Contents


The supreme reality of our time is ...the vulnerability of our planet.

Business has a responsibility beyond its basic responsibility to its shareholders; a responsibility to a broader constituency that includes its key stakeholders: customers, employee, government, the people of the communities in which it operates.

Agritech Urea Fertilizer Plant Daudkhel

Company Information

BOARD OF DIRECTORS

Mr. Mueen Afzal
Chairman
Mr. Ahmed H. Shaikh
Chief Executive
Chief Justice (Retd.) Mian Mahboob Ahmad
Mr. Aehsun M.H. Shaikh
Mr. Ali J. Siddiqui *
Mr. Khalid A.H. Al-Sagar
Mr. Ali Hussain **
Mr. Irfan Nazir Ahmad *
Mr. A. Jaudet Bilal **

* Mr. Ali J. Siddiqui, Director has resigned from the office of the Director of the Company and Mr. Irfan Nazir Ahmad has been appointed as Director of the Company in his place on March 20, 2010.

** Mr. Ali Hussain, Director has resigned from the office of the Director of the Company and Mr. Ahmad Jaudet Bilal has been appointed as Director of the Company in his place on March 31, 2010.

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Abid Amin

AUDIT COMMITTEE

Chief Justice (Retd.) Mian Mahboob Ahmad
Chairman
Mr. Mueen Afzal
Mr. Aehsun M.H. Shaikh
Mr. Khalid A.H. Al-Sagar
Mr. A. Jaudet Bilal

HUMAN RESOURCE COMMITTEE

Mr. Ahmed H. Shaikh
Mr. Irfan Nazir
Mr. A. Jaudet Bilal

LEGAL ADVISORS

Hamid Law Associates

AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
A member firm of Russell Bedford International

BANKERS

JS Bank Limited
MCB Bank Limited
Citibank N.A.
Royal Bank of Scotland
Faysal Bank Limited
Habib Bank Limited
Saudi Pak Industrial & Agricultural
Investment Company Limited
HSBC Bank (Middle East) Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
National Bank of Pakistan
Allied Bank Limited
My Bank Limited
KASB Bank Limited
Pak Oman Investment Company Limited
Silk Bank Limited
Atlas Bank Limited
Emirates Global Islamic Bank Limited

REGISTERED OFFICE

Ismail Aiwan-e-Science
Off Shahrah-e-Roomi Lahore, 54600
Ph: +92 (0)42 111-786-645
Fax: +92 (0)42 576-1791

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, Muzaffargarh.
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 8460333, 8488862

Fertilizer

Unit I
Agritech Limited.
(formerly Pak American Fertilizers Ltd.)
Iskanderabad,
District Mainwali.
Ph: +92 (0)459 392346-49

Unit II
Hazara Phosphate Fertilizers (Pvt.) Ltd.
Hattar Road,
Haripur.
Ph: +92 (0)995 616124-5

Board of Directors

Mr. Mueen Afzal
Chairman

Mr. Ahmed H. Shaikh
CEO

Mr. Mueen Azfal is Chairman of the Azgard Nine Board since March 2004. He also serves on the boards of ICI Pakistan Limited, Pakistan Tobacco Co. Ltd., Murree Brewery Co. Ltd., Pakistan Philanthropy Centre, Sanjan Nagar Trust, Beaconhouse National University Foundation and previously PIA Corporation. He has extensive experience in the Civil Services of Pakistan, acting as Health Secretary and Finance Secretary in his tenure. He holds an M.A. in Philosophy, Political Science and Economics from Oxford University.

Mr. Ahmed H. Shaikh is a director of Azgard Nine as well as Agritech Ltd. (formerly Pak American Fertilizers Ltd.) and is Azgard Nine's Chief Executive Officer, positions he has held since January 2003. He has been associated with Azgard Nine since its inception in 1992.

Mr. Shaikh holds a B.A. in Economics from Brown University.

Mr. Aehsun M.H. Shaikh
Director

Mr. Irfan Nazir Ahmad
Director

Mr. Aehsun M.H. Shaikh is a director of Azgard Nine as well as Agritech Ltd. (formerly Pak American Fertilizers Ltd.), and is Azgard Nine's Creative Director, positions he has held since January 1993. He has previously worked with Burke Mills Inc., USA as Director from 1998 to 2000.

Mr. Shaikh holds an M.A. in Architecture from the Architectural Association School of Architecture, London, UK.

Mr. Irfan Nazir Ahamd brings diverse experience to Azgard Nine where he has held leadership roles in business management, strategic planning and marketing. He has headed the Spinning Division since 2007 where he implemented many reforms while developing new products, customers and services. Subsequently he was given the roles of head of Weaving/Denim as well as the Garments/Apparel division. He holds a Master’s degree in Business Administration.

Chief Justice (Retd.)
Mian Mehboob Ahmad
Director

Mr. Khalid A.H. Al-Sagar
Director

Chief Justice (Retired) Mian Mahboob Ahmad is a director of Azgard Nine since March 2004. He is Chairman of the boards of Liaqat National Hospital and Sir Ganga Ram Trust Hospital and also serves on the boards of Bank Islami Pakistan Limited, East West Insurance Co. Ltd., Metropolitan Life Assurance Co. of Pakistan Ltd. and Jahangir Siddiqui & Co. Ltd. He has been associated with the judiciary in Pakistan for over 30 years, having served in various positions including as Chief Justice of the Lahore High Court and the Federal Shariah Court and as the Acting Governor of Punjab. Chief Justice Ahmad holds a B.A. in Law from the University of Punjab in Lahore, Pakistan.

Mr. Khalid A.H. Al-Sagar has been a director of Azgard Nine since October 1997. He also serves on the boards of Kuwait Portland Cement Company, Kuwait Supply Company, Tele-Card Egypt, First National Bank (Lebanon) and Bahrain Flour Mills Co. Mr. Al-Sagar is a graduate of Bonn University, Germany and belongs to one of the most eminent business families of Kuwait.

Mr. Humayun N. Shaikh
Chairman Emeritus

Mr. A. Jaudet Bilal
Director

Mr. Humayun Naseer Shaikh graduated from the Government College, Lahore. He then proceeded to Cambridge University, England to pursue his Economics Tripos. At Cambridge he proved to be an avid sportsman and demonstrated a keen proficiency in polo, going on to become the Captain of the Cambridge University Polo team, and wore his blue defeating Oxford. He joined his family business in 1965 and established many businesses in Europe, the UAE, USA, and Mexico. Mr. Shaikh continues an active involvement with many social and non profit organizations around the world.

Mr. A. J. Bilal has been associated with Azgard 9 since 2006 when he joined as MD of Agritech Ltd. (formerly Pak American Fertilizers Ltd.) He has led Agritech through several strategic initiatives to enhance its production and to develop Tara as a top tier Urea Brand in Pakistan. He was also a key member of the team which acquired Hazara Phosphate Fertilizers Private Ltd. (HPFL) from the GOP and subsequently also heads the HPFL management team. Mr. Bilal has extensive experience of developing new businesses in Pakistan and previously worked with ICI Pakistan Ltd. and Becton Dickinson in senior positions. Mr. Bilal has an MBA from Western International University in UK.

Directors' Report to the Shareholders

The Directors of Azgard Nine Limited ("the Company") along with the management team, are pleased to present the Company's Annual Report accompanied by the Audited Financial Statements for the year ended December 31, 2009.

These financial statements have been endorsed by the Chief Executive Officer and the Chief Financial Officer in accordance with 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, starting from raw cotton to retail ready goods. During 2009 also, Azgard Nine maintained its position as the largest Denim Products Company by Sales in Pakistan. The Company, through its subsidiaries, also carries on the business of manufacture and marketing of both Nitrogenous and Phosphatic fertilizers.

Year in Review

The year 2009 continued to be a difficult one for the textile sector in Pakistan and indeed globally the effects of the recent recession lingered on.

Worldwide recession continued to effect retail sales and correspondingly resulted in declining sales demand and price pressures on global suppliers such as Azgard Nine who face competition from across the region from countries such as China, India and Bangladesh.

In Pakistan the textile sector remains under continued pressure due to crucial shortage of both electricity and gas in the wake of rising utility tariffs. Volatile cotton and yarn prices touched record levels putting immense pressure on the margins of value added denim and apparel.

Continued high interest rates hampered performance. The deteriorating law and order situation coupled with the ongoing war against terror hurt business operations. As a result many units in the textile sector are facing liquidity problems.

Top line growth remained robust and the operating performance of the business of the Company also depicted a healthy growth trend. Gross sales registered a healthy 16% increase over the corresponding previous period. However the increase in costs was greater than the growth in income which significantly affected the bottom line. This cost escalation was due to the fast rising input costs such as utilities and also due to a huge increase in the price of cotton. The cost increase in cotton could not be passed on to the end products such as denim and garments.

To increase profitability and improve performance, wide ranging and significant measures are being implemented by the company focussing on cost reduction. It is expected that the company will emerge on stronger footing once these measures have been implemented.

The present debt amortization profile and associated liquidity problems has forced the Company to consider the reprofiling of its debt obligations to ensure continued timely discharge of its commitments to its lenders.

Operating Financial Results of Azgard Nine Limited. (Stand alone).

	2009	2008	Change
Sales - Net	11,737,856,887	10,113,499,351	16%
Operating Profit	2,616,316,454	3,622,166,896	(28%)
Finance Cost	2,424,424,504	2,603,696,411	(7%)
Profit before Tax	178,722,895	999,502,775	(82%)
Profit after Tax	60,531,362	897,283,923	(93%)
Earning per share	0.003	2.12	(99%)

Consolidated Results Including Subsidiaries

	2009	2008	Change
Sales - Net	26,276,262,374	19,737,423,815	33%
Operating Profit	6,238,196,425	6,013,482,124	4%
Finance Cost	4,791,419,130	4,617,259,155	4%
Profit before Tax	1,363,060,912	1,629,430,415	(16%)
Profit after Tax	1,537,928,573	1,397,393,138	10%
Earning per share	3.35	3.39	(1%)

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison.

Future Outlook

Consolidation, Optimization and Innovation

2009 was an eventful year with many challenges and achievements, including record shipments, constrained cash flows, technology and process innovations, new inductions and cost reductions. Almost every facet of the business was affected and numerous improvisations were implemented.

The Company has taken many bold initiatives to retain its market leadership and to achieve its ambitious annual goals.

Going forward, the Company is focusing on a strategy to consolidate its customer base, rationalize production volume and pricing targets to increase its profitability.

These steps are paying off as during the last quarter, the Manga garments unit set new records for highest ever number of garments shipped in a month for three consecutive months. New records were also created for the key On Time in Full (OTIF) quality indicator.

The denim business unit also achieved encouraging results towards the end of 2009, as it set several new records including highest sales in a single month ever (December 2009).

While the management is cautiously optimistic about 2010 in light of the aforementioned achievements, serious challenges remain on the horizon. Notably the recession in the EU and North America is far from over yet, with economic stability and therefore outlook for external demand still uncertain for the foreseeable future.

Domestically too, high interest rates, persisting energy crisis and rising utility costs, high cost of cotton and yarn, and deteriorating law and order conditions remain far from reaching a turning point.

Therefore the company is continuing its emphasis on short and long terms strategies to counter such external threats as above, in the form of cost cutting, post IPO reprofiling, and essentially looking again at its broader business model for denim and garments in the context of the changing global economic scenario.

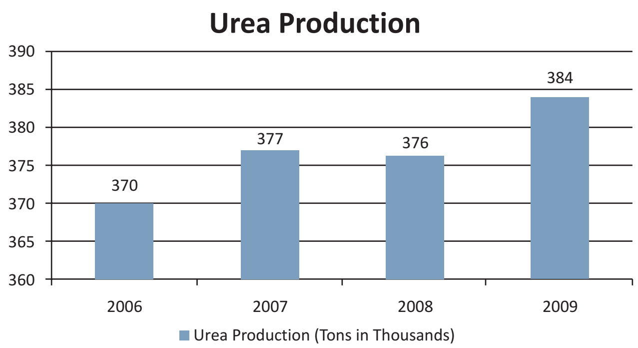
In these challenging times where change is the only constant, the company is optimistic that it will be able to adapt, improve and emerge stronger in the years ahead.

Year in Review: Fertilizers

Through Agritech Limited (formerly Pak American Fertilizers Limited), a subsidiary of the Company, along with its newly acquired and privatized Hazara Phosphate Fertilizers (Pvt.) Limited, the Company (through its said subsidiaries) owns and operates the country's newest and most efficient urea plant at Mianwali and also the largest Single Super Phosphate (SSP) manufacturing plant in the country at Haripur, Hazara.
Having achieved the Company's strategic goal to become a diversified fertilizer manufacturer producing both nitrogenous and phosphatic fertilizers, the Company's brand "Tara" has become one of most celebrated and trusted brand names in the fertilizer market.

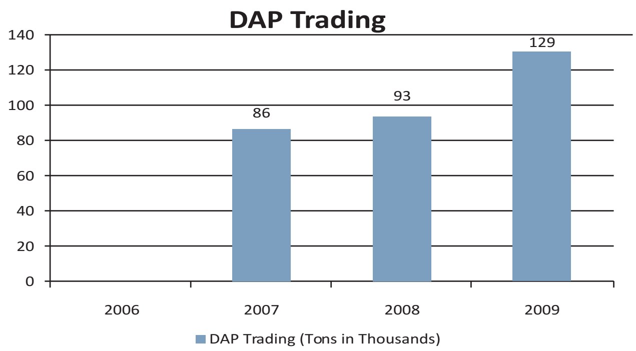
Urea

In 2009, we produced 384,000 tons of Urea, which is 4% higher than last year. Further to that, your company is currently undergoing a Urea revamp project, which will increase plant nameplate capacity from 358,000 tons p.a. to 483,000 tons p.a. Major activities relating to Ammonia and Urea plants including detailed engineering and procurement have been completed. Civil works and equipment installation is currently being carried out.



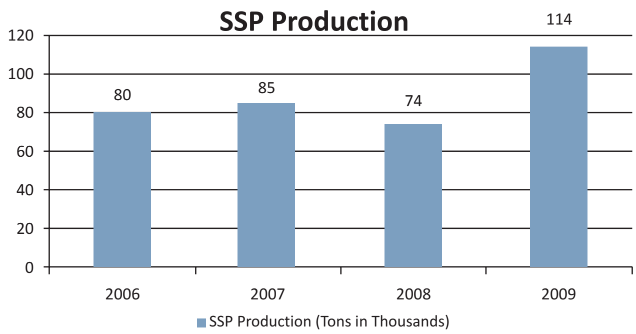
DAP

Due to the severe economic meltdown at the start of the year, international DAP prices dropped, falling to recent lows. The attractive price levels resulted in local demand normalizing in 2009, through which industry achieved record trading volume. During the year company achieved DAP trading volume of 129,000 tons.



SSP

During the first year under Azgard9 management after acquisition in November 2009, HPFL achieved 114,000 tons of SSP production which is 54% more than the previous year's production. After acquisition from GOP, the management has taken certain debottlenecking initiatives, which resulted in current production achievement. The plant is on track to further increase the capacity of the SSP plant to 162,000 in 2010 at a marginal capital expenditure.



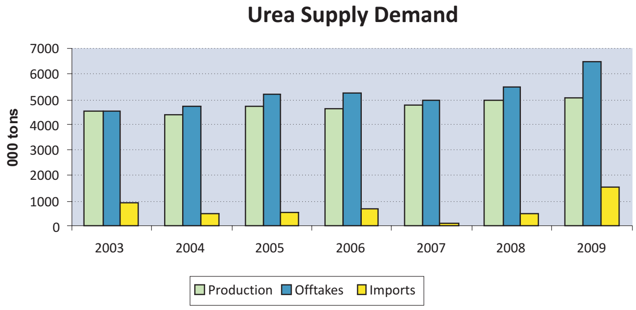
IPO of AGRITECH Ltd. (formerly Pak American Fertilizers Ltd.)

The company has undertaken an IPO of its wholly owned subsidiary Agritech Limited.

The Company has divested 20.13% of its shareholding comprising 79,006,816 shares of Agritech (formerly Pak American Fertilizers Ltd.) at a fixed price of Rs 30 per share for gross proceeds of PKR 2,370,204,480 by way of an Offer for Sale through a combination of private placement and/or an Initial Public Offering at the domestic stock exchange(s) in Pakistan. This process is moving forward as per expectations and upon completion Agritech will become listed on the Karachi Stock Exchange as of April 12, 2010.

Urea Industry in 2009

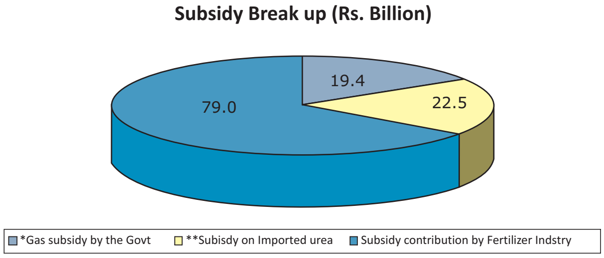
In 2009, the production of Urea was 5.04 Million tons vs 4.98 Million tons in 2008. Local production was well short of off takes resulting in reliance on imported urea. The government imported 1.5 Million tons of Urea through Trading Corporation of Pakistan (TCP) to bridge the supply demand gap. The imports in 2009 were 240% higher than last year when Government managed to import only 0.45 Million tons.



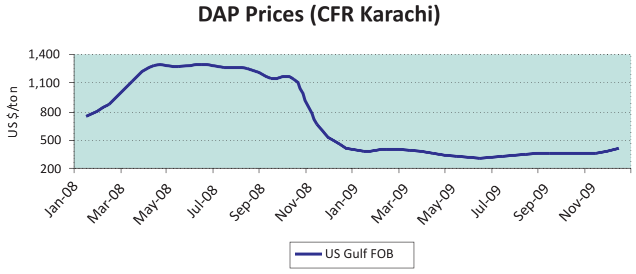
Urea off takes recorded a double digit growth in the last two years and increased by 18% to reach 6.4 Million tons in 2009 vs. 5.5 Million tons in 2008. This significant increase is attributed to the very good net returns to farmers on all major crops particularly wheat crop where Government announcement Rs. 950/maund support price, and increase in acreage of BT Cotton varieties that need more urea applications than conventional cotton varieties.

Subsidy Contribution by the Industry

Fertilizer industry continued its support to the Government of Pakistan in passing on not only the gas subsidy but contributed additional support in the form of lower domestic price vs international price to the tune of Rs. 79 Billion during the year.

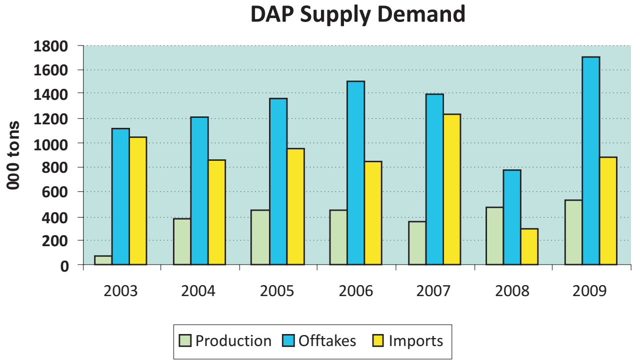


In 2009 the Government provided Rs. 19.4 Billion in the form of Gas subsidy to the industry and Rs. 22.5 Billion subsidy on the imported urea.



Phosphates Industry in 2009

The dramatic fall of DAP prices towards end of 2008 continued into 2009. The average CFR Karachi price during 2009 was US$ 363 per ton vs US$ 1040 per ton in 2008. The major reasons of this significant decline of prices in 2008 were global recession resulting in crash of commodity prices; severe liquidity problems in the banking industry of the developed countries; and carry over of high priced stocks from 2008 in the consuming countries. However, the prices showed some recovery towards the end of 2009 when price crossed US$ 400 per ton mark in Dec 2009.



This rationalization of international prices in 2009 coupled with excellent returns on all major crops particularly on wheat crop spurred the local phosphates offtakes and resulted in record offtakes of 1.7 Million ton which was 117% higher vs last year. Domestic prices in 2009 were around Rs. 1700-1800 per bag vs Rs. 2800-3050 per bag in 2008 and at these price levels the farmers also increased their per acre consumption of phosphates during 2009.


QUALITY
STARTS WITH YOU!
WARNING

Our Brands and Products

Yarns

A market driven specialty yarn brand.

Uses collaborative product development process with the customer, based on latest market trends.

Off the shelf availability for small lots and quick turnaround.

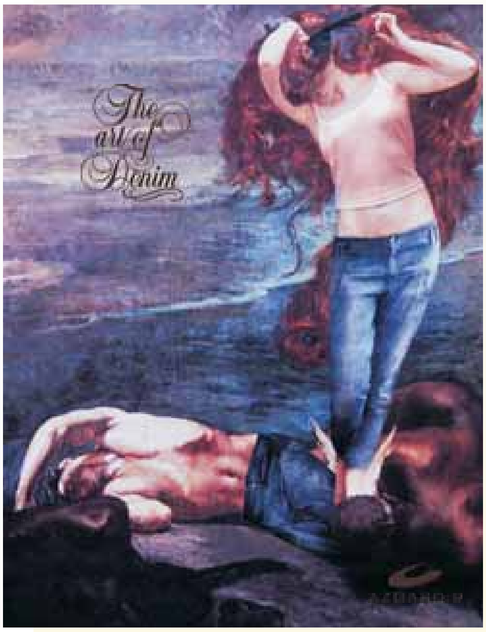
Fabrics

Focused on a global best buy value proposition, Azgard-9 is positioned as a cutting edge product incorporating European product development and European commercial front end, while producing high value through low cost manufacturing in Pakistan.

Both denim and jeans are sold under the Azgard-9 label.

Fashion forward denim fabric providing a wide choice of textures and washes.

Positioned for a largely European target market.



A high end denim fabric developed for the designer jeans market.

Positioned at the leading edge of specialty and fashion products.

Denim Garments

Targets the highly exclusive market segment respresented by Jacob Cohen, Kiton, D Squared, Seven and Polo Ralph Lauren.

Offers a wide variety of fabric and wash choices with exclusive design elements developed at our product development centers in Europe.

BFORYOU

Caters to the high end market represented by brands such as Diesel and Replay.

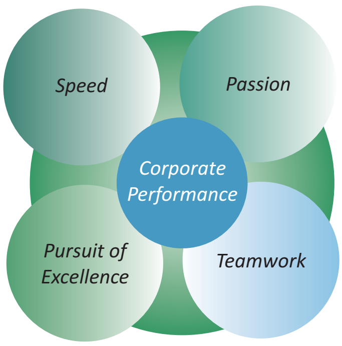
Focuses on combinations of fabrics and washes to offer a highly versatile product range.

Competes in the category of Oviesse, Coin, Conbipel and Rinascente.

Caters to a wide target market for diverse age groups and offers a quick, versatile and high value solution to market needs.

Our Human Capital

At Azgard Nine our corporate culture is based on four essential pillars:



We believe that businesses can only produce outstanding performance through a superbly trained and motivated workforce.

This belief forms the core of the underlying HR policies at Azgard 9, which are designed to deliver outstanding business performance by supporting and developing the Company's most important asset, its people.

Our culture empowers people to contribute to our business objectives and to simultaneously achieve their own personal and career goals. Every day our employees are challenged and motivated to seek the state of the art knowledge and skills required to stay ahead in today's changing business environment.

Teams and individuals are constantly encouraged to develop their professional capabilities, to question the status quo with courage of conviction, and reinvent themselves and their systems of work to confront the dynamics of a fast changing world.

Azgard Nine believes in fair standards of business conduct by all employees, and has introduced a comprehensive Ethics Code. All management staff have been trained to understand this code and are held accountable to its standards.

We have a strong commitment to meritocracy, and complying with our human resource polices, the Company does not employ any child labor and is an equal opportunity employer.

Teamwork is the fuel that allows common people to attain uncommon results

Corporate Social Responsibility

As a responsible corporate citizien, Azgard Nine Group is fully committed to adopting international benchmarks governing corporate social responsibility. We constantly strive to maintain a leadership role in this area and wholeheartedly support and fund outreach programs which have a beneficial impact on our environment, employees and the communities we live and work in. As part of this commitment, we are certified under the Social Accountability International's SA 8000 standard and various other related programs pertaining to the following broad areas.


Students of an AGRITECH School

Social responsibility

Community Relations.
Impact on local communities.
Participation in local communities.
Management of Human Rights.

Environmental responsibility

Impact on the environment.
Energy awareness.

Corporate ethics

Standards of ethical conduct.
Recruitment and retainment of staff.
Fair Pay scheme & wages.
Rights of employees.
Safe and secure environment.
Compliance with local employment laws.
Compliance with International Charter HR best practice policies.

Leadership values and integrity


Health check at AGRITECH Hospital

Certifications

Some of our key certifications and initiatives are mentioned below.

International social accountability SA 8000 certification

SA 8000 is based on the UN Universal Declaration of Human Rights, Convention on the Rights of the Child and various International Labour Organization (ILO) conventions.

This certification affirms that the company is fulfilling all its social responsibilities and respects all applicable international / national rules and regulations relating to child labor, forced labor, freedom of association and right to collective bargaining, heath and safety etc. This standard is also used to prevent violation of Human Rights, Child Labor/ Discrimination and to comply with existing Laws, Rules, Regulations, etc.

OSHA Standards

OHS 18001 compliant proactive HSE program aims to prevent work-related injuries, illnesses and fatalities. This effort at Azgard Nine Group is independently monitored by a high level Corporate Manager of Health, Safety & Environment who has wide ranging mandate and authority to enforce (Health, Safety & Environment (HSE) standards throughout the company. Effort is complemented with Hearts & Minds Winning techniques for sustainable performance.

GOTS and OE (organic exchange) member

The Global Organic Textile Standard (GOTS) is a comprehensive Standard that covers all aspects of the production of natural fibers including processing, manufacturing, packaging, labeling, exportation, importation and distribution. The goal of GOTS is "to define world-wide recognized requirements that ensure organic status of textiles, from harvesting of the raw materials, through environmentally and socially responsible manufacturing up to labeling in order to provide an auditable and credible assurance to the end consumer". By creating an international, uniform Standard, the GOTS working group sought to enable organic textile manufacturers and marketers to export their goods anywhere in the world with one universally accepted organic certification.

In organic production, GMO (Genetically modified organisms) are prohibited. In the certification of Organic Exchange, it is certified that the fiber (i.e cotton) is free from GMO and was grown organically.

Fair Trade (NGO) registration in process

Azgard Nine is in the process of registering under the Fair Trade NGO. This endeavor aims to underwrite social responsibility in real monetary terms whereby a part of the corporate profits are formally invested in the development of the community.

ISO 14001

ISO 14001 is an organizational system standard for monitoring, controlling, and improving quality of the environment. The ISO 14001 Environmental Management standards exist to help organizations minimize how their operations affect the environment (cause adverse changes to air, water, or land) and comply with applicable laws and regulations.

BSCI

In March 2003, the FTA formally founded the Business Social Compliance Initiative (BSCI). This is the broadest business driven platform for the improvement of social compliance in the global supply chain. The experience and the know-how gained by companies and associations from their monitoring systems were cornerstones for the development of the approach and management instruments of the BSCI. In the spring of 2004 the development phase was achieved and since then the system has been implemented worldwide. The ultimate goal of the BSCI is to improve the working conditions in the global supply chain worldwide.

Oeko Tex 100

The Oeko-Tex standard 100 mark “confidence in textiles- tested for harmful substances according to Oeko-tex standard 100” states that the marked product fulfills the conditions specified in the standard of Oeko-Tex 100, and that the product and its conformity test, as specified in this standard are under the supervision of an institute belonging to the international association for research and testing in the field of textile ecology. This certification ensures the absence of all internationally banned chemicals and dyes and that the product is not harmful for human skin.

ISO 9001

ISO 9001 is a family of standards for quality management systems. ISO 9001 is maintained by ISO, the International Organization for Standardization and is administered by authorized accreditation and certification bodies. The requirements of ISO 9001 include maintaining a set of procedures that cover all key processes in the business, to ensure they are effective, maintain adequate records, check output for defects, with appropriate and corrective action where necessary. The ISO 9001 family of standards also require regular reviews of individual processes and the quality system itself for effectiveness, and to facilitate continuous improvement.

Health, Safety and Environment

Zero harm to people and environment!

That's our commitment to our employees, contractors, partners, and the communities where we live and work.


An effluent treatment plant at Manga T&A Site

HSE Goals

Our company's Health, Safety and Environment initiative lays emphasis on and ensures;

Compliance with relevant local laws and regulations and taking additional measures considered necessary as per the chosen (OSHA) standards.

Continuous improvement in Health, Safety and Environment performance.

Taking measures to minimize waste, prevent pollution and conserve natural resources.

Requiring every member of staff, and those who work on our behalf, to exercise personal responsibility in preventing harm to themselves, others and the environment.

Providing resources and systems to prevent occupational illnesses to the staff.

Providing appropriate Health, Safety and Environmental training and information to all Azgard Nine Limited employees, contractors and other stakeholders.

Including HSE performance in the appraisal of all staff and reward/recognize accordingly.

Managing HSE matters just as any other critical business activity.

" Sustainable development is a dynamic process which enables all people to realise their potential, and to improve their quality of life, in ways which simultaneously protect and enhance the Earth's life support systems."

HSE Vision

Safety is our number one priority, and we believe that all accidents and incidents are preventable.

Excellence in HSE performance in all Azgard Nine Businesses.

HSE Strategic Objectives

Elimination of fatal incidents.

Elimination of fires, explosions, and major spills.

Minimizing the impact to the people from our operations, products, processes and services.

HSE Management system

The company is implementing an HSE Management System, a structured and systematic approach which ensures Hazards Identification & Risk Assessment of our critical operations & industrial processes. Our focus is on compliance with both local laws and global customer requirements.

The Company has initiated a number of projects and programs in the following areas of Health, Safety & Environment.

Health

- *Minimum Health Management Standards.*
- *Health Risk Assessment.*
- *Health Surveillance Program (in house Audio & Spirometry Procedures).*
- *Medical Emergency Response & Plan.*
- *First Aid Basic & Advanced CPR Training.*
- *In house Health Facilities.*
- *Health Screening Programs.*
- *Fitness to Work Protocols.*

Safety

- *Fire fighting equipment & hydrant system.*
- *Hazards Identification & Risk Assessment.*
- *Personal Protective Equipment Program.*
- *Road Transport Safety Program.*
- *Permit to Work Systems.*
- *Change Management.*

Environment

- *ISO 14001 Certification.*
- *Effluent Treatment Plants.*
- *Energy Conservation Program.*
- *Solid & Biological Waste Management. Program.*
- *Spill Control program.*

HSE training program

Your company has established a comprehensive training program which caters to all layers of staff and contractors. Training modules are based on local laws, OSHA, Global Customers Code of Conduct Audit findings & ISO certification requirements.

Key training modules

- *Incident / Accident Reporting & Investigation Techniques / Tripod Analysis.*
- *Personal Protective Equipment Program.*
- *Heat Stress Management.*
- *Forklift Safety.*
- *Defensive Driving Course.*
- *Hearts & Minds Safety Program.*
- *Manual Handling / Backache Prevention Program.*
- *Emotional Stress Management / Work-Life Balance.*
- *Hazards & Risk Assessment.*
- *Chemicals Safety / MSDS.*
- *Hearing Conservation Program.*
- *Environmental Management System (ISO 14001).*

439 Specialized Audio & Spirometry procedures were carried out for exposed targeted operators (potential exposure to high noise & chemical vapors respectively, a best practice in textile sector in Pakistan).

Effluent treatment

By adhering to international environment regulations, Azgard Nine is playing a leading role in maintaining a clean environment wherever it is operating.

The effluent treatment plants at both Manga and FPR have the capability to filter solid particles, separate grease, oils, dyes and other chemicals, remove organic decomposition and disinfect the water making it suitable for irrigation.

Health surveillance program

Azgard Nine Limited is the only textile company in Pakistan to have a structured in house Health Surveillance Program. Specialized procedures like Audio & Spirometry are being carried out against hazards such as high noise levels and chemical vapors & cotton dust. The objective is health protection and early detection of potential health damage on account of any harmful occupational exposure. Latest equipment has been procured and in house doctors have undergone extensive training to help meet this objective.

Community Programs

Azgard Nine is committed to a quality eduction for its employees and its communities. The company has established several educational institutions where over 2000 students are enrolled and managed by over 100 professional staff.

Health Center

Azgard Nine group operates a state of the art hospital at its Daudkhel site which includes essential care facilities including emergency, labour and gynecology and minor surgery. The center provides subsidized medical care to its employees and the community at large.

In addition, realizing its duties as a responsible corporate citizen, Azgard Nine continues its effort for a greener environment, planting trees in its neighboring communities, providing scholarships for needy students and arranging many activities for the well being of its employees and communities. Some of the CSR activities during 2009 are highlighted below in a pictorial format.

Relief for Swat IDPs.

Agritech donated 10,000 Kgs of wheat flour for the displaced people of Swat and boner during May 2009. In addition, the IDPs stationed at temporary camps in Haripur were provided with food stuff and daily use items worth Rs. 1 Million.

Picture show wheat being handed over to the DO revenue for onwards distribution and provisions being provided to the District Management representatives for the IDPs sheltered at Haripur.

Partnership With Highways & Motorway Police - Mobile Education Unit at Manga Azgard9 Operations

Azgard Nine organized an interactive training session on "Road Safety & Defensive Driving" in conjunction with the Mobile Education Unit of Highways & Motorway Police.

The session was conducted at Azgard Nine Manga operations on July 28, and included 48 participants including drivers & managers.

Pink Ribbon Campaign

A voluntary three day Breast Cancer Screening Program was launched in collaboration with Pink Ribbon Campaign Pakistan, from July 14^{th} to July 16^{th} at Azgard Nine Manga Operations.

Employees, family members and the host community opted for a painless mammography procedure. For this purpose a special state of the art Mobile Mammography Vehicle was brought to Manga Site. This is the first such mobile screening unit in Pakistan.

World Environment Day

In connection with the World Environment day observed on 5th June, 2009, Azgard9 conducted an awareness session on environment for the local community which included participants from diverse walks of life.

Attendees were educated about the impact of industrialization and the areas where Azgard Nine is mitigating the effects on environment through induction of cleaner technologies for Power & Steam generation and other projects undertaken such as energy conservation, bio fuels etc.

Earning per share

The earning per share of the Company for the period ended December 31, 2009 was Rs. 0.003 per share.

Dividend

Due to circumstances already discussed the Board of Directors does not recommend any dividend for year ended December 31, 2009

The Company has paid interim preference dividend to the Preference Shareholders for the fifth year ending September 24, 2009 @ 8.95% (i.e. Rs. 0.895 per share).

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 controls is sound and has been effectively implemented and monitored.
- The Board is satisfied that the Company is performing well as a 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 December 31, 2009 except for those disclosed in the financial statements.
- The value of the provident fund investment as on December 31, 2009 was Rs. 35,385 million (December 31, 2008: 73.291 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 Directors' Report.

Board of directors

The Board of Directors of the Company is predominantly independent which ensures transparency and good corporate governance. The Board comprises five non executive Directors including the Chairman and two Executive Directors (including the Chief Executive Officer). The Non Executive Directors bring to the Company their vast experience of business, government and law, contributing valuable input and ensuring the Company's operations at a high standard of the principles of legal and corporate compliance.

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

Name of Director	*Eligibility*	*Attended*
Mr. Mueen Afzal	6	6
Mr. Ahmed H. Shaikh	6	6
Chief Justice (R) Mian Mahboob	6	6
Mr. Aehsun M. H. Shaikh	6	6
Mr. Ali Jehangir Siddiqui	6	6
Mr. Khalid A.H. Al-Sagar	6	6
Mr. Ali Hussain	4	4

Consolidated financial statements

Consolidated financial statements of the Company together with its subsidiary companies; Montebello s.r.I, Agritech (formerly Pak American Fertilizers Limited), Hazara Phosphate Fertilizer (Pvt.) Limited and Nafees International Tekstil Sanays Ve Ticaret ANOMIN SIRKET are also included.

Events after the reporting period

Azgard Nine has divested 20.13% of its investment in ordinary shares of Agritech Limited (formerly Pak American Fertilizers Limited), comprising 79,006,816 ordinary shares of Rs. 10 each, through a combination of private placement and public offering. The sale has been made at a price of Rs. 30 per ordinary share.

Azgard Nine has successfully negotiated a fresh issue of term finance certificates, as substitute debt instruments, to the present preference shareholders for redemption of the preference shares due as at December 31, 2009. The management has also taken up the matters relating to the present liquidity issues with the providers of debt finances for re-profiling of some of the existing financial liabilities.

Auditors' Observations

In the context of liquidity issues emphasized upon by the auditors in their opinion and as already stated, the Company is taking appropriate measures for deferral, issue of substitute debt instruments and re-profiling of debt finances. The management of the Company is confident and it does not envisage any difficulty in generating and arranging necessary finances for continuing operations of the Company and in meeting its financial obligations.

