733,372)**	
		12,739,838
Advances, deposits, prepayments and other receivables		**767,832,053**
Current taxation		**55,189,910**
Cash and bank balances		**217,434,545**
		44,607,317,575

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

		2012 Rupees
Liabilities of subsidiary classified as held for sale		
Subordinated loan		**340,000,000**
Redeemable capital - secured		
Principal amount	**11,394,469,392**	
Less: transaction cost	**(236,787,449)**	
Less: deferred notional income	**(104,991,352)**	
		11,052,690,591
Long term finances - secured		
Principal amount	**7,798,473,284**	
Less: transaction cost	**(110,299,784)**	
		7,688,173,500
Liabilities against assets subject to finance lease - *secured*		**144,331,119**
Long term payables - *unsecured*		**31,135,199**
Staff retirement benefits		**10,987,413**
Deferred taxation - *net*		**2,701,490,476**
Short term borrowings		**3,338,017,160**
Trade and other payables		**2,395,498,348**
Interest / mark-up accrued on borrowings		
Redeemable capital	**1,522,910,243**	
Long term loans	**1,030,961,582**	
Short term loans	**403,144,275**	
Subordinated loan	**169,603,364**	
		3,126,619,464
		30,828,943,270

	Unit	01 July 2011 to 30 June 2012	01 January 2010 to 30 June 2011
38 (Loss) / earning per share - basic and diluted			
38.1 From continuing operations			
Loss attributable to ordinary shareholders	*Rupees*	**(6,308,791,499)**	(5,007,663,475)
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**454,871,870**	454,871,870
Loss per share	*Rupees*	**(13.87)**	(11.01)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

		Unit	01 July 2011 to 30 June 2012	01 January 2010 to 30 June 2011
38.2	**From discontinued operations**			
	(Loss) / earning attributable to ordinary shareholders	*Rupees*	**(1,388,729,902)**	596,520,933
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**454,871,870**	454,871,870
	(Loss) / earning per share	*Rupees*	**(3.05)**	1.31

There is no dilution effect on the basic loss per share as the Group has no such commitments.

39 Government grant

During the year, ANL lodged claims amounting to Rs. 63.225 million (2011: Rs. 360.604 million) as export rebate / duty draw-back respectively which have been accounted for as government grant in accordance with IAS 20 'Government Grants'. Research and rebates has been recognized as income and added to sales.

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
40 Cash generated from operations			
Loss before taxation		**(6,192,837,091)**	(4,804,782,887)
Adjustments for non-cash and other items			
Interest / mark-up expense		**2,751,779,755**	3,392,323,185
Loss on disposal of fixed assets		**709,228**	919,976
Gain on settlement of long term finances		-	(48,892,014)
Gain on disposal of investments		-	(577,783,089)
Foreign exchange gain		**(20,039,824)**	(22,201,934)
Impairment of goodwill arose on acquisition of Montebello		**1,225,357,500**	-
Changes in fair value of fair value hedges		**7,424,080**	(14,472,950)
Translation reserve		**(1,703,561)**	-
Depreciation		**540,656,994**	1,022,041,950
Amortization of transaction costs on borrowings		**92,803,085**	16,411,286
Amortization of intangible assets		**4,459,859**	7,904,155
Provision for impairment of receivables		**178,851,438**	225,465,456
Deferred notional income		**(1,189,908,326)**	-
		3,590,390,228	4,001,716,021
Operating loss before changes in working capital		**(2,602,446,863)**	(803,066,866)

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
		(2,602,446,863)	(803,066,866)
Changes in working capital			
Decrease / (increase) in current assets:			
Stores, spares and loose tools		**299,709,439**	(68,577,854)
Stock in trade		**926,216,410**	1,031,825,012
Trade receivables		**1,338,165,231**	(838,979,624)
Advances, deposits, prepayments and other receivables		**114,169,649**	454,691,627
Long term deposits		**-**	(4,300,870)
		2,678,260,729	574,658,291
Increase in current liabilities:			
Trade and other payables		**225,657,055**	1,024,700,752
Cash generated from operations		**301,470,921**	796,292,177

41 Cash and cash equivalents

	Note	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
Cash and bank balances	*29*	**310,989,124**	304,709,022

42 Transactions and balances with related parties

Related parties from the Group's perspective comprise, associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. The Group 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 at arm's length.

	01 July 2011 to 30 June 2012 Rupees	01 January 2010 to 30 June 2011 Rupees
Details of transactions and balances with related parties is as follows:		
42.1 Transactions with related parties		
42.1.1 Associated companies		
Redeemable capital	**21,560,000**	-
Mark-up on subordinated loan	**54,231,770**	54,835,852
Mark-up expense on redeemable capital	**14,220,152**	14,573,756
42.1.2 Post employment benefit plans		
Contribution to employees provident fund trust	**68,116,404**	86,813,864
Contribution to employees gratuity trust	**9,386,666**	7,179,903
Interest payable on employees provident fund	**20,193,978**	4,618,785

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

		2012 Rupees	2011 Rupees
42.1.3	**Key management personnel**		
	Short term employee benefits	**45,895,304**	58,506,756
	Post employment benefits	**2,589,000**	2,657,094
42.2	**Balances with related parties**		
42.2.1	**Associated companies**		
	Subordinated loan	**340,000,000**	340,000,000
	Redeemable capital	**110,722,118**	89,182,935
	Mark-up payable	**181,139,325**	123,553,110
	Accrued liabilities	**70,000,000**	70,000,000
42.2.3	**Post employment benefit plans**		
	Payable to employees provident fund trust	**101,502,653**	114,407,991
	Payable to employees gratuity trust	**10,987,413**	22,998,024
42.2.4	**Key management personnel**		
	Short term employee benefits payable	**9,078,283**	5,120,033

43 Financial instruments

43.1 Financial assets by class and category

	2012			
	Loans and receivables Rupees	Available for sale financial assets Rupees	Derivatives Rupees	Total financial assets Rupees
Continuing operations				
Investments	-	14,831	-	14,831
Long term deposits	39,488,956	-	-	39,488,956
Trade receivables	2,826,169,806	-	-	2,826,169,806
Advances to employees	33,673,181	-	-	33,673,181
Security deposits	5,435,136	-	-	5,435,136
Margin deposits	34,238,755	-	-	34,238,755
Insurance claims	1,160,685	-	-	1,160,685
Cash and bank balances	310,989,124	-	-	310,989,124
	3,251,155,643	14,831	-	3,251,170,474
Discontinued operation	918,999,339	-	-	918,999,339
	4,170,154,982	14,831	-	4,170,169,813

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	2011			
	Loans and receivables	Available for sale financial assets	Derivatives	Total financial assets
	Rupees	Rupees	Rupees	Rupees
Investments	-	12,864	-	12,864
Cash flow hedges	-	-	48,894,931	48,894,931
Long term deposits	52,831,484	-	-	52,831,484
Trade receivables	4,480,130,994	-	-	4,480,130,994
Advances to employees	66,364,998	-	-	66,364,998
Security deposits	48,889,937	-	-	48,889,937
Margin deposits	40,684,741	-	-	40,684,741
Insurance claims	42,066,943	-	-	42,066,943
Cash and bank balances	304,709,022	-	-	304,709,022
	5,035,678,119	12,864	48,894,931	5,084,585,914

43.2 Financial liabilities by class and category

	2012		
	Financial liabilities at amortized cost	**Derivatives**	**Total financial liabilities**
	Rupees	**Rupees**	**Rupees**
Continuing operations			
Redeemable capital	**8,038,939,061**	**-**	**8,038,939,061**
Long term finances	**3,436,652,874**	**-**	**3,436,652,874**
Liabilities against assets subject to finance lease	**36,436,705**	**-**	**36,436,705**
Short term borrowings	**8,433,954,491**	**-**	**8,433,954,491**
Trade creditors	**1,590,268,928**	**-**	**1,590,268,928**
Bills payable	**1,755,448,679**	**-**	**1,755,448,679**
Accrued liabilities	**568,729,225**	**-**	**568,729,225**
Payable to provident fund trust	**96,248,979**	**-**	**96,248,979**
Other payables	**98,584,330**	**-**	**98,584,330**
Mark-up accrued on borrowings	**1,357,356,641**	**-**	**1,357,356,641**
Dividend payable	**32,729,078**	**-**	**32,729,078**
Derivative financial liability	**-**	**7,424,080**	**7,424,080**
	25,445,348,991	**7,424,080**	**25,452,773,071**
Discontinued operation	**28,101,918,828**	**-**	**28,101,918,828**
	53,547,267,819	**7,424,080**	**53,554,691,899**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

	2011		
	Financial liabilities at amortized cost	Derivatives	Total financial liabilities
	Rupees	Rupees	Rupees
Redeemable capital	15,042,888,248	-	15,042,888,248
Long term finances	11,277,540,361	-	11,277,540,361
Liabilities against assets subject to finance lease	241,181,441	-	241,181,441
Short term borrowings	11,284,647,753	-	11,284,647,753
Trade creditors	3,106,583,119	-	3,106,583,119
Bills payable	1,703,216,228	-	1,703,216,228
Accrued liabilities	563,643,371	-	563,643,371
Payable to provident fund trust	114,407,990	-	114,407,990
Other payables	249,639,523	-	249,639,523
Mark-up accrued on borrowings	5,485,634,382	-	5,485,634,382
Dividend payable	32,729,078	-	32,729,078
Derivative financial liability	-	-	-
	49,102,111,494	-	49,102,111,494

43.3 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

43.3.1 Methods of determining fair values

Fair values of financial instruments, with the exception of investment in subsidiaries, for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market and those of investments in subsidiaries are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

43.3.2 Discount / interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

43.3.3 Significant assumptions used in determining fair values

Fair values of financial asset and liabilities that are measured at fair value subsequent to initial recognition are determined by using discounted cash flow analysis. This analysis requires management to make significant assumptions and estimates which may cause material adjustments to the carrying amounts of financial assets and financial liabilities in future periods. These assumptions are not fully supportable by observable market prices or rates. Significant assumptions used by the Group in determining fair value of financial assets and liabilities and information about other estimation uncertainties are as follows:

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

Derivative financial instruments

In determining fair values of derivative financial instruments, a risk adjusted discount factor of 11.96% (2011: 13.78%) per annum has been used. If discount factor was 1% higher or lower, the carrying amount of derivative financial instruments would increase or decrease by Rs. 0.016 million or Rs. 0.016 million (2011: decrease or increase by Rs. 0.25 million or Rs. 0.26 million) respectively. The Group also makes assumptions about future foreign exchange rates which may effect fair values of derivative financial instruments. Sensitivity of fair values of derivative financial instruments to changes in foreign exchange rates is referred to in note 44.3.1(b) to the financial instruments. However, there are no other sources of estimation uncertainty that may have a significant risk of causing any material adjustment to the carrying amounts of derivative financial instruments.