Appointment of Auditors

Messers. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, member firm of Russell Bedford International, a 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 five members of whom four 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 December 31, 2008 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 whose faith and support over the years has cultivate a mutually beneficial relationship, playing a key role in the growth of the businesses.

The Board also wishes to place on record its appreciation for the employees of the Company. All this has been possible with their hard work and commitment.

On behalf of the Board of Directors

Chief Executive Officer

April 08, 2010

Financial Highlights

Six years at a glance

Azgard Nine Limited	2009	2008	2007	2006	2005	2004
Operating performance (Rs. 000)						
Sales-Net	11,737,857	10,113,499	6,628,342	4,889,682	4,422,472	3,115,912
Export Sales-Gross	10,017,267	8,222,024	5,430,603	4,128,679	3,832,201	1,652,820
Local Sales-Gross	1,725,461	1,966,476	1,262,415	817,706	791,645	1,646,344
Gross profit	3,191,493	3,453,276	2,007,353	1,186,320	1,133,686	715,133
Operating profit	2,616,317	3,622,166	2,240,007	1,916,487	1,107,156	539,773
Profit before tax	178,723	999,503	1,151,460	1,260,084	792,137	395,262
Profit after tax	60,531	897,284	1,079,453	1,144,514	741,294	375,262
EBITDA	3,214,070	4,178,278	2,792,791	2,178,423	1,411,716	733,244
Financial position (Rs. 000)						
Total Equity	14,500,553	10,125,083	9,720,054	9,174,168	3,093,102	2,510,109
Surplus on revaluation of property, plant and equipment	3,969,152	219,356	239,073	257,360	278,944	306,565
Long term debt	7,080,736	8,189,851	8,460,143	6,245,842	3,152,187	1,229,585
Property, plant and equipment	14,054,500	8,653,622	7,811,638	7,122,546	5,572,699	2,932,229
Financial analysis						
Current ratio (times) *	0.82	1.25	1.79	1.21	1.21	1.28
Debt to equity (ratio)	33:67	45:55	47:53	41:59	50:50	33:67
Profitability analysis						
EBITDA to Sales (%)	27.38	41.31	42.13	44.55	31.92	23.53
Operating profit to sales (%)	22.29	35.82	33.79	39.19	25.03	17.32
Earnings per share (Rs.)	0.003	2.650	3.260	4.970	7.420	4.310

*(excluding current portion of long term debt)

Consolidated	2009	2008	2007	2006	2005	2004
Operating performance (Rs. 000)						
Sales-Net	26,276,262	19,737,424	12,308,605	6,504,962	4,460,828	3,160,780
Export Sales-Gross	11,751,841	8,238,448	5,432,454	4,131,916	3,870,557	1,657,688
Local Sales-Gross	14,680,850	11,724,806	7,492,457	2,492,848	791,644	1,646,344
Gross profit	8,293,405	6,675,682	4,574,384	1,892,804	1,138,480	720,001
Operating profit	6,238,196	6,013,480	4,143,801	1,409,305	1,105,088	543,188
Profit before tax	1,363,061	1,629,430	1,916,324	213,982	790,069	398,677
Profit after tax	1,537,929	1,397,393	1,453,448	155,524	739,212	378,677
EBITDA	7,289,830	6,949,771	4,889,886	1,960,805	1,409,902	736,658
Financial position (Rs. 000)						
Total Equity	11,842,203	9,759,139	9,329,302	7,952,063	3,093,775	2,511,851
Surplus on revaluation of property,						
plant and equipment	3,969,152	219,356	239,073	257,361	278,943	306,565
Long term debt	20,127,565	21,040,014	11,459,503	12,740,294	3,152,187	1,229,586
Property, plant and equipment	37,077,131	25,631,529	20,483,035	20,013,878	5,594,458	2,937,695
Financial analysis						
Current ratio (times) *	0.98	0.98	1.19	0.83	1.20	1.45
Debt to equity (ratio)	63:37	68:32	55:45	62:38	50:50	33:67
Profitability analysis						
EBITDA to Sales (%)	27.74	35.21	39.73	30.14	31.61	23.31
Operating profit to sales (%)	23.74	30.47	33.67	21.67	24.77	17.19
Earnings per share (Rs.)	4.220	4.220	4.460	0.440	7.400	4.330

*(excluding current portion of long term debt)

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AZGARD-9

Statement of Compliance

With best practices of Code of Corporate Governance for the year ended December 31, 2009

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 five (5) 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 vacancy occurred during the year ended December 31, 2009.

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 and executive director 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 five members, of whom four 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 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.

Chief Executive

April 08, 2010
LAHORE

Russell Bedford

Rahman Sarfaraz Rahim
Iqbal Rafiq
Chartered Accountants

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Review report to the members on statement of compliance with best practices of Code of Corporate Governance

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 the Stock Exchanges in Pakistan 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 systems 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) of Listing Regulation 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated January 19, 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 undertaken at arm's length price or not.

Based on our review, we report that, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2009.

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: *IRFAN RAHMAN MALIK*

Date: *APRIL 08, 2010*
Place: *LAHORE*

Notice of Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of AZGARD NINE LIMITED (the "Company") will be held on April 30, 2010 at 11.00 A.M at the Registered Office of the Company 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 April 30, 2009;

2. To receive, consider and adopt the financial statements for the year ended December 31, 2009 together with Directors' and Auditors' Reports thereon;

3. To approve prefer dividend already paid to the Preference Shareholders @ 8.95% as final dividend for the fifth year ended September 24, 2009;

4. To consider re-appointment of M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as external auditors for the financial year ending December 31, 2010 and to fix their remuneration, as per the recommendation of the Board;

5. To consider any other business that may be placed before the members with the permission of the chair.

By order of the Board

April 08, 2010
LAHORE

(Muhammad Ijaz Haider)
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from May 12, 2010 to May 18, 2010. (both days inclusive).

2. The Preference Shareholders are not entitled to attend the meeting.

3. A share holder entitled to attend and vote at this meeting may appoint another share holder as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of proxy applicable for meeting is attached herewith.

4. Share holders whose Shares are deposited with Central Depository System (CDS) are requested to bring their National Identity Card (NIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

5. Incase of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, account and participant's ID numbers must be deposited alongwith the form of proxy. Representative of corporate members should bring the usual documents required for such purpose.

6. Share holders are requested to notify any change in their addresses immediately.

Russell Bedford

Rahman Sarfaraz Rahim
Iqbal Rafiq
Chartered Accountants

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Gulberg II,
Lahore.

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Auditors' Report to the Members

We have audited the annexed balance sheet of AZGARD NINE LIMITED ("the Company") as at December 31, 2009 and the related profit and loss account, statement of other 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 purpose 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 other 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 December 31, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

Russell Bedford

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980.), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

e) Without qualifying our opinion, we draw attention to notes 2.2 and 47.2.2 on "Financial Liabilities Re-profiling" and "Liquidity Risk Management" respectively. The Company is facing liquidity problems, which resulted in delayed repayment/redemption of financial liabilities amounting to Rs. 706.974 million relating to the year ended December 31, 2009 and Rs. 166.757 million due on March 20, 2010. The Company has partially mitigated the liquidity shortfall through generation of Rs. 2.37 billion from divestment of 20.13% ordinary shares in Agritech Limited (formerly Pak American Fertilizers Limited), a subsidiary of the Company. The funds generated have been utilized towards repayment/redemption of certain liabilities. As explained in note 47.2.2, the Company has negotiated, is in the process of negotiations or proposing to negotiate for deferral, issue of substitute debt instruments and re-profiling of debt finances. The management of the Company though confident that it does not envisage any difficulty in generating and arranging necessary finances for continuing operations of the Company and in meeting its financial obligations, however, the continuing operations of the Company are dependent on the continued availability of sufficient financial resources and continued support of banks, financial institutions and holders of debt instruments.

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: *IRFAN RAHMAN MALIK*

Date: *APRIL 08, 2010*
Place: *LAHORE*

Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, is a partnership firm registered in Pakistan and a member of Russell Bedford International, a global network of independent accounting firms and consultants with affiliated offices worldwide.

Balance Sheet
as at December 31, 2009

	Note	2009	2008
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	5	**4,879,343,880**	3,827,118,540
Reserves	6	**6,943,648,200**	3,532,469,002
Accumulated profit		**2,677,561,193**	2,764,494,959
		14,500,553,273	10,124,082,501
Surplus on revaluation of property, plant and equipment	7	**3,969,152,218**	219,356,257
Non-current liabilities			
Redeemable capital - Secured	8	**3,096,956,918**	3,962,461,561
Long term finances - Secured	9	**1,891,312,500**	2,686,842,500
Liabilities against assets subject to finance lease - Secured	10	**56,638,407**	35,437,728
Derivative financial liabilities	11	**-**	9,421,279
		5,044,907,825	6,694,163,068
Current liabilities			
Current portion of non-current liabilities	12	**2,356,508,078**	1,512,037,123
Short term borrowings	13	**8,911,333,573**	6,574,080,304
Trade and other payables	14	**1,776,603,962**	1,350,500,115
Due to related party	15	**1,245,555,096**	426,768,193
Interest/mark-up accrued on borrowings	16	**657,422,644**	466,226,443
Dividend payable	17	**63,183,986**	14,686,046
		15,010,607,339	10,344,298,224
Contingencies and commitments	18	**-**	-
		38,525,220,655	27,381,900,050

The annexed notes 1 to 53 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE**

	Note	2009	2008
		Rupees	Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	19	**14,054,500,286**	8,653,621,440
Intangible assets	20	**15,396,765**	33,536,216
Long term investments	21	**12,052,756,447**	7,521,644,051
Derivative financial assets	22	**45,298,097**	132,176,246
Long term deposits - Unsecured, considered good	23	**30,723,041**	30,004,286
		26,198,674,636	16,370,982,239
Current assets			
Stores, spares and loose tools	24	**404,451,110**	201,693,270
Stock in trade	25	**4,414,852,668**	4,034,103,119
Trade receivables	26	**3,126,881,285**	1,777,232,612
Advances, deposits, prepayments and other receivables	27	**1,163,125,222**	833,012,809
Short term investments	28	**2,942,047,710**	4,018,853,586
Current taxation	29	**70,842,910**	63,948,605
Cash and bank balances	30	**204,345,114**	82,073,810
		12,326,546,019	11,010,917,811
		38,525,220,655	27,381,900,050

DIRECTOR

Profit and Loss Account
for the year ended December 31, 2009

	Note	**2009**	2008
		Rupees	*Rupees*
Sales - Net	*31*	**11,737,856,887**	10,113,499,351
Cost of sales	*32*	**(8,546,363,383)**	(6,660,223,767)
Gross profit		**3,191,493,504**	3,453,275,584
Selling and distribution expenses	*33*	**(322,815,305)**	(318,204,416)
Administrative and general expenses	*34*	**(449,909,441)**	(285,275,327)
Net other income	*35*	**197,547,696**	772,371,055
Operating profit		**2,616,316,454**	3,622,166,896
Finance cost	*36*	**(2,424,424,504)**	(2,603,696,411)
Other charges	*37*	**(13,169,055)**	(18,967,710)
Profit before taxation		**178,722,895**	999,502,775
Taxation	*38*	**(118,191,533)**	(102,218,852)
Profit after taxation		**60,531,362**	897,283,923
Earnings per share - Basic and diluted	*39*	**0.003**	2.120

The annexed notes 1 to 53 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Statement of Other Comprehensive Income for the year ended December 31, 2009

	Note	**2009**	2008
		Rupees	*Rupees*
Profit after taxation		**60,531,362**	897,283,923
Other comprehensive income/(loss):			
Changes in fair value of cash flow hedges	*6*	**(81,892,584)**	(218,165,162)
Changes in fair value of available for sale financial assets	*6*	**3,764,666,520**	12,553,682
Incremental depreciation	*7*	**19,716,821**	19,716,820
Taxation relating components of other comprehensive income		**-**	-
		3,702,490,757	(185,894,660)
Total comprehensive income		**3,763,022,119**	711,389,263

The annexed notes 1 to 53 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Cash Flow Statement
for the year ended December 31, 2009

	Note	2009	2008
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	41	**1,035,817,625**	1,927,328,408
Interest/markup paid		**(1,963,388,383)**	(1,596,506,437)
Taxes paid		**(125,085,838)**	(115,116,774)
Net cash (used in)/flow from operating activities		**(1,052,656,596)**	215,705,197
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(2,184,782,283)**	(1,350,237,521)
Proceeds from disposal of property, plant and equipment		**2,080,070**	4,640,968
Acquisition of subsidiary-net of cash acquired		**-**	(2,621,223,185)
Redemption of held-to-maturity investments		**360,000**	-
Proceeds from sale of held-to-maturity investments		**-**	1,500,000,000
Purchase of investments at fair value through profit or loss		**-**	(1,013,085,605)
Proceeds from sale of investments at fair value through profit or loss		**-**	857,238,376
Return on investments		**201,720,904**	694,685,239
Proceeds from winding of subsidiary		**-**	11,637
Proceeds from sale of available for sale investments		**281,161,927**	-
Net cash used in investing activities		**(1,699,459,382)**	(1,927,970,091)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale and lease back		**38,579,801**	807,974
Long term finances obtained		**-**	350,000,000
Borrowings from related party		**818,786,903**	426,768,193
Proceeds from issue of ordinary shares		**1,003,256,252**	-
Redemption of term finance certificates		**(397,013,346)**	(230,542,657)
Repayment of long term finances		**(889,843,750)**	(1,076,710,837)
Repayment of liabilities against assets subject to finance lease		**(25,947,838)**	(28,690,147)
Transaction costs on issue of term finance certificates		**-**	(1,000,000)
Net increase in short term borrowings		**2,337,253,269**	2,753,391,788
Dividend paid		**(10,684,009)**	(445,118,926)
Net cash flow from financing activities		**2,874,387,282**	1,748,905,388
Net increase in cash and cash equivalents		**122,271,304**	36,640,494
Cash and cash equivalents as at beginning of the year		**82,073,810**	45,433,316
Cash and cash equivalents as at end of the year	42	**204,345,114**	82,073,810

The annexed notes 1 to 53 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Statement of Changes in Equity
for the year ended 31 December 2009

	Note	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 profit	Total equity
		Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
As at January 01, 2008		3,127,134,570	661,688,330	3,788,822,900	2,633,387,139	370,801,102	105,152,005	414,500,000	6,785,876	3,530,626,122	2,400,605,174	9,720,054,196
Conversion of preference shares into ordinary shares	*5.1.3*	297,500	(437,500)	(140,000)	140,000	-	-	-	-	140,000	-	-
Conversion of redeemable capital into ordinary shares	*5.2.1*	38,435,640	-	38,435,640	104,314,360	-	-	-	-	104,314,360	-	142,750,000
Profit for the year ended December 31, 2008		-	-	-	-	-	-	-	-	-	897,283,923	897,283,923
Other comprehensive income/(loss) for the year ended December 31, 2008		-	-	-	-	(218,165,162)	-	-	12,553,682	(205,611,480)	19,716,820	(185,894,660)
Profit transferred to preference shares redemption reserve		-	-	-	-	-	-	103,000,000	-	103,000,000	(103,000,000)	-
Preference dividend for the year ended December 31, 2008		-	-	-	-	-	-	-	-	-	(59,181,949)	(59,181,949)
Final dividend on ordinary shares for the year ended December 31, 2007		-	-	-	-	-	-	-	-	-	(390,929,009)	(390,929,009)
As at December 31, 2008		3,165,867,710	661,250,830	3,827,118,540	2,737,841,499	152,635,940	105,152,005	517,500,000	19,339,558	3,532,469,002	2,764,494,959	10,124,082,501
Issue of bonus shares	*5.1.1*	**633,173,530**	**-**	**633,173,530**	**(633,173,530)**	**-**	**-**	**-**	**-**	**(633,173,530)**	**-**	**-**
Issue of right shares	*5.1.2*	**749,677,460**	**-**	**749,677,460**	**262,387,112**	**-**	**-**	**-**	**-**	**262,387,112**	**-**	**1,012,064,572**
Transaction costs incurred on issue of right shares		**-**	**-**	**-**	**(8,808,320)**	**-**	**-**	**-**	**-**	**(8,808,320)**		**(8,808,320)**
Profit for the year ended December 31, 2009		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,531,362**	**60,531,362**
Other comprehensive income/(loss) for the year ended December 31, 2009		**-**	**-**	**-**	**-**	**(81,892,584)**	**-**	**-**	**3,764,666,520**	**3,682,773,936**	**19,716,821**	**3,702,490,757**
Profit transferred to preference shares redemption reserve		**-**	**-**	**-**	**-**	**-**	**-**	**108,000,000**	**-**	**108,000,000**	**(108,000,000)**	**-**
Preference dividend for the year ended December 31, 2009		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(59,181,949)**	**(59,181,949)**
Preference shares classified as current liability	*12*	**-**	**(330,625,650)**	**(330,625,650)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(330,625,650)**
As at December 31, 2009		**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**

The annexed notes 1 to 53 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Notes to and forming part of Financial Statements for the year ended December 31, 2009

1 REPORTING ENTITY

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.

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 prevail.

2.2 Financial Liabilities Re-profiling

The worldwide and nationwide recessionary trends and other economic conditions have perpetuated general credit and liquidity crisis. These circumstances are being faced by all the industrial and business sectors in Pakistan, and in particular, by the textile sector. The Company, during the year, also faced operational issues including increase in input cost primarily due to increase in prices of raw material and increase in utility cost emanating from the ongoing power crisis, reduction in profit margins due to global economic slowdown and high working capital requirements commensurate with increase in demand of denim products. Additionally, the Company has faced massive devaluation of the Pak Rupee over the past couple of years which, with high interest/mark-up rates resulted in substantially high finance costs. This has perpetuated temporary, liquidity issues, as referred to in note 47.2.2 to the financial statements. These, however, have been mitigated through generation of Rs. 2.37 billion from divestment of 20.13% ordinary shares held in Agritech Limited (formerly Pak American Fertilizers Limited), a subsidiary of the Company, through a combination of private placement and public subscription (see note 28.1). Funds generated have been utilized towards repayment/redemption of certain liabilities, with sufficient funds available for other requirements. Additionally, as explained in note 47.2.2 to the financial statements, the Company has successfully negotiated deferral of some of the overdue liabilities and issue of substitute debt instruments.

The management is also considering to take-up the matter with the providers of debt finance for re-profiling of some of the existing liabilities. Major cost cutting initiatives and improved debt collection will also reduce the financial burden on the Company. The management of the Company is confident that the above measures coupled with the Company's strong capital base of Rs. 18.47 billion (including surplus on revaluation of property, plant and equipment), advantageous capital gearing of 32.8% (see note 48), continuing profitable trends (with accumulated profits of Rs. 2.68 billion as at the reporting date) and expected improvement in economic and market conditions will improve the liquidity position. The Company, if required, also has financial support from its subsidiaries and associated companies. The management of the Company does not envisage any difficulty in generating and arranging necessary finances and in meeting its financial obligations when due, and for continuing profitable operations of the Company.

Appropriateness of Going Concern Assumption - Continuing Operations' As already mentioned above, the management is confident and does not envisage any difficulty in generating and arranging necessary finances for continuing operations of the Company and in meetings its financial obligations. The trend indicates that the sales will continue to grow with improved operational profitability inspite of high finance costs and other factors. Retention of market leadership, rationalization of customer base, production volumes and, costs and pricing targets augurs well for the future prospects of the Company. The steps already taken are showing dividends as the Company has, during the last quarter, set new records for the highest ever number of garments shipped in a month consecutively for three months.

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 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, 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 judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

which forms the basis of making judgements 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. Judgements 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 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 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 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 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 POLICIES

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, 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.

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

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

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 19.1 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.

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

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.

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.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

3.6 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil.

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. Interest is charged @ 8.25% on the outstanding fund balance and is recognized in profit or loss.

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.

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

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

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 46.1 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 46.1 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 instrument. Refer to note 46.2 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.

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

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.

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.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

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.

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 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 and forming part of Financial Statements
for the year ended December 31, 2009

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.

Export rebate is recognized at the same time when revenue from export sales is recognized.

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

Interest income is recognized as and when accrued on time proportion basis.

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 shares 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.

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.

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

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.

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 costs 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.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

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 in 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.

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 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO

4.1 New and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year

IFRS 7 - Financial Instruments *Disclosures*

This standard has superseded the disclosure requirements of IAS 32 - Financial Instruments Presentation and Disclosures (now Financial Instruments Presentation). Application of this standard has had impact on the Company's financial statements only to the extent of additional disclosures which are set-out in note 46 & 47 to the financial statements. There are no changes in accouting policies or adjustments in the current or prior periods resulting from application to this standard.

IAS 23 - Borrowing Costs (Revised 2007)

The revised standard has removed the option to expense out borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The revision has not had any impact on the Company's financial statements since the Company's accounting policy for borrowing costs is already in accordance with the requirements of the revised standard, and accordingly there are no adjustments in current or prior period resulting from application of this standard.

IAS 1 - Presentation of financial statements *(Revised 2007)*

The revised standard has brought about terminology changes, and changes in format and content of the financial statements. A new term "Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with shareholders in their capacity as shareholders, has been introduced, along with new titles for the financial statements. The Company has applied this standard retrospectively, but only to the extent it is consistent with the requirements of the Companies Ordinance, 1984 and the Rules and Regulations made thereunder. Certain requirements of the standard, including change of titles for financial statement, that are in conflict with the Companies Ordinance, 1984 and the Rules and Regulations made thereunder, have not been applied in presenting these financial statements.

The application of this standard has resulted in presentation of all non-owner changes in equity, other than profit after taxation, which is presented in profit and loss account, and surplus on revaluation of property, plant and equipment, which is presented on balance sheet after share capital and reserves, separately from owner changes, in 'Statement of Other Comprehensive Income'. There are no other adjustments in current or prior periods, however the removal of above mentioned inconsistencies and conflicts in future, will cause further changes in content and format of these financial statements.

4.2 Approved accounting standards, interpretations and amendments thereto effective with no impact on Company's financial statements

Standards, interpretations and amendments	**Description**
IFRS 8 - Operating Segments	This standard introduces the "management approach" to segment reporting.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

Standards, interpretations and amendments	Description
IFRIC 13 - Customer Loyalty Programmes	This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.
IAS 27 - Consolidated and Separate Financial Statements (amendments)	The amendments deal with measurement of cost of investment in subsidiaries, jointly controlled entities.
IAS 38 - Intangible Assets (amendments)	The amendment permits an entity to recognize a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.
IAS 40 - Investment Property (amendments)	The standard has been amended to include within its scope investment property in the course of construction.
IAS 20 - Government Grants (amendments)	The amendment requires that the benefit of a government loan at a below-market rate of interest be treated as government grant.
IAS 39 - Financial Instruments *Recognition and Measurement* (amendments)	The standard has been amended to permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' and 'available for sale' categories in very limited circumstances. The amendment also clarifies accounting for embedded derivatives in case of such reclassification.
IFRS 2 - Share Based Payments (amendments)	The amendment clarifies the definition of vesting conditions and accounting treatment for cancellations, and introduce the concept of non-vesting conditions.
IAS 32 - Financial Instruments *Presentation* and IAS 1 - Presentation of Financial Statements (amendments)	These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.
IFRIC 15 - Agreements for the Construction of Real Estate	The interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 - Construction Contracts or IAS 18 - Revenue, and when revenue from the construction of real estate should be recognized.
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	The interpretation provides guidance on detailed requirements for net investment hedging for certain hedge accounting designations.

4.3 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date. Their impact on the Company's financial statements cannot be ascertained as at the reporting date.

Standards, interpretations and amendments	Description
IFRS 5 - Non-Current Asset Held for Sale and Discontinued Operations (amendments)	The standard has been amended to modify disclosure requirements. The amendment is effective for annual period beginning on or after

Notes to and forming part of Financial Statements for the year ended December 31, 2009

Standards, interpretations and amendments	Description
	January 01, 2010.
IFRS 3 - Business Combinations (Revised 2008)	The revision broadens the definition of business combinations, provides guidance on measurement of contingent consideration, pre-existing interests in acquiree and non-controlling interests and on accounting for transaction costs. The revised standard is effective for business combination for which the acquisition date is on or after the beginning of the first annual reporting period that begins on or after July 01, 2009.
IAS 7 - Statement of Cash Flows (amendments)	The amendments specify that only expenditures that result in a recognized asset in the balance sheet can be classified as cash flows from investing activities. The amendments are effective for annual period beginning on or after January 01, 2010.
IAS 27 - Consolidated and Separate Financial Statements (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Company's interest in subsidiaries. The revised standards is effective for annual periods beginning on or after July 01, 2009.
IAS 28 - Investments in Associates (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Company's interest in associates. The revised standard is effective for annual periods beginning on or after July 01, 2009.
IAS 39 - Financial Instruments *Recognition and Measurement* (amendments)	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options. The amendment is effective for annual periods beginning on or after July 01, 2009.
IFRIC 17 - Distribution of Non-Cash Assets to Owners	The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The interpretation is effective for annual periods beginning on or after July 01, 2009.
IAS 17 - Leases (amendments)	The standard has been amended to permit leases of land to be classified and accounted for as finance leases if certain conditions are met. The amendments are effective for annual period beginning on or after January 01, 2010.

	2009	2008
	Rupees	*Rupees*
5 SHARE CAPITAL		
Authorized share capital		
Ordinary shares of Rs. 10 each		
900,000,000 (2008: 900,000,000) voting shares	**9,000,000,000**	9,000,000,000
300,000,000 (2008: 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 (2008: 300,000,000) non-voting shares	**3,000,000,000**	3,000,000,000
	15,000,000,000	15,000,000,000

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Issued, subscribed and paid-up capital			
Voting ordinary shares of Rs. 10 each	*5.1*		
323,712,733 (2008: 249,655,142) shares fully paid in cash		**3,237,127,330**	2,496,551,420
62,548,641 shares issued as fully paid bonus shares	*5.1.1*	**625,486,410**	-
12,276,073 (2008: 12,276,073) shares issued as consideration for machinery		**122,760,730**	122,760,730
50,811,992 (2008: 50,811,992) shares issued as consideration on merger		**508,119,920**	508,119,920
		4,493,494,390	3,127,432,070
Non-voting ordinary shares of Rs. 10 each	*5.2*		
4,753,719 (2008: 3,843,564) shares fully paid in cash		**47,537,190**	38,435,640
768,712 shares issued as fully paid bonus shares	*5.1.1*	**7,687,120**	-
		55,224,310	38,435,640
Preference shares of Rs. 10 each (2008: Rs. 10 each)			
33,062,518 (2008: 66,125,083) shares fully paid in cash	*5.3, 5.4 & 5.5*	**330,625,180**	661,250,830
		4,879,343,880	3,827,118,540

		Note	2009 No. of shares	2008 No. of shares
5.1	**Movement in number of voting ordinary shares in issue**			
	As at beginning of the year		**312,743,207**	312,713,457
	Issue of bonus shares	*5.1.1*	**62,548,641**	-
	Issue of right shares	*5.1.2*	**74,057,591**	-
	Conversion of preference shares into voting ordinary shares	*5.1.3*	**-**	29,750
	As at end of the year		**449,349,439**	312,743,207

5.1.1 During the year, the Company increased its paid-up ordinary share capital through issue of bonus shares at 20 ordinary shares for every 100 ordinary shares held.

5.1.2 During the year, the Company increased its paid-up ordinary share capital through issue of right shares at 23.68 ordinary shares for every 100 ordinary shares held.

5.1.3 During the year ended December 31, 2008, preference shareholders converted 43,750 preference shares into voting ordinary shares at 6.8 voting ordinary shares for every 10 preference shares held by exercising the conversion option referred to in note 5.4 to the financial statements.

		Note	2009 No. of shares	2008 No. of shares
5.2	**Movement in number of non-voting ordinary shares in issue**			
	As at beginning of the year		**3,843,564**	-
	Issue of bonus shares	*5.1.1*	**768,712**	-
	Issue of right shares	*5.1.2*	**910,155**	-
	Conversion of term finance certificates into non-voting ordinary shares	*5.2.1*	**-**	3,843,564
	As at end of the year		**5,522,431**	3,843,564

5.2.1 During the year ended December 31, 2008, Term Finance Certificate Holders converted 28,550 certificates into non-voting ordinary shares at Rs. 37.14 per non-voting ordinary share by exercising the conversion option referred to in note 8.2 to the financial statements.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

		Note	2009	2008
			No. of shares	*No. of shares*
5.3	**Movement in number of preference shares in issue**			
	As at beginning of the year		**66,125,083**	66,168,833
	Conversion of preference shares into voting ordinary shares	*5.1.3*	**-**	(43,750)
	Shares with redemption due presented under current liabilities	*5.5 & 12*	**(33,062,565)**	-
	As at end of the year		**33,062,518**	66,125,083

5.4 Preference shares were issued by the Company during year ended 30 September 2004 and are non-voting, non-participatory, partly convertible and cumulative, and are redeemable in six years from the date of issue. These preference shares are listed on Karachi Stock Exchange (Guarantee) Limited. The terms and conditions of issue are as follows:

Rate of dividend

These preference shares carry annual fixed dividend at Rs. 8.95% per annum. Dividend is to be declared within three months from the close of financial year of the Company and paid within 30 days from commencement of book closure period determined and announced for this purpose. If, however, the Company fails to pay dividend in any year, the rates of dividend for the said year and subsequent years would be as follows:

Nature of failure	Rates of dividend
Default in payment during first year followed by regular payments in subsequent years.	Dividend at 9.75 % for the first year and at 8.95 % for subsequent years.
Default in payment during second year followed by regular payments in subsequent years.	Dividend at 20.73 % for the second year and at 8.95 % for subsequent years.
Default in payment during third year followed by regular payments in subsequent years.	Dividend at 31.95 % for the third year and at 8.95 % for subsequent years.
Default in payment during fourth year followed by regular payments in subsequent years.	Dividend at 44.56 % for the fourth year and at 8.95 % for subsequent years.
Default in payment during fifth year followed by regular payment in sixth year.	Dividend at 58.30 % for the fifth year and at 8.95 % for the sixth year.

If the Company, at any time, fails to pay dividend and/or redeem the principal in the manner mentioned below, the entire amount of dividend accrued together with the face value of the outstanding preference shares will be converted, at the option of preference shareholder, into voting ordinary shares at breakup value of the Company to be determined at that time.

Redemption option and timing

Redemption will be allowed, subject to the provisions of section 85 of the Companies Ordinance, 1984, as follows:

- 50 % of the issued amount at the end of fifth year from date of issue
- 50 % of the issued amount at the end of sixth year from date of issue

Conversion into voting ordinary shares

The preference shareholders may at their option convert upto 25 % of the value of their respective preference shares, into voting ordinary shares between eighteen and forty two months from the date of issue at 6.8 voting ordinary shares for every 10 preferences shares. However, the said period has lapsed and the present preference shareholders do not have the option to convert their holdings into ordinary shares. Preference shareholders who have already exercised their right of conversion will not receive any of the remaining portion of fixed coupon amounts on the converted amount.

Creation and maintenance of redemption reserve

The Company is to create redemption reserve of at least upto the amount of outstanding preference shares submitted for redemption by:

- Allocating Rs. 150 million of the reserves as at 30 September 2004
- Appropriate profits of at least Rs. 50 million every subsequent year to build up redemption reserve
- Creating additional reserves to match the amount required for redemption.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

5.5 This represents 50% of the issued amount of preference shares redeemable at the end of fifth year from the date of issue, i.e. September 24, 2009, in accordance with the terms of issue as referred to in note 5.4 to the financial statements. However, no redemption was made upto the reporting date. Further, upto the date of issue of these financial statements only 1,887,619 shares have been redeemed with the balance expected to be redeemed through a fresh issue of term finance certificates to preference shareholders. Further, in accordance with the terms of issue of preference shares, dividend thereon is payable within thirty days from commencement of book closure period determined and announced for this purpose. Accordingly, dividend on preference shares was due for payment on November 21, 2009, however, the same was oustanding as at the reporting date as none of the investors had presented their dividend warrants, issued on December 20, 2009, for payment. However, the dividend warrants were presented for payment and cleared subsequent to reporting period.

	Note	**2009**	2008
		Rupees	*Rupees*
6 RESERVES			
Share premium	*6.1*	**2,358,246,761**	2,737,841,499
Cash flow hedges	*6.2*	**70,743,356**	152,635,940
Merger reserve	*6.3*	**105,152,005**	105,152,005
Redemption of preference shares	*6.4*	**625,500,000**	517,500,000
Available for sale financial assets	*6.5*	**3,784,006,078**	19,339,558
		6,943,648,200	3,532,469,002

6.1 Share premium

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

6.2 Cash flow hedges

The Company has entered into cross currency / interest rate swap contracts with various banking companies to hedge the possible adverse movements in interest rates and foreign exchange rates. These contracts are derivative financial instruments and have been classified as cash flow hedges since the hedge relationship is effective and the hedge qualifies for hedge accounting as per the requirements of International Accounting Standard 39 "Financial Instruments - Recognition and Measurement"

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 December 19, 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 5.4 for details.

6.5 Available for sale financial assets

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

	2009	2008
	Rupees	*Rupees*
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
As at beginning of the year	**219,356,257**	239,073,077
Surplus arising during the year	**3,769,512,782**	-
Incremental depreciation transferred to accumulated profit	**(19,716,821)**	(19,716,820)
As at end of the year	**3,969,152,218**	219,356,257

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
8 REDEEMABLE CAPITAL - SECURED			
Term Finance Certificates - I	*8.1*	**-**	62,500,000
Term Finance Certificates - II	*8.2*	**1,498,649,061**	1,832,162,407
Term Finance Certificates - III	*8.3*	**2,498,000,000**	2,499,000,000
		3,996,649,061	4,393,662,407
Transaction costs		**(24,419,643)**	(34,187,500)
		3,972,229,418	4,359,474,907
Current maturity presented under current liabilities		**(875,272,500)**	(397,013,346)
		3,096,956,918	3,962,461,561

8.1 These Term Finance Certificates ('TFCs') were issued by way of private placements with a consortium of institutional investors. The total issue comprised of 250 TFCs having face value of Rs. 100,000 each and 45,000 TFCs having face value of Rs. 5,000 each. The entire issue has been redeemed during the year.

8.2 These Term Finance Certificates ('TFCs') 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. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in ten unequal semi-annual installments starting from March 2008. However, the Company delayed redemption amounting to Rs.166,756,673 due on March 20, 2010. The management of the Company is in negotiations with the investors reagrding reprofiling of the liability. See note 47.2.2(e).

Return on TFCs

The issue carries return at six months KIBOR plus 2.4% per annum, payable semi-annually. However, the Company has entered into a cross currency swap arrangement with Royal Bank of Scotland whereby the Company is liable to pay mark-up at fixed LIBOR of 6.915% on the outstanding USD notional amount to Royal Bank of Scotland against receipt of six months KIBOR.

Conversion option

TFC holders have the right of conversion of upto 25 % of the value of TFCs into non-voting ordinary shares, rounded off to the nearest whole number, at 30% discount on the preceding three months average share price of voting ordinary shares on the date of conversion. The TFC holders may exercise the right of conversion at any time between January 01, 2008 to March 31, 2008 after giving thirty days notice to the Company and the trustee. In case of existent established market for the Company's non-voting ordinary shares at the time of conversion, TFC holders will have the right of conversion of upto 25% of the value of TFCs into non-voting ordinary shares, rounded off to the nearest whole number, at 15% discount on the preceding three months average share price of non-voting ordinary shares on the date of conversion. However, the period during which the TFC holders could exercise the right of conversion has lapsed and the present TFC holders do not have the option to convert their holdings into ordinary shares.

Trustee

In order to protect the interests of TFC holders, First Dawood Investment Bank Limited has been appointed as trustee for the issue under a trust deed. The trustee has the power to enforce the Company's obligations, in case the Company defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

Security

The issue is secured by charge over present and future operating assets of the Company.

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

8.3 These have been issued by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in ten equal semi-annual installments starting from June 2010. However, out of the redemption amounting to Rs.500,000 that was due on December 04, 2009, Rs. 336,600 was outstanding as at the reporting date. The Company had issued cheques for the amount on due date. However, the presentation of these cheques for payment was deferred and the amount remained unpaid as at the reporting date. These cheques, however, were presented and cleared subsequent to the reporting period.

Return on TFCs

The issue carries return at six months KIBOR plus 2.25% per annum, payable semi-annually. As at December 31, 2008, the Company had a cross currency swap arrangement with Standard Chartered Bank whereby the Company was liable to pay mark-up at six months EURIBOR on equivalent EURO amounts to Standard Chartered Bank against receipt of six months KIBOR. The swap was unwound during the year. However, interest payments amounting to Rs. 135,180,141 that were due on December 04, 2009 were outstanding as at the reporting date. The Company had issued cheques for the amount on due date. However, the presentation of these cheques for payment was deferred and the amount remained unpaid as at the reporting date. These cheques, however, were presented and cleared subsequent to the reporting period.

Trustee

In order to protect the interests of TFC holders, Pak Brunei Investment Company Limited has been appointed as trustee for the issue under a trust deed. The trustee has the power to enforce the Company's obligations, in case the Company defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of the Company.