43.3.4 Significance of fair value accounting estimates to the Group's financial position and performance

The Group 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 Group 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 consolidated 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 Financial risk exposure and management

The Group’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Group.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Group’s exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Group is responsible for administering and monitoring the financial and operational financial risk management throughout the Group in accordance with the risk management framework.

The Group’s exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Group and the manner in which such risks are managed is as follows:

44.1 Credit risk

Credit risk is the risk of financial loss to the Group, if counterparty to a financial asset fails to meet its obligations.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

44.1.1 Maximum exposure to credit risk

The maximum exposure to credit risk as at the reporting date is as follows:

	Note	2012 Rupees	2011 Rupees
Available for sale financial assets			
Loans and receivables			
Continuing operations			
Long term deposit with utility companies and regulatory authorities	*22*	**36,442,356**	37,761,584
Long term deposits with financial institutions	*22*	**3,046,600**	15,069,900
Trade receivables	*26*	**2,826,169,806**	4,480,130,994
Security deposits	*27*	**5,435,136**	48,889,937
Advance to employees	*27*	**33,673,181**	66,364,998
Margin deposits	*27*	**34,238,755**	40,684,741
Insurance claims	*27*	**1,160,685**	42,066,943
Cash at banks	*29*	**309,482,843**	301,537,847
		3,249,649,362	5,032,506,944
Discontinued operations		**361,592,209**	-
		3,611,241,571	5,032,506,944
Derivative financial assets			
Cash flow hedges		**-**	48,894,931
		3,611,241,571	5,081,401,875

44.1.2 Concentration of credit risk

The Group identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	2012 Rupees	2011 Rupees
Continuing operations		
Customers	**2,826,169,806**	4,480,130,994
Banking companies and financial institutions	**352,203,334**	455,077,356
Others	**71,276,222**	146,193,525
	3,249,649,362	5,081,401,875
Discontinued operations	**361,592,209**	-
	3,611,241,571	5,081,401,875

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, insurance claims and cash flow hedges, and issuers of debt securities which are counterparties to investment in debt securities and accrued return thereon. These 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 Group.

44.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade receivables. The Group is exposed to credit risk in respect of trade receivables. The analysis of ages of trade receivables as at the reporting date is as follows:

	2012		2011	
	Gross carrying amount Rupees	**Accumulated impairment Rupees**	Gross carrying amount Rupees	Accumulated impairment Rupees
Continuing operations				
Neither past due nor impaired	**1,217,711,630**	**-**	3,655,895,368	-
Past due by 0 to 6 months	**467,036,689**	**-**	459,920,401	-
Past due by 6 to 12 months	**870,360,808**	**-**	278,503,814	-
Past due by more than one year	**550,106,977**	**279,046,298**	446,171,495	360,360,084
	3,105,216,104	**279,046,298**	4,840,491,078	360,360,084
Discontinued operations	**56,473,210**	**43,733,372**	116,126,948	47,325,078
	3,161,689,314	**322,779,670**	4,956,618,026	407,685,162

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

The Group's five significant customers account for Rs. 459 million (2011: Rs. 2,071 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 2% (2011: 5%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 230 million (2011: Rs. 1,838 million) secured through confirmed letters of credit and thus do not carry any significant credit risk.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or those past due by less one year, since these relate to customers who have had good payment record with the Group.

44.1.4 Collateral held

The Group 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

As mentioned in note 44.1.3(b) to the consolidated financial statements, the Group'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 Group 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 the Group will not be able to meet its financial obligations as they fall due.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

44.2.1 Exposure to liquidity risk

44.2.1(a) *Contractual maturities of financial liabilities, including estimated interest payments of Group's continuing operations:*

	2012				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Non-derivative financial liabilities					
Redeemable capital	**8,038,939,061**	**9,228,296,765**	**2,844,243,569**	**2,136,201,971**	**4,247,851,225**
Long term finances	**3,436,652,874**	**3,921,163,422**	**2,058,623,610**	**528,022,039**	**1,334,517,773**
Liabilities against assets subject to finance lease	**36,436,705**	**44,819,982**	**17,050,310**	**27,769,672**	**-**
Short term borrowings	**8,433,954,491**	**8,792,463,142**	**8,792,463,142**	**-**	**-**
Trade creditors	**1,590,268,928**	**1,590,268,928**	**1,590,268,928**	**-**	**-**
Accrued liabilities	**568,729,225**	**568,729,225**	**568,729,225**	**-**	**-**
Payable to provident fund trust	**96,248,979**	**96,248,979**	**96,248,979**	**-**	**-**
Workers' profit participation fund	**47,015,366**	**47,015,366**	**47,015,366**	**-**	**-**
Other payables	**98,584,330**	**98,584,330**	**98,584,330**	**-**	**-**
Bills payable	**1,755,448,679**	**1,755,448,679**	**1,755,448,679**	**-**	**-**
Mark-up accrued on borrowings	**1,357,356,641**	**1,357,356,641**	**1,357,356,641**	**-**	**-**
Dividend payable	**32,729,078**	**32,729,078**	**32,729,078**	**-**	**-**
	25,492,364,357	**27,533,124,537**	**19,258,761,857**	**2,691,993,682**	**5,582,368,998**
Derivative financial liabilities					
Cross currency swaps	**7,424,080**	**7,623,558**	**7,623,558**	**-**	**-**
	25,499,788,437	**27,540,748,095**	**19,266,385,415**	**2,691,993,682**	**5,582,368,998**

	2011				
	Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Non-derivative financial liabilities					
Subordinated loan	340,000,000	391,000,000	-	-	391,000,000
Redeemable capital	15,042,888,248	10,096,525,186	4,113,983,187	2,328,683,310	3,653,858,689
Long term finances	11,277,540,361	16,909,475,090	2,552,871,508	5,836,713,153	8,519,890,429
Liabilities against assets subject to finance lease	241,181,441	140,452,112	94,502,764	45,949,348	-
Long term payable	31,135,199	31,135,199	31,135,199	-	-
Short term borrowings	11,284,647,753	12,077,690,144	12,077,690,144	-	-
Trade creditors	3,106,583,119	4,109,799,347	4,109,799,347	-	-
Accrued liabilities	563,643,371	563,643,371	563,643,371	-	-
Payable to provident fund trust	114,407,990	114,407,990	114,407,990	-	-
Workers' profit participation fund	49,866,304	49,866,304	49,866,304	-	-
Other payables	249,639,523	249,639,523	249,639,523	-	-
Bills payable	1,703,216,228	1,703,216,228	1,703,216,228	-	-
Mark-up accrued on borrowings	6,185,634,382	6,185,634,382	6,185,634,382	-	-
Dividend payable	32,729,078	32,729,078	32,729,078	-	-
	50,223,112,997	52,655,213,954	31,879,119,025	8,211,345,811	12,564,749,118
Derivative financial liabilities					
Cross currency swaps	-	-	-	-	-
	-	-	-	-	-
	50,223,112,997	52,655,213,954	31,879,119,025	8,211,345,811	12,564,749,118

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

44.2.1(b) ***Periods in which cash flows associated with cash flow hedges are expected to occur from Group's continuing operations:***

	2012				
	Carrying amount	**Expected cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Assets	-	-	-	-	-
Liabilities	**7,424,080**	**7,623,558**	**7,623,558**	-	-
	7,424,080	**7,623,558**	**7,623,558**	-	-

	2011				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	48,894,931	54,714,489	54,714,489	-	-
Liabilities	-	-	-	-	-
	48,894,931	54,714,489	54,714,489	-	-

44.2.1(c) ***Periods in which cash flows associated with cash flow hedges are expected to impact profit and loss from Group's continuing operations:***

	2012				
	Carrying amount	**Expected cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Assets	-	-	-	-	-
Liabilities	**7,424,080**	**7,623,558**	**7,623,558**	-	-
	7,424,080	**7,623,558**	**7,623,558**	-	-

	2011				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	48,894,931	54,714,489	54,714,489	-	-
Liabilities	-	-	-	-	-
	48,894,931	54,714,489	54,714,489	-	-

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

44.2.2 Liquidity risk management

The Group'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 Group's reputation.

ANL is facing a temporary liquidity shortfall due to the facts disclosed in note 2.2 as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	Principal	Interest / markup	Total
	Rupees	Rupees	Rupees
Nature of liability			
Preference shares	574,518,935	-	574,518,935
Dividend on preference shares	28,727,041	-	28,727,041
Long term finances	1,066,500,000	211,479,391	1,277,979,391
Redeemable capital	-	120,047,098	120,047,098
Short term borrowings	1,119,457,014	83,881,949	1,203,338,963
Bills payables	1,517,317,503	77,156,021	1,594,473,524
	4,306,520,493	**492,564,459**	**4,799,084,952**

ANL during the year entered into MRA-1 as a result of which it has been allowed grace period ranging from one to three years for the repayment of long term debts after adjustment of Rs. 4,480.477 million at the date shares of Agritech Limited are transferred to the purchasers. Further, ANL during the year has also converted outstanding mark-up till 31st March 2012 amounting to Rs. 3,218.670 million into PPTFC's. With the proposed divestment of shareholding in Agritech Limited as explained in note 2.2 and consequent improvement in its liquidity, ANL will make repayment / prepayment of some of its debts including the current over dues. Further, the amount outstanding towards preference shares and abovementioned overdue mark-up is proposed to be converted into long term debt instruments for which negotiations are in process.

All the long term financial liabilities mentioned above have been classified as current liabilities in these consolidated financial statements as stated in note 9.7 and 10.8.

44.3 Market risk

44.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

44.3.1(a) Exposure to currency risk

The Group's exposure to currency risk as at the reporting date is as follows:

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	2012					
	AED	EURO	USD	GBP	CHF	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Trade receivables	-	2,692,179,261	880,533,636	175,447,134	-	3,748,160,031
Cash and bank balances	-	21,580,786	112,107	-	-	21,692,893
	-	2,713,760,047	880,645,743	175,447,134	-	3,769,852,924
Liabilities						
Long term finances	-	(1,422,000,000)	-	-	-	(1,422,000,000)
Short term borrowings	-	(38,621,304)	(441,391,310)	-	-	(480,012,614)
Mark-up accrued on borrowings	-	(238,107,307)	(9,758,124)	-	-	(247,865,431)
Trade creditors	-	(39,293,136)	(53,194,399)	(58,728)	-	(92,546,263)
Bills payable	(32,786)	(39,773,458)	(203,843,804)	-	(722,367)	(244,372,415)
	(32,786)	(1,777,795,205)	(708,187,637)	(58,728)	(722,367)	(2,486,796,723)
Gross balance sheet exposure	(32,786)	935,964,842	172,458,106	175,388,406	(722,367)	1,283,056,201
Fair value of hedging instruments						(7,424,080)
Net balance sheet exposure						1,275,632,121