Security

The issue is secured by charge over operating assets of the Company.

	Note	2009 Rupees	2008 Rupees
8.4 Transaction costs			
As at beginning of the year		**34,187,500**	33,187,500
Incurred during the year		**-**	1,000,000
Amortized during the year	*36*	**(9,767,857)**	-
As at end of the year		**24,419,643**	34,187,500

9 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/markup arrangements from banking companies and financial institutions.

	Note	2009	2008
United Bank Limited	*9.1*	**75,000,000**	100,000,000
Citi Bank N.A (Bahrain)	*9.2*	**368,812,500**	542,437,500
National Bank of Pakistan	*9.3*	**1,000,000,000**	1,250,000,000
Deutsche Investitions - Und MBH (Germany)	*9.4*	**1,453,200,000**	1,499,985,000
Saudi Pak Industrial and Agricultural Company Limited	*9.5*	**100,000,000**	100,000,000
KASB Bank Limited	*9.6*	**-**	250,000,000
		2,997,012,500	3,742,422,500
Current maturity presented under current liabilities	*9.4 & 12*	**(1,105,700,000)**	(1,055,580,000)
		1,891,312,500	2,686,842,500

Notes to and forming part of Financial Statements for the year ended December 31, 2009

9.1 The finance has been obtained from United Bank Limited for import of plant and machinery and is secured by charge over operating assets of the Company and demand promissory notes. The finance carries mark-up at 7% per annum (2008: 7% per annum), payable quarterly. However the Company has entered into a cross currency swap arrangement with Standard Chartered Bank whereby the Company is actually liable to pay markup at three months EURIBOR minus 0.25 % per annum on equivalent EURO amounts to Standard Chartered Bank against receipt of markup at 7% per annum on outstanding Pak Rupee liability. The finance was originally repayable in eight equal semi-annual installments with the first installment due in December 2006. However, during the year, the Company was provided a grace period of one year under the circular 01 dated January 22, 2009 issued by SME Finance Department of the State Bank of Pakistan ('the SBP') , whereby the SBP allowed the lending banks to provide one year grace period to borrowers availing finance facilities under the Long Term Finances for Export Oriented Project scheme. As a result, repayment of the remaining finance will commence after the expiry of said grace period.

9.2 This represents finance of US$ 10 million obtained from Citi Bank N.A. (Bahrain) under a loan swap arrangement and is secured by charge over operating assets of the Company, demand promissory notes and pledge of securities. The finance carries mark-up at three months LIBOR plus 4% per annum (2008: three months LIBOR plus 4% per annum), payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in October 2007.

9.3 The finance has been obtained from National Bank of Pakistan to finance the acquisition of Agritech Limited (formerly Pak American Fertilizers Limited), a subsidiary of the Company and is secured by charge over operating assets and current assets of the Company, and pledge of securities. The finance carries mark-up at six months KIBOR plus 3.25% per annum (2008: six months KIBOR plus 3.25% per annum), payable quarterly. The finance is repayable in twelve equal semi-annual installments with the first installment due in January 2007.

9.4 This represents finance of Euro 15 million obtained from Deutsche Investitions - Und MBH (Germany) to finance the setup of new textile and apparel project and is secured by charge over operating assets and all moveable assets of the Company. The finance carries mark-up at six months EURIBOR plus 3.25% per annum (2008: six months EURIBOR plus 3.25% per annum), payable quarterly. The Company as at December 31, 2008 had cross currency swap arrangement with Citi Bank N.A. whereby the Company was liable to pay markup at six months CHF LIBOR plus 3.55% per annum on equivalent CHF amounts to Citi Bank N.A. against receipt of markup at six months EURIBOR plus 3.25% per annum on the outstanding Euro liability. The swap, however, was unwound during the year. The finance is repayable in ten equal semi-annual installments with the first installment due in August 2008. As at the reporting date, however, one installment of EURO 1.5 million is overdue. The management of the Company is in discussion with the lender regarding deferral of the overdue installment till August 2012. The lenders have agreed to the deferment in principal, however, execution of the agreement in writing is in process. The overdue amount is included in current maturity.

9.5 The finance has been obtained from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements and is secured by charge over operating assets and current assets of the Company. The finance carries mark-up at six months KIBOR plus 2.5% per annum (2008: six months KIBOR plus 2.5% per annum), payable quarterly. The finance is repayable in four equal semi-annual installments with the first installment due in February 2010.

9.6 The finance was obtained from KASB Bank Limited to finance the acquisition of Montebello s.r.l, a subsidiary of the Company, and was secured by charge over current assets of the Company. The finance carried mark-up at six months KIBOR plus 2.5% per annum (2008: six months KIBOR plus 2.5% per annum), payable quarterly. The finance was repaid in bullet during the year.

	Note	**2009**	2008
		Rupees	*Rupees*
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED			
Present value of minimum lease payments	*10.1 & 10.2*	**87,075,385**	53,765,875
Current maturity presented under current liabilities	*10.1 & 10.2*	**(30,436,978)**	(18,328,147)
		56,638,407	35,437,728

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 six months to one year KIBOR plus 2% to 3.25% (2008: six months to one year KIBOR plus 2% to 3.25%) 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.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

		Note	2009 Rupees	2008 Rupees
10.2	The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:			
	Not later than one year		**75,106,427**	38,318,415
	Later than one year but not later than five years		**15,775,034**	20,427,850
	Total future minimum lease payments		**90,881,461**	58,746,265
	Finance charge allocated to future periods		**(3,806,076)**	(4,980,390)
	Present value of future minimum lease payments		**87,075,385**	53,765,875
	Not later than one year	*12*	**(30,436,978)**	(18,328,147)
	Later than one year but not later than five years		**56,638,407**	35,437,728

10.3 Security deposits against finance leases amounting Rs. 10,945,539 (2008: Rs. 10,226,784) previously offset with liabilities against asset subject to finance lease have been reclassified and presented as long term deposits for better presentation. See note 23.2 .

		Note	2009 Rupees	2008 Rupees
11 DERIVATIVE FINANCIAL LIABILITIES				
Cash flow hedges				
Hedged item	***Hedging instrument***			
Mark-up payments to Citi Bank N.A. at fixed rate of 10.9% per annum on term finance certificates	Mark-up payments to Standard Chartered Bank on equivalent amount in Euros at six months EURIBOR plus 1.75% per annum.	*22*	**-**	23,038,052
Fair value hedges				
Hedged item	***Hedging instrument***			
Mark-up payments on long term finance obtain from United Bank Limited at fixed rate of 7% per annum.	Mark-up payments to Standard Chartered Bank on equivalent amount in Euros at three months EURIBOR minus 0.25% per annum	*9.1*	**14,472,950**	27,498,857
			14,472,950	50,536,909
Current maturity presented under current liabilities			**(14,472,950)**	(41,115,630)
			-	9,421,279

11.1 As at December 31, 2008, the fair value of derivative financial liabilities was presented under current liabilities. However, as at December 31, 2009, maturities greater than twelve months from the reporting date have been reclassified and presented under non-current liabilities for better presentation.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
12 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Preference shares	5.3 & 5.5	**330,625,650**	-
Redeemable capital	8	**875,272,500**	397,013,346
Long term finances	9	**1,105,700,000**	1,055,580,000
Liabilities against assets subject to finance lease	10.2	**30,436,978**	18,328,147
Derivative financial liabilities	11	**14,472,950**	41,115,630
		2,356,508,078	1,512,037,123

13 SHORT TERM BORROWINGS

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

	Note	2009 Rupees	2008 Rupees
Secured			
Running finance	13.1	**1,103,561,254**	2,332,223,469
Cash finance	13.1	**1,077,228,128**	460,541,415
Export refinance	13.1	**3,205,283,000**	2,058,870,142
Finance against packing credit	13.1	**336,300,000**	-
Finance against foreign bills	13.1	**676,060,035**	533,787,994
Foreign currency finance	13.1	**93,983,909**	127,528,535
Morabaha/LPO	13.1	**210,626,000**	174,956,000
Finance against trust receipt	13.1	**75,000,000**	59,135,625
Term finance	13.1	**613,338,665**	-
Finance against imported merchandise	13.1	**-**	84,295,000
Bridge finance	13.2	**810,000,000**	-
		8,201,380,991	5,831,338,180
Unsecured			
Commercial paper	13.3	**709,952,582**	742,742,124
		8,911,333,573	6,574,080,304

13.1 These facilities have been obtained from various banking companies and financial institutions for working capital requirements and are secured by charge over all present and future current assets of the Company, including stocks of raw material, work in process and finished goods, lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, pledge of stocks, pledge of securities and personal guarantees of Directors of the Company.

Mark-up on these finances is payable along with principal on maturity, except for running finance and cash finance, where mark-up is payable quarterly. Local currency finances carry markup at rates ranging from one to six months KIBOR plus 1.75% to 5% per annum (2008: one to six months KIBOR plus 1.5% to 5% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR of matching tenor plus 1% to 2.5% per annum (2007: LIBOR of matching tenor plus 1% to 2.5% per annum). Markup on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of Rs. 6.5% per annum plus banks' spread of 1% to 1.5% per annum (2008: Rs. 6.5% per annum plus banks' spread of 1% to 1.5% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.05% to 0.15% per quarter (2008: 0.05% to 0.15% per quarter).

The aggregate available short term funded facilities amounts to Rs. 9,744 million (2008: Rs. 7,858 million) out of which Rs. 2,353 million (2008: Rs. 2,027 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit to Rs. 2,082 million (2008: Rs. 3,399 million) of which the limits remaining unutilized as at the reporting date amount to Rs. 976 million (2008: Rs. 1,636 million).

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

13.2 Bridge finance has been obtained from various banking companies to bridge the private placement/public subscription of ordinary shares of Agritech Limited (formerly Pak American Fertilizers Limited) (see note 28.1) and is secured by pledge of securities, charge over present and future operating assets of the Company and personal guarantees of directors of the Company. These carry mark-up at six months KIBOR plus 2% to 5% per annum, payable along with principal on maturity, with principal to be settled through proceeds of private placement of said shares.

13.3 These have been issued with a face value of Rs. 750 million (2008: Rs. 750 million) under the SECP guidelines for commercial paper issue. The issue has been advised, structured and arranged by Pak Oman Investment Company Limited. The issue has been made at a discount to the face value calculated on the basis of the indicative profit rate of nine months KIBOR plus 3.5 % per annum (2008: nine months KIBOR plus 1.5% per annum) and is redeemable at face value in May 2010 (2008: February 2009). The issue is unsecured.

	Note	**2009**	2008
		Rupees	*Rupees*
14 TRADE AND OTHER PAYABLES			
Trade creditors		**1,300,148,728**	1,063,267,031
Accrued liabilities		**287,910,601**	197,159,121
Advances from customers		**39,354,792**	51,207,512
Subscription money against sale of investment	*14.2*	**84,120,000**	-
Payable to provident fund trust		**5,352,298**	5,120,350
Workers' profit participation fund	*14.3*	**31,693,527**	18,967,710
Workers' Welfare Fund	*14.5*	**3,782,587**	20,000
Tax deducted at source		**4,446,434**	4,381,582
Other payables		**19,794,995**	10,376,809
		1,776,603,962	1,350,500,115

14.1 These include following amounts due to related parties.

Related party	**Nature of relationship**		
Montebello s.r.l	Parent - Subsidiary	**-**	51,842,024
ICI Pakistan Limited	Associated Company	**1,877,139**	-
		1,877,139	51,842,024

14.2 This represents amounts received upto the reporting date from Pre-IPO investors as per their commitments under the Pre-IPO agreements for the purchase of the shares of Agritech Limited (formerly Pak American Fertilizers Limited). See note 28.1 .

	Note	**2009**	2008
		Rupees	*Rupees*
14.3 Workers' Profit Participation Fund (WPPF)			
As at the beginning of the year		**18,967,710**	26,295,607
Interest on funds utilized by the Company	*14.4*	**3,319,349**	4,601,731
Charged to profit or loss for the year	*37*	**9,406,468**	18,967,710
Paid during the year		**-**	(30,897,338)
As at end of the year		**31,693,527**	18,967,710

14.4 Interest on WPPF is charged at 17.5% (2008: 17.5%) per annum.

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

	Note	2009	2008
		Rupees	*Rupees*
14.5 Workers' Welfare Fund ("WWF")			
As at the beginning of the year		**20,000**	20,000
Charged to profit or loss for the year	*37*	**3,762,587**	-
Paid during the year		**-**	-
As at end of the year		**3,782,587**	20,000

15 DUE TO RELATED PARTY- UNSECURED

This represents short term loan obtained from Agritech Limited (formerly Pak American Fertilizers Limited), a subsidiary of the Company and is repayable on demand. The loan is unsecured and carries markup at 15.5% per annum (2008: 16.8% per annum).

16 INTEREST/MARK-UP ACCRUED ON BORROWINGS

This includes interest accrued on short term loan obtained from related party (see note 15) amounting to Rs. 137,090,639 (2008: Rs. 10,979,472).

	Note	2009	2008
		Rupees	*Rupees*
17 DIVIDEND PAYABLE			
Unclaimed dividend on ordinary shares		**4,002,037**	14,686,046
Dividend payable on preference shares	*5.5 & 47.2.2(b)*	**59,181,949**	-
		63,183,986	14,686,046

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 The Company was denied exemption under SRO 484(1)/92 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 decided in favour of the Company. The department has filed an appeal against the decision before the Honourable Supreme Court of Pakistan, the decision on which is pending. The Company expects a favourable outcome. Accordingly, no provision has been made for the potential liability which amounts to Rs. 9.9 million.

18.1.2 Several ex-employees of Agritech Limited (formerly Pak American Fertilizers 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 million, is pending before the Honourable Lahore High Court and the Company expects a favourable outcome.

18.1.3 The Company has issued indemnity bonds amounting to Rs. 243 million (2008: Rs. 322 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.

18.1.4 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 152.05 million (2008: Rs. 123.205 million).

18.1.5 As referred to in note 5.5 to the financial statements, no redemption of preference shares has been made upto the reporting date. Further, upto the date of issue of these financial statements only partially redemption has been carried out. The management of the Company, based on advice of its lawyers, is of the opinion that such delay does not consititute an event of default and there is no likelihood of any additional liability arising out of it. Futher, non-payment or delayed payment of dividend on preference share, as referred to in note 5.5 may attract penalties in the form of dividend at higher rates as mentioned in note 5.4 to the financial statements. Also see note 47.2.2 to the financial statements.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

18.1.6 The Company was unable to meet its obligations in respect of various debt finances on their respective due dates which may result in further interest/mark-up and/or penalties, which are impracticable to quantify as at the reporting date and may also result in non-renewal of existing facilities . Refer to note 47.2.2 for details.

18.1.7 Contingencies related to tax matters are referred to note 38 to the financial statements.

	Note	**2009** ***Rupees***	2008 *Rupees*
18.2 Commitments			
18.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		**93,560,121**	77,291,196
- purchase of machinery		**-**	382,723,235
- purchase of raw material		**811,185,420**	766,100,087
		904,745,541	1,226,114,518
18.2.2 Commitments for capital expenditure		**3,503,908**	128,470,317
19 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	*19.1*	**14,053,786,326**	7,734,950,547
Capital work in progress	*19.2*	**713,960**	918,670,893
		14,054,500,286	8,653,621,440

Notes to and forming part of Financial Statements for the year ended December 31, 2009

19.1 Operating assets

	2009										
	COST / REVALUED AMOUNT					DEPRECIATION					Net book value
	As at January 01	Additions	Disposals	Transfers	As at December 31	Rate	As at January 01	For the year	Adjustment	As at December 31	as at December 31
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Assets owned by the Company											
Freehold land											
- Cost	557,750,025	260,000	-	-	558,010,025	-	-	-	-	-	558,010,025
- Revaluation	8,442,352	711,282,623	-	-	719,724,975	-	-	-	-	-	719,724,975
	566,192,377	711,542,623	-	-	1,277,735,000		-	-	-	-	1,277,735,000
Buildings on freehold land											
- Cost	1,853,303,069	59,822,354	-	340,374,303	2,253,499,726	5	279,573,544	82,705,616		362,279,160	1,891,220,566
- Revaluation	19,455,864	684,083,431	-		703,539,295	5	5,780,146	806,016	111,016,096	117,602,258	585,937,037
	1,872,758,933	743,905,785	-	340,374,303	2,957,039,021		285,353,690	83,511,632	111,016,096	479,881,418	2,477,157,603
Plant and machinery											
- Cost	6,730,756,493	284,216,965	-	2,221,584,570	9,236,558,028	2 - 7.5	1,914,301,315	395,276,029	(246,875)	2,309,330,469	6,927,227,559
- Revaluation	379,927,819	3,363,359,136	-		3,743,286,955	2 - 7.5	182,689,633	18,910,805	878,196,312	1,079,796,750	2,663,490,205
	7,110,684,312	3,647,576,101	-	2,221,584,570	12,979,844,983		2,096,990,948	414,186,834	877,949,437	3,389,127,219	9,590,717,764
Furniture, fixtures and office equipment	170,612,818	9,938,711	-	-	180,551,529	10	55,900,763	12,838,499	-	68,739,262	111,812,267
Vehicles	47,029,933	8,759,139	(3,610,600)	1,310,049	53,488,521	20	23,013,668	6,365,211	(1,116,886)	28,261,993	25,226,528
Tools and equipment	206,077,969	128,326,496	-	-	334,404,465	10	30,137,661	22,201,460	-	52,339,121	282,065,344
Electrical installations	130,527,993	9,956,678	-	-	140,484,671	10	48,072,441	8,925,089	-	56,997,530	83,487,141
	10,103,884,335	5,260,005,533	(3,610,600)	2,563,268,922	17,923,548,190		2,539,469,171	548,028,725	987,848,647	4,075,346,543	13,848,201,647
Assets subject to finance lease											
Plant and machinery	179,443,643	-	-	38,579,801	218,023,444	2 - 7.5	63,960,696	8,902,593	246,875	73,110,164	144,913,280
Vehicles	73,747,950	19,958,792	(1,059,216)	(1,310,049)	91,337,477	20	18,695,514	12,914,569	(944,005)	30,666,078	60,671,399
	253,191,593	19,958,792	(1,059,216)	37,269,752	309,360,921		82,656,210	21,817,162	(697,130)	103,776,242	205,584,679
	10,357,075,928	5,279,964,325	(4,669,816)	2,600,538,674	18,232,909,111		2,622,125,381	569,845,887	987,151,517	4,179,122,785	14,053,786,326

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	2008										
	COST / REVALUED AMOUNT						DEPRECIATION				Net book value
	As at January 01 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at December 31 *Rupees*	Rate %	As at January 01 *Rupees*	For the year *Rupees*	Adjustment *Rupees*	As at December 31 *Rupees*	as at December 31 *Rupees*
Assets owned by the Company											
Freehold land											
- Cost	512,508,109	45,241,916	-	-	557,750,025	-	-	-	-	-	557,750,025
- Revaluation	8,442,352		-	-	8,442,352	-	-	-	-	-	8,442,352
	520,950,461	45,241,916	-	-	566,192,377		-	-	-	-	566,192,377
Buildings on freehold land											
- Cost	1,604,698,862	5,193,435	-	243,410,772	1,853,303,069	5	200,994,406	78,579,138	-	279,573,544	1,573,729,525
- Revaluation	19,455,864		-		19,455,864	5	4,974,130	806,016	-	5,780,146	13,675,718
	1,624,154,726	5,193,435	-	243,410,772	1,872,758,933		205,968,536	79,385,154	-	285,353,690	1,587,405,243
Plant and machinery											
- Cost	6,569,980,042	146,553,610	-	14,222,841	6,730,756,493	7.5	1,534,232,038	380,069,277	-	1,914,301,315	4,816,455,178
- Revaluation	379,927,819		-		379,927,819	7.5	163,778,829	18,910,804	-	182,689,633	197,238,186
	6,949,907,861	146,553,610	-	14,222,841	7,110,684,312		1,698,010,867	398,980,081	-	2,096,990,948	5,013,693,364
Furniture, fixtures and office equipment	146,336,876	24,363,442	(87,500)	-	170,612,818	10	43,915,366	12,015,016	(29,619)	55,900,763	114,712,055
Vehicles	35,642,637	16,851,922	(5,451,558)	(13,068)	47,029,933	20	20,847,982	4,522,014	(2,356,328)	23,013,668	24,016,265
Tools and equipment	112,249,133	93,828,836	-	-	206,077,969	10	15,944,901	14,192,760	-	30,137,661	175,940,308
Electrical installations	120,978,497	9,549,496	-	-	130,527,993	10	39,286,489	8,785,952	-	48,072,441	82,455,552
	9,510,220,191	341,582,657	(5,539,058)	257,620,545	10,103,884,335		2,023,974,141	517,880,977	(2,385,947)	2,539,469,171	7,564,415,164
Assets subject to finance lease											
Plant and machinery	176,865,143	2,578,500	-	-	179,443,643	7.5	54,625,572	9,335,124	-	63,960,696	115,482,947
Vehicles	43,300,276	31,689,323	(1,254,717)	13,068	73,747,950	20	8,136,339	11,290,036	(730,861)	18,695,514	55,052,436
	220,165,419	34,267,823	(1,254,717)	13,068	253,191,593		62,761,911	20,625,160	(730,861)	82,656,210	170,535,383
	9,730,385,610	375,850,480	(6,793,775)	257,633,613	10,357,075,928		2,086,736,052	538,506,137	(3,116,808)	2,622,125,381	7,734,950,547

19.1.1 The Company during the year has acquired a gas turbine, which has been classified as plant and machinery and has been depreciated at 2% based on management's estimate of its useful life. This does not constitute a change in accounting estimate as the asset has been acquired by the Company for the first time.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

19.1.2 Disposal of property, plant and equipment

	2009						
	Cost *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*	**Disposal proceeds** *Rupees*	**Gain/(loss) on disposal** *Rupees*	**Mode of disposal**	**Particulars of buyer**
Vehicles - owned							
Toyota Corolla	**969,000**	**330,752**	**638,248**	**360,971**	**(277,277)**	**Company policy**	**Muhammad Ali (Employee)**
Toyota Prado	**2,228,600**	**1,115,687**	**1,112,913**	**950,000**	**(162,913)**	**Negotiation**	**Zahid Ahmed Sethi, Lahore**
Suzuki Mehran	**413,000**	**109,332**	**303,668**	**273,799**	**(29,869)**	**Company policy**	**Sagheer Ahmed (Employee)**
	3,610,600	**1,555,771**	**2,054,829**	**1,584,770**	**(470,059)**		
Vehicles - leased							
Suzuki Ravi	**419,000**	**300,727**	**118,273**	**205,000**	**86,727**	**Negotiation**	**Babar Sheikh, Lahore**
Suzuki Cultus	**640,216**	**204,393**	**435,823**	**290,300**	**(145,523)**	**Company policy**	**Fahad Mehmood (Employee)**
	1,059,216	**505,120**	**554,096**	**495,300**	**(58,796)**		
	4,669,816	**2,060,891**	**2,608,925**	**2,080,070**	**(528,855)**		

	2008						
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Furniture, fixtures and office equipment							
Laptop Computer	87,500	29,619	57,881	54,500	(3,381)	Insurance claim	Adamjee Insurance Company Limited
Vehicles - owned							
Honda Civic	1,032,526	822,385	210,141	392,000	181,859	Negotiation	King Motors, Lahore
Hyundai Santro	489,000	389,629	99,371	275,000	175,629	Negotiation	Aslam Gill, Lahore
Toyota Altus	622,461	131,063	491,398	465,002	(26,396)	Negotiation	Farooq Khan, Lahore
Honda City	903,300	527,527	375,773	620,000	244,227	Negotiation	Hamza Mushtaq, Lahore
Toyota Corolla	1,344,000	948,553	395,447	730,000	334,553	Negotiation	Momin Hayat Khan, Lahore
Suzuki Mehran	428,271	-	428,271	299,200	(129,071)	Negotiation	Salman Akhtar, Lahore
Suzuki Cultus	632,000	133,070	498,930	625,000	126,070	Negotiation	Kashif Junaid, Lahore
	5,451,558	2,952,227	2,499,331	3,406,202	906,871		
Vehicles - leased							
Honda Civic	640,266	-	640,266	640,266	-	Insurance claim	First Habib Modaraba
Suzuki Cultus	614,451	134,962	479,489	540,000	60,511	Insurance claim	Faysal Bank Limited
	1,254,717	134,962	1,119,755	1,180,266	60,511		
	6,793,775	3,116,808	3,676,967	4,640,968	964,001		

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees	*Rupees*
19.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*32*	**553,486,770**	524,442,914
Administrative and selling expenses	*34*	**16,359,117**	14,063,223
		569,845,887	538,506,137

19.1.4 Revaluation of property, plant and equipment

Land, building and plant and machinery of the Company have been revalued as at December 28, 2009 by a firm of independent valuers, "Consultancy Support & Services (Private) Limited". The management of the Company believes that fair values of its land, building and plant machinery as at December 31, 2009 are not materially different from revalued amounts determined on December 28, 2009. Basis of revaluation are as follows:

19.1.4(a) Land

Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas.

19.1.4(b) Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

19.1.4(c) Plant and machinery

Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking in to consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company.

19.2 Capital work in progress

	2009			
	As at January 01	**Additions**	**Transfers**	**As at December 31**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	**82,291,559**	**258,796,704**	**(340,374,303)**	**713,960**
Plant and machinery	**836,379,334**	**1,424,705,236**	**(2,261,084,570)**	**-**
	918,670,893	**1,683,501,940**	**(2,601,458,873)**	**713,960**

	2008			
	As at January 01	Additions	Transfers	As at December 31
	Rupees	*Rupees*	*Rupees*	*Rupees*
Building	126,743,808	198,958,523	(243,410,772)	82,291,559
Plant and machinery	41,244,046	809,358,129	(14,222,841)	836,379,334
	167,987,854	1,008,316,652	(257,633,613)	918,670,893

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
20 INTANGIBLE ASSETS			
Development costs	*20.1*	**4,977,500**	20,512,135
Software	*20.2*	**10,419,265**	13,024,081
		15,396,765	33,536,216

20.1 This represents expenditure on development of new products and processes to gain competitive advantage in the national and international market. Movement in cost of development and accumulated amortization is as follows:

	2009 Rupees	2008 Rupees
Cost		
As at beginning of the year	**87,853,404**	87,853,404
Additions during the year	**-**	-
As at end of the year	**87,853,404**	87,853,404
Accumulated amortization		
As at beginning of the year	**(67,341,269)**	(49,734,816)
Amortization for the year	**(15,534,635)**	(17,606,453)
As at end of the year	**(82,875,904)**	(67,341,269)
	4,977,500	20,512,135

20.2 This represents expenditure incurred on implementation of Oracle Financials Suite which is in progress as at the reporting date. Movement in cost of implementation and accumulated amortization is as follows:

	2009 Rupees	2008 Rupees
Cost		
As at beginning of the year	**13,024,081**	13,024,081
Additions during the year	**-**	-
As at end of the year	**13,024,081**	13,024,081
Accumulated amortization		
As at beginning of the year	**-**	-
Amortization for the year	**(2,604,816)**	-
As at end of the year	**(2,604,816)**	-
	10,419,265	13,024,081

21 LONG TERM INVESTMENTS

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

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Investments in related parties			
Cost	21.1	**9,216,700,405**	7,512,873,710
Accumulated impairment	21.1	**(1,650,720)**	(1,650,720)
Fair value adjustment	21.1	**2,837,669,995**	10,353,323
		12,052,719,680	7,521,576,313
Other investments			
Cost	21.2	**18,664**	1,015,432
Accumulated impairment	21.2	**-**	(996,768)
Fair value adjustment	21.2	**18,103**	49,074
		36,767	67,738
		12,052,756,447	7,521,644,051

21.1 Investments in related parties - unquoted

Nafees International Tekstil Sanays Ve Ticaret ANOMIN SIRKET
25,500 (2008: 25,500) ordinary shares of Turkish Lira 1 million each.
Proportion of capital held: 51% (2008: 51%)
Activity: *Textile and Apparel*
Relationship: *Parent - Subsidiary*

	Note	2009 Rupees	2008 Rupees
Cost		**1,650,720**	1,650,720
Accumulated impairment		**(1,650,720)**	(1,650,720)
		-	-

	Note	2009 Rupees	2008 Rupees
Farital AB 14,700 (2008: 14,700) ordinary shares with a capital of SEK 260,150,100 Proportion of capital held: 100% (2008: 100%) Activity: *Textile and Apparel* Relationship: *Parent - Subsidiary*			
Cost		**2,625,026,049**	2,625,026,049
Fair value adjustment		**(2,798,659)**	-
		2,622,227,390	2,625,026,049
Agritech Limited (Formerly Pak American Fertilizers Limited) 392,430,000 (2008: 392,430,000) ordinary shares of Rs. 10 each. Proportion of capital held: 100% (2008: 100%) Activity: *Fertilizer* Relationship: *Parent - Subsidiary*			
Cost	21.1.3	**7,986,113,366**	7,986,113,366
Fair value adjustment		**3,786,786,634**	19,290,484
		11,772,900,000	8,005,403,850
Agritech Limited (Formerly Pak American Fertilizers Limited) 120,000 (2008: 120,000) term finance certificates of Rs. 5,000 each.	21.1.4	**599,640,000**	600,000,000
		14,994,767,390	11,230,429,899

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Investments classified as short term presented under current assets			
Agritech Limited (Formerly Pak American Fertilizers Limited) 98,068,257 (2008: 181,814,070) ordinary shares of Rs. 10 each.	28		
Cost		**(1,995,729,730)**	(3,699,916,425)
Fair value adjustment		**(946,317,980)**	(8,937,161)
		(2,942,047,710)	(3,708,853,586)
		12,052,719,680	7,521,576,313

21.1.1 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. 178,383 per share. For basis of valuation, refer to note 46.3 to the financial statements.

21.1.2 The investment in equity securities of Agritech Limited (formerly Pak American Fertilizers Limited) has been measured at fair value at Rs. 30 per share, which is also equal to the price at which these have been partially divested subsequent to the reporting period (See note 28.1). For basis of valuation, refer to note 46.3 to the financial statements.

21.1.3 Out of 392,430,000 ordinary shares held in Agritech Limited (formerly Pak American Fertilizers Limited), 132,420,000 ordinary shares (2008: 83,420,000 ordinary shares) are pledged with providers of debt finance.

21.1.4 These represent 120,000 term finance certificates of Rs. 5,000 each issued by Agritech Limited (foremrly Pak American Fertilizers Limited), a subsidiary of the Company, and carry return at six months KIBOR plus 1.75 % and are redeemable in ten equal semi-annual installments after a grace period of two years from the date of issue. Originally, the Company had invested in 420,000 certificates which was classified as investment held to maturity. Subsequently, however, 300,000 certificates were sold to various banking companies and financial institutions in secondary market. Due to change in intention of the Company regarding holding these certificates upto the date of maturity, it being no longer appropriate to classify these as held to maturity, the remaining investment has been reclassified as available for sale. However, since these certificates are pledged as security with providers of debt finance, these have been presented as long term investment.

	2009 Rupees	2008 Rupees
21.2 Other investments		
Quoted		
Colony Mills Limited 4,332 (2008: 4,332) ordinary shares of Rs. 10 each. Market value Rs. 7.19 per share (2008: Rs. 14.60 per share)		
Cost	**8,664**	8,664
Fair value adjustment	**22,483**	54,584
	31,147	63,248

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

	2009 Rupees	2008 Rupees
JS Value Fund Limited (formerly BSJS Balanced Fund Limited) 1,000 (2008: 1,000) ordinary shares of Rs. 10 each. Market value Rs. 5.62 per share (2008: Rs. 4.49 per share)		
Cost	**10,000**	10,000
Fair value adjustment	**(4,380)**	(5,510)
	5,620	4,490
Unquoted		
National Security Insurance Company Limited 221,504 ordinary shares of Rs. 10 each.		
Cost	**-**	996,768
Accumulated impairment	**-**	(996,768)
	-	-
	36,767	67,738

21.2.1 Investment in ordinary shares of National Security Insurance Company Limited has been written off following its liquidation.

22 DERIVATIVE FINANCIAL ASSETS

Cash flow hedges

Hedged item	***Hedging instrument***	*Note*	2009 Rupees	2008 Rupees
Mark-up payments on Term Finance Certificates at six months KIBOR plus 1.75% per annum.	Mark-up payments to Citi Bank N.A. at fixed rate of 10.9% per annum.	*8.1*	**-**	1,437,986
Mark-up payments on Term Finance Certificates at six months KIBOR plus 1.75% per annum.	Mark-up payments to Royal Bank of Scotland on outstanding USD notional amount at fixed rate of 6.915% per annum.	*8.2*	**70,743,357**	157,790,529
Mark-up payments on long term finance obtained from Deutsche Investitions - Und MBH at six months EURIBOR plus 3.25% per annum.	Mark-up payments to Citi Bank N.A. on equivalent amount in CHF at six months CHFLIBOR plus 3.55% per annum.	*9.4*	**-**	16,445,478
			70,743,357	175,673,993
Current maturity presented under current assets			**(25,445,260)**	(43,497,747)
			45,298,097	132,176,246

22.1 As at December 31, 2008, the fair value of derivative financial assets was presented under current assets. However, as at December 31, 2009, maturities greater than twelve months from the reporting date have been reclassified and presented under non-current assets for better presentation.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
23 LONG TERM DEPOSITS - UNSECURED, CONSIDERED GOOD			
Utility companies and regulatory authorities	*23.1*	**19,777,502**	19,777,502
Financial institutions	*23.2*	**10,945,539**	10,226,784
		30,723,041	30,004,286

23.1 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.

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

	2009 Rupees	2008 Rupees
24 STORES, SPARES AND LOOSE TOOLS		
Stores	**320,202,624**	147,745,923
Spares	**84,248,486**	53,783,115
Loose tools	**-**	164,232
	404,451,110	201,693,270

24.1 No provision in respect of obsolescence of slow moving items has been made, as the same is considered to be immaterial.

	2009 Rupees	2008 Rupees
25 STOCK IN TRADE		
Raw material	**2,434,085,326**	1,884,682,430
Work in process	**827,422,829**	1,037,817,334
Finished goods	**1,153,344,513**	1,111,603,355
	4,414,852,668	4,034,103,119

25.1 Finished goods include stock of waste valued at Rs.1,813,256 (2008: nil) carried at net realizable value.

25.2 Raw material valued at Rs. 1,037,078,097 (2008: Rs. 870,121,390) and finished goods valued at Rs.423,042,124 (2008: Rs. 148,011,200) are pledged as security with various banking companies and financial institutions against short term borrowing facilities.

	Note	2009 Rupees	2008 Rupees
26 TRADE RECEIVABLES			
Local			
- secured	*26.1*	**18,387,314**	50,675,076
- unsecured, considered good		**323,897,206**	405,796,100
- unsecured, considered impaired		**16,547,550**	4,697,881
		358,832,070	461,169,057

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Foreign			
- secured	*26.1*	**1,606,122,505**	1,244,183,273
- unsecured, considered good	*26.2*	**1,178,474,260**	76,578,163
		2,784,596,765	1,320,761,436
		3,143,428,835	1,781,930,493
Accumulated impairment		**(16,547,550)**	(4,697,881)
		3,126,881,285	1,777,232,612

26.1 These are secured against letters of credit

26.2 These include following amounts due from related parties.

Related party	**Nature of relationship**	2009	2008
Montebello s.r.l	Parent - Subsidiary	**954,510,723**	-
Nafees International Tekstil Sanays Ve Ticaret ANOMIN SIRKET	Parent - Subsidiary	**-**	76,578,163
		954,510,723	76,578,163

26.3 Movement in accumulated impairment of trade receivables

	2009	2008
As at beginning of the year	**4,697,881**	4,697,881
Impairment recognized during the year	**11,849,669**	-
As at end of the year	**16,547,550**	4,697,881

	Note	2009 Rupees	2008 Rupees

27 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2009 Rupees	2008 Rupees
Advances to suppliers - *unsecured, considered good*		**504,646,576**	218,873,888
Advances to employees - *unsecured, considered good*	*27.1*	**30,745,701**	35,531,785
Security deposits		**3,527,709**	3,746,090
Margin deposits	*27.2*	**28,557,243**	61,218,959
Prepayments		**6,182,243**	8,939,720
Rebate receivable	*27.3*	**39,550,252**	95,843,350
Duty draw back recoverable		**66,409,100**	-
Accrued return on investments	*27.4*	**-**	87,219,798
Derivative financial assets	*22*	**25,445,260**	43,497,747
Sales tax recoverable		**112,746,061**	125,962,603
Letters of credit		**302,995,050**	114,453,218
Insurance claims		**29,705,418**	28,493,266
Other receivables - *unsecured, considered good*		**12,614,609**	9,232,385
		1,163,125,222	833,012,809

27.1 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. 1,900,871 (2008: Rs. 1,390,222).