	2011					
	AED	EURO	USD	GBP	YEN	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Trade receivables	-	3,046,601,936	862,355,303	208,001,677	-	4,116,958,916
Cash and bank balances	-	17,918,829	102,407	-	-	18,021,236
	-	3,064,520,765	862,457,710	208,001,677	-	4,134,980,152
Liabilities						
Long term finances	-	(1,588,113,482)	-	-	-	(1,588,113,482)
Short term borrowings	-	-	(247,393,750)	-	-	(247,393,750)
Mark-up accrued on borrowings	-	-	(3,311,712)	-	-	(3,311,712)
Trade creditors	-	(128,546,980)	(64,028,909)	62,560	-	(192,513,329)
Bills payable	(977,547)	(6,809,065)	(55,242,278)	-	-	(63,028,890)
	(977,547)	(1,723,469,527)	(369,976,649)	62,560	-	(2,094,361,163)
Gross balance sheet exposure	(977,547)	1,341,051,238	492,481,061	208,064,237	-	2,040,618,989
Fair value of hedging instruments						48,894,931
Net balance sheet exposure						2,089,513,920

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

44.3.1(b) Exchange rates applied during the year

Foreign exchange rates applied during the year are as follows:

	2012		
	Spot rate		**Average rate for the year**
	Buying	**Selling**	
	Rupees	**Rupees**	**Rupees**
EURO	**118.25**	**118.50**	**119.56**
USD	**94.00**	**94.20**	**89.35**
GBP	**146.76**	**147.07**	**141.53**
CHF	**98.41**	**98.62**	**99.2**
AED	**25.59**	**25.65**	**24.35**

	2011		
	Spot rate		Average rate for the year
	Buying	Selling	
	Rupees	Rupees	Rupees
EURO	124.60	124.89	122.71
USD	85.85	86.05	85.08
GBP	138.30	138.62	136.85
YEN	1.07	1.07	0.99
AED	23.37	23.43	23.01

44.3.1(c) Sensitivity analysis

A ten percent depreciation in Pak Rupee against the following currencies would have increased / (decreased) loss and equity by the amounts presented below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2012		2011	
	Equity	**Profit**	Equity	Profit
	Rupees	**Rupees**	Rupees	Rupees
AED	**-**	**(3,279)**	-	(97,755)
EURO	**-**	**93,596,484**	-	134,105,124
USD	**-**	**17,245,811**	4,889,493	49,248,106
GBP	**-**	**17,538,841**	-	20,806,424
CHF	**-**	**(72,237)**	-	-
	-	**128,305,620**	4,889,493	204,061,899

A ten percent appreciation in Pak Rupee against the above currencies would have any equal but opposite effect profit or loss and equity.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

44.3.1(d) Currency risk management

The Group manages its exposure to currency risk through continuous monitoring of expected / forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly bases, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities / payments to assets / receipts, using source inputs in foreign currency and arranging cross currency swaps to hedge non-functional currency debt. The Group maintains foreign currency working capital lines in order to finance production of exportable goods. Proceeds from exports are used to repay / settle / rollover the Group'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. The Group also occasionally uses currency options to cover any significant unfavorable rate scenarios.

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.

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 consolidated financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2012		2011	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	Rupees	**Rupees**	Rupees	Rupees
Non-derivative financial instruments				
Fixed rate instruments	**709,310**	**4,066,574,126**	116,973,030	317,158,570
Variable rate instruments	**399,669,906**	**12,669,922,815**	266,514,664	16,504,042,560
Derivative financial instruments				
Cash flow hedges	**-**	**7,424,080**	48,894,931	-

44.3.2(b) Fair value sensitivity analysis for fixed rate instruments and fair value hedges

The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

44.3.2(c) Cash flow sensitivity analysis for variable rate instruments and cash flow hedges

A change of 100 basispoints in interest rates as at the reporting date would have increased / (decreased) loss and equity by amountspresented below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	2012		2011	
	Equity	**Loss**	Equity	Loss
	Rupees	**Rupees**	Rupees	Rupees
Increase of 100 basis points				
Variable rate instruments	**-**	**(122,702,529)**	-	(168,212,011)
Cash flow hedges		**16,207**	(254,458)	
	-	**(122,686,322)**	(254,458)	(168,212,011)
Decrease of 100 basis points				
Variable rate instruments	**-**	**122,702,529**	-	168,212,011
Cash flow hedges	**-**	**(16,278)**	254,458	-
	-	**122,686,251**	254,458	168,212,011

44.3.2(d) Interest rate risk management

The Group manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points. Cross currency swaps are also arranged to transfer exposure to more stable markets. Fair value interest rate risk are managed by arranging fixed to variable rate swaps.

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. The Group is not exposed to price risk since the fair values of the Group's financial instruments are not based on market prices.