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

Notes to and forming part of Financial Statements for the year ended December 31, 2009

		2009 *Rupees*	2008 *Rupees*
27.3	**Rebate receivable**		
	Export rebate	**5,274,130**	4,453,292
	Research and development rebate	**34,276,122**	91,390,058
		39,550,252	95,843,350

27.3.1 Movement in rebate receivable

	Export rebate		Research and development rebate	
	2009 *Rupees*	2008 *Rupees*	**2009** *Rupees*	2008 *Rupees*
As at beginning of the year	**4,453,292**	4,420,206	**91,390,058**	70,572,734
Claimed during the year	**36,862,339**	33,384,958	**4,130,228**	122,064,947
Received/adjusted during the year	**(36,041,501)**	(33,351,872)	**(61,244,164)**	(101,247,623)
As at end of the year	**5,274,130**	4,453,292	**34,276,122**	91,390,058

27.4 This represents accrued return on investments in term finance certificates issued by Agritech Limited (formerly Pak American Fertilizers Limited). See note 21.1.4 & 28.

	Note	2009 *Rupees*	2008 *Rupees*
28 SHORT TERM INVESTMENTS			
Agritech Limited (Formerly Pak American Fertilizers Limited) 98,068,257 (2008: 181,814,070) ordinary shares of Rs. 10 each.	*28.1*		
Cost		**1,995,729,730**	3,699,916,425
Fair value adjustment		**946,317,980**	8,937,161
		2,942,047,710	3,708,853,586
Agritech Limited (Formerly Pak American Fertilizers Limited)			
62,500 TFCs of Rs. 5,000 each.	*28.2*	**-**	310,000,000
		2,942,047,710	4,018,853,586

28.1 This represents 24.99% of the Company's investment in ordinary shares of Agritech Limited (formerly Pak American Fertilizers Limited), which the Board of Directors has approved the divestment of. The Company, subsequent to the reporting period, has divested 79,006,816 ordinary shares through a combination of private placement and public offering, at a price of Rs. 30 per share, including premium of Rs. 20 per share. The investment over and above the percentage approved by the Board of Directors previously shown as short term investment has been reclassifed as long term investment and presented under non-current assets.

28.2 These carried return at six months KIBOR plus 3.75 % and were redeemable in sixteen equal quarterly installments after a grace period of one year from the date of issue. However, these were sold by the Company, during the year, in the secondary market.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees	*Rupees*
29 CURRENT TAXATION			
As at beginning of the year		**63,948,605**	51,050,683
Paid during the year		**125,085,838**	115,116,774
Provision for the year		**(118,191,533)**	(102,218,852)
As at end of the year		**70,842,910**	63,948,605
30 CASH AND BANK BALANCES			
Cash in hand		**2,508,208**	4,605,358
Cash at banks			
current accounts in local curreny		**201,404,357**	76,458,037
deposit accounts in local curreny	*30.1*	**13,644**	917,667
deposit accounts in foreign curreny	*30.2*	**418,905**	92,748
		201,836,906	77,468,452
		204,345,114	82,073,810

30.1 These carry return at 5% per annum (2008: 5% per annum).

30.2 These carry return at prevailing LIBOR per annum (2008: prevailing LIBOR per annum).

	Note	2009	2008
31 SALES - NET			
Local		**1,725,460,728**	1,966,476,028
Export	*31.1 & 31.2*	**10,017,266,719**	8,222,024,239
		11,742,727,447	10,188,500,267
Export rebate		**36,862,339**	33,384,958
Sales tax		**-**	-
Commission and discounts		**(41,732,899)**	(108,385,874)
		11,737,856,887	10,113,499,351

31.1 These include indirect exports amounting to Rs. 752,848,696 (2008: Rs. 570,721,677).

31.2 These inlcude sales to related parties amounting to Rs. 959,245,359 (2008: 1,359,752,144).

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
32 COST OF SALES			
Raw material consumed	*32.1*	**5,417,405,827**	4,849,764,538
Salaries, wages and benefits	*32.2*	**1,238,606,580**	971,980,356
Fuel and power		**557,265,327**	522,666,246
Stores, spares and loose tools consumed		**325,236,032**	279,174,956
Traveling, conveyance and entertainment		**42,248,680**	75,739,696
Rent, rates and taxes		**7,201,424**	21,041,783
Insurance		**74,198,380**	33,239,482
Repair and maintenance		**38,796,187**	50,141,690
Processing charges		**42,968,187**	58,626,887
Depreciation	*19.1.3*	**553,486,770**	524,442,914
Amortization	*20.1*	**15,534,635**	17,606,453
Printing and stationery		**12,297,067**	13,835,059
Communication		**8,197,177**	17,981,410
Others		**44,267,763**	37,903,583
		8,377,710,036	7,474,145,053
Work in process			
As at beginning of the year		**1,037,817,334**	799,992,413
As at end of the year		**(827,422,829)**	(1,037,817,334)
		210,394,505	(237,824,921)
Cost of goods manufactured		**8,588,104,541**	7,236,320,132
Finished goods			
As at beginning of the year		**1,111,603,355**	535,506,990
As at end of the year		**(1,153,344,513)**	(1,111,603,355)
		(41,741,158)	(576,096,365)
		8,546,363,383	6,660,223,767

32.1 Raw material consumed

	2009 Rupees	2008 Rupees
As at beginning of the year	**1,884,682,430**	910,632,770
Purchased during the year	**5,966,819,341**	5,829,395,119
Sold during the year	**(10,618)**	(5,580,921)
As at end of the year	**(2,434,085,326)**	(1,884,682,430)
	5,417,405,827	4,849,764,538

32.2 These include charge in respect of employees retirement benefits amounting to Rs. 39,335,026 (2008: Rs. 30,059,414).

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
33 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	*33.1*	**41,601,529**	43,865,649
Traveling, conveyance and entertainment		**21,358,315**	19,527,164
Fuel and power		**31,396**	8,650
Repair and maintenance		**345,458**	225,438
Rent, rates and taxes		**520,600**	611,117
Insurance		**1,250,901**	2,594,497
Freight and other expenses		**221,385,914**	230,927,833
Printing and stationery		**778,243**	24,319
Communication		**33,197,181**	17,973,246
Advertisement and marketing		**142,418**	585,118
Legal and professional charges		**639,050**	313,663
Fee and subscription		**258,352**	-
Miscellaneous		**1,305,948**	1,547,722
		322,815,305	318,204,416

33.1 These include charge in respect of employees retirement benefits amounting to Rs. 1,831,895 (2008: Rs. 1,295,867).

33.2 Selling and distribution expenses previously presented together with administrative and general expenses have been presented as a separate note for better presentation.

	Note	2009 Rupees	2008 Rupees
34 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	*34.1*	**224,499,051**	143,941,488
Traveling, conveyance and entertainment		**79,787,438**	32,375,348
Fuel and power		**16,462,160**	13,470,639
Repair and maintenance		**20,209,877**	9,809,567
Rent, rates and taxes		**3,500,430**	7,003,017
Insurance		**2,439,740**	520,935
Freight and clearing		**252,566**	10,045,057
Printing and stationery		**5,278,749**	4,768,977
Communication		**20,654,352**	15,832,690
Legal and professional charges	*34.2*	**49,445,579**	18,598,861
Depreciation	*19.1.3*	**16,359,117**	14,063,223
Amortization	*20.2*	**2,604,816**	-
Fee and subscription		**8,136,912**	11,911,399
Others		**278,654**	2,934,126
		449,909,441	285,275,327

34.1 These include charge in respect of employees retirement benefits amounting to Rs. 9,563,169 (2008: Rs. 6,764,907).

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
34.2 These include following in respect of auditors' remuneration.			
Annual statutory audit		**1,445,000**	775,000
Report on consolidated financial statements		**500,000**	250,000
Half yearly review		**200,000**	100,000
Review report under Code of Corporate Governance		**100,000**	50,000
Certification and other services		**360,000**	360,000
Out of pocket expenses		**55,000**	25,000
		2,660,000	1,560,000

35 NET OTHER INCOME

	Note	2009 Rupees	2008 Rupees
Net gains/(losses) on financial instruments			
Gain on sale of financial assets at fair value through profit or loss	*35.1*	**-**	18,718,646
Loss on sale of available for sale financial assets	*35.2*	**(28,838,073)**	-
Changes in fair value of fair value hedges	*35.3*	**13,025,907**	(11,321,450)
Return on investments	*35.4*	**114,501,106**	723,035,256
Foreign exchange gain		**105,634,228**	37,181,192
Return on bank deposits		**9,395,148**	1,399,408
Impairment of financial assets	*26.3*	**(11,849,669)**	-
Loss on winding up of subsidiary	*35.5*	**-**	(400,384)
		201,868,647	768,612,668
Other income/(expenses)			
Loss/(gain) on disposal of property, plant and equipment	*19.1.2*	**(528,855)**	964,001
Loss on sale and lease back		**(920,199)**	-
Donations	*35.6*	**(25,000)**	(50,000)
Miscellaneous		**(2,846,897)**	2,844,386
		(4,320,951)	3,758,387
		197,547,696	772,371,055

35.1 This represents gain on sale of investment in listed securities.

35.2 This represents loss on sales of investment in term finance certificates issued by Agritech Limited (formerly Pak American Fertilizers Limited). See note 28.2.

35.3 This represents loss arising from changes in fair value of fair value hedges.

35.4 This represents dividend income and return on investment in term finance certificates and includes dividend of Rs. nil (2008: Rs. 588,000,000) and return on term finance certificates of Rs. 114,501,106 (2008: Rs. 133,304,756) from Agritech Limited (formerly Pak American Fertlizers Limited), a subsidiary of the Company.

35.5 This represents loss on winding up of Azsoft (Private) Limited ("APL"). APL was a wholly owned subsidiary of the Company and was wound up under the Easy Exit Scheme of the Securities and Exchange Commission of Pakistan during the year ended December 31, 2008. The loss represents excess of the book value of investment in APL over the Company's share in the net assets of APL. Particulars of net assets of APL at the time of winding up, the Company's share therein and the loss recognized is as follows:

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Rupees
Net assets at the time of winding up	
Trade receivables	506,501
Property and equipment	1,159,743
Current tax asset	162,565
Cash and bank balances	11,649
Accrued liabilities	(241,243)
	1,599,215
Book value of investment at the time of winding up	2,022,744
Company's share in net assets at 99.9%	(1,597,616)
Loss on winding up	425,128
Surplus previously credited to equity	(24,744)
Net loss on winding up	400,384

35.6 None of the directors or their spouses had any interest in donations made by the Company.

35.7 Return on investment amounting to Rs. 114,501,106 (2008: Rs. 133,304,756) on TFCs issued by Agritech Limited (formerly Pak American Fertilizes Limited) previously offset with finance cost on redeemable capital has been reclassifed and presented separately as income for better presentation.

	Note	**2009**	2008
		Rupees	*Rupees*
36 FINANCE COST			
Interest / mark-up on:			
redeemable capital		**677,300,431**	640,060,289
long term finances		**518,221,397**	706,145,972
liabilities against assets subject to finance lease		**7,495,585**	8,224,128
short term borrowings		**825,456,004**	770,336,216
due to related parties		**126,111,167**	10,979,472
workers' profit participation fund		**3,319,349**	4,601,731
		2,157,903,933	2,140,347,808
Amortization of transaction costs	*8.4*	**9,767,857**	-
Foreign exchange loss		**144,433,750**	390,704,126
Bank charges and commission		**112,318,964**	72,644,477
		2,424,424,504	2,603,696,411

36.1 Finance cost includes settlement losses on derivative financial instruments amounting to Rs. 173,032,390 (2008: Rs. 1,034,761,081).

	Note	**2009**	2008
		Rupees	*Rupees*
37 OTHER CHARGES			
Workers' Profit Participation Fund	*14.3*	**9,406,468**	18,967,710
Workers' Welfare Fund	*14.5*	**3,762,587**	-
		13,169,055	18,967,710

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
38 TAXATION			
Current taxation	*38.1*	**118,191,533**	102,218,852
Deferred taxation	*38.9*	**-**	-
		118,191,533	102,218,852

38.1 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.

38.2 Assessments for assessment years 1998-99 to 2001-02 were rectified under section 156 and 121 of the Ordinance. The Company filed appeal before the Commissioner of Income Tax (Appeals) ("CIT-A") which was decided in favour of the Company. The department has preferred appeal against the decision of CIT-A before the Income Tax Appellate Tribunal ("the Tribunal") and the same is pending for adjudication.

38.3 The Company has filed appeal before the Tribunal against the order of the CIT-A whereby a demand of Rs. 6.8 million was created in respect of assessment year 2002-03. The Tribunal has remanded the case back to CIT-A with the direction to readjudicate, and the same is pending.

38.4 Assessment orders for the tax years 2003 to 2006 were amended under section 122(5A) of the Ordinance. The Company filed appeals against the orders before CIT-A which were decided in favour of the Company. The Department has preferred an appeal before the Tribunal, which is pending for adjudication.

38.5 Income tax returns for tax year 2007 was selected for audit under section 177 of the Ordinance and the same has been finalized. An order under section 122(4) and (5) was issued, whereby, addition of Rs. 225 million was made to the total income. The Company has filed an appeal before the CIT-A against the order which is pending for adjudication

38.6 Income tax return for the tax year 2008 has been filed and is deemed to have been assessed under section 120 of the Ordinance.

38.7 Income tax returns for tax year 2009 has been selected for audit under section 177 of the Ordinance and the same is in progress as at the reporting date.

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

38.9 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.

38.10 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	2009 Rupees	2008 Rupees
39 EARNINGS PER SHARE			
Profit attributable to ordinary shareholders	*Rupees*	**1,349,413**	838,101,974
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**441,270,585**	395,257,942
Earnings per share	*Rupees*	**0.00**	2.12

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

40 GOVERNMENT GRANT

During the year, the Company lodged claims amounting to Rs. 4,130,228 (2008: Rs. 122,064,947) and Rs. 36,862,339 (2008: Rs. 33,384,958) as research and development rebate and export rebate respectively which have been accounted for as government grant in accordance with IAS 20 'Government Grants'. Research and development rebate has been deducted in reporting expenses relating to hiring of the consultants for adoption of new technologies, innovation and sales promotion. Export rebate has been recognized as income and added to sales.

	2009	2008
	Rupees	*Rupees*
41 CASH GENERATED FROM OPERATIONS		
Profit before taxation	**178,722,895**	999,502,775
Adjustments for non-cash and other items		
Interest / markup expense	**2,154,584,584**	2,135,746,077
Loss/(gain) on disposal of property, plant and equipment	**528,855**	(964,001)
Loss on winding up of subsidiary	**-**	400,384
Loss on sale of available for sale financial assets	**28,838,073**	-
Loss on sale and lease back	**920,199**	-
Foreign exchange loss	**38,799,522**	353,522,934
Changes in fair value of fair value hedges	**(13,025,907)**	11,321,450
Return on investments	**(114,501,106)**	(723,035,256)
Gain on sale of financial assets at fair value through profit or loss	**-**	(18,718,646)
Depreciation	**569,845,887**	538,506,137
Amortization	**27,907,308**	17,606,453
Provision for impairment of receivables	**11,849,669**	-
	2,705,747,084	2,314,385,532
Operating profit before changes in working capital	**2,884,469,979**	3,313,888,307
Changes in working capital		
Stores, spares and loose tools	**(202,757,840)**	(76,224,393)
Stock in trade	**(380,749,549)**	(1,787,970,946)
Trade receivables	**(1,239,380,931)**	(82,348,690)
Advances, deposits, prepayments and other receivables	**(435,384,698)**	243,941,649
Trade and other payables	**409,620,664**	315,580,481
Long term deposits	**-**	462,000
	(1,848,652,354)	(1,386,559,899)
Cash generated from operations	**1,035,817,625**	1,927,328,408
42 CASH AND CASH EQUIVALENTS		
Cash and bank balances	**204,345,114**	82,073,810
	204,345,114	82,073,810

43 NON-CASH FINANCING ACTIVITIES

43.1 During the year ended December 31, 2008, preference shareholders converted 43,750 preference shares into voting ordinary shares at 6.8 voting ordinary shares for every 10 preferences shares held by exercising the conversion option referred to in note 5.4 to the financial statements.

43.2 During the year ended December 31, 2008, Term Finance Certificate Holders converted 28,550 certificates into non-voting ordinary shares at Rs. 37.14 per non-voting ordinary share by exercising the conversion option referred to in note 8.2 to the financial statements.

Notes to and forming part of Financial Statements for the year ended December 31, 2009

43.3 During the year, the Company increased its paid-up ordinary share capital through issue of bonus shares at 20 ordinary shares for every 100 ordinary shares held.

44 EVENTS AFTER THE REPORTING PERIOD

44.1 The Company, subsequent to the reporting period, has divested 20.13% of the its investment in ordinary shares of Agritech Limited (formerly Pak American Fertilizers Limited), comprising 79,006,816 ordinary shares of Rs. 10 each, through a combination of private placement and public offering. The sale has been made at a price of Rs. 30 per ordinary share.

44.2 In addition to delays in meeting its financial obligations occuring during the year, the Company, subsequent to the reporting period, has delayed the redemption of term finance certificates with an amount of Rs. 166,756,673, outstanding as on the date of authorisation for issue of these financial statements. Details are referred to in note 47.2.2 to the financial statements.

45 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. Pricing for these transactions is determined as follows:

Nature of transaction	**Pricing mechanism**
Sales	Cost plus margin
Purchases	Comparable uncontrolled price method
Investments *(including loans and advances)*	Comparable uncontrolled price method (under section 208 of the Companies Ordinance, 1984).
Borrowings	Comparable uncontrolled price method.
Contribution to post employment benefit plan	As per terms of employment
Compensation of key management personnel	As per terms of employment

	Note	**2009** *Rupees*	2008 *Rupees*
Details of transactions and balances with related parties is as follows:			
45.1 Transactions with related parties			
45.1.1 *Subsidiaries*			
Sales	*31*	**959,245,359**	1,359,752,144
Purchases of goods and services		**-**	27,272,991
Return on investments	*35.4*	**114,501,106**	721,304,756
Interest / mark-up on borrowings	*36*	**126,111,167**	10,979,472
45.1.2 *Associates*			
Purchases		**6,404,845**	3,322,566
45.1.3 *Post employment benefit plans*			
Contribution to employees provident fund trust		**50,730,090**	38,120,188
45.1.4 *Key management personnel*			
Short term employee benefits		**18,203,983**	18,639,983
Post employment benefits		**884,004**	884,004

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

		Note	2009 Rupees	2008 Rupees
45.2	**Balances with related parties**			
45.2.1	***Subsidiaries***			
	Borrowings	15	**1,245,555,096**	426,768,193
	Trade receivables	26.2	**954,510,723**	76,578,163
	Interest / mark-up payable	16	**137,090,639**	10,979,472
	Trade payables	14.1	**-**	51,842,024
	Accrued return on investments	27.4	**-**	87,219,798
	Investment in ordinary shares	21.1	**10,612,790,135**	10,612,790,135
	Investment in term finance certificates	21.1	**599,640,000**	910,000,000
45.2.2	***Associates***			
	Trade payables	14.1	**1,877,139**	-
45.2.3	***Post employment benefit plans***			
	Payable to employees provident fund trust	14	**5,352,298**	5,120,350
45.2.4	***Key management personnel***			
	Short term employee benefits payable		**1,517,000**	1,517,000

46 FINANCIAL INSTRUMENTS

46.1 Financial assets by class and category

	Note	**2009** **Loans and receivables** *Rupees*	**Available for sale financial assets** *Rupees*	**Derivatives** *Rupees*	**Total financial assets** *Rupees*
Investments	21 & 28	**-**	**14,994,804,157**	**-**	**14,994,804,157**
Cash flow hedges	22	**-**	**-**	**70,743,357**	**70,743,357**
Long term deposits	23	**30,723,041**	**-**	**-**	**30,723,041**
Trade receivables	26	**3,126,881,285**	**-**	**-**	**3,126,881,285**
Security deposits	27	**3,527,709**	**-**	**-**	**3,527,709**
Margin deposits	27	**28,557,243**	**-**	**-**	**28,557,243**
Accrued return on investments	27	**-**	**-**	**-**	**-**
Insurance claims	27	**29,705,418**	**-**	**-**	**29,705,418**
Cash and bank balances	30	**204,345,114**	-	-	**204,345,114**
		3,423,739,810	**14,994,804,157**	**70,743,357**	**18,489,287,324**

Notes to and forming part of Financial Statements for the year ended December 31, 2009

	Note	2008			
		Loans and receivables *Rupees*	Available for sale financial assets *Rupees*	Derivatives *Rupees*	Total financial liabilities *Rupees*
Investments	*21 & 28*	-	11,540,497,637	-	11,540,497,637
Cash flow hedges	*22*	-	-	175,673,993	175,673,993
Long term deposits	*23*	30,004,286	-	-	30,004,286
Trade receivables	*26*	1,777,232,612	-	-	1,777,232,612
Security deposits	*27*	3,746,090	-	-	3,746,090
Margin deposits	*27*	61,218,959	-	-	61,218,959
Accrued return on investments	*27*	87,219,798	-	-	87,219,798
Insurance claims	*27*	28,493,266	-	-	28,493,266
Cash and bank balances	*30*	82,073,810	-	-	82,073,810
		2,069,988,821	11,540,497,637	175,673,993	13,786,160,451

46.2 Financial liabilities by class and category

	Note	**2009**		
		Financial liabilities at amortized cost ***Rupees***	**Derivatives** ***Rupees***	**Total financial liabilities** ***Rupees***
Redeemable capital	*8*	**3,996,649,061**	**-**	**3,996,649,061**
Long term finances	*9*	**2,997,012,500**	**-**	**2,997,012,500**
Liabilities against assets subject to finance lease	*10*	**87,075,385**	**-**	**87,075,385**
Cash flow hedges	*11*	**-**	**-**	**-**
Fair value hedges	*11*	**-**	**14,472,950**	**14,472,950**
Short term borrowings	*13*	**8,911,333,573**	**-**	**8,911,333,573**
Trade creditors	*14*	**1,300,148,728**	**-**	**1,300,148,728**
Accrued liabilities	*14*	**287,910,601**	**-**	**287,910,601**
Advance against sale of investment	*14*	**84,120,000**	**-**	**84,120,000**
Due to related party	*15*	**1,245,555,096**	**-**	**1,245,555,096**
Mark-up accrued on borrowings	*16*	**657,422,644**	**-**	**657,422,644**
Dividend payable	*17*	**63,183,986**	**-**	**63,183,986**
		19,630,411,574	**14,472,950**	**19,644,884,524**

	Note	2008		
		Financial liabilities at amortized cost *Rupees*	Derivatives *Rupees*	Total financial assets *Rupees*
Redeemable capital	*8*	4,393,662,407	-	4,393,662,407
Long term finances	*9*	3,742,422,500	-	3,742,422,500
Liabilities against assets subject to finance lease	*10*	53,765,875	-	53,765,875
Cash flow hedges	*11*	-	23,038,052	23,038,052
Fair value hedges	*11*	-	27,498,857	27,498,857
Short term borrowings	*13*	6,574,080,304	-	6,574,080,304
Trade creditors	*14*	1,063,267,031	-	1,063,267,031
Accrued liabilities	*14*	197,159,121	-	197,159,121
Advance against sale of investment	*14*	-	-	-
Due to related party	*15*	426,768,193	-	426,768,193
Mark-up accrued on borrowings	*16*	466,226,443	-	466,226,443
Dividend payable	*17*	14,686,046	-	14,686,046
		16,932,037,920	50,536,909	16,982,574,829

Notes to and forming part of Financial Statements for the year ended December 31, 2009

46.3 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.

46.3.1 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.

46.3.2 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.

46.3.3 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:

<u>Investments in subsidiaries</u>

In determining the fair values of investments in subsidiaries, a risk-adjusted discount factor of 16.5% (2008: 17%) has been used. If discount factor was 1% higher or lower, the carrying amount of investment would decrease or increase by Rs. 194.4 million or Rs. 196.5 million (2008: Rs. 157.4 million or Rs.159.1 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.

<u>Derivative financial instruments</u>

In determining fair values of derivative financial instruments, a risk adjusted discount factor of 15.5% (2008: 16%) has been used. If discount factor was 1% higher or lower, the carrying amount of derivative financial instruments would decrease or increase by Rs. 0.69 million or Rs. 0.71 million (2008: Rs. 2.56 million or Rs.2.36 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 47.3.1(c) 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.

46.3.4 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 judgement 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.

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47 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:

47.1 Credit risk

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

47.1.1 Maximum exposure to credit risk

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

	Note	**2009**	2008
		Rupees	*Rupees*
Available for sale financial assets			
Investment in debt securities	21.1	**599,640,000**	910,000,000
Loans and receivables			
Long term deposits with financial institutions	23	**10,945,539**	10,226,784
Trade receivables	26	**3,126,881,285**	1,777,232,612
Security deposits	27	**3,527,709**	3,746,090
Margin deposits	27	**28,557,243**	61,218,959
Accrued return on investments	27	**-**	87,219,798
Insurance claims	27	**29,705,418**	28,493,266
Cash at banks	30	**201,836,906**	77,468,452
		3,401,454,100	2,045,605,961
Derivative financial assets			
Cash flow hedges	22	**70,743,357**	175,673,993
		4,071,837,457	3,131,279,954

47.1.2 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:

	2009	2008
	Rupees	*Rupees*
Customers	**3,126,881,285**	1,777,232,612
Banking companies and financial institutions	**345,316,172**	356,827,544
Others	**599,640,000**	997,219,798
	4,071,837,457	3,131,279,954

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47.1.3 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.

47.1.3(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.

47.1.3(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:

	2009		2008	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**2,275,125,736**	**-**	1,174,769,395	-
Past due by 0 to 6 months	**733,871,131**	**-**	533,097,778	-
Past due by 6 to 12 months	**117,884,418**	**-**	69,365,439	-
Past due by more than one year	**16,547,550**	**16,547,550**	4,697,881	4,697,881
	3,143,428,835	**16,547,550**	1,781,930,493	4,697,881

The Company's four significant customers account for Rs. 1,791 million (2008: Rs. 540 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 4% (2008: 2.5%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 2,028 million (2008: Rs. 1,295 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. Trade receivables not past due include receivables amount to Rs. 261 million (2008: Rs. 174 million) that were re-negotiated. which otherwise would have been overdue by more than one year.

47.1.4 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.

47.1.5 Credit risk management

As mentioned in note 47.1.3(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.

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47.2 Liquidity risk

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

47.2.1 Exposure to liquidity risk

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

	2009				
	Carrying amount *Rupees*	**Contractual cash flows** *Rupees*	**One year or less** *Rupees*	**One to three years** *Rupees*	**More than three years** *Rupees*
Non-derivative financial liabilities					
Redeemable capital	**3,996,649,061**	**5,445,422,421**	**1,336,527,082**	**3,555,275,507**	**553,619,832**
Long term finances	**2,997,012,500**	**3,224,449,485**	**1,229,194,237**	**1,995,255,248**	**-**
Liabilities against assets subject to finance lease	**87,075,385**	**90,881,461**	**75,106,427**	**15,775,034**	**-**
Short term borrowings	**8,911,333,573**	**9,080,530,041**	**9,080,530,041**	**-**	**-**
Trade creditors	**1,300,148,728**	**1,300,148,728**	**1,300,148,728**	**-**	**-**
Accrued liabilities	**287,910,601**	**287,910,601**	**287,910,601**	**-**	**-**
Subscription money against sale of investment	**84,120,000**	**84,120,000**	**84,120,000**	**-**	**-**
Due to related party	**1,245,555,096**	**1,438,616,136**	**1,438,616,136**	**-**	**-**
Mark-up accrued on borrowings	**657,422,644**	**657,422,644**	**657,422,644**	**-**	**-**
Dividend payable	**63,183,986**	**63,183,986**	**63,183,986**	**-**	**-**
	19,630,411,574	**21,672,685,503**	**15,552,759,882**	**5,566,305,789**	**553,619,832**
Derivative financial liabilities					
Cross currency swaps	**-**	**-**	**-**	**-**	**-**
Interest rate swaps	**14,472,950**	**16,298,918**	**16,298,918**	**-**	**-**
	14,472,950	**16,298,918**	**16,298,918**	**-**	**-**
	19,644,884,524	**21,688,984,421**	**15,569,058,800**	**5,566,305,789**	**553,619,832**

	2008				
	Carrying amount *Rupees*	Contractual cash flows *Rupees*	One year or less *Rupees*	One to three years *Rupees*	More than three years *Rupees*
Non-derivative financial liabilities					
Redeemable capital	4,393,662,407	6,414,294,581	677,300,431	4,446,278,577	1,290,715,573
Long term finances	3,742,422,500	4,533,661,117	1,256,335,257	2,805,007,147	472,318,713
Liabilities against assets subject to finance lease	53,765,875	58,746,265	38,318,415	20,427,850	-
Short term borrowings	6,574,080,304	7,151,240,566	7,151,240,566	-	-
Trade creditors	1,063,267,031	1,063,267,031	1,063,267,031	-	-
Accrued liabilities	197,159,121	197,159,121	197,159,121	-	-
Subscription money against sale of investment	-	-	-	-	-
Due to related party	426,768,193	497,184,945	497,184,945	-	-
Mark-up accrued on borrowings	466,226,443	466,226,443	466,226,443	-	-
Dividend payable	14,686,046	14,686,046	14,686,046	-	-
	16,932,037,920	20,396,466,115	11,361,718,255	7,271,713,574	1,763,034,286
Derivative financial liabilities					
Cross currency swaps	23,038,052	24,334,491	24,334,491	-	-
Interest rate swaps	27,498,857	29,453,181	19,043,764	10,409,417	-
	50,536,909	53,787,672	43,378,255	10,409,417	-
	16,982,574,829	20,450,253,787	11,405,096,510	7,282,122,991	1,763,034,286

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

	2009				
	Carrying amount	**Expected cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Assets	**70,743,357**	**85,642,908**	**27,930,863**	**57,712,045**	**-**
Liabilities	**(14,472,950)**	**(16,298,918)**	**(16,298,918)**	**-**	**-**
	56,270,407	**69,343,990**	**11,631,945**	**57,712,045**	**-**

	2008				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Assets	175,673,993	215,835,408	49,232,630	164,852,566	1,750,212
Liabilities	(27,498,857)	(53,787,672)	(43,378,255)	(10,409,417)	-
	148,175,136	162,047,736	5,854,375	154,443,149	1,750,212

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

	2009				
	Carrying amount	**Expected cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Assets	**70,743,357**	**85,642,908**	**27,930,863**	**57,712,045**	**-**
Liabilities	**(14,472,950)**	**(16,298,918)**	**(16,298,918)**	**-**	**-**
	56,270,407	**69,343,990**	**11,631,945**	**57,712,045**	**-**

	2008				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Assets	175,673,993	215,835,408	49,232,630	164,852,566	1,750,212
Liabilities	(27,498,857)	(53,787,672)	(43,378,255)	(10,409,417)	-
	148,175,136	162,047,736	5,854,375	154,443,149	1,750,212

47.2.2 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 monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies.

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The Company, during the year and subsequently, faced operational issues including increase in input cost primarily due to increase in prices of raw material and increase in utility cost emanating from the ongoing power crisis, reduction in profit margins due to global economic slowdown and high working capital requirements due to increase in the demand of denim and denim products. As a result, the Company is facing a temporary liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances on their respective due dates. The details are as follows:

Nature of liability	***Note***	**Due date**	**Amount** ***Rupees***
Preference shares	*5.5 & 47.2.2(a)*	September 24, 2009	330,625,650
Dividend on preference shares	*5.5 & 47.2.2(b)*	November 21, 2009	59,181,949
Long term finances	*9.4 & 47.2.2(c)*	August 15, 2009	181,650,000
Term finance certificates	*8.2 & 47.2.2(d)*	December 04, 2009	135,516,741
Term finance certificates	*8.3 & 47.2.2(e)*	March 20, 2010	166,756,673
			873,731,013

47.2.2(a) This represents 33,062,565 preference shares of Rs. 10 each redemption of which was due on September 24, 2009, is outstanding as on the date of authorization for issue of these financial statements. The management has proceeded to redeem these through proceeds from a fresh issue of term finance certificates. This mode of redemption and, terms and conditions thereof have been agreed with the investors. The issue is expected to be completed in April 2010.

47.2.2(b) This represents dividend on preference shares, payment of which was due on November 21, 2009. The Company issued warrants for the said dividend on December 20, 2009. However, the preference shareholders presented their warrants for payment only subsequent to the reporting period. As a result, the amount of dividend stood outstanding as at the reporting date and was paid subsequent to the reporting period.

47.2.2(c) This represents an installment of EURO 1.5 million payable on account of long term finance obtained from Deutsche Investitions - Und MBH. The installment was due on August 15, 2009 but was deferred by the Company. The Company is in discussion with the lender regarding the deferral of the said installment till August 2012. The lender, in this context, has agreed in principal to the Company's request, execution of a formal agreement to this effect is in process.

47.2.2(d) This represents principal redemption and interest on privately placed term finance certificates that was due on December 04, 2009 but is outstanding as at the reporting date. The Company had issued cheques for the amount of principal and interest but the presentation of these cheques for payment was deferred by the investors. These cheques, however, were presented for payment and cleared subsequent to the reporting period.

47.2.2(e) This represents principal redemption of listed term finance certificates that was due on March 20, 2010 but is outstanding as on the date of authorization for issue of these financial statements. The said redemption has been deferred for a period of sixty days from the due date. The deferral was approved through an extraordinary resolution of investors passed by majority of investors, as required by the terms of issue for such deferral, whereby it has been resolved that the Company and the lenders shall come to an agreement regarding an acceptable solution. The Company intends to propose re-profiling of the total liability and is confident of favourable settlement with the investors.

The temporary liquidity shortfall has been mitigated through generation of Rs. 2.37 billion from divestment of 20.13% ordinary shares held in Agritech Limited (formerly Pak American Fertilizers Limited), a subsidiary of the Company, through a combination of private placement and public subscription (see note 28.1). Funds generated have been utilized towards repayment/redemption of certain liabilities, with sufficient funds available for other requirements. The management, based on favourable response already received, is also considering to take-up the matter with the providers of debt finance for re-profiling of some of the existing liabilities. Major cost cutting initiatives and improved debt collection will also reduce the financial burden on the Company. The management of the Company is confident that the above measures coupled with the Company's strong capital base of Rs. 18.47 billion (including surplus on revaluation of property, plant and equipment), advantageous capital gearing of 32.8% (see note 48), continuing profitable trends (with accumulated profits of Rs. 2.68 billion as at the reporting date) and expected improvement in economic and market conditions will improve the liquidity position.

The Company, if required, also has financial support from its subsidiaries and associated companies. The management of the Company does not envisage any difficulty in generating and arranging necessary finances and in meeting its financial obligations when due.

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47.3 Market risk

47.3.1 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.

47.3.1(a) Exposure to currency risk

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

	2009				
	EURO	**USD**	**GBP**	**YEN**	**Total**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Assets					
Investments	**2,622,227,390**	**-**	**-**	**-**	**2,622,227,390**
Trade receivables	**1,630,501,389**	**987,312,360**	**166,783,016**	**-**	**2,784,596,765**
Cash and bank balances	**-**	**418,905**	**-**	**-**	**418,905**
	4,252,728,779	**987,731,265**	**166,783,016**	**-**	**5,407,243,060**
Liabilities					
Long term finances	**(1,453,200,000)**	**(368,812,500)**	**-**	**-**	**(1,822,012,500)**
Short term borrowings	**-**	**(93,983,909)**	**-**	**-**	**(93,983,909)**
Mark-up accrued on borrowings	**(26,379,362)**	**(7,946,936)**	**-**	**-**	**(34,326,298)**
Trade creditors	**(61,850,038)**	**(63,043,178)**	**(7,378,833)**	**(116,919)**	**(132,388,968)**
	(1,541,429,400)	**(533,786,523)**	**(7,378,833)**	**(116,919)**	**(2,082,711,675)**
Gross balance sheet exposure	**2,711,299,379**	**453,944,742**	**159,404,183**	**(116,919)**	**3,324,531,385**
Fair value of hedging instruments					**56,270,407**
Net balance sheet exposure					**3,380,801,792**

	2008				
	EURO	USD	GBP	YEN	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Assets					
Investments	2,625,026,049	-	-	-	2,625,026,049
Trade receivables	480,562,426	839,888,409	310,601	-	1,320,761,436
Cash and bank balances	-	92,748	-	-	92,748
	3,105,588,475	839,981,157	310,601	-	3,945,880,233
Liabilities					
Long term finances	(1,499,985,000)	(542,437,500)	-	-	(2,042,422,500)
Short term borrowings	(356,514,004)	(2,616,212)	-	(1,431,677)	(360,561,893)
Mark-up accrued on borrowings	(48,690,055)	(18,514,638)	-	-	(67,204,693)
Trade creditors	(42,168,815)	(70,480,517)	-	(21,104)	(112,670,436)
	(1,947,357,874)	(634,048,867)	-	(1,452,781)	(2,582,859,522)
Gross balance sheet exposure	1,158,230,601	205,932,290	310,601	(1,452,781)	1,363,020,711
Fair value of hedging instruments					125,137,084
Net balance sheet exposure					1,488,157,795

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47.3.1(b) *Exchange rates applied during the year*

Foreign exchange rates applied during the year are as follows:

	2009			
	Financial assets		**Financial liabilities**	
	Average rate for the year *Rupees*	**Spot as at the reporting date** *Rupees*	**Average rate for the year** *Rupees*	**Spot as at the reporting date** *Rupees*
EURO	**113.61**	**120.81**	**113.89**	**121.10**
USD	**81.49**	**84.10**	**81.68**	**84.30**
GBP	**127.62**	**135.08**	**127.94**	**135.40**
YEN	**0.87**	**0.91**	**0.88**	**0.91**
CHF	**75.39**	**81.26**	**75.57**	**81.45**

	2008			
	Financial assets		Financial liabilities	
	Average rate for the year *Rupees*	Spot as at the reporting date *Rupees*	Average rate for the year *Rupees*	Spot as at the reporting date *Rupees*
EURO	102.71	110.83	102.97	111.11
USD	70.12	78.70	70.32	78.90
GBP	129.61	113.61	129.94	113.90
YEN	0.67	0.87	0.68	0.87
CHF	64.92	74.36	65.15	74.55

47.3.1(c) *Sensitivity analysis*

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

	2009		2008	
	Equity *Rupees*	**Profit** *Rupees*	Equity *Rupees*	Profit *Rupees*
EURO	**-**	**271,129,938**	(18,981,196)	115,823,060
USD	**7,074,336**	**45,394,474**	15,779,053	20,593,229
GBP	**-**	**15,940,418**	-	31,060
YEN	**-**	**(11,692)**	-	(145,278)
CHF	**-**	**-**	(10,745,897)	-
	7,074,336	**332,453,138**	(13,948,040)	136,302,071

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

47.3.1(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.

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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.

47.3.2 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.

47.3.2(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:

	2009		2008	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	Rupees	***Rupees***	*Rupees*	*Rupees*
Non-derivative financial instruments				
Fixed rate instruments	**13,644**	**75,000,000**	917,667	100,000,000
Variable rate instruments	**600,058,905**	**15,917,070,519**	910,092,748	14,663,931,086
Derivative financial instruments				
Fair value hedges	**-**	**14,472,950**	-	27,498,857
Cash flow hedges	**70,743,357**	**-**	175,673,993	23,038,052

47.3.2(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, however the Company has designated derivatives (interest rate swaps) as hedging instruments under the fair value hedge accounting model. An increase or decrease of 100 basis points in interest rates as at the reporting date would have increased or decreased profit by Rs. 67,118 (Rs. 2008: 255,441) or Rs. 67,743 (2008: Rs. 516,397) respectively. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

47.3.2(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.

	2009		2008	
	Equity	**Profit**	Equity	Profit
	Rupees	***Rupees***	*Rupees*	*Rupees*
Increase of 100 basis points				
Variable rate instruments	**-**	**(159,920,705)**	-	(147,639,311)
Cash flow hedges	**(754,875)**	**-**	(2,815,209)	
	(754,875)	**(159,920,705)**	(2,815,209)	(147,639,311)
Decrease of 100 basis points				
Variable rate instruments	**-**	**159,920,705**	-	147,639,311
Cash flow hedges	**774,519**	**-**	2,876,974	-
	774,519	**159,920,705**	2,876,974	147,639,311

Notes to and forming part of Financial Statements for the year ended December 31, 2009

47.3.2(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.

47.3.3 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.

48 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	**2009**	2008
		Rupees	*Rupees*
Total debt	*Rupees*	**7,080,736,946**	8,189,850,782
Total equity	*Rupees*	**14,500,553,273**	10,124,082,501
		21,581,290,219	18,313,933,283
Gearing	*% age*	**32.81%**	44.72%

There were no changes in the Company's approach to capital management during the year. However, defualts/overdues relating to financial obligations of the Company, as referred to in note 47.2.2 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.

	2009	2008
	Rupees	*Rupees*
49 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Hypothecation of stocks and movables	24,110,500,000	19,795,117,999
Hypothecation of book debts and receivables	24,110,500,000	19,795,117,999
Mortgage over land and building	13,379,623,333	13,379,623,333
Hypothecation of plant and machinery	13,749,623,333	13,749,623,333
Pledge		
Raw material	1,037,078,097	870,121,390
Finished goods	423,042,124	148,011,200
Investments	4,572,240,000	2,301,732,256

Notes to and forming part of Financial Statements for the year ended December 31, 2009

50 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:

	2009		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**7,999,992**	**5,004,000**	**138,343,417**
Allowances and perquisites	**3,999,991**	**1,200,000**	**93,931,795**
Post employment benefits	**680,004**	**204,000**	**10,753,554**
	12,679,987	**6,408,000**	**243,028,766**
Number of persons	**1**	**6**	**93**

	2008		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	7,999,992	5,100,000	103,388,915
Allowances and perquisites	3,999,991	1,540,000	65,637,890
Post employment benefits	680,004	204,000	7,778,028
	12,679,987	6,844,000	176,804,833
Number of persons	1	6	71

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

51 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2009**	2008
		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*	14,965,001	14,965,001
Actual production converted into 6.5s count	*Kgs*	11,924,619	13,207,174
Number of spindles installed	*No.*	54,408	54,408
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	12,814,834	12,814,834
Actual production converted into 20s count	*Kgs*	10,754,318	12,274,985
Weaving			
Number of looms installed	*No.*	230	166
Annual capacity on the basis of utilization converted into 38 picks	*Mtrs*	40,028,613	29,860,666
Actual production converted into 38 picks	*Mtrs*	26,246,413	25,042,308
Garments			
Number of stitching machines installed	*No.*	2,229	2,229
Annual capacity on the basis of utilization	*Pcs*	10,797,583	10,797,583
Actual production	*Pcs*	8,457,943	7,595,954

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.

Notes to and forming part of Financial Statements
for the year ended December 31, 2009

52 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 08, 2010 by the Board of Directors of the Company.

53 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary for the purpose of comparison. Significant reclassifications and their rationale are referred to in relevant notes to the financial statements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

AZGARD-9

Consolidated Financial Statements

Russell Bedford

Rahman Sarfaraz Rahim
Iqbal Rafiq
Chartered Accountants

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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of AZGARD NINE LIMITED ("the Parent Company") and its subsidiaries (hereinafter collectively referred as 'the Group') as at December 31, 2009 and the related consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flows statement and consolidated statement of changes in equity together with the notes to and forming part thereof, for the year then ended. We have also expressed separate opinion on financial statements of the Parent Company. The financial statements of the subsidiary companies Nafees International Tekstil Sanays Ve Ticaret Anonim Sirket, Agritech Limited (formerly Pak American Fertilizers Limited), Hazara Phosphate Fertilizers (Private) Limited and Farital AB were audited by other firms of auditors, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the report of such other auditors.

The financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these 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 financial position of the Group as at December 31, 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan

Without qualifying our opinion, we draw attention to notes 2.2 and 48.2.2 on "Financial Liabilities Re-Profiling" and "Liquidity Risk Management" respectively, and to the related matter emphasized in our opinion on the financial statements of the Parent Company for the year ended December 31, 2009 pertaining to liquidity problems involving delayed repayment/redemption of financial liabilities, the generation of Rs. 2.37 billion from divestment of 20.13% ordinary shares in Agritech Limited (formerly Pak American Fertilizers Limited), a subsidiary of the Company, which partially mitigated the liquidity issues. Attention was also drawn to the fact that the Parent Company has negotiated, is in process of negotiations or proposing to negotiate deferral, issue of substitute debt instruments and re-profiling of debt finances.

It was further emphasized that the continuing operations of the Parent Company are dependent on the continued availability of sufficient financial resources and continued support of the banks, financial institutions and holders of debt instruments, to the Parent Company. The availability of sufficient financial resources and continued support of the banks, financial institutions and holders of debt instruments may also have impact on the continued operations of subsidiary companies.

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: *IRFAN RAHMAN MALIK*

Date: *APRIL 08, 2010*
Place: *LAHORE*

Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, is a partnership firm registered in Pakistan and a member of Russell Bedford International, a global network of independent accounting firms and consultants with affiliated offices worldwide.

Consolidated Balance Sheet as at December 31, 2009

	Note	2009 Rupees	2008 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	5	**4,879,343,880**	3,827,118,540
Reserves	6	**3,152,133,984**	3,511,758,144
Accumulated profit		**3,810,725,980**	2,420,262,535
		11,842,203,844	9,759,139,219
Surplus on revaluation of property, plant and equipment	7	**3,969,152,218**	219,356,257
Loan from associates - Unsecured, Subordinated	8	**340,000,000**	340,000,000
Non-current liabilities			
Redeemable capital - Secured	9	**11,745,418,131**	13,504,569,794
Long term finances - Secured	10	**3,660,097,982**	3,086,842,500
Liabilities against assets subject to finance lease - Secured	11	**279,208,203**	116,890,980
Derivative financial liabilities	12	**-**	9,421,279
Long term payables - unsecured	13	**52,185,199**	31,135,199
Deferred taxation	14	**2,147,388,347**	2,479,374,862
		17,884,297,862	19,228,234,614
Current liabilities			
Current portion of non-current liabilities	15	**4,632,389,218**	1,532,542,648
Short term borrowings	16	**12,891,613,075**	8,437,887,588
Trade and other payables	17	**5,871,461,238**	5,265,762,759
Interest/mark-up accrued on borrowings		**1,000,787,278**	974,107,530
Dividend payable	18	**63,183,986**	14,686,046
		24,459,434,795	16,224,986,571
Contingencies and commitments	19	**-**	-
		58,495,088,719	45,771,716,661

The annexed notes 1 to 56 form an integral part of these financial statemements.

Lahore

CHIEF EXECUTIVE

	Note	2009 Rupees	2008 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	20	**37,077,131,053**	25,631,529,859
Intangible assets	21	**5,645,095,896**	5,663,896,471
Long term investments	22	**36,767**	67,738
Derivative financial assets	23	**45,298,097**	132,176,246
Long term deposits - Unsecured, considered good	24	**56,988,258**	48,405,665
Long term advances		**32,496,935**	34,806,883
		42,857,047,006	31,510,882,862
Current assets			
Stores, spares and loose tools	25	**1,714,633,249**	889,408,609
Stock in trade	26	**5,985,036,223**	6,593,894,971
Trade receivables	27	**4,586,931,259**	2,556,062,590
Advances, deposits, prepayments and other receivables	28	**2,587,295,068**	3,354,582,516
Short term investments	29	**-**	206,551,479
Current taxation	30	**326,331,600**	231,472,830
Cash and bank balances	31	**437,814,314**	428,860,804
		15,638,041,713	14,260,833,799
		58,495,088,719	45,771,716,661

DIRECTOR

Consolidated Profit and Loss Account for the year ended December 31, 2009

	Note	2009 *Rupees*	2008 *Rupees*
Sales - Net	32	**26,276,262,374**	19,737,423,815
Cost of sales	33	**(17,982,857,500)**	(12,914,517,427)
Gross profit		**8,293,404,874**	6,822,906,388
Selling and distribution expenses	34	**(782,580,477)**	(607,602,404)
Administrative and general expenses	35	**(1,275,067,983)**	(481,372,594)
Net other income	36	**2,440,011**	279,550,734
Operating profit		**6,238,196,425**	6,013,482,124
Finance cost	37	**(4,791,419,130)**	(4,617,259,155)
Other charges	38	**(83,716,383)**	(57,013,823)
Excess of fair value of subsidiary's identifiable assets acquired over cost of investment		**-**	290,221,269
Profit before taxation		**1,363,060,912**	1,629,430,415
Taxation	39	**174,867,661**	(232,037,277)
Profit after taxation		**1,537,928,573**	1,397,393,138
Profit after taxation attributable to:			
Equity holders of the parent		**1,537,928,573**	1,397,393,138
Minority interest		**-**	-
		1,537,928,573	1,397,393,138
Earnings per share - Basic and diluted	40	**3.35**	3.39

The annexed notes 1 to 56 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Consolidated Statement of Other Comprehensive Income for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Profit after taxation		**1,537,928,573**	1,397,393,138
Other comprehensive income/(loss):			
Changes in fair value of cash flow hedges	6	**(81,892,584)**	(218,165,162)
Changes in fair value of available for sale financial assets	6	**(30,971)**	12,553,682
Foreign exchange differences on translation of foreign subsidiaries	7	**(6,105,867)**	(1,453,415)
Incremental depreciation	7	**19,716,821**	19,716,820
Taxation relating components of other comprehensive income		**-**	-
		(68,312,601)	(187,348,075)
Total comprehensive income		**1,469,615,972**	1,210,045,063

The annexed notes 1 to 56 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Consolidated Cash Flow Statement
for the year ended December 31, 2009

	Note	2009	2008
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	42	**6,498,482,090**	3,379,443,290
Interest/markup paid		**(4,954,137,892)**	(3,228,073,873)
Taxes paid		**(251,893,180)**	(257,834,004)
Net cash flow from/(used in) operating activities		**1,292,451,018**	(106,464,587)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(8,748,588,396)**	(3,963,744,703)
Purchase of software		**(520,852)**	-
Proceeds from disposal of property, plant and equipment		**54,311,713**	6,297,758
Acquisition of subsidiary-net of cash acquired		**-**	(3,977,890,822)
Purchase of investments at fair value through profit or loss		**-**	(206,458,964)
Proceeds from sale of investments at fair value through profit or loss		**108,761,692**	1,097,853,382
Dividend received		**-**	1,730,500
Proceeds from sale of available for sale investments		**281,161,927**	-
Net cash used in investing activities		**(8,304,873,916)**	(7,042,212,849)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale and lease back		**342,040,541**	40,807,974
Long term finances obtained		**2,474,485,482**	750,000,000
Proceeds from issue of ordinary shares		**1,003,256,252**	-
Loan from associates		**-**	340,000,000
Proceeds from issue of term finance certificates		**-**	3,750,080,225
Redemption of term finance certificates		**(189,953,346)**	(231,142,657)
Repayment of long term finances		**(889,843,750)**	(686,006,711)
Repayment of liabilities against assets subject to finance lease		**(161,150,249)**	(12,223,131)
Transaction costs on issue of term finance certificates		**(500,000)**	(120,066,162)
Net increase in short term borrowings		**4,453,725,487**	3,561,127,223
Minority interest in Azsoft (Private) Limited		**-**	(1,793)
Dividend paid		**(10,684,009)**	(445,118,926)
Net cash flow from financing activities		**7,021,376,408**	6,947,456,042
Net increase/(decrease) in cash and cash equivalents		**8,953,510**	(201,221,394)
Cash and cash equivalents as at beginning of the year		**428,860,804**	630,082,198
Cash and cash equivalents as at end of the year	43	**437,814,314**	428,860,804

The annexed notes 1 to 56 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Consolidated Statement of Changes in Equity
for the year ended 31 December 2009

	Note	Share capital			Reserves								
		Ordinary shares	Preference shares	Total	Share premium	Cash flow hedges	Translation reserve	Reserve on merger	Preference shares redemption reserve	Available for sale financial assets	Total	Accumulated profit	Total equity
		Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
As at January 01, 2008		3,127,134,570	661,688,330	3,788,822,900	2,633,387,139	831,061,034	33,041	105,152,005	414,500,000	82,259	3,984,215,478	1,556,263,535	9,329,301,913
Conversion of preference shares into ordinary shares	*5.1.3*	297,500	(437,500)	(140,000)	140,000	-		-	-	-	140,000	-	-
Conversion of redeemable capital into ordinary shares	*5.2.1*	38,435,640	-	38,435,640	104,314,360	-		-	-	-	104,314,360	-	142,750,000
Profit for the year ended December 31, 2008		-	-	-	-	-		-	-	-	-	1,397,393,138	1,397,393,138
Other comprehensive income/(loss) for the year ended December 31, 2008		-	-	-	-	(678,425,094)	(1,453,415)	-	-	(33,185)	(679,911,694)	19,716,820	(660,194,874)
Profit transferred to preference shares redemption reserve		-	-	-	-	-		-	103,000,000	-	103,000,000	(103,000,000)	-
Preference dividend for the year ended December 31, 2008		-	-	-	-	-		-	-	-	-	(59,181,949)	(59,181,949)
Final dividend on ordinary shares for the year ended December 31, 2007		-	-	-	-	-		-	-	-	-	(390,929,009)	(390,929,009)
As at December 31, 2008		3,165,867,710	661,250,830	3,827,118,540	2,737,841,499	152,635,940	(1,420,374)	105,152,005	517,500,000	49,074	3,511,758,144	2,420,262,535	9,759,139,219
Issue of bonus shares	*5.1.1*	**633,173,530**	**-**	**633,173,530**	**(633,173,530)**	**-**		**-**	**-**	**-**	**(633,173,530)**	**-**	**-**
Issue of right shares	*5.1.2*	**749,677,460**	**-**	**749,677,460**	**262,387,112**	**-**		**-**	**-**	**-**	**262,387,112**	**-**	**1,012,064,572**
Transaction costs incurred on issue of right shares		**-**	**-**	**-**	**(8,808,320)**	**-**		**-**	**-**	**-**	**(8,808,320)**		**(8,808,320)**
Profit for the year ended December 31, 2009		**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**1,537,928,573**	**1,537,928,573**
Other comprehensive income/(loss) for the year ended December 31, 2009		**-**	**-**	**-**	**-**	**(81,892,584)**	**(6,105,867)**	**-**	**-**	**(30,971)**	**(88,029,422)**	**19,716,821**	**(68,312,601)**
Profit transferred to preference shares redemption reserve		**-**	**-**	**-**	**-**	**-**		**-**	**108,000,000**	**-**	**108,000,000**	**(108,000,000)**	**-**
Preference dividend for the year ended December 31, 2009		**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**(59,181,949)**	**(59,181,949)**
Preference shares classified as current liability	*15*	**-**	**(330,625,650)**	**(330,625,650)**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**(330,625,650)**
As at December 31, 2009		**4,548,718,700**	**330,625,180**	**4,879,343,880**	**2,358,246,761**	**70,743,356**	**(7,526,241)**	**105,152,005**	**625,500,000**	**18,103**	**3,152,133,984**	**3,810,725,980**	**11,842,203,844**

The annexed notes 1 to 56 form an integral part of these financial statemements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

1 REPORTING ENTITY

The Group consists of the following companies:

Parent Company

Azgard Nine Limited ("ANL") is incorporated in Pakistan as a Public Limited Company and is currently listed on Karachi Stock Exchange (Guarantee) Limited. ANL is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacture of yarn, denim and denim products. The registered office of ANL is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore.

Subsidiary Companies

Agritech Limited ("AGL") (formerly Pak American Fertilizers Limited) is incorporated in Pakistan as an Unquoted Public Limited Company and is engaged in manufacture and sale of urea fertilizer. Proportion of interest held by ANL as at the reporting date is 100%. Howevr, subsequent to the reporting period, ANL has divested 20.13% of its total holding through a combination of public subscription and private placement. AGL was acquired on July 01, 2006.

Hazara Phosphate Fertilizers (Private) Limited ("HPFL") is incorporated in Pakistan as a Private Limited Company and is engaged in manufacture and sale of granulated single super phosphate. HPFL was acquired on November 28, 2008 by AGL. Proportion of interest held by AGL is 100%. The amounts reflected in consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flow statement and related notes to the consolidated financial statements for the year ended December 31, 2008 include results of HPFL for the period from November 28, 2008 to December 31, 2008.

Farital AB ("FAB") is 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 manufacture of textile and apparel products and accessories. Effective control of FAB and MSRL was obtained on December 31, 2008 by ANL. Proportion of interest held by ANL is 100%. The amounts reflected in consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flow statement and related notes to the consolidated financial statements for the year ended December 31, 2008 do not include results of FAB and only the financial position of FAB as at December 31, 2008 has been reflected in consolidated balance sheet as at that date.

Nafees International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI ("NIT") is incorporated in Turkey and is engaged in sale of denim and denim products. Proportion of interest held by ANL is 51%. NIT was acquired on January 05, 2004.

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 prevail.

2.2 Financial Liabilities Re-profiling

Azgard Nine Limited

The worldwide and nationwide recessionary trends and other economic conditions have perpetuated general credit and liquidity crisis. These circumstances are being faced by all the industrial and business sectors in Pakistan, and in particular, by the textile sector. ANL, during the year, also faced operational issues including increase in input cost primarily due to increase in prices of raw material and increase in utility cost emanating from the ongoing power crisis, reduction in profit margins due to global economic slowdown and high working capital requirements commensurate with increase in demand of denim products. Additionally, ANL has faced massive devaluation of the Pak Rupee over the past couple of years which, with high interest/mark-up rates resulted in substantially high finance costs. This has perpetuated temporary, liquidity issues, as referred to in note 48.2.2 to the financial statements. These, however, have been mitigated through generation of Rs. 2.37 billion from divestment of 20.13% ordinary shares held in Agritech Limited (formerly Pak American Fertilizers Limited), a subsidiary

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

of ANL, through a combination of private placement and public subscription. Funds generated have been utilized towards repayment/redemption of certain liabilities, with sufficient funds available for other requirements. Additionally, as explained in note 48.2.2 to the financial statements, ANL has successfully negotiated deferral of some of the overdue liabilities and issue of substitute debt instruments.

The management is also considering to take-up the matter with the providers of debt finance for re-profiling of some of the existing liabilities. Major cost cutting initiatives and improved debt collection will also reduce the financial burden on ANL. The management of ANL is confident that the above measures coupled with ANL's strong capital base of Rs. 18.47 billion (including surplus on revaluation of property, plant and equipment), advantageous capital gearing of 32.8%, continuing profitable trends (with accumulated profits of Rs. 2.68 billion as at the reporting date) and expected improvement in economic and market conditions will improve the liquidity position. ANL, if required, also has financial support from its subsidiaries and associated companies. The management of ANL does not envisage any difficulty in generating and arranging necessary finances and in meeting its financial obligations when due, and for continuing profitable operations of ANL.

Appropriateness of Going Concern Assumption - Continuing Operations' As already mentioned above, the management is confident and does not envisage any difficulty in generating and arranging necessary finances for continuing operations of ANL and in meetings its financial obligations. The trend indicates that the sales will continue to grow with improved operational profitability inspite of high finance costs and other factors. Retention of market leadership, rationalization of customer base, production volumes and, costs and pricing targets augurs well for the future prospects of ANL. The steps already taken are showing dividends as ANL has, during the last quarter, set new records for the highest ever number of garments shipped in a month consecutively for three months.

Subsidiaries

There are no major liquidity problems which may impact the continuing operations of subsidiary companies.

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 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, 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 judgements 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 judgements 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. Judgements 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 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.

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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.

2.4.7 Obligations under defined benefit plans

The present value of obligations under defined benefit plans is based on assumptions of future outcomes, the principle ones being in respect of increases in remuneration, average remaining working life of employees, expected return on plan assets and discount rates. These assumptions are determined by independent professional actuaries.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these 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 control, 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 or 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 subsidiaries are changed when necessary to align them with those adopted by the Group. The assets and liabilities of the subsidiaries are consolidated on a line-by-line basis and the carrying amount of the investment in subsidiaries is eliminated against the subsidiaries' 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.

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

Major renewals and improvements to operating assets 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 are recognized in profit or loss as incurred.

The Group recognizes depreciation in profit or loss on operating assets using depreciation methods and useful lives/depreciation rates specified below.

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	FERTILIZER	TEXTILE AND APPAREL
	Straight line method	**Reducing balance method**
	Useful lives in years	**%age**
Buildings on freehold land	40 - 50	5%
Plant and machinery	30 - 50	2% - 7.5%
Residential colony assets	3 - 20	-
Furniture's, fixture and office equipment	3 - 10	10%
Vehicles and rail transport	5	20%
Railway sidings	20 - 40	-
Tools and equipment	3 - 10	10%
Electrical and other installations	10 - 20	10%
Books and literature	10	-
Catalysts	As used by the Group	

Depreciation on additions to operating assets, including transfers from capital work in progress, 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.

3.3 Surplus / deficit arising on revaluation of operating assets

Surplus arising on revaluation of items of operating assets 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 operating assets 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 or loss. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

All intangible assets, with the exception of goodwill acquired in a business combination, 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.

3.5 Software

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.

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 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

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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 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.

3.7 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 generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil.

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.

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 or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

Post-employment benefits

Defined 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 @ 8.25% on the outstanding fund balance and is recognized in profit or loss.

AGL operates an approved defined contributory provident fund for its employees at their option. Equal contributions are made by AGL and employees at 10% of basic salary for workers and 8.33% of basic salary for executives. Interest is charged @ 8.5% on the outstanding fund balance and is recognized in profit or loss.

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HPFL operates an approved defined contributory provident fund for its employees at their option. Equal contributions are made by HPFL and employees at 8.33% of basic salary. Interest is charged @ 8.5% on the outstanding fund balance and is recognized in profit or 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 or loss. The determination of obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected remaining useful 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.

Details of scheme are referred to in note 17.3 to the financial statements.

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.

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 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 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 or 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 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 Group does 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

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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 47.1 to the 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 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 47.1 to the 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 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 instrument. Refer to note 47.2 to the 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 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 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 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 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 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.

3.11.3 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 or loss.

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.

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3.12 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.

3.13 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.

3.14 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 .

3.15 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 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, where prices are available from active market, are measured at fair value, 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.

3.16 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.

3.17 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.

3.18 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.

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3.19 Trade and other payables

3.19.1 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.

3.19.2 Non-financial liabilities

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

3.20 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.

3.21 Trade and other receivables

3.21.1 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.

3.21.2 Non-financial assets

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

3.22 Business combinations

Acquisitions of equity or net assets of other entities by the Group, resulting in a parent-subsidiary relationship, are accounted for as business combinations. Business combinations are accounted for by applying the purchase method, whereby, the cost of acquisition is allocated to the fair values of identifiable net assets acquired and any excess of cost over aggregate fair value of net assets acquired is recognized as goodwill. Where the aggregate fair value of net assets acquired exceeds the cost of acquisition, the excess is recognized as income in profit or loss.

3.23 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.

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.

Export rebate is recognized at the same time when revenue from export sales is recognized.
Dividend income is recognized when the Group's right receive to payment is established.

Interest income is recognized as and when accrued on time proportion basis.

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3.24 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 shares capital and reserves, by section 235 of and fourth schedule to the Companies Ordinance, 1984.

3.24 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.

3.25 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 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 Group for expenses or losses already incurred are recognized in profit or loss in the period in which these become receivable.

3.26 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.

3.27 Earnings per share (EPS)

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

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

3.28 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.

3.29 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 or loss.

3.30 Impairment

3.3.1 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.

3.3.2 Non-financial assets

The carrying amount of the Group's non-financial assets, other than goodwill, 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 costs 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 in 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.

3.31 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 Parent Company's financial statements in the year in which the dividends are approved by the Parent Company's shareholders.

3.32 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 Group's financial statements at the end of each year from the issue of preference shares.

Notes to and forming part of Consolidated Financial Statements
for the year ended December 31, 2009

4 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO

4.1 New and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year

IFRS 7 - Financial Instruments *Disclosures*

This standard has superseded the disclosure requirements of IAS 32 - Financial Instruments Presentation and Disclosures (now Financial Instruments Presentation). Application of this standard has had impact on the Group's financial statements only to the extent of additional disclosures which are set-out in note 47 & 48 to the financial statements. There are no changes in accouting policies or adjustments in the current or prior periods resulting from application to this standard.

IAS 23 - Borrowing Costs (Revised 2007)

The revised standard has removed the option to expense out borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The revision has not had any impact on the Group's financial statements since the Group's accounting policy for borrowing costs is already in accordance with the requirements of the revised standard, and accordingly there are no adjustments in current or prior period resulting from application of this standard.

IAS 1 - Presentation of financial statements *(Revised 2007)*

The revised standard has brought about terminology changes, and changes in format and content of the financial statements. A new term "Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with shareholders in their capacity as shareholders, has been introduced, along with new titles for the financial statements. the Group has applied this standard retrospectively, but only to the extent it is consistent with the requirements of the Companies Ordinance, 1984 and the Rules and Regulations made thereunder. Certain requirements of the standard, including change of titles for financial statement, that are in conflict with the Companies Ordinance, 1984 and the Rules and Regulations made thereunder, have not been applied in presenting these financial statements. The application of this standard has resulted in presentation of all non-owner changes in equity, other than profit after taxation, which is presented in profit and loss account, and surplus on revaluation of property, plant and equipment, which is presented on balance sheet after share capital and reserves, separately from owner changes, in 'Statement of Other Comprehensive Income'. There are no other adjustments in current or prior periods, however the removal of above mentioned inconsistencies and conflicts in future, will cause further changes in content and format of these financial statements.

IFRS 8 - Operating Segments

This standard has superseded the requirements of IAS 14 - Segment Reporting regarding disclosure of segment information and has inroduced the concept of mnagament approach to segment reporting. Application of this standard has had impact on the Group's financial statements only to the extent of disclosures as the Group was already following management approach in reporting segment information. There are no changes in accouting policies or adjustments in the current or prior periods resulting from application to this standard.

4.2 Approved accounting standards, interpretations and amendments thereto effective with no impact on Company's financial statements

Standards, interpretations and amendments	**Description**
IFRIC 13 - Customer Loyalty Programmes	This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.
IAS 27 - Consolidated and Separate Financial Statements (amendments)	The amendments deal with measurement of cost of investment in subsidiaries, jointly controlled entities.
IAS 38 - Intangible Assets (amendments)	The amendment permits an entity to recognize a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

Standards, interpretations and amendments	Description
IAS 40 - Investment Property (amendments)	The standard has been amended to include within its scope investment property in the course of construction.
IAS 20 - Government Grants (amendments)	The amendment requires that the benefit of a government loan at a below-market rate of interest be treated as government grant.
IAS 39 - Financial Instruments *Recognition and Measurement* (amendments)	The standard has been amended to permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' and 'available for sale' categories in very limited circumstances. The amendment also clarifies accounting for embedded derivatives in case of such reclassification.
IFRS 2 - Share Based Payments (amendments)	The amendment clarifies the definition of vesting conditions and accounting treatment for cancellations, and introduce the concept of non-vesting conditions.
IAS 32 - Financial Instruments *Presentation* and IAS 1 - Presentation of Financial Statements (amendments)	These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.
IFRIC 15 - Agreements for the Construction of Real Estate	The interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 - Construction Contracts or IAS 18 - Revenue, and when revenue from the construction of real estate should be recognized.
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	The interpretation provides guidance on detailed requirements for net investment hedging for certain hedge accounting designations.

4.3 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date. Their impact on the Group's financial statements cannot be ascertained as at the reporting date.

Standards, interpretations and amendments	Description
IFRS 5 - Non-Current Asset Held for Sale and Discontinued Operations (amendments)	The standard has been amended to modify disclosure requirements. The amendment is effective for annual period beginning on or after January 01, 2010.
IFRS 3 - Business Combinations (Revised 2008)	The revision broadens the definition of business combinations, provides guidance on measurement of contingent consideration, pre-existing interests in acquiree and non-controlling interests and on accounting for transaction costs. The revised standard is effective for business combination for which the acquisition date is on or after the beginning of the first annual reporting period that begins on or after July 01, 2009.
IAS 7 - Statement of Cash Flows (amendments)	The amendments specify that only expenditures that result in a recognized asset in the balance sheet can be classified as cash flows from investing activities. The amendments are effective for annual period beginning on or after January 01, 2010.
IAS 27 - Consolidated and Separate Financial Statements (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Group's interest in subsidiaries. The revised standards is effective for annual periods beginning on or after July 01, 2009.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

Standards, interpretations and amendments	**Description**
IAS 28 - Investments in Associates (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Group's interest in associates. The revised standard is effective for annual periods beginning on or after July 01, 2009.
IAS 39 - Financial Instruments *Recognition and Measurement* (amendments)	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options. The amendment is effective for annual periods beginning on or after July 01, 2009.
IFRIC 17 - Distribution of Non-Cash Assets to Owners	The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The interpretation is effective for annual periods beginning on or after July 01, 2009.
IAS 17 - Leases (amendments)	The standard has been amended to permit leases of land to be classified and accounted for as finance leases if certain conditions are met. The amendments are effective for annual period beginning on or after January 01, 2010.

	Note	**2009**	2008
		Rupees	*Rupees*
5 SHARE CAPITAL			
Authorized share capital			
Ordinary shares of Rs. 10 each			
900,000,000 (2008: 900,000,000) voting shares		**9,000,000,000**	9,000,000,000
300,000,000 (2008: 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 (2008: 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	*5.1*		
323,712,733 (2008: 249,655,142) shares fully paid in cash		**3,237,127,330**	2,496,551,420
62,548,641 shares issued as fully paid bonus shares	*5.1.1*	**625,486,410**	-
12,276,073 (2008: 12,276,073) shares issued as consideration for machinery		**122,760,730**	122,760,730
50,811,992 (2008: 50,811,992) shares issued as consideration on merger		**508,119,920**	508,119,920
		4,493,494,390	3,127,432,070
Non-voting ordinary shares of Rs. 10 each	*5.2*		
4,753,719 (2008: 3,843,564) shares fully paid in cash		**47,537,190**	38,435,640
768,712 shares issued as fully paid bonus shares	*5.1.1*	**7,687,120**	
		55,224,310	38,435,640
Preference shares of Rs. 10 each (2008: Rs. 10 each)			
33,062,518 (2008: 66,125,083) shares fully paid in cash	*5.3, 5.4 & 5.5*	**330,625,180**	661,250,830
		4,879,343,880	3,827,118,540

Notes to and forming part of Consolidated Financial Statements
for the year ended December 31, 2009

		Note	2009 No. of shares	2008 No. of shares
5.1	**Movement in number of voting ordinary shares in issue**			
	As at beginning of the year		**312,743,207**	312,713,457
	Issue of bonus shares	*5.1.1*	**62,548,641**	-
	Issue of right shares	*5.1.2*	**74,057,591**	-
	Conversion of preference shares into voting ordinary shares	*5.1.3*	**-**	29,750
	As at end of the year		**449,349,439**	312,743,207

5.1.1 During the year, ANL increased its paid-up ordinary share capital through issue of bonus shares at 20 ordinary shares for every 100 ordinary shares held.

5.1.2 During the year, ANL increased its paid-up ordinary share capital through issue of right shares at 23.68 ordinary shares for every 100 ordinary shares held.

5.1.3 During the year ended December 31, 2008, preference shareholders converted 43,750 preference shares into voting ordinary shares at 6.8 voting ordinary shares for every 10 preference shares held by exercising the conversion option referred to in note 5.4 to the financial statements.

		Note	2009 No. of shares	2008 No. of shares
5.2	**Movement in number of non-voting ordinary shares in issue**			
	As at beginning of the year		**3,843,564**	-
	Issue of bonus shares	*5.1.1*	**768,712**	
	Issue of right shares	*5.1.2*	**910,155**	
	Conversion of term finance certificates into non-voting ordinary shares	*5.2.1*	**-**	3,843,564
	As at end of the year		**5,522,431**	3,843,564

5.2.1 During the year ended December 31, 2008, Term Finance Certificate Holders converted 28,550 certificates into non-voting ordinary shares at Rs. 37.14 per non-voting ordinary share by exercising the conversion option referred to in note 9.2 to the financial statements.

		Note	2009 No. of shares	2008 No. of shares
5.3	**Movement in number of preference shares in issue**			
	As at beginning of the year		**66,125,083**	66,168,833
	Conversion of preference shares into voting ordinary shares	*5.1.3*	**-**	(43,750)
	Shares with redemption due presented under current liabilities	*5.5 & 15*	**(33,062,565)**	
	As at end of the year		**33,062,518**	66,125,083

5.4 Preference shares were issued by ANL during year ended 30 September 2004 and are non-voting, non-participatory, partly convertible and cumulative, and are redeemable in six years from the date of issue. These preference shares are listed on Karachi Stock Exchange (Guarantee) Limited. The terms and conditions of issue are as follows:

Rate of dividend

These preference shares carry annual fixed dividend at Rs. 8.95% per annum. Dividend is to be declared within three months from the close of financial year of ANL and paid within 30 days from commencement of book closure period determined and announced for this purpose. If, however, ANL fails to pay dividend in any year, the rates of dividend for the said year and subsequent years would be as follows:

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

Nature of failure	Rates of dividend
Default in payment during first year followed by regular payments in subsequent years.	Dividend at 9.75 % for the first year and at 8.95 % for subsequent years.
Default in payment during second year followed by regular payments in subsequent years.	Dividend at 20.73 % for the second year and at 8.95 % for subsequent years.
Default in payment during third year followed by regular payments in subsequent years.	Dividend at 31.95 % for the third year and at 8.95 % for subsequent years.
Default in payment during fourth year followed by regular payments in subsequent years.	Dividend at 44.56 % for the fourth year and at 8.95 % for subsequent years.
Default in payment during fifth year followed by regular payment in sixth year.	Dividend at 58.30 % for the fifth year and at 8.95 % for the sixth year.