45 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders. The Group seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Group monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises, redeemable capital, long term finances and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity as shown in the consolidated balance sheet including surplus on revaluation of financial assets plus debt. The Group's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Group as at the reporting date is as follows:

	Unit	**2012**	2011
		Rupees	Rupees
Total debt	*Rupees*	**31,189,302,435**	26,561,610,050
Total equity	*Rupees*	**6,498,127,552**	14,247,503,413
Total capital employed		**37,687,429,987**	40,809,113,463
Gearing	*% age*	**82.76%**	65.09%

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

There were no changes in the Group's approach to capital management during the year. However, defaults / overdue relating to financial obligations of the Group, as referred to in note 44.2.2 to the consolidated financial statements, may cause changes in the Group's approach to capital management. The Group is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

	2012	2011
	Rupees	Rupees
46 Restriction on title and assets pledged as security		
Mortgages and charges		
Hypothecation of all present and future assets and properties	**32,416,666,666**	56,411,873,883
Mortgage over land and building	**32,416,666,666**	52,831,540,883
Pledge		
Raw material	**1,181,795,027**	1,074,182,210
Finished goods	**464,889,150**	84,117,194

47 Segment information

47.1 Products and services from which reportable segments derive their revenues

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on type of goods supplied. The Group's reportable segments are therefore as follows:

Segment	**Product**
Textile and apparel	Denim and other textile products
Fertilizer	Nitrogenous and phosphatic fertilizers

Information regarding Group's reportable segments is presented below.

47.2 Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Textile and apparel	
	30 June 2012	30 June 2011
	Rupees	Rupees
Continuing operations		
Segment revenue	**11,907,437,305**	18,657,654,581
Segment loss	**(6,308,791,499)**	(4,978,072,522)

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	Fertilizer	
	30 June 2012	30 June 2011
	Rupees	Rupees
Discontinued operations		
Segment revenue	**5,697,064,161**	10,390,447,258
Segment (loss) / profit	**(1,646,592,181)**	713,299,971

	Total	
	30 June 2012	30 June 2011
	Rupees	Rupees
Segment revenue	**17,604,501,466**	29,048,101,839
Segment loss	**(7,955,383,680)**	(4,264,772,551)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the reporting year / period.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit / (loss) represents profit / (loss) after taxation earned by segment. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

47.3 Segment assets and liabilities

	Textile and apparel	
	30 June 2012	30 June 2011
	Rupees	Rupees
Continuing operations		
Segment assets	**22,513,942,986**	27,107,388,034
Segment liabilities	**24,984,916,915**	23,111,884,513

	Fertilizer	
	30 June 2012	30 June 2011
	Rupees	Rupees
Discontinued operations		
Segment assets	**43,690,981,261**	43,757,380,707
Segment liabilities	**30,828,943,270**	30,431,339,117

	Total	
	30 June 2012	30 June 2011
	Rupees	Rupees
Segment assets	**66,204,924,247**	70,864,768,741
Segment liabilities	**55,813,860,185**	53,543,223,630

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

47.4 Additions to non-current assets

Additions to non-current assets for each reportable segment are as follows:

	Textile and apparel	
	30 June 2012	30 June 2011
	Rupees	Rupees
Continuing operations		
Property, plant and equipment	**107,373,262**	819,758,588

	Fertilizer	
	30 June 2012	30 June 2011
	Rupees	Rupees
Discontinued operations		
Property, plant and equipment	**12,841,975,789**	14,995,393,443
Intangible assets	**32,288,176**	-

47.5 Other segment information

	Textile and apparel	
	30 June 2012	30 June 2011
	Rupees	Rupees
Continuing operations		
Depreciation	**540,656,994**	1,940,206,717
Amortization	**4,459,859**	7,904,155
Interest expense	**3,373,965,006**	3,726,970,054
Interest income	**61,299,891**	8,287,889
Income tax expense	**(115,954,408)**	(173,289,635)

	Fertilizer	
	30 June 2012	30 June 2011
	Rupees	Rupees
Discontinued operations		
Depreciation	**811,383,356**	918,644,688
Amortization	**1,345,341**	60,599,575
Interest expense	**3,501,085,623**	4,938,938,377
Interest income	**66,573,370**	29,650,021
Income tax (expense) / income	**207,201,229**	1,356,333,973

Notes to the Consolidated Financial Statements
for the year ended 30 June 2012

	Total	
	30 June 2012	30 June 2011
	Rupees	Rupees
Depreciation	**1,352,040,350**	2,858,851,405
Amortization	**5,805,200**	68,503,730
Interest expense	**6,875,050,629**	8,665,908,431
Interest income	**127,873,261**	37,937,910
Income tax income	**91,246,821**	1,183,044,338

47.6 Reconciliations

Segment revenue

Total segment revenue	**17,604,501,466**	29,048,101,839
Revenue from discontinued operations	**(5,697,064,161)**	(10,390,447,258)
Total group revenue	**11,907,437,305**	18,657,654,581

Segment loss

Total segment loss	**7,955,383,680**	4,264,772,551

47.7 Geographical information

The Group operates in two geographical areas; Pakistan and Europe. The Group's revenue from external customers and information about its non-current assets by geographical location are as follows:

	Non-current assets	
	30 June 2012	30 June 2011
	Rupees	Rupees
Pakistan	**13,429,169,817**	54,415,459,675
Europe	**722,894,650**	1,957,784,491
	14,152,064,467	56,373,244,166

	Revenue from external customer	
	30 June 2012	30 June 2011
	Rupees	Rupees
Pakistan	**16,740,766,908**	26,820,311,843
Europe	**863,734,558**	2,227,789,996
	17,604,501,466	29,048,101,839