If ANL, at any time, fails to pay dividend and/or redeem the principal in the manner mentioned below, the entire amount of dividend accrued together with the face value of the outstanding preference shares will be converted, at the option of preference shareholder, into voting ordinary shares at breakup value of ANL to be determined at that time.

Redemption option and timing

Redemption will be allowed, subject to the provisions of section 85 of the Companies Ordinance, 1984, as follows:

- 50 % of the issued amount at the end of fifth year from date of issue
- 50 % of the issued amount at the end of sixth year from date of issue

Conversion into voting ordinary shares

The preference shareholders may at their option convert upto 25 % of the value of their respective preference shares, into voting ordinary shares between eighteen and forty two months from the date of issue at 6.8 voting ordinary shares for every 10 preferences shares. However, the said period has lapsed and the present preference shareholders do not have the option to convert their holdings into ordinary shares. Preference shareholders who have already exercised their right of conversion will not receive any of the remaining portion of fixed coupon amounts on the converted amount.

Creation and maintenance of redemption reserve

ANL is to create redemption reserve of at least upto the amount of outstanding preference shares submitted for redemption by:

- Allocating Rs. 150 million of the reserves as at 30 September 2004
- Appropriate profits of at least Rs. 50 million every subsequent year to build up redemption reserve
- Creating additional reserves to match the amount required for redemption.

5.5 This represents 50% of the issued amount of preference shares redeemable at the end of fifth year from the date of issue, i.e. September 24, 2009, in accordance with the terms of issue as referred to in note 5.4 to the financial statements. However, no redemption was made upto the reporting date. Further, upto the date of issue of these financial statements only 1,887,619 shares have been redeemed with the balance expected to be redeemed through a fresh issue of term finance certificates to preference shareholders. Further, in accordance with the terms of issue of preference shares, dividend thereon is payable within thirty days from commencement of book closure period determined and announced for this purpose. Accordingly, dividend on preference shares was due for payment on November 21, 2009, however, the same was outstanding as at the reporting date as none of the investors had presented their dividend warrants, issued on December 20, 2009, for payment. However, the dividend warrants were presented for payment and cleared subsequent to reporting period.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
6 RESERVES			
Share premium	6.1	**2,358,246,761**	2,737,841,499
Cash flow hedges	6.2	**70,743,356**	152,635,940
Translation reserve	6.3	**(7,526,241)**	(1,420,374)
Merger reserve	6.4	**105,152,005**	105,152,005
Redemption of preference shares	6.5	**625,500,000**	517,500,000
Available for sale financial assets	6.6	**18,103**	49,074
		3,152,133,984	3,511,758,144

6.1 Share premium

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

6.2 Cash flow hedges

ANL has entered into cross currency / interest rate swap contracts with various banking companies to hedge the possible adverse movements in interest rates and foreign exchange rates. These contracts are derivative financial instruments and have been classified as cash flow hedges since the hedge relationship is effective and the hedge qualifies for hedge accounting as per the requirements of International Accounting Standard 39 "Financial Instruments - Recognition and Measurement"

6.3 Translation reserve

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

6.4 Reserve on merger

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

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 5.4 for details.

6.6 Available for sale financial assets

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

	2009 Rupees	2008 Rupees
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
As at beginning of the year	**219,356,257**	239,073,077
Surplus arising during the year	**3,769,512,782**	-
Incremental depreciation transferred to accumulated profit	**(19,716,821)**	(19,716,820)
As at end of the year	**3,969,152,218**	219,356,257

8 LOAN FROM ASSOCIATES - UNSECURED, SUBORDINATED

This represents loan obtained by AGL from an associated company to finance the acquisition of HPFL. The tenor of loan is six years and carries mark-up at six months KIBOR plus a spread of 3.25% per annum (2008: six months KIBOR plus a spread of 3.25% per annum). The loan is subordinated to all long term finances obtained by AGL.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
9 REDEEMABLE CAPITAL - SECURED			
Issued by ANL			
Term Finance Certificates - I	9.1	**-**	62,500,000
Term Finance Certificates - II	9.2	**1,498,649,061**	1,832,162,407
Term Finance Certificates - III	9.3	**2,498,000,000**	2,499,000,000
		3,996,649,061	4,393,662,407
Issued by AGL			
Term Finance Certificates - IV	9.4	**6,296,380,000**	6,298,620,000
Term Finance Certificates - V	9.5	**1,498,800,000**	1,499,400,000
Term Finance Certificates - VI	9.6	**499,900,000**	290,000,000
Sukuks	9.7	**1,600,000,000**	1,600,000,000
		9,895,080,000	9,688,020,000
		13,891,729,061	14,081,682,407
Transaction costs	9.8	**(155,550,430)**	(176,739,267)
		13,736,178,631	13,904,943,140
Current maturity presented under current liabilities		**(1,990,760,500)**	(400,373,346)
		11,745,418,131	13,504,569,794

9.1 These Term Finance Certificates ('TFCs') were issued by way of private placements with a consortium of institutional investors. The total issue comprised of 250 TFCs having face value of Rs. 100,000 each and 45,000 TFCs having face value of Rs. 5,000 each. The entire issue has been redeemed during the year.

9.2 These Term Finance Certificates ('TFCs') 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. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in ten unequal semi-annual installments starting from March 2008. However, ANL delayed redemption amounting to Rs.166,756,673 due on March 20, 2010. The management of ANL is in negotiations with the investors reagrding reprofiling of the liability. See note 48.2.2(e).

Return on TFCs

The issue carries return at six months KIBOR plus 2.4% per annum, payable semi-annually. However, ANL has entered into a cross currency swap arrangement with Royal Bank of Scotland whereby ANL is liable to pay mark-up at fixed LIBOR of 6.915% on the outstanding USD notional amount to Royal Bank of Scotland against receipt of six months KIBOR.

Conversion option

TFC holders have the right of conversion of upto 25 % of the value of TFCs into non-voting ordinary shares, rounded off to the nearest whole number, at 30% discount on the preceding three months average share price of voting ordinary shares on the date of conversion. The TFC holders may exercise the right of conversion at any time between January 01, 2008 to March 31, 2008 after giving thirty days notice to ANL and the trustee. In case of existent established market for ANL's non-voting ordinary shares at the time of conversion, TFC holders will have the right of conversion of upto 25% of the value of TFCs into non-voting ordinary shares, rounded off to the nearest whole number, at 15% discount on the preceding three months average share price of non-voting ordinary shares on the date of conversion. However, the period during which the TFC holders could exercise the right of conversion has lapsed and the present TFC holders do not have the option to convert their holdings into ordinary shares.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

Trustee

In order to protect the interests of TFC holders, First Dawood Investment Bank Limited has been appointed as trustee for the issue under a trust deed. The trustee has the power to enforce ANL's obligations, in case ANL defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of ANL.

Security

The issue is secured by charge over present and future operating assets of ANL.

9.3 These have been issued by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in ten equal semi-annual installments starting from June 2010. However, out of the redemption amounting to Rs.500,000 that was due on December 04, 2009, Rs. 336,600 was outstanding as at the reporting date. ANL had issued cheques for the amount on due date. However, the presentation of these cheques for payment was deferred and the amount remained unpaid as at the reporting date. These cheques, however, were presented and cleared subsequent to the reporting period.

Return on TFCs

The issue carries return at six months KIBOR plus 2.25% per annum, payable semi-annually. As at December 31, 2008, ANL had a cross currency swap arrangement with Standard Chartered Bank whereby ANL was liable to pay mark-up at six months EURIBOR on equivalent EURO amounts to Standard Chartered Bank against receipt of six months KIBOR. The swap was unwound during the year. However, interest payments amounting to Rs. 135,180,141 that were due on December 04, 2009 were outstanding as at the reporting date. ANL had issued cheques for the amount on due date. However, the presentation of these cheques for payment was deferred and the amount remained unpaid as at the reporting date. These cheques, however, were presented and cleared subsequent to the reporting period.

Trustee

In order to protect the interests of TFC holders, Pak Brunei Investment Company Limited has been appointed as trustee for the issue under a trust deed. The trustee has the power to enforce ANL's obligations, in case ANL defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of ANL.

Security

The issue is secured by charge over operating assets of ANL.

9.4 These have been issued by way of private placements with a consortium of investors for redemption of privately placed term finance certificates issued earlier by AGL. The total issue comprises of 1,380,000 certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in ten equal semi-annual installments starting from July 2010.

Call option

AGL may redeem the TFCs by way of exercise of call option by giving notice in writing to TFC holders and the Trustee of not less than thirty days.

Return on TFCs

The issue carries return at six months KIBOR plus 1.75% per annum, payable semi-annually.

Trustee

In order to protect the interests of TFC holders, Faysal Bank Limited has been appointed as trustee for the issue under a trust deed. The trustee has the power to enforce AGL's obligations, in case it defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of AGL.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

Security

The issue is secured by charge over operating assets of AGL.

9.5 These have been issued by way of private placements with a consortium of investors for redemption of privately placed term finance certificates issued earlier by AGL. The total issue comprises of 300,000 certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in ten equal semi-annual installments starting from May 2010.

Call option

AGL may redeem the TFCs by way of exercise of call option by giving notice in writing to TFC holders and the Trustee of not less than thirty days. However the call option can be exercised only after expiry of two years from the date of issue.

Return on TFCs

The issue carries return at six months KIBOR plus 1.75% per annum, payable semi-annually.

Trustee

In order to protect the interests of TFC holders, Pak Brunei Investment Company Limited has been appointed as trustee for the issue under a trust deed. The trustee has the power to enforce AGL's obligations, in case AGL defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of AGL.

Security

The issue is secured by charge over operating assets of AGL.

9.6 These have been issued by way of private placements with a consortium of investors to finance the acquisition of HPFL. The total issue comprises of 58,000 certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in sixteen equal quarterly installments starting from February 2010.

Call option

AGL may redeem the TFCs by way of exercise of call option by giving notice in writing to TFC holders and the Trustee of not less than thirty days. However the call option can be exercised only after expiry of two years from the date of issue.

Return on TFCs

The issue carries return at three months KIBOR plus 3.25% per annum, payable semi-annually.

Trustee

In order to protect the interests of TFC holders, JS Bank Limited has been appointed as trustee for the issue under a trust deed. The trustee has the power to enforce AGL's obligations, in case AGL defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of AGL.

Security

The issue is secured by charge over operating assets of AGL.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

9.7 These have been issued by way of private placements with a consortium of investors to finance the balancing, modernization and replacement of AGL's operating assets. The total issue comprises of 320,000 certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption of these certificates is structured to be in ten equal semi annual installments starting from July 2010.

Call option

AGL may redeem these certificates by way of exercise of call option by giving notice in writing to TFC holders and the Trustee of not less than thirty days. However the call option can be exercised only after expiry of one year from the date of issue.

Return on TFCs

The issue carries return at six months KIBOR plus 2% per annum, payable semi-annually.

Trustee

In order to protect the interests of TFC holders, Pak Brunei Investment Company Limited has been appointed as trustee for the issue under a trust deed. The trustee has the power to enforce AGL's obligations, in case AGL defaults, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders on pari passu basis subject to the priority rights of all other creditors and depositors of AGL.

Security

The issue is secured by charge over operating assets of AGL.

	Note	**2009** *Rupees*	2008 *Rupees*
9.8 Transaction costs			
As at beginning of the year		**176,739,267**	56,673,105
Incurred during the year		**500,000**	120,066,162
Amortized during the year	*37*	**(21,688,837)**	-
As at end of the year		**155,550,430**	176,739,267

10 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/markup arrangements from banking companies and financial institutions.

United Bank Limited	*10.1*	**75,000,000**	100,000,000
Citi Bank N.A (Bahrain)	*10.2*	**368,812,500**	542,437,500
National Bank of Pakistan	*10.3*	**1,000,000,000**	1,250,000,000
Deutsche Investitions - Und MBH (Germany)	*10.4*	**1,453,200,000**	1,499,985,000
Saudi Pak Industrial and Agricultural Company Limited	*10.5*	**100,000,000**	100,000,000
KASB Bank Limited	*10.6*	**-**	250,000,000
Syndicate Finance - I	*10.7*	**500,000,000**	400,000,000
Syndicate Finance - II	*10.8*	**2,374,485,482**	-
		5,871,497,982	4,142,422,500
Current maturity presented under current liabilities	*10.4 & 15*	**(2,211,400,000)**	(1,055,580,000)
		3,660,097,982	3,086,842,500

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

10.1 The finance has been obtained from United Bank Limited for import of plant and machinery and is secured by charge over operating assets of ANL and demand promissory notes. The finance carries mark-up at 7% per annum (2008: 7% per annum), payable quarterly. However ANL has entered into a cross currency swap arrangement with Standard Chartered Bank whereby ANL is actually liable to pay markup at three months EURIBOR minus 0.25 % per annum on equivalent EURO amounts to Standard Chartered Bank against receipt of markup at 7% per annum on outstanding Pak Rupee liability. The finance was originally repayable in eight equal semi-annual installments with the first installment due in December 2006. However, during the year, ANL was provided a grace period of one year under the circular 01 dated January 22, 2009 issued by SME Finance Department of the State Bank of Pakistan ('the SBP') , whereby the SBP allowed the lending banks to provide one year grace period to borrowers availing finance facilities under the Long Term Finances for Export Oriented Project scheme. As a result, repayment of the remaining finance will commence after the expiry of said grace period.

10.2 This represents finance of US$ 10 million obtained from Citi Bank N.A. (Bahrain) under a loan swap arrangement and is secured by charge over operating assets of ANL, demand promissory notes and pledge of securities. The finance carries mark-up at three months LIBOR plus 4% per annum (2008: three months LIBOR plus 4% per annum), payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in October 2007.

10.3 The finance has been obtained from National Bank of Pakistan to finance the acquisition of AGL, a subsidiary of ANL and is secured by charge over operating assets and current assets of ANL, and pledge of securities. The finance carries mark-up at six months KIBOR plus 3.25% per annum (2008: six months KIBOR plus 3.25% per annum), payable quarterly. The finance is repayable in twelve equal semi-annual installments with the first installment due in January 2007.

10.4 This represents finance of Euro 15 million obtained from Deutsche Investitions - Und MBH (Germany) to finance the setup of new textile and apparel project and is secured by charge over operating assets and all moveable assets of ANL. The finance carries mark-up at six months EURIBOR plus 3.25% per annum (2008: six months EURIBOR plus 3.25% per annum), payable quarterly. ANL as at December 31, 2008 had cross currency swap arrangement with Citi Bank N.A. whereby ANL was liable to pay markup at six months CHF LIBOR plus 3.55% per annum on equivalent CHF amounts to Citi Bank N.A. against receipt of markup at six months EURIBOR plus 3.25% per annum on the outstanding Euro liability. The swap, however, was unwound during the year. The finance is repayable in ten equal semi-annual installments with the first installment due in August 2008. As at the reporting date, however, one installment of EURO 1.5 million is overdue. The management of ANL is in discussion with the lender regarding deferral of the overdue installment till August 2012. The lenders have agreed to the deferment in principal, however, execution of the agreement in writing is in process. The overdue amount is included in current maturity.

10.5 The finance has been obtained from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements and is secured by charge over operating assets and current assets of ANL. The finance carries mark-up at six months KIBOR plus 2.5% per annum (2008: six months KIBOR plus 2.5% per annum), payable quarterly. The finance is repayable in four equal semi-annual installments with the first installment due in February 2010.

10.6 The finance was obtained from KASB Bank Limited to finance the acquisition of Montebello s.r.l, a subsidiary of ANL, and was secured by charge over current assets of ANL. The finance carried mark-up at six months KIBOR plus 2.5% per annum (2008: six months KIBOR plus 2.5% per annum), payable quarterly. The finance was repaid in bullet during the year.

10.7 The finance has been obtained from a consortium of banking companies to finance the acquisition of HPFL and is secured by charge over operating assets and current assets of AGL. The finance carries mark-up at three months KIBOR plus a spread of 3.25% per annum (2008: three months KIBOR plus a spread of 3.25% per annum), payable quarterly. The finance is repayable in equal quarterly installments with the first installment due after fifteen months from the date of disbursement on February 28, 2010.

10.8 The finance has been obtained from a consortium of banking companies to finance the revamping of operational efficiencies of AGL's plant and is secured by charge over operating assets and current assets of AGL. The finance carries mark-up at six months KIBOR plus a spread of 2.25% per annum, payable semi-annually. The finance is repayable in equal quarterly installments with the first installment due after two years from the date of disbursement on March 30, 2011.

Notes to and forming part of Consolidated Financial Statements
for the year ended December 31, 2009

	Note	2009	2008
		Rupees	*Rupees*
11 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED			
Present value of minimum lease payments	*11.1 & 11.2*	**364,338,321**	152,364,652
Current maturity presented under current liabilities	*11.1 & 11.2*	**(85,130,118)**	(35,473,672)
		279,208,203	116,890,980

11.1 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 one year KIBOR plus 2% to 3.25% (2008: six months to one year KIBOR plus 2% to 3.25%) 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 Group. The Group 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:

	2009	2008
	Rupees	*Rupees*
Not later than one year	**172,826,149**	69,596,410
Later than one year but not later than five years	**303,793,076**	128,604,904
Total future minimum lease payments	**476,619,225**	198,201,314
Finance charge allocated to future periods	**(112,280,904)**	(45,836,662)
Present value of future minimum lease payments	**364,338,321**	152,364,652
Not later than one year	**(85,130,118)**	(35,473,672)
Later than one year but not later than five years	**279,208,203**	116,890,980

11.3 Security deposits against finance leases amounting Rs. 10,945,539 (2008: Rs. 10,226,784) previously offset with liabilities against asset subject to finance lease have been reclassified and presented as long term deposits for better presentation. See note 24.2 .

		Note	2009	2008
			Rupees	*Rupees*
12 DERIVATIVE FINANCIAL LIABILITIES				
Cash flow hedges				
Hedged item	***Hedging instrument***			
Mark-up payments to Citi Bank N.A. at fixed rate of 10.9% per annum on term finance certificates	Mark-up payments to Standard Chartered Bank on equivalent amount in Euros at six months EURIBOR plus 1.75% per annum.	*23*	**-**	23,038,052
Fair value hedges				
Hedged item	***Hedging instrument***			
Mark-up payments on long term finance obtain from United Bank Limited at fixed rate of 7% per annum.	Mark-up payments to Standard Chartered Bank on equivalent amount in Euros at three months EURIBOR minus 0.25% per annum	*10.1*	**14,472,950**	27,498,857
			14,472,950	50,536,909
Current maturity presented under current liabilities			**(14,472,950)**	(41,115,630)
			-	9,421,279

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

12.1 As at December 31, 2008, the fair value of derivative financial liabilities was presented under current liabilities. However, as at December 31, 2009, maturities greater than twelve months from the reporting date have been reclassified and presented under non-current liabilities for better presentation.

	Note	2009	2008
		Rupees	*Rupees*
13 LONG TERM PAYABLES			
Payable to building contractor	*13.1*	**31,135,199**	31,135,199
Payable to supplier	*13.2*	**21,050,000**	-
		52,185,199	31,135,199

13.1 This represents amount payable to a contractor whose claim is pending with arbitrator. See note 19.1.4.

13.2 This is payable against purchases and carries interest at 3.5% per annum.

	2009	2008
	Rupees	*Rupees*
14 DEFERRED TAXATION		
Deferred tax liability on taxable temporary differences		
Depreciable assets	**3,188,341,631**	2,816,735,971
Surplus on revaluation of depreciable assets	**534,307,774**	554,530,443
	3,722,649,405	3,371,266,414
Deferred tax asset on deductible temporary differences		
Unused tax losses	**(1,538,889,436)**	(891,891,552)
Provisions	**(20,632,500)**	-
Carry forward of turnover tax	**(15,675,903)**	-
Assets subject to finance lease	**(63,219)**	-
	(1,575,261,058)	(891,891,552)
Net liability recognized in balance sheet	**2,147,388,347**	2,479,374,862

14.1 Deferred tax has been calculated at 35% (2008: 35%) of temporary differences as at the reporting date.

14.2 Future taxable profits are expected to be available against which deferred tax assets could be utilized.

	Note	2009	2008
		Rupees	*Rupees*
15 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Preference shares	*5.3 & 5.5*	**330,625,650**	-
Redeemable capital	*9*	**1,990,760,500**	400,373,346
Long term finances	*10*	**2,211,400,000**	1,055,580,000
Liabilities against assets subject to finance lease	*11*	**85,130,118**	35,473,672
Derivative financial liabilities	*12*	**14,472,950**	41,115,630
		4,632,389,218	1,532,542,648

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
16 SHORT TERM BORROWINGS			
These represent short term finances utilized under interest/mark-up arrangements from banking companies and financial institutions.			
Secured			
Running finance	16.1	**4,005,967,441**	2,761,489,945
Cash finance	16.1	**1,177,228,128**	460,541,415
Export refinance	16.1	**3,205,283,000**	2,058,870,142
Finance against packing credit	16.1	**336,300,000**	-
Finance against foreign bills	16.1	**676,060,035**	533,787,994
Foreign currency finance	16.1	**93,983,909**	127,528,535
Morabaha/LPO	16.1	**360,626,000**	174,956,000
Finance against trust receipt	16.1	**399,104,100**	59,135,625
Term finance	16.1	**705,082,776**	-
Finance against imported merchandise	16.1	**-**	84,295,000
Bridge finance	16.2	**810,000,000**	-
		11,769,635,389	6,260,604,656
Unsecured			
Finance against foreign bills	16.1	**412,025,104**	434,540,808
Commercial paper - I	16.3		1,000,000,000
Commercial paper - II	16.4	**709,952,582**	742,742,124
		1,121,977,686	2,177,282,932
		12,891,613,075	8,437,887,588

16.1 These facilities have been obtained from various banking companies and financial institutions for working capital requirements and are secured by charge over all present and future current assets of the Group, including stocks of raw material, work in process and finished goods, lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, pledge of stocks, pledge of securities and personal guarantees of Directors of the Group.

Mark-up on these finances is payable along with principal on maturity, except for running finance and cash finance, where mark-up is payable quarterly. Local currency finances carry markup at rates ranging from one to six months KIBOR plus 1.75% to 5% per annum (2008: one to six months KIBOR plus 1.5% to 5% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR of matching tenor plus 1% to 2.5% per annum (2007: LIBOR of matching tenor plus 1% to 2.5% per annum). Markup on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of Rs. 6.5% per annum plus banks' spread of 1% to 1.5% per annum (2008: Rs. 6.5% per annum plus banks' spread of 1% to 1.5% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.05% to 0.15% per quarter (2008: 0.05% to 0.15% per quarter).

The aggregate available short term funded facilities amounts to Rs. 14,797 million (2008: Rs. 10,318 million) out of which Rs. 2,509 million (2008: Rs. 5,876 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit to Rs. 9,774 million (2008: Rs. 17,044 million) of which the limits remaining unutilized as at the reporting date amount to Rs. 4,647 million (2008: Rs. 10,314 million).

16.2 Bridge finance has been obtained by ANL from various banking companies to bridge the private placement/public subscription of ordinary shares of AGL and is secured by pledge of securities, charge over present and future operating assets of ANL and personal guarantees of directors of ANL. "&"These carry mark-up at six months KIBOR plus 2% to 5% per annum, payable along with principal on maturity, with principal to be settled through proceeds of private placement of said shares.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

16.3 These were issued with a face value of Rs. 1,000 million under the SECP guidelines for commercial paper issue. The issue was advised, structured and arranged by Pak Oman Investment Company Limited. The issue was made at a discount to the face value calculated on the basis of the indicative profit rate of nine months KIBOR plus 1.5 % per annum and was redeemed at face value during the year.

16.4 These have been issued with a face value of Rs. 750 million (2008: Rs. 750 million) under the SECP guidelines for commercial paper issue. The issue has been advised, structured and arranged by Pak Oman Investment Company Limited. The issue has been made at a discount to the face value calculated on the basis of the indicative profit rate of nine months KIBOR plus 3.5 % per annum (2008: nine months KIBOR plus 1.5% per annum) and is redeemable at face value in May 2010 (2008: February 2009). The issue is unsecured.

	Note	**2009**	2008
		Rupees	*Rupees*
17 TRADE AND OTHER PAYABLES			
Trade creditors	*17.1*	**4,756,207,091**	4,487,575,573
Accrued liabilities		**668,952,046**	371,902,108
Termination benefits payable		**-**	58,995,713
Security deposits		**45,720,931**	33,921,182
Advances from customers		**83,329,898**	51,453,365
Subscription money against sale of investment	*17.2*	**84,120,000**	-
Payable to provident fund trust	*17.3*	**11,723,338**	6,858,093
Payable to gratuity trust		**16,413,300**	12,616,399
Workers' profit participation fund	*17.4*	**60,551,227**	63,982,203
Workers' Welfare Fund	*17.5*	**28,321,957**	20,000
Tax deducted at source		**61,250,454**	15,594,536
Other payables		**54,870,996**	162,843,587
		5,871,461,238	5,265,762,759

17.1 This include Rs. 1,877,139 (2008: Rs. Nil) payable against purchases from ICI Pakistan Limited, an associated company of the Group.

17.2 This represents amounts received upto the reporting date from Pre-IPO investors as per their commitments under the Pre-IPO agreements for the purchase of the shares of AGL.

	Note	**2009**	2008
		Rupees	*Rupees*
17.3 Payable to gratuity trust			
The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation	*17.3.1*	**24,947,036**	26,341,673
Fair value of plan assets	*17.3.3*	**(15,545,539)**	(16,217,619)
Unrecognized actuarial gains	*17.3.4*	**7,011,803**	2,492,345
		16,413,300	12,616,399
17.3.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**26,341,673**	24,157,547
Charged to profit or loss for the year	*17.3.5*	**6,067,368**	1,763,164
Benefits paid during the year		**(405,652)**	(3,982,292)
Actuarial (gain)/loss arising during the year		**(7,056,353)**	4,403,254
As at end of the year	*17.3.2*	**24,947,036**	26,341,673

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

		2009	2008
17.3.2	The present value of defined benefit obligation has been determined based on the following assumptions:		
	Discount rate	**12%**	14%
	Expected rates of increase in salary	**11%**	10%
	Expected return on plan assets	**14%**	13%
	Expected average remaining working lives of employees	**13 years**	13 years

		Note	**2009** *Rupees*	2008 *Rupees*
17.3.3	**Movement in fair value of plan assets**			
	As at beginning of the year		**16,217,619**	21,412,725
	Contribution paid to the fund		**-**	-
	Expected return on plan assets	*17.3.5*	**2,270,467**	1,394,217
	Benefits paid during the year		**(405,652)**	(3,982,292)
	Actuarial losses arising during the year		**(2,536,895)**	(2,607,031)
	As at end of the year		**15,545,539**	16,217,619
17.3.4	**Movement in unrecognized actuarial gain**			
	As at beginning of the year		**2,492,345**	1,457,513
	Gain/(loss) arising during the year		**4,519,458**	(7,010,285)
	Recognized during the year	*17.3.5*	**-**	8,045,117
	As at end of the year		**7,011,803**	2,492,345
17.3.5	**Charge to profit or loss**			
	Current service cost		**2,379,534**	1,644,655
	Interest cost		**3,687,834**	118,509
			6,067,368	1,763,164
	Actuarial loss recognized during the year		**-**	8,045,117
	Expected return on plan assets		**(2,270,467)**	(1,394,217)
			3,796,901	8,414,064
17.3.6	**The charge to profit or loss has been allocated as follows:**			
	Cost of sales		**3,111,977**	7,040,715
	Selling and distribution expenses		**352,736**	43,970
	Administrative and general expenses		**332,188**	1,329,379
			3,796,901	8,414,064
17.3.7	**Actual return on plan assets**		**(266,428)**	(1,212,814)

17.3.8 Historical information

	2009	2008	2007	2006
Present value of defined benefit obligation	**24,947,036**	26,341,673	24,157,547	21,488,314
Actuarial adjustment arising during the year	**18.12%**	-26.61%	2.25%	16.14%

Experience adjustment component of total actuarial adjustment is impracticable to determine and thus has not been disclosed. Further, the gratuity scheme was introduced for the first time in 2006 and as such there was no liability for defined benefit obligation before then.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
17.4 Workers' Profit Participation Fund (WPPF)			
As at the beginning of the year		**63,982,203**	47,513,235
Interest on funds utilized by the Group	*17.4.1*	**3,319,349**	4,601,731
Charged to profit or loss for the year		**55,414,426**	57,013,823
Paid during the year		**(62,164,751)**	(45,146,586)
As at end of the year		**60,551,227**	63,982,203

17.4.1 Interest on WPPF is charged at 17.5% (2008: 17.5%) per annum.

	Note	2009 Rupees	2008 Rupees
17.5 Workers' Welfare Fund ("WWF")			
As at the beginning of the year		**20,000**	20,000
Charged to profit or loss for the year		**28,301,957**	-
Paid during the year		**-**	-
As at end of the year		**28,321,957**	20,000

18 DIVIDEND PAYABLE

	Note	2009 Rupees	2008 Rupees
Unclaimed dividend on ordinary shares		**4,002,037**	14,686,046
Dividend payable on preference shares	*5.5 & 48.2.2(b)*	**59,181,949**	-
		63,183,986	14,686,046

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 ANL was denied exemption under SRO 484(1)/92 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 decided in favour of ANL. The department has filed an appeal against the decision before the Honourable Supreme Court of Pakistan, the decision on which is pending. ANL expects a favourable outcome. Accordingly, no provision has been made for the potential liability which amounts to Rs. 9.9 million.

19.1.2 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 million, is pending before the Honourable Lahore High Court and ANL expects a favourable outcome.

19.1.3 ANL has issued indemnity bonds amounting to Rs. 243 million (2008: Rs. 322 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.

19.1.4 A contractor's claim amounting to Rs. 983.26 million (2008: Rs. 983.26 million) against AGL was not acknowledged as debt since AGL also has a counter claim amounting to Rs. 2,556 million (2008: 2,556 million) against the contractor. The claim is under settlement with arbitrator. The management expects a favourable decision.

19.1.5 Certain cases against AGL are pending before labour courts, where the claim cannot be quantified and ascertained at this stage.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

19.1.6 AGL has filed a Civil Suit before the Islamabad High Court impugning the decision of Government of Pakistan (Ministry of Industries, Production & Special Initiatives) dated 02-03-2007 wherein it was communicated that since AGL commenced its operations with effect from September 13, 1998 therefore the ten years period for the subsidized rate of feedstock gas under the Fertilizer Policy 1989 shall end on September 12, 2008. AGL has contended that the Government granted subsidy to other fertilizers companies from the date of their commercial operations and is therefore bound under constitutional law to equal treatment and non-discrimination against the AGL. The commercial operations of AGL were commenced on November 11, 1999 therefore the subsidized period of ten years shall end on November 28, 2009. Through an order dated September 09, 2009, the Islamabad High Court has restrained the Oil & Gas Regulatory Authority from notifying an increase in the (Subsidized) Feedstock gas price subject to AGL depositing cash of Rs. 36 million (see note 28) and bank guarantee of Rs. 108 million with Islamabad High Court, which have been deposited by AGL. AGL has a very strong arguable case and there are high chances of success , therefore no provision has been made in this respect.

19.1.7 Counter guarantees given by the Group to its bankers as at the reporting date amount to Rs. 348.35 million (2008: Rs. 258.205 million).

19.1.8 As referred to in note 5.5 to the financial statements, no redemption of preference shares has been made upto the reporting date. Further, upto the date of issue of these financial statements only partially redemption has been carried out. The management of ANL, based on advice of its lawyers, is of the opinion that such delay does not consititute an event of default and there is no likelihood of any additional liability arising out of it. Futher, non-payment or delayed payment of dividend on preference share, as referred to in note 5.5 may attract penalties in the form of dividend at higher rates as mentioned in note 5.4 to the financial statements. Also see note 48.2.2 to the financial statements.

19.1.9 ANL was unable to meet its obligations in respect of various debt finances on their respective due dates which may result in further interest/mark-up and/or penalties, which are impracticable to quantify as at the reporting date and may also result in non-renewal of existing facilities . Refer to note 48.2.2 for details.

19.1.10 Contingencies related to tax matters are referred to note 39 to the financial statements.

	Note	**2009** *Rupees*	2008 *Rupees*
19.2 Commitments			
19.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		**394,771,631**	298,780,555
- purchase of machinery		**1,781,959,711**	2,158,392,235
- purchase of raw material		**811,185,420**	766,100,087
		2,987,916,762	3,223,272,877
19.2.2 Commitments for capital expenditure		**3,503,908**	128,470,317

20 PROPERTY, PLANT AND EQUIPMENT

	Note	**2009**	2008
Operating assets	*20.1*	**29,696,708,980**	22,111,795,518
Capital work in progress	*20.2*	**7,380,422,073**	3,519,734,341
		37,077,131,053	25,631,529,859

20.1 Operating assets

	2009												
	COST / REVALUED AMOUNT							DEPRECIATION					
	As at January 01 *Rupees*	Additions *Rupees*	Acquired in business combination *Rupees*	Exchange difference *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at December 31 *Rupees*	As at January 01 *Rupees*	For the year *Rupees*	Exchange difference *Rupees*	Adjustment *Rupees*	As at December 31 *Rupees*	Net book value as at December 31 *Rupees*
Assets owned by the Company													
Freehold land													
- Cost	2,832,527,025	260,000	-	-	-	-	2,832,787,025	-	-	-	-	-	2,832,787,025
- Revaluation	8,442,352	711,282,623	-	-	-	-	719,724,975	-	-	-	-	-	719,724,975
	2,840,969,377	711,542,623	-	-	-	-	3,552,512,000	-	-	-	-	-	3,552,512,000
Buildings on freehold land													
- Cost	3,300,721,881	64,704,007	-	2,783,907	(8,626,029)	463,247,441	3,822,831,207	598,356,285	97,787,243	198,151	(8,625,609)	687,716,070	3,135,115,137
- Revaluation	19,455,864	684,083,431	-	-	-	-	703,539,295	5,780,146	18,522,760	-	111,016,096	135,319,002	568,220,293
	3,320,177,745	748,787,438	-	2,783,907	(8,626,029)	463,247,441	4,526,370,502	604,136,431	116,310,003	198,151	102,390,487	823,035,072	3,703,335,430
Plant and machinery													
- Cost	20,996,010,691	312,363,480	-	449,603	(1,406,781)	3,390,597,726	24,698,014,719	6,126,241,502	549,779,573	85,900	(9,095,245)	6,667,011,730	18,031,002,989
- Revaluation	379,927,819	3,363,359,136	-	-	-		3,743,286,955	182,689,633	162,250,444	-	878,196,312	1,223,136,389	2,520,150,566
	21,375,938,510	3,675,722,616	-	449,603	(1,406,781)	3,390,597,726	28,441,301,674	6,308,931,135	712,030,017	85,900	869,101,067	7,890,148,119	20,551,153,555
Residential colony assets	71,243,413	-	-	-	-	-	71,243,413	11,835,045	1,383,413	-	-	13,218,458	58,024,955
Furniture, fixtures and office equipment	229,463,955	27,129,345	-	513,681	-	-	257,106,981	96,446,192	18,452,455	141,270	-	115,039,917	142,067,064
Railway sidings	42,403,223	-	-	-	-	-	42,403,223	9,966,548	957,112	-	-	10,923,660	31,479,563
Vehicles	143,158,973	8,763,529	-	65,250	(4,264,600)	1,310,049	149,033,201	115,669,841	8,401,089	19,967	(1,770,885)	122,320,012	26,713,189
Tools and equipment	384,839,952	134,100,616	-	797,072	-	-	519,737,640	183,187,468	38,326,011	116,403	-	221,629,882	298,107,758
Electrical and other installations	1,469,217,980	11,035,936	-	1,088,985	-	-	1,481,342,901	747,860,188	36,687,553	201,685	-	784,749,426	696,593,475
Books and literature	917,481	-	-	-	-	-	917,481	458,995	66,801	-	-	525,796	391,685
Catalysts	111,144,268	-	-	-	-	-	111,144,268	44,347,640	34,321,104	-	-	78,668,744	32,475,524
	29,989,474,877	5,317,082,103	-	5,698,498	(14,297,410)	3,855,155,216	39,153,113,284	8,122,839,483	966,935,558	763,376	969,720,669	10,060,259,086	29,092,854,198
Assets subject to finance lease													
Plant and machinery	219,443,643	-	-	-	-	342,040,541	561,484,184	63,960,696	15,771,808	-	7,688,524	87,421,028	474,063,156
Vehicles	120,475,700	70,160,245	-	-	(2,064,216)	(1,310,049)	187,261,680	30,798,523	27,917,036	-	(1,245,505)	57,470,054	129,791,626
	339,919,343	70,160,245	-	-	(2,064,216)	340,730,492	748,745,864	94,759,219	43,688,844	-	6,443,019	144,891,082	603,854,782
	30,329,394,220	5,387,242,348	-	5,698,498	(16,361,626)	4,195,885,708	39,901,859,148	8,217,598,702	1,010,624,402	763,376	976,163,688	10,205,150,168	29,696,708,980

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	2008												
	COST / REVALUED AMOUNT							DEPRECIATION					
	As at January 01 Rupees	Additions Rupees	Acquired in business combination Rupees	Exchange difference Rupees	Disposals Rupees	Transfers Rupees	As at December 31 Rupees	As at January 01 Rupees	For the year Rupees	Exchange difference Rupees	Adjustment Rupees	As at December 31 Rupees	Net book value as at December 31 Rupees
Assets owned by the Company													
Freehold land													
- Cost	2,352,254,359	45,241,916	435,030,750	-	-	-	2,832,527,025	-	-	-	-	-	2,832,527,025
- Revaluation	8,442,352			-	-	-	8,442,352	-	-	-	-	-	8,442,352
	2,360,696,711	45,241,916	435,030,750	-	-	-	2,840,969,377	-	-	-	-	-	2,840,969,377
Buildings on freehold land													
- Cost	2,645,556,849	5,193,435	368,293,050	-	(72,018)	281,750,565	3,300,721,881	495,818,898	102,404,444	204,961	(72,018)	598,356,285	2,702,365,596
- Revaluation	19,455,864			-		-	19,455,864	4,974,130	806,016	-	-	5,780,146	13,675,718
	2,665,012,713	5,193,435	368,293,050	-	(72,018)	281,750,565	3,320,177,745	500,793,028	103,210,460	204,961	(72,018)	604,136,431	2,716,041,314
Plant and machinery													
- Cost	19,554,134,338	263,253,327	1,204,345,802	54,383	-	(25,777,159)	20,996,010,691	5,477,661,930	648,575,493	4,079	-	6,126,241,502	14,869,769,189
- Revaluation	379,927,819	-	-	-	-	-	379,927,819	163,778,829	18,910,804	-	-	182,689,633	197,238,186
	19,934,062,157	263,253,327	1,204,345,802	54,383	-	(25,777,159)	21,375,938,510	5,641,440,759	667,486,297	4,079	-	6,308,931,135	15,067,007,375
Residential colony assets	70,564,152	679,261	-	-	-	-	71,243,413	10,441,264	1,393,781	-	-	11,835,045	59,408,368
Furniture, fixtures and office equipment	194,930,497	29,580,968	6,083,755	-	(1,131,265)	-	229,463,955	81,114,454	15,719,864	-	(388,126)	96,446,192	133,017,763
Railway sidings	17,709,023	-	24,694,200	-	-	-	42,403,223	9,531,974	434,574	-	-	9,966,548	32,436,675
Vehicles	129,944,921	17,187,112	1,923,437	-	(5,883,429)	(13,068)	143,158,973	113,606,520	4,851,510	-	(2,788,189)	115,669,841	27,489,132
Tools and equipment	281,549,688	97,665,251	5,630,446	33,567	(39,000)	-	384,839,952	153,324,394	29,862,642	3,357	(2,925)	183,187,468	201,652,484
Electrical and other installations	1,450,980,713	9,842,029	9,116,638	-	(721,400)	-	1,469,217,980	713,463,356	34,643,618	-	(246,786)	747,860,188	721,357,792
Books and literature	608,309	309,172	-	-	-	-	917,481	391,705	67,290	-	-	458,995	458,486
Catalysts	31,111,663	80,032,605	-	-	-	-	111,144,268	11,259,134	33,088,506	-	-	44,347,640	66,796,628
	27,137,170,547	548,985,076	2,055,118,078	87,950	(7,847,112)	255,960,338	29,989,474,877	7,235,366,588	890,758,542	212,397	(3,498,044)	8,122,839,483	21,866,635,394
Assets subject to finance lease													
Plant and machinery	176,865,143	2,578,500	-	-	-	40,000,000	219,443,643	54,625,572	9,335,124	-	-	63,960,696	155,482,947
Vehicles	70,865,026	51,731,323	-	-	(2,133,717)	13,068	120,475,700	13,158,181	18,590,953	-	(950,611)	30,798,523	89,677,177
	247,730,169	54,309,823	-	-	(2,133,717)	40,013,068	339,919,343	67,783,753	27,926,077	-	(950,611)	94,759,219	245,160,124
	27,384,900,716	603,294,899	2,055,118,078	87,950	(9,980,829)	295,973,406	30,329,394,220	7,303,150,341	918,684,619	212,397	(4,448,655)	8,217,598,702	22,111,795,518

20.1.1 ANL during the year has acquired a gas turbine, which has been classified as plant and machinery and has been depreciated at 2% based on management's estimate of its useful life. This does not constitute a change in accounting estimate as the asset has been acquired by ANL for the first time.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

20.1.2 Disposal of property, plant and equipment

	2009						
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Buildings on freehold land							
Old plant buildings	**8,626,029**	**8,625,609**	**420**	**44,478,032**	**44,477,612**	**Auction**	**M/s Mian Enterprises, Sargodha**
Plant and machinery							
Old plant and machinery	**1,406,781**	**1,406,721**	**60**	**7,240,610**	**7,240,550**	**Auction**	**M/s Mian Enterprises, Sargodha**
Vehicles and rail transport- owned							
Toyota Corolla	**969,000**	**330,752**	**638,248**	**360,971**	**(277,277)**	**Company policy**	**Muhammad Ali (Employee)**
Toyota Corolla	**1,005,000**	**301,500**	**703,500**	**513,000**	**(190,500)**	**Negotiation**	**Tahir Majeed, Lahore**
Toyota Corolla	**654,000**	**653,999**	**1**	**1**	**-**	**Book value**	**Zaheer-ud-din Pervaiz, Multan (Employee)**
Toyota Prado	**2,228,600**	**1,115,687**	**1,112,913**	**950,000**	**(162,913)**	**Negotiation**	**Zahid Ahmed Sethi, Lahore**
Suzuki Mehran	**413,000**	**109,332**	**303,668**	**273,799**	**(29,869)**	**Company policy**	**Sagheer Ahmed (Employee)**
	5,269,600	**2,511,270**	**2,758,330**	**2,097,771**	**(660,559)**		
Vehicles - leased							
Suzuki Ravi	**419,000**	**300,727**	**118,273**	**205,000**	**86,727**	**Negotiation**	**Babar Sheikh, Lahore**
Suzuki Cultus	**640,216**	**204,393**	**435,823**	**290,300**	**(145,523)**	**Company policy**	**Fahad Mehmood (Employee)**
	1,059,216	**505,120**	**554,096**	**495,300**	**(58,796)**		
	16,361,626	**13,048,720**	**3,312,906**	**54,311,713**	**50,998,807**		

	2008						
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Buildings on freehold land							
Old hostel building	62,018	62,017	1	502,000	501,999	Negotiation	Muhammad Yousaf, Lahore.
Building of Pak Dyes	10,000	9,999	1	41,790	41,789	Negotiation	Asadullah Jan, Lahore.
	72,018	72,016	2	543,790	543,788		
Furniture, fixtures and office equipment							
Laptop Computer	87,500	29,619	57,881	54,500	(3,381)	Insurance claim	Adamjee Insurance Company Limited
Tools and equipment							
Mobile set	39,000	2,925	36,075	21,000	(15,075)	Auction	Ali Shah, Lahore.
Vehicles - owned							
Honda Civic	1,032,526	822,385	210,141	392,000	181,859	Negotiation	King Motors, Lahore
Hyundai Santro	489,000	389,629	99,371	275,000	175,629	Negotiation	Aslam Gill, Lahore
Mazda mini bus	431,871	431,861	10	392,000	391,990	Negotiation	Habibullah, Lahore.
Toyota Altus	622,461	131,063	491,398	465,002	(26,396)	Negotiation	Farooq Khan, Lahore
Honda City	903,300	527,527	375,773	620,000	244,227	Negotiation	Hamza Mushtaq, Lahore
Toyota Corolla	1,344,000	948,553	395,447	730,000	334,553	Negotiation	Momin Hayat Khan, Lahore
Suzuki Mehran	428,271	-	428,271	299,200	(129,071)	Negotiation	Salman Akhtar, Lahore
Suzuki Cultus	632,000	133,070	498,930	625,000	126,070	Negotiation	Kashif Junaid, Lahore
	5,883,429	3,384,088	2,499,341	3,798,202	1,298,861		
Vehicles - leased							
Honda Civic	640,266	-	640,266	640,266	-	Insurance claim	First Habib Modaraba
Toyota Corolla	879,000	219,750	659,250	700,000	40,750	Negotiation	Ahmed Din, Lahore.
Suzuki Cultus	614,451	134,962	479,489	540,000	60,511	Insurance claim	Faysal Bank Limited
	2,133,717	354,712	1,779,005	1,880,266	101,261		
	8,215,664	3,843,360	4,372,304	6,297,758	1,925,454		

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

		Note	2009	2008
			Rupees	*Rupees*
20.1.3	**The depreciation charge for the year has been allocated as follows:**			
	Cost of sales	*33*	**988,564,075**	900,611,784
	Administrative and selling expenses	*35*	**22,018,605**	18,029,043
	Income from experimental farm	*36.5*	**41,722**	43,792
			1,010,624,402	918,684,619

20.1.4 Revaluation of property, plant and equipment

Land, building and plant and machinery of ANL have been revalued as at December 28, 2009 by a firm of independent valuers, "Consultancy Support & Services (Private) Limited" and those of AGL were last revalued on August 24, 2006 by an independent firm of valuers 'M/s Blue Feather Affiliations. The management of the Company believes that fair values of its land, building and plant machinery as at December 31, 2009 are not materially different from revalued amounts determined by the valuers. Basis of revaluation are as follows:

20.1.4(a) Land

Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas.

20.1.4(b) Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

20.1.4(b) Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

20.1.4(c) Plant and machinery

Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking in to consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company.

20.2 Capital work in progress

	2009			
	As at January 01 *Rupees*	**Additions** *Rupees*	**Transfers** *Rupees*	**As at December 31** *Rupees*
Building	**123,726,946**	**370,842,432**	**(463,247,441)**	**31,321,937**
Plant and machinery	**3,396,007,395**	**7,686,651,207**	**(3,733,558,466)**	**7,349,100,136**
	3,519,734,341	**8,057,493,639**	**(4,196,805,907)**	**7,380,422,073**

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	2008			
	As at January 01 *Rupees*	Additions *Rupees*	Transfers *Rupees*	As at December 31 *Rupees*
Building	156,756,295	248,721,216	(281,750,565)	123,726,946
Plant and machinery	244,528,750	3,165,701,486	(14,222,841)	3,396,007,395
	401,285,045	3,414,422,702	(295,973,406)	3,519,734,341

	Note	**2009** *Rupees*	2008 *Rupees*
21 INTANGIBLE ASSETS			
Development costs	*21.1*	**4,977,500**	20,512,135
Software	*21.2*	**11,358,114**	14,624,054
Goodwill arising on business combinations			
Acquisition of AGL		**3,710,522,948**	3,710,522,948
Acquisition of NIT		**537,908**	537,908
Acquisition of MSRL		**1,917,699,426**	1,917,699,426
		5,645,095,896	5,663,896,471

21.1 This represents expenditure on development of new products and processes to gain competitive advantage in the national and international market. Movement in cost of development and accumulated amortization is as follows:

	2009 *Rupees*	2008 *Rupees*
As at beginning of the year	**87,853,404**	87,853,404
Additions during the year	**-**	-
As at end of the year	**87,853,404**	87,853,404
Accumulated amortization		
As at beginning of the year	**(67,341,269)**	(49,734,816)
Amortization for the year	**(15,534,635)**	(17,606,453)
As at end of the year	**(82,875,904)**	(67,341,269)
	4,977,500	20,512,135

21.2 This represents expenditure incurred on implementation of Oracle Financials Suite which is in progress as at the reporting date. Movement in cost of implementation and accumulated amortization is as follows:

	2009 *Rupees*	2008 *Rupees*
Cost		
As at beginning of the year	**14,624,054**	14,624,054
Additions during the year	**377,380**	
Foreign exchange difference	**143,472**	-
As at end of the year	**15,144,906**	14,624,054

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	2009	2008
	Rupees	*Rupees*
Accumulated amortization		
As at beginning of the year	**-**	-
Amortization for the year	**(3,786,792)**	-
As at end of the year	**(3,786,792)**	-
	11,358,114	14,624,054

22 LONG TERM INVESTMENTS

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

	2009	2008
	Rupees	*Rupees*
Cost	**18,664**	1,015,432
Accumulated impairment	**-**	(996,768)
Fair value adjustment	**18,103**	49,074
	36,767	67,738

22.1 Particulars of investments

Quoted

Colony Mills Limited
4,332 (2008: 4,332) ordinary shares of Rs. 10 each.
Market value Rs. 7.19 per share (2008: Rs. 14.60 per share)

	2009	2008
Cost	**8,664**	8,664
Fair value adjustment	**22,483**	54,584
	31,147	63,248

JS Value Fund Limited (formerly BSJS Balanced Fund Limited)
1,000 (2008: 1,000) ordinary shares of Rs. 10 each.
Market value Rs. 5.62 per share (2008: Rs. 4.49 per share)

	2009	2008
Cost	**10,000**	10,000
Fair value adjustment	**(4,380)**	(5,510)
	5,620	4,490

Unquoted

National Security Insurance Company Limited
221,504 ordinary shares of Rs. 10 each.

	2009	2008
Cost	**-**	996,768
Accumulated impairment	**-**	(996,768)
	-	-
	36,767	67,738

22.1.1 Investment in ordinary shares of National Security Insurance Company Limited has been written off following its liquidation.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

		Note	2009 Rupees	2008 Rupees
23 DERIVATIVE FINANCIAL ASSETS				
Cash flow hedges				
Hedged item	***Hedging instrument***			
Mark-up payments on Term Finance Certificates at six months KIBOR plus 1.75% per annum.	Mark-up payments to Citi Bank N.A. at fixed rate of 10.9% per annum.	*9.1*	**-**	1,437,986
Mark-up payments on Term Finance Certificates at six months KIBOR plus 1.75% per annum.	Mark-up payments to Royal Bank of Scotland on outstanding USD notional amount at fixed rate of 6.915% per annum.	*9.2*	**70,743,357**	157,790,529
Mark-up payments on long term finance obtained from Deutsche Investitions - Und MBH at six months EURIBOR plus 3.25% per annum.	Mark-up payments to Citi Bank N.A. on equivalent amount in CHF at six months CHFLIBOR plus 3.55% per annum.	*10.4*	**-**	16,445,478
			70,743,357	175,673,993
Current maturity presented under current assets			**(25,445,260)**	(43,497,747)
			45,298,097	132,176,246

23.1 As at December 31, 2008, the fair value of derivative financial assets was presented under current assets. However, as at December 31, 2009, maturities greater than twelve months from the reporting date have been reclassified and presented under non-current assets for better presentation.

	Note	2009 Rupees	2008 Rupees
24 LONG TERM DEPOSITS - UNSECURED, CONSIDERED GOOD			
Utility companies and regulatory authorities	*24.1*	**39,076,868**	31,823,009
Financial institutions	*24.2*	**17,911,390**	16,582,656
		56,988,258	48,405,665

24.1 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.

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

	Note	2009 Rupees	2008 Rupees
25 LONG TERM ADVANCES			
Advances to employees - unsecured, considered good	*25.1 & 25.3*	21,413,527	26,610,223
Advances to employees - secured	*25.2*	15,858,712	15,858,712
		37,272,239	42,468,935
Current maturity presented under current assets		(4,775,304)	(7,662,052)
		32,496,935	34,806,883

Notes to and forming part of Consolidated Financial Statements
for the year ended December 31, 2009

25.1 These represent interest free soft loans provided to employees of the Group in accordance with the policy of the respective companies for such loans.

25.2 These represent loans provided to employees of the Group against future salaries and retirement benefits and carry mark-up at one half of six months KIBOR per annum (2008: one half of six months KIBOR per annum)

25.3 These include advances to executives amounting to Rs. 14,936,743 (2008: Rs. 15,858,712).

25.4 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, in view of large number of advances, it is impracticable to determine amortized cost of each advance. Further, taking into account the carrying amount of advances as at the reporting date, difference between the amortized cost and carrying amount of these advances is not considered to be material.

	2009	2008
	Rupees	*Rupees*
25 STORES, SPARES AND LOOSE TOOLS		
Stores	**415,395,387**	250,576,365
Spares	**1,297,989,931**	637,570,337
Loose tools	**1,247,931**	1,261,907
	1,714,633,249	889,408,609

25.1 No provision in respect of obsolescence of slow moving items has been made, as the same is considered to be immaterial.

	2009	2008
	Rupees	*Rupees*
26 STOCK IN TRADE		
Raw material	**2,559,788,016**	2,061,628,434
Work in process	**871,659,641**	1,073,514,966
Finished goods	**2,553,588,566**	3,458,751,571
	5,985,036,223	6,593,894,971

26.1 Finished goods include stock of waste valued at Rs.1,813,256 (2008: nil) carried at net realizable value.

26.2 Raw material valued at Rs. 1,037,078,097 (2008: Rs. 870,121,390) and finished goods valued at Rs. 875,265,124 (2008: Rs. 148,011,200) are pledged as security with various banking companies and financial institutions against short term borrowing facilities.

	Note	**2009**	2008
		Rupees	*Rupees*
27 TRADE RECEIVABLES			
Local - Unsecured			
- secured		**821,651,931**	50,675,076
- unsecured, considered good		**323,897,206**	1,239,533,412
- unsecured, considered impaired		**16,547,550**	4,697,881
		1,162,096,687	1,294,906,369
Foreign			
- secured	*27.1*	**1,606,122,505**	1,243,988,143
- unsecured, considered good		**1,835,259,617**	21,865,959
		3,441,382,122	1,265,854,102
		4,603,478,809	2,560,760,471
Accumulated impairment		**(16,547,550)**	(4,697,881)
		4,586,931,259	2,556,062,590

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

27.1 These are secured against letters of credit

	Note	2009 Rupees	2008 Rupees
27.2 Movement in accumulated impairment of trade receivables			
As at beginning of the year		**4,697,881**	4,697,881
Impairment recognized during the year		**11,849,669**	-
As at end of the year		**16,547,550**	4,697,881

28 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2009 Rupees	2008 Rupees
Advances to suppliers - *unsecured, considered good*		**977,147,554**	487,544,956
Advances to employees - *unsecured, considered good*	*28.1*	**48,290,550**	56,799,059
Security deposits		**10,779,445**	3,746,090
Margin deposits	*28.2*	**28,557,243**	61,218,959
Prepayments		**23,122,192**	80,753,557
Rebate receivable	*28.3*	**39,550,252**	95,843,350
Duty draw back recoverable		**66,409,100**	-
Subsidy receivable	*28.4*	**627,865,596**	1,633,187,042
Deposits with high court		**36,000,000**	36,000,000
Derivative financial assets	*23*	**25,445,260**	43,497,747
Sales tax recoverable		**327,002,862**	495,793,899
Letters of credit		**302,995,050**	114,453,291
Insurance claims		**29,705,418**	28,493,266
Other receivables - *unsecured, considered good*		**44,424,546**	217,251,300
Other receivables - *unsecured, considered impaired*		**-**	1,033,465
		2,587,295,068	3,355,615,981
Accumulated impairment		**-**	(1,033,465)
		2,587,295,068	3,354,582,516

28.1 These represent advances to employees for purchases and expenses on behalf of the Group and those against future salaries and post employment benefits and include advances to executives amounting Rs. 1,900,871 (2008: Rs. 1,390,222).

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

	Note	2009 Rupees	2008 Rupees
28.3 Rebate receivable			
Export rebate	*28.3.1*	**5,274,130**	4,453,292
Research and development rebate	*28.3.1*	**34,276,122**	91,390,058
		39,550,252	95,843,350

28.3.1 Movement in rebate receivable

	Export rebate		Research and development rebate	
	2009 *Rupees*	2008 *Rupees*	**2009** *Rupees*	2008 *Rupees*
As at beginning of the year	**4,453,292**	4,420,206	**91,390,058**	70,572,734
Claimed during the year	**36,862,339**	33,384,958	**4,130,228**	122,064,947
Received/adjusted during the year	**(36,041,501)**	(33,351,872)	**(61,244,164)**	(101,247,623)
As at end of the year	**5,274,130**	4,453,292	**34,276,122**	91,390,058

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

28.4 Subsidy receivable

This represents subsidy receivable from Government of Pakistan on import of Di-Ammonium Phosphate and on production of Granular Single Super Phosphate Fertilizer. Movement during the year is as follows:

	2009 *Rupees*	2008 *Rupees*
As at the beginning of the year	1,633,187,042	207,345,200
Claimed during the year	568,915,600	2,798,701,820
Acquired in business combination	-	204,682,000
Received during the year	(1,574,237,046)	
As at end of the year	627,865,596	1,633,187,042

This subsidy regime was discontinued in April 2009 by the Government of Pakistan.

28.5 Movement in accumulated impairment

As at beginning of the year	**1,033,465**	1,033,465
Impairment recognized during the year	**-**	-
Written off during the year	**(1,033,465)**	-
As at end of the year	**-**	1,033,465

29 SHORT TERM INVESTMENTS

These represent investments held for trading are classified as 'financial assets at fair value through profit or loss'.

Investments in related parties - quoted

Jahangir Siddiqui & Company Limited		
3,950,633 ordinary shares of Rs. 10 each.		
Market value Rs. 52.28 per share		
Cost	-	206,421,001
Fair value adjustment	-	125,528
	-	206,546,529
Other investments - quoted		
The Bank of Punjab		
375 ordinary shares of Rs. 10 each.		
Market value Rs. 13.20 per share		
Cost	-	37,963
Fair value adjustment	-	(33,013)
	-	4,950
	-	206,551,479

30 CURRENT TAXATION

As at beginning of the year	**231,472,830**	
Paid during the year	**251,893,180**	231,472,830
Provision for the year	**(157,118,854)**	
Foreign exchange difference	**84,444**	
As at end of the year	**326,331,600**	231,472,830

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees	*Rupees*
31 CASH AND BANK BALANCES			
Cash in hand		**3,440,404**	7,137,038
Cash at banks in current accuonts\			
- local curreny		**338,221,203**	400,988,084
- foreign curreny		**58,922,668**	5,488,965
		397,143,871	406,477,049
Cash at banks in deposit accounts			
- local curreny	*31.1*	**36,811,134**	15,153,969
- foreign curreny	*31.2*	**418,905**	92,748
		37,230,039	15,246,717
		437,814,314	428,860,804

31.1 These carry return at rates ranging from 5% to 6% per annum (2008: 5% to 6% per annum).

31.2 These carry return at prevailing LIBOR per annum (2008: prevailing LIBOR per annum).

	Note	2009	2008
		Rupees	*Rupees*
32 SALES - NET			
Local		**14,680,849,510**	11,724,806,127
Export	*32.1*	**11,751,840,982**	8,238,447,950
		26,432,690,492	19,963,254,077
Export rebate		**36,862,339**	33,384,958
Sales tax		**(4,094,819)**	(145,075,880)
Commission and discounts		**(189,195,638)**	(114,139,340)
		26,276,262,374	19,737,423,815

32.1 These include indirect exports amounting to Rs. 752,848,696 (2008: Rs. 570,721,677).

	Note	2009	2008
33 COST OF SALES		-	
Raw material consumed	*33.1*	**6,401,919,011**	5,622,333,704
Salaries, wages and benefits	*33.2*	**1,795,035,393**	1,277,359,633
Fuel and power		**877,342,337**	822,861,028
Stores, spares and loose tools consumed		**706,299,488**	345,585,198
Traveling, conveyance and entertainment		**48,208,321**	81,460,294
Rent, rates and taxes		**8,577,771**	21,810,993
Insurance		**143,003,619**	86,647,546
Repair and maintenance		**54,183,576**	68,322,203
Research and development		**3,782,362**	287,050
Processing charges		**215,431,956**	58,626,887
Depreciation		**988,564,075**	900,611,784
Amortization		**15,534,635**	17,606,453
Printing and stationery		**13,417,383**	15,395,684
Communication		**12,507,745**	21,700,107
Others		**122,121,284**	91,944,237
		11,405,928,956	9,432,552,801

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Work in process			
As at beginning of the year		**1,073,514,966**	799,992,413
Acquired in business combination		**-**	7,656,295
As at end of the year		**(871,659,641)**	(1,073,514,966)
		201,855,325	(265,866,258)
		11,607,784,281	9,166,686,543
Government subsidy	*33.3*	**(568,915,600)**	(147,224,000)
Cost of goods manufactured		**11,038,868,681**	9,019,462,543
Finished goods			
As at beginning of the year		**3,458,751,571**	818,692,062
Puchases during the year	*33.4*	**6,038,825,814**	5,266,799,103
Acquired in business combination		**-**	1,268,315,290
As at end of the year		**(2,553,588,566)**	(3,458,751,571)
		6,943,988,819	3,895,054,884
		17,982,857,500	12,914,517,427

33.1 Raw material consumed

	2009	2008
As at beginning of the year	**2,061,628,434**	913,415,188
Acquired in business combination	**-**	276,144,921
Purchased during the year	**6,900,089,211**	6,499,982,950
Sold during the year	**(10,618)**	(5,580,921)
As at end of the year	**(2,559,788,016)**	(2,061,628,434)
	6,401,919,011	5,622,333,704

33.2 These include charge in respect of employees retirement benefits amounting to Rs. 3,111,977 (2008: Rs. 7,299,044) and Rs. 49,352,252 (2008: Rs. 40,571,238) on account of gratuity and provident fund respectively.

33.3 This represents government subsidy on production of Granular Single Super Phosphate Fertilizer.

33.4 This includes government subsidy of Rs. Nil (2008: Rs. 2,651,477,820) on import of Di-Amonium Phosphate Fertilizer.

	Note	2009 Rupees	2008 Rupees
34 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	*34.1*	**110,968,787**	76,895,700
Traveling, conveyance and entertainment		**32,806,365**	28,719,260
Fuel and power		**31,396**	8,650
Repair and maintenance		**345,458**	225,438
Rent, rates and taxes		**8,788,238**	14,138,221
Insurance		**1,322,901**	2,594,497
Freight and other expenses		**560,603,298**	436,697,290
Printing and stationery		**1,282,537**	581,555
Communication		**34,382,653**	19,012,072
Advertisement and marketing		**19,180,252**	21,024,468
Legal and professional charges		**639,050**	313,663
Fee and subscription		**258,352**	-
Miscellaneous		**11,971,190**	7,391,590
		782,580,477	607,602,404

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

34.1 These include charge in respect of employees retirement benefits amounting to Rs. 352,736 (2008: Rs. 43,970) and Rs. 3,224,118 (2008: Rs. 2,539,696) on account of gratuity and provident fund respectively.

34.2 Selling and distribution expenses previously presented together with administrative and general expenses have been presented as a separate note for better presentation.

	Note	**2009**	2008
		Rupees	*Rupees*
35 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	*35.1*	**703,783,008**	253,632,272
Traveling, conveyance and entertainment		**124,435,878**	41,922,313
Fuel and power		**22,320,715**	15,092,539
Repair and maintenance		**31,502,860**	9,809,567
Rent, rates and taxes		**22,461,526**	10,766,147
Insurance		**11,889,939**	520,935
Freight and clearing		**123,633,096**	10,045,055
Printing and stationery		**11,980,945**	4,768,977
Communication		**35,738,078**	18,301,132
Legal and professional charges	*35.2*	**86,638,563**	41,354,614
Depreciation		**22,018,605**	18,029,043
Amortization		**3,786,792**	-
Fee and subscription		**8,432,207**	11,911,399
Others		**66,445,771**	45,218,601
		1,275,067,983	481,372,594

35.1 These include charge in respect of employees retirement benefits amounting to Rs. 332,188 (2008: Rs. 1,329,379) and Rs. 11,560,317 (2008: Rs. 9,543,033) on account of gratuity and provident fund respectively.

	Note	**2009**	2008
		Rupees	*Rupees*
35.2 These include following in respect of auditors' remuneration.			
Annual statutory audit		**2,195,000**	1,375,000
Report on consolidated financial statements		**500,000**	250,000
Interim review/audit		**1,000,000**	619,170
Review report under Code of Corporate Governance		**100,000**	50,000
Certification and other services		**360,000**	360,000
		754,062	55,000
		4,909,062	2,709,170
36 NET OTHER INCOME			
Net gains/(losses) on financial instruments			
Gain on sale of financial assets at fair value through profit or loss	*36.1*	**(97,789,787)**	214,959,257
Loss on sale of available for sale financial assets	*36.2*	**(28,838,073)**	-
Changes in fair value of financial assets at fair value through profit or loss		**-**	92,515
Changes in fair value of fair value hedges	*36.3*	**13,025,907**	(11,321,450)
Dividend income		**-**	1,730,500
Foreign exchange gain		**36,138,120**	37,181,192
Return on bank deposits		**12,092,367**	23,373,735
Impairment of financial assets	*27.2*	**(11,849,669)**	-
Interest on advances to employees		**975,629**	929,828
		(76,245,506)	266,945,577

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Other income/(expenses)			
Loss/(gain) on disposal of property, plant and equipment	20.1.1	**50,998,807**	1,925,455
Loss on sale and lease back		**(920,199)**	-
Reversals of excess provision		**18,968,402**	-
Donations	36.4	**(1,079,540)**	(50,000)
(Loss)/income from experimental farm		**(3,397,567)**	4,919,221
Miscellaneous	36.5	**14,115,614**	5,810,481
		78,685,517	12,605,157
		2,440,011	279,550,734

36.1 This represents gain on sale of investment in listed securities.

36.2 This represents loss on sales of investment in term finance certificates issued by AGL.

36.3 This represents loss arising from changes in fair value of fair value hedges.

36.4 None of the directors or their spouses had any interest in donations made by the Company.

36.5 This includes depreciation amounting Rs. 41,722 (2008: Rs. 43,792).

	Note	2009 Rupees	2008 Rupees
37 FINANCE COST			
Interest / mark-up on:			
loan from associates		**60,449,206**	-
redeemable capital		**2,202,148,813**	2,416,769,666
long term finances		**1,099,322,983**	706,145,972
liabilities against assets subject to finance lease		**45,812,356**	13,561,180
short term borrowings		**1,569,764,933**	978,632,099
workers' profit participation fund		**3,319,349**	4,601,731
		4,980,817,640	4,119,710,648
Borrowing costs capitalized		**(529,119,240)**	-
		4,451,698,400	4,119,710,648
Amortization of transaction costs	9.8	**21,688,837**	-
Foreign exchange loss		**144,433,750**	390,704,126
Bank charges and commission		**173,598,143**	106,844,381
		4,791,419,130	4,617,259,155

37.1 Finance cost includes settlement losses on derivative financial instruments amounting to Rs. 173,032,390 (2008: Rs. 1,034,761,081).

	Note	2009 Rupees	2008 Rupees
38 OTHER CHARGES			
Workers' Profit Participation Fund		**55,414,426**	57,013,823
Workers' Welfare Fund		**28,301,957**	-
		83,716,383	57,013,823

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
39 TAXATION			
Current taxation	*39.1, 39.2 & 39.3*	**(157,118,854)**	(118,887,585)
Deferred taxation	*39.10*	**331,986,515**	(113,149,692)
		174,867,661	(232,037,277)

39.1 Provision for current tax for ANL 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.

39.2 Provision for tax for AGL and HPFL have been made in accordance with section 113 'Minimum tax on income of certain persons' of the Income Tax Ordinance, 2001 ('the Ordinance).

39.3 No provision for tax has been made for other group companies due to availability of tax exemptions and accumulated losses.

39.4 Assessments of ANL for assessment years 1998-99 to 2001-02 were rectified under section 156 and 121 of the Ordinance. ANL filed appeal before the Commissioner of Income Tax (Appeals) ("CIT-A") which was decided in favour of ANL. The department has preferred appeal against the decision of CIT-A before the Income Tax Appellate Tribunal ("the Tribunal") and the same is pending for adjudication.

39.5 ANL has filed appeal before the Tribunal against the order of the CIT-A whereby a demand of Rs. 6.8 million was created in respect of assessment year 2002-03. The Tribunal has remanded the case back to CIT-A with the direction to readjudicate, and the same is pending.

39.6 Income tax return of ANL for the tax year 2008 has been filed and is deemed to have been assessed under section 120 of the Ordinance.

39.7 Income tax return of ANL for tax year 2009 has been selected for audit under section 177 of the Ordinance and the same is in progress as at the reporting date.

39.8 Assessments of AGL and HPFL upto and including tax year 2008 have been finalized. Income tax return of AGL for the tax year 2009 has been selected for audit under section 177 of the Ordinance and the same is in progress.

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

39.10 Provision for deferred taxation pertains to AGL and HPFL only. No provision for deferred taxation has been made for ANL since its export sales, including proposed claims for indirect exports are expected to achieve the threshold for the Company, with the option to be taxed under the Final Tax Regime.

39.11 There is no relationship between tax expense and accounting profit since the Group's profits are either subject to tax under the Final Tax Regime or have been charged to turnover tax. Accordingly, no numerical reconciliation has been presented.

	Unit	2009 Rupees	2008 Rupees
40 EARNINGS PER SHARE			
Profit attributable to ordinary shareholders	*Rupees*	**1,478,746,624**	1,338,211,189
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**441,270,585**	395,257,942
Earnings per share	*Rupees*	**3.35**	3.39

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

41 GOVERNMENT GRANT

During the year, the Group lodged claims amounting to Rs. 4,130,228 (2008: Rs. 122,064,947) on account of research and development rebate, Rs. 36,862,339 (2008: Rs. 33,384,958) as export rebate and Rs. 568,915,600 (2008: Rs. 2,798,701,820) on account of subsidy notified by Government of Pakistan on import of Di-Amonium Phosphate and on production of Granular Single Super Phosphate Fertilizer. These have been accounted for as government grant in accordance with IAS 20 'Government Grants'. Research and development rebate and agricultural subsidy have been deducted in reporting related expenses. Export rebate has been recognized as income and added to sales.

	2009	2008
	Rupees	*Rupees*
42 CASH GENERATED FROM OPERATIONS		
Profit before taxation	**1,363,060,912**	1,629,430,415
Adjustments for non-cash and other items		
Interest / markup expense	**4,451,698,400**	4,119,710,648
Gain on disposal of property, plant and equipment	**(50,998,807)**	(1,925,454)
Excess of fair value of subsidiary's identifiable assets acquired over cost of investment	**-**	(290,221,269)
Exchange difference on translation of foreign subsidiary	**256,828,302**	(1,328,968)
Loss on sale of available for sale financial assets	**28,838,073**	-
Loss on sale and lease back	**920,199**	-
Foreign exchange loss/(gain)	**108,295,630**	(37,181,192)
Changes in fair value of fair value hedges	**(13,025,907)**	11,321,450
Changes in fair value of financial assets at fair value through profit or loss	**-**	(92,515)
Dividend income	**-**	(1,730,500)
Loss/(gain) on sale of financial assets at fair value through profit or loss	**97,789,787**	(214,959,257)
Depreciation	**1,010,624,402**	918,684,619
Amortization	**41,010,264**	17,606,453
Provision for impairment of receivables	**11,849,669**	-
	5,943,830,012	4,519,884,015
Operating profit before changes in working capital	**7,306,890,924**	6,149,314,430
Changes in working capital		
Stores, spares and loose tools	**(825,224,640)**	(48,410,087)
Stock in trade	**608,858,748**	(2,538,025,857)
Trade receivables	**(2,006,580,218)**	(152,602,006)
Advances, deposits, prepayments and other receivables	**792,732,708**	(1,430,250,300)
Trade and other payables	**605,698,479**	1,421,989,847
Long term payables	**21,050,000**	-
Long term advances	**2,309,948**	(18,999,430)
Long term deposits	**(7,253,859)**	(3,573,307)
	(808,408,834)	(2,769,871,140)
Cash generated from operations	**6,498,482,090**	3,379,443,290
43 CASH AND CASH EQUIVALENTS		
Cash and bank balances	**437,814,314**	428,860,804
	437,814,314	428,860,804

44 NON-CASH FINANCING ACTIVITIES

44.1 During the year ended December 31, 2008, preference shareholders converted 43,750 preference shares into voting ordinary shares at 6.8 voting ordinary shares for every 10 preferences shares held by exericising the conversion option referred to in note 5.4 to the financial statements.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

44.2 During the year ended December 31, 2008, Term Finance Certificate Holders converted 28,550 certificates into non-voting ordinary shares at Rs. 37.14 per non-voting ordinary share by exericising the conversion option referred to in note 9.2 to the financial statements.

44.3 During the year, ANL increased its paid-up ordinary share capital through issue of bonus shares at 20 ordinary shares for every 100 ordinary shares held.

45 EVENTS AFTER THE REPORTING PERIOD

45.1 ANL, subsequent to the reporting period, has divested 20.13% of the its investment in ordinary shares of AGL, comprising 79,006,816 ordinary shares of Rs. 10 each, through a combination of private placement and public offering. The sale has been made at a price of Rs. 30 per ordinary share.