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

48 Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2012		
	Chief Executive	**Directors**	**Executives**
	Rupees	**Rupees**	**Rupees**
Managerial remuneration	**15,999,996**	**14,458,860**	**266,251,610**
Allowances and perquisites	**8,000,004**	**7,436,444**	**64,399,633**
Post employment benefits	**1,359,996**	**1,229,004**	**181,374,753**
	25,359,996	**23,124,308**	**512,025,996**
Number of persons	**1**	**6**	**214**

	2011		
	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees
Managerial remuneration	17,399,997	17,671,060	337,097,970
Allowances and perquisites	12,700,003	10,735,696	81,270,556
Post employment benefits	1,478,997	1,178,097	17,217,976
	31,578,997	29,584,853	435,586,502
Number of persons	1	6	216

48.1 The chief executive, two directors and certain executives are provided with free use of Company maintained car.

49 Plant capacity and actual production

	Unit	**2012**	2011
		Rupees	Rupees
Spinning			
Number of rotors installed	*No.*	**2,416**	2,416
Plant capacity on the basis of utilization converted into 6.5s count	*Kgs*	**8,722,579**	11,218,474
Actual production converted into 6.5s count	*Kgs*	**6,844,047**	9,104,294
Number of spindles installed	*No.*	**54,408**	54,408
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**7,085,211**	12,814,834
Actual production converted into 20s count	*Kgs*	**6,444,272**	11,339,742
Weaving			
Number of looms installed	*No.*	**230**	230
Annual capacity on the basis of utilization converted into 38 picks	*Mtrs*	**41,382,945**	69,486,535
Actual production converted into 38 picks	*Mtrs*	**21,018,374**	35,413,708

Notes to the Consolidated Financial Statements

for the year ended 30 June 2012

	Unit	2012 Rupees	2011 Rupees
Garments			
Number of stitching machines installed	*No.*	**2,229**	2,229
Annual capacity on the basis of utilization	*Pcs*	**13,582,294**	11,109,339
Actual production	*Pcs*	**11,634,736**	9,558,897

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.

	Unit	**2012**	2011
Urea fertilizer			
Rated capacity	Metric tones	**468,600**	346,500
Actual production	Metric tones	**156,645**	216,836
Production efficiency	%age	**33**	63

- The low production is due to shortage of natural gas
- Increase in rated capacity is due to revamping of existing plant and machinery

Phosphatic fertilizer	**Unit**	**2012**	2011
Rated capacity	Metric tones	**146,500**	146,500
Actual production	Metric tones	**50,888**	94,253
Production efficiency	%age	**35%**	64%

The low production is due to difficulty in procurement of raw material owing to working capital constraints

50 Date of authorization for issue

These consolidated financial statements were authorized for issue on 04 August 2012 by the Board of Directors of the Group.

51 General

Figures have been rounded off to the nearest rupee.

Lahore | Chief Executive | Director

Pattern of Shareholding

Ordinary Shares as at June 30, 2012

Number of Shareholders	Shareholding From		Shareholding To	Total Shares Held
517	1	-	100	24,744
1045	101	-	500	376,307
1233	501	-	1000	1,092,191
2745	1001	-	5000	7,867,498
912	5001	-	10000	7,338,305
325	10001	-	15000	4,215,726
240	15001	-	20000	4,452,383
154	20001	-	25000	3,642,897
92	25001	-	30000	2,622,416
68	30001	-	35000	2,265,771
62	35001	-	40000	2,396,146
35	40001	-	45000	1,510,233
76	45001	-	50000	3,724,096
19	50001	-	55000	1,007,313
26	55001	-	60000	1,531,041
10	60001	-	65000	634,467
14	65001	-	70000	962,876
11	70001	-	75000	811,585
11	75001	-	80000	862,024
10	80001	-	85000	827,801
8	85001	-	90000	705,150
7	90001	-	95000	655,177
37	95001	-	100000	3,688,811
8	100001	-	105000	829,156
9	105001	-	110000	972,180
8	110001	-	115000	903,302
4	115001	-	120000	477,600
2	120001	-	125000	248,807
2	125001	-	130000	259,151
3	130001	-	135000	398,900
7	135001	-	140000	963,289
2	140001	-	145000	283,297
6	145001	-	150000	890,106
2	150001	-	155000	304,786
1	155001	-	160000	157,000
1	160001	-	165000	165,000
1	165001	-	170000	168,000
2	170001	-	175000	348,000
2	175001	-	180000	356,126
6	180001	-	185000	1,094,014
1	185001	-	190000	190,000
1	190001	-	195000	195,000
9	195001	-	200000	1,795,000
1	200001	-	205000	201,000
1	205001	-	210000	210,000
1	210001	-	215000	215,000
1	215001	-	220000	220,000
3	220001	-	225000	668,445
1	225001	-	230000	230,000
1	230001	-	235000	235,000
1	235001	-	240000	235,506
2	240001	-	245000	485,540
4	245001	-	250000	1,000,000

Pattern of Shareholding

Ordinary Shares as at June 30, 2012

Number of Shareholders	Shareholding From		Shareholding To	Total Shares Held
1	250001	-	255000	253,103
2	255001	-	260000	515,255
1	260001	-	265000	263,550
1	270001	-	275000	271,280
3	275001	-	280000	833,801
2	285001	-	290000	575,129
5	295001	-	300000	1,499,988
1	330001	-	335000	334,406
1	340001	-	345000	340,203
2	345001	-	350000	699,641
1	375001	-	380000	380,000
1	385001	-	390000	386,000
1	395001	-	400000	400,000
1	425001	-	430000	430,000
1	445001	-	450000	450,000
1	450001	-	455000	450,485
1	475001	-	480000	478,523
3	495001	-	500000	1,498,500
3	545001	-	550000	1,645,500
1	570001	-	575000	572,770
2	595001	-	600000	1,200,000
1	625001	-	630000	627,000
1	645001	-	650000	645,064
1	715001	-	720000	718,700
2	795001	-	800000	1,600,000
1	805001	-	810000	807,500
1	810001	-	815000	814,067
1	845001	-	850000	850,000
1	905001	-	910000	906,000
1	995001	-	1000000	1,000,000
1	1015001	-	1020000	1,017,248
1	1075001	-	1080000	1,075,953
1	1080001	-	1085000	1,081,000
1	1110001	-	1115000	1,110,682
1	1175001	-	1180000	1,178,303
1	1195001	-	1200000	1,200,000
1	1205001	-	1210000	1,208,357
1	1310001	-	1315000	1,310,198
1	1495001	-	1500000	1,500,000
1	1950001	-	1955000	1,954,200
1	2155001	-	2160000	2,160,000
1	2380001	-	2385000	2,380,260
1	2670001	-	2675000	2,672,222
1	3185001	-	3190000	3,190,000
1	3265001	-	3270000	3,268,908
1	3865001	-	3870000	3,865,936
1	4130001	-	4135000	4,133,845
1	4585001	-	4590000	4,586,819
1	4795001	-	4800000	4,798,656
1	4995001	-	5000000	5,000,000
1	5030001	-	5035000	5,031,883
1	5195001	-	5200000	5,200,000

Pattern of Shareholding

Ordinary Shares as at June 30, 2012

Number of Shareholders	Shareholding From		Shareholding To	Total Shares Held
1	5365001	-	5370000	5,365,197
1	5450001	-	5455000	5,452,465
1	6200001	-	6205000	6,201,644
1	8845001	-	8850000	8,850,000
1	9495001	-	9500000	9,500,000
1	10875001	-	10880000	10,880,000
1	13700001	-	13705000	13,704,656
1	13855001	-	13860000	13,857,408
1	14115001	-	14120000	14,120,000
1	14415001	-	14420000	14,419,600
1	22165001	-	22170000	22,169,691
1	25925001	-	25930000	25,925,817
1	38455001	-	38460000	38,460,000
1	112155001	-	112160000	112,157,863
7,831				**449,349,439**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage %
Individuals	7,672	169,310,793	37.6791%
Insurance Companies	7	8,956,477	1.9932%
Joints Stock Companies	101	137,037,327	30.4968%
Financial Institutions	15	55,195,092	12.2833%
Modarabas	4	232,358	0.0517%
Investment Companies	10	38,545,473	8.5781%
Mutual Funds	3	3,200,727	0.7123%
Leasing Companies	1	2	0.000%
Funds	12	33,232,928	7.3958%
Modaraba Management Cos.	2	16,000	0.0036%
Others	4	3,622,262	0.8061%
Total	7,831	449,349,439	100%

Information as required under
Code of Corporate Governance

Categories of Shareholders		Number of Shareholders	Number of Shares Held
Associated Companies, Undertakings and related parties			
Jahangir Siddiqui & Co. Ltd.		1	112,157,863
NIT and ICP		1	28,228
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Khalid A.H. Al-Sagar	Chairman	1	6,530,118
Mr. Ahmed H. Shaikh	CEO	1	30,662,000
Mr. Aehsun M. Shaikh	Director	1	10,733,000
Mr. Irfan Nazir Ahmed	Director	1	1
Mr. Aamer Ghias	Director	1	1
Mr. Usman Rasheed	Director	1	1
Mr. Naseer Miyan	Director	1	1
Executive		Nil	Nil
Public Sector Companies and Corporation		101	137,037,327
Banks, DFIs, NBFI, Insurance Companies		32	102,697,042
Leasing Companies, Modarabas & Mutual Funds		21	36,666,015
Shareholders holdings ten percent or more voting interest of the Company			
Jahangir Siddiqui & Co. Ltd.		1	112,157,863
Detail of trading in shares by the Directors, CEO, CFO, Company Secretary, their Spouses and Minor Children.		-	Nil

This page has been left blank intentionally

Form of Proxy

Azgard Nine Limited

I/We ______________________________

son/daughter of ______________________________

a member of Azgard Nine Limited and holder of ______________________________ shares as

per Registered Folio No. ______________ do hereby appoint Mr./Ms. ______________________________

son/daughter of ______________________________ or failing him/her

Mr. Ms. ______________________________

son/daughter of ______________________________

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

as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Saturday the 25 August 2012 at 10:00 a.m at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore and at any adjournment thereof.

In witness whereof on this ______________ day of ______________ 2012.

WITNESSES:

1. Signature: ______________________
   Name ______________________
   Address ______________________
   ____
   CNIC: ______________________

Affix Revenue Stamp

2. Signature: ______________________
   Name ______________________
   Address ______________________
   ____
   CNIC: ______________________

Member's Signature

NOTE:

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

AFFIX
CORRECT
POSTAGE

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