45.2 In addition to delays in meeting its financial obligations occuring during the year, ANL, subsequent to the reporting period, has delayed the redemption of term finance certificates with an amount of Rs. 166,756,673, outstanding as on the date of authorisation for issue of these financial statements. Details are referred to in note 48.2.2 to the financial statements.

46 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 plans. 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. Pricing for these transactions is determined as follows:

Nature of transaction	**Pricing mechanism**
Purchases	Comparable uncontrolled price method
Borrowings	Comparable uncontrolled price method.
Contribution to post employment benefit plan	As per terms of employment
Compensation of key management personnel	As per terms of employment

	2009	2008
	Rupees	*Rupees*
Details of transactions and balances with related parties is as follows:		
46.1 Transactions with related parties		
46.1.1 *Associates*		
Purchases	**6,404,845**	3,322,566
46.1.2 *Post employment benefit plans*		
Contribution to employees provident fund trust	**64,136,687**	52,653,967
Contribution to gratuity trust	**3,796,901**	8,414,064
46.1.3 *Key management personnel*		
Short term employee benefits	**18,203,983**	18,639,983
Post employment benefits	**884,004**	884,004
46.2 Balances with related parties		
46.2.1 *Associates*		
Trade payables	**1,877,139**	-

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
46.2.2 *Post employment benefit plans*			
Payable to employees provident fund trust	*17*	**11,723,338**	6,858,093
Payable to gratuity trust	*17*	**16,413,300**	12,616,399
46.2.3 *Key management personnel*			
Short term employee benefits payable		**1,517,000**	1,517,000

47 FINANCIAL INSTRUMENTS

47.1 Financial assets by class and category

	Note	**2009**				
		Financial assets at fair value through profit or loss *Rupees*	**Loans and receivables** *Rupees*	**Available for sale financial assets** *Rupees*	**Derivatives** *Rupees*	**Total financial assets** *Rupees*
Investments	*22 & 29*	-	**-**	**36,767**	**-**	**36,767**
Cash flow hedges	*23*	-	**-**	**-**	**70,743,357**	**70,743,357**
Long term deposits	*24*	-	**56,988,258**	**-**	**-**	**56,988,258**
Trade receivables	*27*	-	**4,586,931,259**	**-**	**-**	**4,586,931,259**
Security deposits	*28*	-	**10,779,445**	**-**	**-**	**10,779,445**
Margin deposits	*28*	-	**28,557,243**	**-**	**-**	**28,557,243**
Insurance claims	*28*	-	**29,705,418**	**-**	**-**	**29,705,418**
Cash and bank balances	*31*	-	**437,814,314**	-	-	**437,814,314**
		-	**5,150,775,937**	**36,767**	**70,743,357**	**5,221,556,061**

	Note	2008				
		Financial assets at fair value through profit or loss *Rupees*	Loans and receivables *Rupees*	Available for sale financial assets *Rupees*	Derivatives *Rupees*	Total financial assets *Rupees*
Investments	*22 & 29*	206,551,479	-	67,738	-	206,619,217
Cash flow hedges	*23*		-	-	175,673,993	175,673,993
Long term deposits	*24*		48,405,665	-	-	48,405,665
Trade receivables	*27*		2,556,062,590	-	-	2,556,062,590
Security deposits	*28*		3,746,090	-	-	3,746,090
Margin deposits	*28*		61,218,959	-	-	61,218,959
Insurance claims	*28*		28,493,266	-	-	28,493,266
Cash and bank balances	*31*		428,860,804	-	-	428,860,804
		206,551,479	3,126,787,374	67,738	175,673,993	3,509,080,584

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47.2 Financial liabilities by class and category

	Note	**2009** Financial liabilities at amortized cost *Rupees*	**2009** Derivatives *Rupees*	**2009** Total financial liabilities *Rupees*
Loan from associates	*8*	**340,000,000**	-	**340,000,000**
Redeemable capital	*9*	**13,891,729,061**	**-**	**13,891,729,061**
Long term finances	*10*	**5,871,497,982**	**-**	**5,871,497,982**
Liabilities against assets subject to finance lease	*11*	**364,338,321**	**-**	**364,338,321**
Cash flow hedges	*12*	**-**	**-**	**-**
Fair value hedges	*12*	**-**	**14,472,950**	**14,472,950**
Long term payables	*13*	**52,185,199**		**52,185,199**
Short term borrowings	*16*	**12,891,613,075**	**-**	**12,891,613,075**
Trade creditors	*17*	**4,756,207,091**	**-**	**4,756,207,091**
Accrued liabilities	*17*	**668,952,046**	**-**	**668,952,046**
Advance against sale of investment	*17*	**84,120,000**	**-**	**84,120,000**
Mark-up accrued on borrowings		**1,000,787,278**	**-**	**1,000,787,278**
Dividend payable	*18*	**63,183,986**	**-**	**63,183,986**
		39,984,614,039	**14,472,950**	**39,999,086,989**

	Note	2008 Financial liabilities at amortized cost *Rupees*	2008 Derivatives *Rupees*	2008 Total financial liabilities *Rupees*
Loan from associates	*8*	340,000,000	-	340,000,000
Redeemable capital	*9*	14,081,682,407	-	14,081,682,407
Long term finances	*10*	4,142,422,500	-	4,142,422,500
Liabilities against assets subject to finance lease	*11*	152,364,652	-	152,364,652
Cash flow hedges	*12*	-	23,038,052	23,038,052
Fair value hedges	*12*	-	27,498,857	27,498,857
Long term payables	*13*	31,135,199	-	31,135,199
Short term borrowings	*16*	8,437,887,588	-	8,437,887,588
Trade creditors	*17*	4,487,575,573	-	4,487,575,573
Accrued liabilities	*17*	371,902,108	-	371,902,108
Advance against sale of investment	*17*	-	-	-
Mark-up accrued on borrowings		974,107,530	-	974,107,530
Dividend payable	*18*	14,686,046	-	14,686,046
		33,033,763,603	50,536,909	33,084,300,512

47.3 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.

47.3.1 Methods of determining fair values

Fair values of financial instruments 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.

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47.3.2 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.

47.3.3 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:

Derivative financial instruments

In determining fair values of derivative financial instruments, a risk adjusted discount factor of 15.5% (2008: 16%) has been used. If discount factor was 1% higher or lower, the carrying amount of derivative financial instruments would decrease or increase by Rs. 0.69 million or Rs. 0.71 million (2008: Rs. 2.56 million or Rs.2.36 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 48.3.1(c) 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.

47.3.4 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 judgement 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 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.

48 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:

48.1 Credit risk

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

48.1.1 Maximum exposure to credit risk

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

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	Note	2009 Rupees	2008 Rupees
Loans and receivables			
Long term deposits with financial institutions	24	**17,911,390**	16,582,656
Trade receivables	27	**4,586,931,259**	2,556,062,590
Security deposits	28	**10,779,445**	3,746,090
Margin deposits	28	**28,557,243**	61,218,959
Insurance claims	28	**29,705,418**	28,493,266
Cash at banks	31	**434,373,910**	421,723,766
		5,108,258,665	3,087,827,327
Derivative financial assets			
Cash flow hedges	23	**70,743,357**	175,673,993
		5,179,002,022	3,263,501,320

48.1.2 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

	2009	2008
Customers	**4,586,931,259**	2,556,062,590
Banking companies and financial institutions	**592,070,763**	707,438,730
	5,179,002,022	3,263,501,320

48.1.3 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 default rates and present ages.

48.1.3(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. 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.

48.1.3(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:

	2009		2008	
	Gross carrying amount *Rupees*	**Accumulated Impairment** *Rupees*	Gross carrying amount *Rupees*	Accumulated Impairment *Rupees*
Neither past due nor impaired	**3,735,175,710**	**-**	1,953,599,373	-
Past due by 0 to 6 months	**733,871,131**	**-**	533,097,778	-
Past due by 6 to 12 months	**117,884,418**	**-**	69,365,439	-
Past due by more than one year	**16,547,550**	**16,547,550**	4,697,881	4,697,881
	4,603,478,809	**16,547,550**	2,560,760,471	4,697,881

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

The Group's four significant customers account for Rs. 1,791 million (2008: Rs. 540 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 4% (2008: 2.5%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 2,657 million (2008: Rs. 725 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. Trade receivables not past due include receivables amounting to Rs. 261 million (2008: Rs. 174 million) that were re-negotiated, which otherwise would have been overdue by more than one year.

48.1.4 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.

48.1.5 Credit risk management

As mentioned in note 48.1.3(b) to the 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.

Liquidity risk

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

48.2.1 Exposure to liquidity risk

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

	2009				
	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					
Loan from associates	340,000,000	606,365,874	53,244,000	159,877,874	393,244,000
Redeemable capital	13,891,729,061	21,011,548,381	4,057,270,760	12,961,887,028	3,992,390,593
Long term finances	5,871,497,982	8,534,581,028	1,860,739,871	5,249,211,021	1,424,630,136
Liabilities against assets subject to finance lease	364,338,321	476,619,225	172,826,149	233,474,010	70,319,066
Long term payables	52,185,199	53,658,699	736,750	21,786,750	31,135,199
Short term borrowings	12,891,613,075	12,960,571,785	12,960,571,785	-	-
Trade creditors	4,756,207,091	4,756,207,091	4,756,207,091	-	-
Accrued liabilities	668,952,046	668,952,046	668,952,046	-	-
Subscription money against sale of investment	84,120,000	84,120,000	84,120,000	-	-
Mark-up accrued on borrowings	1,000,787,278	1,000,787,278	1,000,787,278	-	-
Dividend payable	63,183,986	63,183,986	63,183,986	-	-
	39,984,614,039	50,216,595,393	25,678,639,716	18,626,236,683	5,911,718,994
Derivative financial liabilities					
Cross currency swaps	-	-	-	-	-
Interest rate swaps	14,472,950	16,298,918	16,298,918	-	-
	14,472,950	16,298,918	16,298,918	-	-
	39,999,086,989	50,232,894,311	25,694,938,634	18,626,236,683	5,911,718,994

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	2008				
	Carrying amount *Rupees*	Contractual cash flows *Rupees*	One year or less *Rupees*	One to three years *Rupees*	More than three years *Rupees*
Non-derivative financial liabilities					
Loan from associates	340,000,000	667,386,466	61,020,592	159,877,874	446,488,000
Redeemable capital	14,081,682,407	23,034,997,649	1,731,877,538	13,767,922,143	7,535,197,968
Long term finances	4,142,422,500	5,924,894,248	1,837,436,843	3,321,904,583	765,552,822
Liabilities against assets subject to finance lease	152,364,652	198,201,314	69,596,410	85,580,145	43,024,759
Long term payables	31,135,199	31,135,199			31,135,199
Short term borrowings	8,437,887,588	8,586,380,740	8,586,380,740	-	-
Trade creditors	4,487,575,573	4,487,575,573	4,487,575,573	-	-
Accrued liabilities	371,902,108	371,902,108	371,902,108	-	-
Subscription money against sale of investment	-	-	-	-	-
Mark-up accrued on borrowings	974,107,530	974,107,530	974,107,530	-	-
Dividend payable	14,686,046	14,686,046	14,686,046	-	-
	33,033,763,603	44,291,266,873	18,134,583,380	17,335,284,745	8,821,398,748
Derivative financial liabilities					
Cross currency swaps	23,038,052	24,334,491	24,334,491	-	-
Interest rate swaps	27,498,857	29,453,181	19,043,764	10,409,417	-
	50,536,909	53,787,672	43,378,255	10,409,417	-
	33,084,300,512	44,345,054,545	18,177,961,635	17,345,694,162	8,821,398,748

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

	2009				
	Carrying amount ***Rupees***	**Expected cash flows** ***Rupees***	**One year or less** ***Rupees***	**One to three years** ***Rupees***	**More than three years** ***Rupees***
Assets	**70,743,357**	**85,642,908**	**27,930,863**	**57,712,045**	**-**
Liabilities	**(14,472,950)**	**(16,298,918)**	**(16,298,918)**	**-**	**-**
	56,270,407	**69,343,990**	**11,631,945**	**57,712,045**	**-**

	2008				
	Carrying amount *Rupees*	Expected cash flows *Rupees*	One year or less *Rupees*	One to three years *Rupees*	More than three years *Rupees*
Assets	175,673,993	215,835,408	49,232,630	164,852,566	1,750,212
Liabilities	(27,498,857)	(53,787,672)	(43,378,255)	(10,409,417)	-
	148,175,136	162,047,736	5,854,375	154,443,149	1,750,212

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

	2009				
	Carrying amount ***Rupees***	**Expected cash flows** ***Rupees***	**One year or less** ***Rupees***	**One to three years** ***Rupees***	**More than three years** ***Rupees***
Assets	**70,743,357**	**85,642,908**	**27,930,863**	**57,712,045**	**-**
Liabilities	**(14,472,950)**	**(16,298,918)**	**(16,298,918)**	**-**	**-**
	56,270,407	**69,343,990**	**11,631,945**	**57,712,045**	**-**

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	2008				
	Carrying amount *Rupees*	Expected cash flows *Rupees*	One year or less *Rupees*	One to three years *Rupees*	More than three years *Rupees*
Assets	175,673,993	215,835,408	49,232,630	164,852,566	1,750,212
Liabilities	(27,498,857)	(53,787,672)	(43,378,255)	(10,409,417)	-
	148,175,136	162,047,736	5,854,375	154,443,149	1,750,212

48.2.2 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.

The Group monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Group also maintains various lines of credit with banking companies.

ANL, during the year and subsequently, faced operational issues including increase in input cost primarily due to increase in prices of raw material and increase in utility cost emanating from the ongoing power crisis, reduction in profit margins due to global economic slowdown and high working capital requirements due to increase in the demand of denim and denim products. As a result, ANL is facing a temporary liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances on their respective due dates. The details are as follows:

Nature of liability	***Note***	**Due date**	**Amount** ***Rupees***
Preference shares	*5.5 & 48.2.2(a)*	September 24, 2009	330,625,650
Dividend on preference shares	*5.5 & 48.2.2(b)*	November 21, 2009	59,181,949
Long term finances	*10.4 & 48.2.2(c)*	August 15, 2009	181,650,000
Term finance certificates	*9.2 & 48.2.2(d)*	December 04, 2009	135,516,741
Term finance certificates	*9.3 & 48.2.2(e)*	March 20, 2010	166,756,673
			873,731,013

48.2.2(a) This represents 33,062,565 preference shares of Rs. 10 each redemption of which was due on September 24, 2009, is outstanding as on the date of authorization for issue of these financial statements. The management has proceeded to redeem these through proceeds from a fresh issue of term finance certificates. This mode of redemption and, terms and conditions thereof have been agreed with the investors. The issue is expected to be completed in April 2010.

48.2.2(b) This represents dividend on preference shares, payment of which was due on November 21, 2009. ANL issued warrants for the said dividend on December 20, 2009. However, the preference shareholders presented their warrants for payment only subsequent to the reporting period. As a result, the amount of dividend stood outstanding as at the reporting date and was paid subsequent to the reporting period.

48.2.2(c) This represents an installment of EURO 1.5 million payable on account of long term finance obtained from Deutsche Investitions - Und MBH. The installment was due on August 15, 2009 but was deferred by ANL. ANL is in discussion with the lender regarding the deferral of the said installment till August 2012. The lender, in this context, has agreed in principal to ANL's request, execution of a formal agreement to this effect is in process.

48.2.2(d) This represents principal redemption and interest on privately place term finance certificates that was due on December 04, 2009 but is outstanding as at the reporting date. ANL had issued cheques for the amount of principal and interest but the presentation of these cheques for payment was deferred by the investors. These cheques, however, were presented for payment and cleared subsequent to the reporting period.

48.2.2(e) This represents principal redemption of listed term finance certificates that was due on March 20, 2010 but is outstanding as on the date of authorization for issue of these financial statements. The said redemption has been deferred for a period of

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sixty days from the due date. The deferral was approved through an extraordinary resolution of investors passed by majority of investors, as required by the terms of issue for such deferral, whereby it has been resolved that ANL and the lenders shall come to an agreement regarding an acceptable solution. The management intends to propose re-profiling of the total liability and is confident of favourable settlement with the investors.

The temporary liquidty shortfall has been mitigated through generation of Rs. 2.37 billion from divestment of 20.13% ordinary shares held in AGL, through a combination of private placement and public subscription. Funds generated have been utilized towards repayment/redemption of certain liabilities, with sufficient funds available for other requirements. The management, based on favourable response already received, is also considering to take-up the matter with the providers of debt finance for re-profiling of some of the existing liabilities. Major cost cutting initiatives and improved debt collection will also reduce the financial burden on ANL. The management is confident that the above measures coupled with strong capital base of Rs. 18.47 billion (including surplus on revaluation of property, plant and equipment), advantageous capital gearing of 32.8% , continuing profitable trends (with accumulated profits of Rs. 2.68 billion as at the reporting date) and expected improvement in economic and market conditions will improve the liquidity position. ANL, if required, also has financial support from its subsidiaries and associated companies. The management does not envisage any difficulty in generating and arranging necessary finances and in meeting its financial obligations when due.

There are no major liquidity problems which may impact continued opertaions of subsidiary companies.

48.3 Market risk

48.3.1 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.

48.3.1(a) Exposure to currency risk

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

	2009				
	EURO	**USD**	**GBP**	**YEN**	**Total**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Assets					
Trade receivables	**2,285,373,385**	**989,225,721**	**166,783,016**	**-**	**3,441,382,122**
Cash and bank balances	**34,507,615**	**24,833,958**	**-**	**-**	**59,341,573**
	2,319,881,000	**1,014,059,679**	**166,783,016**	**-**	**3,500,723,695**
Liabilities					
Long term finances	**(1,453,200,000)**	**(368,812,500)**	**-**	**-**	**(1,822,012,500)**
Short term borrowings	**-**	**(93,983,909)**	**-**	**-**	**(93,983,909)**
Mark-up accrued on borrowings	**(26,379,362)**	**(7,946,936)**	**-**	**-**	**(34,326,298)**
Trade and other payables	**(324,856,621)**	**(135,033,083)**	**(7,378,833)**	**(116,919)**	**(467,385,456)**
	(1,804,435,983)	**(605,776,428)**	**(7,378,833)**	**(116,919)**	**(2,417,708,163)**
Gross balance sheet exposure	**515,445,017**	**408,283,251**	**159,404,183**	**(116,919)**	**1,083,015,532**
Fair value of hedging instruments					**56,270,407**
Net balance sheet exposure					**1,139,285,939**

	2008				
	EURO	USD	GBP	YEN	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Assets					
Trade receivables	480,562,426	784,981,075	310,601	-	1,265,854,102
Cash and bank balances	1,805,039	3,591,178	-	-	5,396,217
	482,367,465	788,572,253	310,601	-	1,271,250,319

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	2008				
	EURO	USD	GBP	YEN	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Liabilities					
Long term finances	(1,499,985,000)	(542,437,500)	-	-	(2,042,422,500)
Short term borrowings	(356,514,004)	(2,616,212)	-	(1,431,677)	(360,561,893)
Mark-up accrued on borrowings	(48,690,055)	(18,514,638)	-	-	(67,204,693)
Trade and other payables	(358,192,277)	(70,480,517)	-	(21,104)	(428,693,898)
	(2,263,381,336)	(634,048,867)	-	(1,452,781)	(2,898,882,984)
Gross balance sheet exposure	(1,781,013,871)	154,523,386	310,601	(1,452,781)	(1,627,632,665)
Fair value of hedging instruments					125,137,084
Net balance sheet exposure					(1,502,495,581)

48.3.1(b) Exchange rates applied during the year

Foreign exchange rates applied during the year are as follows:

	2009			
	Financial assets		**Financial liabilities**	
	Average rate for the year	**Spot as at the reporting date**	**Average rate for the year**	**Spot as at the reporting date**
	Rupees	***Rupees***	***Rupees***	***Rupees***
EURO	**113.61**	**120.81**	**113.89**	**121.10**
USD	**81.49**	**84.10**	**81.68**	**84.30**
GBP	**127.62**	**135.08**	**127.94**	**135.40**
YEN	**0.87**	**0.91**	**0.88**	**0.91**
CHF	**75.39**	**81.26**	**75.57**	**81.45**

	2008			
	Financial assets		Financial liabilities	
	Average rate for the year	Spot as at the reporting date	Average rate for the year	Spot as at the reporting date
	Rupees	*Rupees*	*Rupees*	*Rupees*
EURO	102.71	110.83	102.97	111.11
USD	70.12	78.70	70.32	78.90
GBP	129.61	113.61	129.94	113.90
YEN	0.67	0.87	0.68	0.87
CHF	64.92	74.36	65.15	74.55

48.3.1(c) Sensitivity analysis

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

	2009		2008	
	Equity	**Profit**	Equity	Profit
	Rupees	***Rupees***	*Rupees*	*Rupees*
EURO	**-**	**51,544,502**	(18,981,196)	(178,101,387)
USD	**7,074,336**	**40,828,325**	15,779,053	15,452,339
GBP	**-**	**15,940,418**	-	31,060
YEN	**-**	**(11,692)**	-	(145,278)
CHF	**-**	**-**	(10,745,897)	-
	7,074,336	**108,301,553**	(13,948,040)	(162,763,266)

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

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

48.3.1(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 unfavourable rate scenarios.

48.3.2 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.

48.3.2(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 Group's interest/mark-up bearing financial instruments as at the reporting date are as follows:

	2009		2008	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	Rupees	***Rupees***	*Rupees*	*Rupees*
Non-derivative financial instruments				
Fixed rate instruments	**36,811,134**	**96,050,000**	15,153,969	100,000,000
Variable rate instruments	**418,905**	**20,052,565,364**	92,748	18,276,469,559
Derivative financial instruments				
Fair value hedges		**14,472,950**		27,498,857
Cash flow hedges	**70,743,357**	**-**	175,673,993	23,038,052

48.3.2(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, however the Group has designated derivatives (interest rate swaps) as hedging instruments under the fair value hedge accounting model. An increase or decrease of 100 basis points in interest rates as at the reporting date would have increased or decreased profit by Rs. 67,118 (2008: Rs. 255,441) or Rs. 67,743 (2008: Rs. 516,397) respectively. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

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

An 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.

	2009		2008	
	Equity	**Profit**	Equity	Profit
	Rupees	***Rupees***	*Rupees*	*Rupees*
Increase of 100 basis points				
Variable rate instruments	**-**	**(200,529,843)**	-	(182,765,623)
Cash flow hedges	**(754,875)**	**-**	(2,815,209)	-
	(754,875)	**(200,529,843)**	(2,815,209)	(182,765,623)

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	2009		2008	
	Equity	**Profit**	Equity	Profit
	Rupees	***Rupees***	*Rupees*	*Rupees*
Decrease of 100 basis points				
Variable rate instruments	**-**	**200,529,843**	-	182,765,623
Cash flow hedges	**774,519**	**-**	2,876,974	-
	774,519	**200,529,843**	2,876,974	182,765,623

48.3.2(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.

48.3.3 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 as at December 31, 2009 since the fair values of the Group's financial instruments are not based on market prices. However, as at December 31, 2008, the Group investments in listed securities which were measured at fair values based on market prices. An increase/(decrease) of 10% in market prices as at December 31, 2008 would have increased/(decreased) profit after taxation by Rs. 20.65 million.

52 BUSINESS COMBINATIONS

52.1 During the year ended December 31, 2008, AGL acquired 100% shares of Hazara Phosphate Fertilizers (Private) Limited from National Fertilizer Corporation of Pakistan (Private) Limited through Privatization Commission of Pakistan for a consideration of Rs. 1,386 million. The effective control was obtained on November 28, 2008. This acquisition has brought about expansion and diversification of the Group's fertilizer business.

	Rupees	***Rupees***
Cost of acquisition		1,385,564,400
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	2,032,717,461	
Long term deposits	1,761,375	
Stores, spares and loose tools	29,975,373	
Stock in trade	276,458,949	
Advances, deposits, prepayments and other receivables	348,816,034	
Current taxation	12,174,316	
Cash and bank balances	28,896,763	
Deferred tax liability	(554,530,443)	
Trade and other payables	(500,484,159)	1,675,785,669
Excess of fair value of net assets acquired over cost of acquisition		290,221,269
Cost of acquisition net of cash acquired		1,356,667,637

52.2 During the year ended December 31, 2008, Azgard Nine Limited acquired 100% shares of Montebello SRL through Farital AB, a holding company incorporated in Sweden, for a consideration of Euro 23.758 million. The effective control was obtained on December 31, 2008. This acquisition has brought about expansion and geographical diversification of the Group's textile and apparel business by providing access to well established marketing network in Europe.

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

	Rupees	Rupees
Cost of acquisition		2,625,026,049
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	22,400,617	
Intangible assets	1,599,973	
Long term deposits	4,590,960	
Stores, spares and loose tools	111,000	
Stock in trade	1,275,657,558	
Advances, deposits, prepayments and other receivables	248,832,662	
Cash and bank balances	3,802,864	
Short term borrowings	(434,540,808)	
Trade and other payables	(415,128,195)	707,326,631
Goodwill		1,917,699,418
Cost of acquisition net of cash acquired		2,621,223,185

53 SEGMENT INFORMATION

The Group has adopted IFRS 8 - Operating Segments with effect from January 01, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocated resources to the segments and to assess their performance. In contrast, the predecessor standard, IAS 14 - Segment Reporting, required identification of two sets of segments; business and geographical, using a risks and returns approach, with a company's systems of internal financial reporting to key management personnel serving only at the starting point for the identification of such segments. Adoption of IFRS 8 has resulted in changes in disclosure and presentation of the Group's segment information. However, there is no change in basis of segmentation and measurement of segment profit or loss, since the Group's segmentation in previous periods was based on management approach to segment reporting.

53.1 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 focussed on type of goods supplied. The Group's reportable segments are therefore as follows:

Segment	Product
Textile and apparel	Denim and other textile and products
Fertilizer	Nitrogenous and phosphatic fetilizers

Information reagrding Group's reportable segments is presented below.

53.2 Segment revenues and results

The following is and analysis of the Group's revenue and results by reportable segment

	Textile and apparel		Fertilizer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Segment revenue	**13,347,978,048**	10,129,923,061	**12,928,284,326**	9,607,500,754
Segment profit	**75,014,627**	322,063,789	**1,462,913,946**	1,075,329,349
	13,422,992,675	10,451,986,850	**14,391,198,272**	10,682,830,103

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year. (2008: Nil).

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

the Accounting policies of the reportable segments are the same as the Group's accunting policies. Segment profit represents profit 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.

53.3 Segment assets and liabilities

	Textile and apparel		Fertilizer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Segment assets	**28,359,923,478**	20,362,483,040	**30,135,165,241**	25,409,233,621
Segment liabilities	**19,745,928,564**	17,449,294,172	**22,937,804,093**	18,343,927,013
	48,105,852,042	37,811,777,212	**53,072,969,334**	43,753,160,634

53.4 Additions to non-current assets

Additions to non-current assets for each reportable segment are as follows:

	Textile and apparel		Fertilizer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Property,plant and equipment	**2,209,535,865**	1,390,615,800	**6,476,474,932**	2,627,101,801
Intangible assets	**520,852**	-	**-**	-
	2,210,056,717	1,390,615,800	**6,476,474,932**	2,627,101,801

53.5 Other segment information

	Textile and apparel		Fertilizer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Depreciation	**575,386,023**	540,255,310	**435,238,379**	378,364,871
Amortization	**29,089,284**	17,606,453	**11,920,980**	-
Interest expense	**2,074,564,359**	2,000,122,456	**2,377,134,041**	2,119,588,192
Interest income	**9,395,148**	1,402,695	**3,672,848**	22,900,868
Income tax (expense)/income	**(118,191,533)**	(102,218,852)	**293,059,194**	(129,818,425)
	2,570,243,281	2,457,168,062	**3,121,025,442**	2,391,035,506

53.6 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		Revenue from external customer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Pakistan	**40,739,816,214**	31,234,235,265	**23,706,895,854**	19,644,461,925
Europe	**1,982,410,735**	61,191,065	**2,569,366,520**	92,961,890
	42,722,226,949	31,295,426,330	**26,276,262,374**	19,737,423,815

Notes to and forming part of Consolidated Financial Statements for the year ended December 31, 2009

54 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2009	2008
Spinning			
Number of rotors installed	*No.*	2,416	2,416
Plant capacity on the basis of utilization converted into 6.5s count	*Kgs*	14,965,001	14,965,001
Actual production converted into 6.5s count	*Kgs*	11,924,619	13,207,174
Number of spindles installed	*No.*	54,408	54,408
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	12,814,834	12,814,834
Actual production converted into 20s count	*Kgs*	10,754,318	12,274,985
Weaving			
Number of looms installed	*No.*	230	166
Annual capacity on the basis of utilization converted into 38 picks	*Mtrs*	40,028,613	29,860,666
Actual production converted into 38 picks	*Mtrs*	26,246,413	25,042,308
Garments			
Number of stitching machines installed	*No.*	2,229	2,229
Annual capacity on the basis of utilization	*Pcs*	10,797,583	10,797,583
Actual production	*Pcs*	8,457,943	7,595,954

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	2009	2008
Urea fertilizer			
Rated capacity on basis of utilization - 330 days (2008: 330 days)	*Metric tonnes*	346,500	346,500
Actual production - 330 days (2008: 330 days)	*Metric tonnes*	383,879	376,098
Production efficiency	*%age*	111	109
Phosphatic fertilizer			
Rated capacity on basis of utilization - 330 days (2008: 34 days)	*Metric tonnes*	81,000	7,200
Actual production - 330 days (2008: 34 days)	*Metric tonnes*	113,819	7,696
Production efficiency	*%age*	141	107

55 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 08, 2010 by the Board of Directors of the Parent Company.

56 GENERAL

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary for the purpose of comparison. Significant reclassifications and their rationale are referred to in relevant notes to the financial statements.

Lahore **CHIEF EXECUTIVE** **DIRECTOR**

Pattern of Shareholding

Ordinary Shares as at December 31, 2009

Number of Shareholders	Shareholding From	To	Total Shares Held
439	1	100	26,245
1256	101	500	452,544
1317	501	1000	1,126,259
2425	1001	5000	6,465,515
658	5001	10000	5,201,013
257	10001	15000	3,305,263
138	15001	20000	2,555,234
108	20001	25000	2,538,197
55	25001	30000	1,570,843
29	30001	35000	960,252
34	35001	40000	1,290,299
21	40001	45000	904,638
57	45001	50000	2,812,185
14	50001	55000	741,034
12	55001	60000	698,013
12	60001	65000	753,240
9	65001	70000	619,862
11	70001	75000	806,973
5	75001	80000	384,894
5	80001	85000	415,948
6	85001	90000	526,928
4	90001	95000	368,256
21	95001	100000	2,096,780
24	100001	125000	2,732,820
21	125001	150000	2,924,351
9	150001	175000	1,473,375
6	175001	200000	1,180,990
5	200001	225000	1,036,439
9	225001	250000	2,177,700
5	250001	275000	1,293,107
3	275001	300000	890,587
2	300001	325000	605,067
1	350001	375000	350,858
2	375001	400000	800,000
3	400001	425000	1,233,171
3	425001	450000	1,298,420
1	450001	475000	457,592
3	475001	500000	1,500,000
2	500001	525000	1,026,748
1	525001	550000	528,024
1	550001	575000	567,101
2	625001	650000	1,274,852
1	675001	700000	692,703
3	725001	750000	2,221,417
2	775001	800000	1,600,000
3	800001	825000	2,422,855
1	950001	975000	950,157
1	975001	1000000	1,000,000
1	1075001	1100000	1,075,953
2	1125001	1150000	2,263,099
1	1200001	1225000	1,208,357
1	1275001	1300000	1,295,000
1	1450001	1475000	1,462,592
2	1475001	1500000	2,992,800
1	1650001	1675000	1,668,000
1	1675001	1700000	1,700,000
1	1900001	1925000	1,908,400
1	2375001	2400000	2,380,260
1	2525001	2550000	2,544,572

Pattern of Shareholding

Ordinary Shares as at December 31, 2009

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	2800001	2825000	2,817,095
1	3000001	3025000	3,013,382
1	3100001	3125000	3,120,000
1	3250001	3275000	3,268,908
1	3425001	3450000	3,436,393
1	4400001	4425000	4,410,000
1	4675001	4700000	4,683,845
3	5000001	5500000	15,949,545
1	6000001	6500000	6,109,205
2	6500001	7000000	13,556,783
3	7500001	8000000	23,456,121
1	8500001	9000000	8,565,424
1	9000001	9500000	9,166,000
1	10500001	11000000	10,840,724
2	13500001	14000000	27,370,000
1	14000001	14500000	14,160,769
1	14500001	15000000	15,000,000
1	16000001	16500000	16,319,600
1	24000001	24500000	24,130,000
1	38000001	38500000	38,460,000
1	59000001	59500000	112,157,863
7047			**449,349,439**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,806	158,453,231	35.26%
Joints Stock Companies	164	148,638,439	33.08%
Financial Institutions	23	62,782,926	13.97%
Investment Companies	9	39,306,682	8.75%
Mutual Funds	27	36,825,342	8.20%
Insurance Companies	7	3,062,817	0.68%
Leasing Companies	2	150,002	0.03%
Modaraba	9	130,000	0.03%
Total	**7,047**	**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		Nil	Nil
NIT and ICP		1	1,608,357
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Mueen Afzal	Chairman	1	1
Mr. Ahmed H. Shaikh	CEO	1	30,622,000
Mr. Aehsum M. H. Shaikh	Director	1	11,248,000
Mr. Khalid A.H. Al-Sagar	Director	1	6,530,118
Chief Justice (R) Mian Mahboob Ahmad	Director	1	1
Mr. Ali Jehangir Siddiqui	Director	1	1
Mr. Ali Hussain	Director	1	1
Executives		Nil	Nil
Public Sector Companies and Corporation		164	148,638,439
Banks, DFIs, NBFI, Insurance Companies		39	105,152,425
Leasing Companies, Modarabas & Mutual Funds		38	37,105,344
Shareholders holdings ten percent or more voting interest of the Company			
Jahangir Siddiqui & Company		1	112,157,863
Detail of trading in shares by the Directors, CEO, CFO, Company Secretary, their Spouses and Minor Children.		-	Nil

Pattern of Shareholding

Preference Shares as at December 31, 2009

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
11	1	100	361
45	101	500	16,721
15	501	1000	13,852
34	1001	5000	89,838
13	5001	10000	99,944
2	1001	15000	24,428
3	15001	20000	58,500
1	20001	25000	22,500
1	25001	30000	26,970
1	35001	40000	35,663
1	40001	45000	43,213
2	50001	55000	103,000
1	55001	60000	59,500
1	70001	75000	71,250
1	75001	80000	75,500
1	90001	95000	92,984
3	95001	100000	300,000
2	125001	150000	271,888
1	150001	175000	162,000
1	175001	200000	200,000
1	775001	800000	799,345
1	875001	900000	900,000
1	1000001	1025000	1,013,863
1	1150001	1175000	1,160,241
1	1275001	1300000	1,286,500
1	2200001	2225000	2,270,125
1	2225001	2250000	2,249,000
1	2625001	2650000	2,625,500
1	2975001	3000000	2,988,577
1	3075001	3100000	3,090,793
1	4075001	4100000	4,091,409
1	4775001	4800000	4,800,000
1	5000001	5500000	5,030,000
1	6500001	7000000	6,512,632
1	25500001	26000000	25,601,986
155			**66,125,083**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	144	28,871,610	43.66%
Insurance Companies	1	1,286,500	1.95%
Joints Stock Companies	3	26,401,831	39.93%
Financial Institutions	5	9,564,111	14.46%
Other	1	1,031	0.00%
Total	**154**	**66,125,083**	**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	Nil	Nil
NIT and ICP	Nil	Nil
Directors, Chief Executive Officer and their spouse and minor children	Nil	Nil
Executives	Nil	Nil
Public Sector Companies and Corporation	3	26,401,831
Banks, DFIs, NBFI, Insurance Companies Leasing Companies, Modarabas & Mutual Funds	7	10,851,642
Shareholders holdings ten percent or more voting interest of the Company		
JS GLOBAL CAPITAL LIMITED	1	25,601,986
Detail of trading in shares by the Directors, CEO, CFO, Company Secretary, their Spouses and Minor Children.	-	Nil

Form of Proxy

Azgard Nine Limited

AZGARD-9

I/We ______________________________

son/daughter of ______________________________

a member/members 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 Friday the April 30, 2010 at 11:00 a.m at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore and at any adjournment thereof.

In witness whereof on this ______________ day of ______________ 2010.

WITNESSES:

1. Signature: ______________

   Name ______________

   Address ______________

   ____

   NIC: ______________

Affix Revenue Stamp

2. Signature: ______________

   Name ______________

   Address ______________

   ____

   NIC: ______________

____

Member's Signature

NOTE:

1. The Form of Proxy should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.
2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national Identity Cards/Passport in original to provide his/her identity, and in case of Proxy, must enclosed an attested copy of his/her NIC 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
Off Shahrah-e-Roomi,
Lahore - 54600