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Company Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Abid Amin

AUDIT COMMITTEE

Mr. Khalid A.H. Al-Sagar
Mr. Aamer Ghais
Mr. Naseer Miyan

HUMAN RESOURCE COMMITTEE

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

LEGAL ADVISOR

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

REGISTERED OFFICE

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

PROJECT LOCATIONS

Textile & Apparel

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

Unit II
Alipur Road, 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 38460333, 38488862

Fertilizer

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

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

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 eighteen months period ended June 30, 2011.

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

Change in financial year

The Company's financial year has been changed from December 31st to June 30th effective January 01, 2010. This has been done with the respective approvals of concerned authorities. The financial statements for the eighteen months period from January 01, 2010 to June 30, 2011 have been prepared consequent upon the above said change of financial year. Thus the comparative figures in Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, and related notes to the financial statements are not entirely comparable to the current period.

Principal Activities

The main business of your Company is the production and marketing of Denim focused Textile and Apparel products, ranging from raw cotton to retail ready goods. During the period under review, Azgard 9 maintained its position as one of the largest Denim Products Company by Sales in Pakistan.

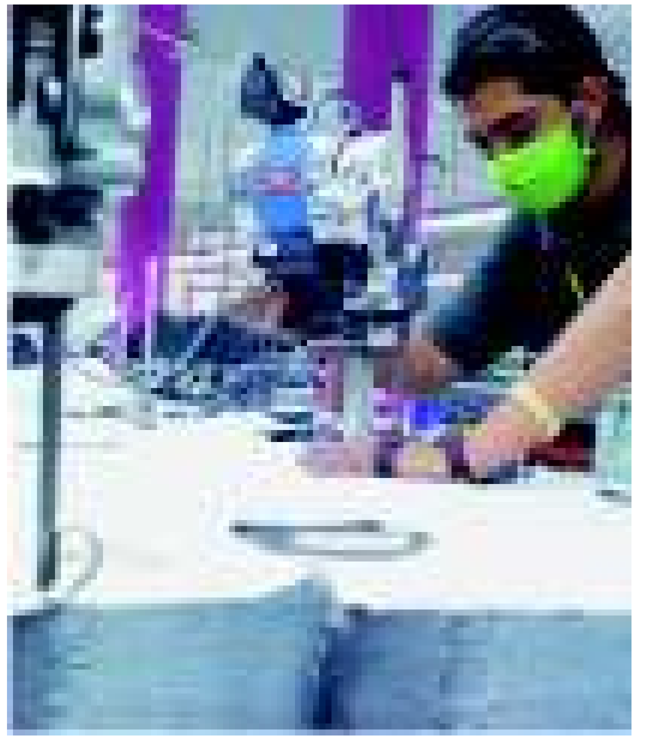
The Company, through its subsidiaries Agritech and HPFL, also carries on the business of manufacturing and marketing of both Nitrogenous and Phosphatic fertilizers.

Period in review: Textiles and Apparel

During the period under review the Company continued to face wide ranging challenges due to the difficult financial, operational and global market conditions carried over from the previous periods. The rampant flood of 2010 increased the cotton prices to extremely high levels in the Country. The availability of good quality cotton was also scarce as most of the cotton growing regions were under flood waters. Bad cotton crop in the US led to worldwide increase in cotton prices in 2010. India imposed ban on exports to protect its downstream value addition industry. Volatile and large scale variations in cotton prices ranging from Rs. 5000 to Rs. 14000 per maund established at inopportune times resulted in high cost at procurement and low margins at selling when the prices declined. To make matters worse, there was a significant delay in the completion of restructuring of financial debt and availability of working capital lines from the financial institutions. These adverse conditions had a compounding effect on the Company as the availability of working capital lines at the right time was not at our disposal. Due to the company's inability to purchase cotton adequately, it was unable to maximize production capacity which subsequently declined to 40% of installed capacity.

Increasing global options available to long standing customers and competitive strategies adopted by other textile manufacturing countries in the region created further pressure on margins at a time when local cost of operations continued to go up steadily due to across the board inflationary pressures. Continued high levels of discounting and finance costs also hampered performance. Massive gas and electric load shedding also increased cost due to higher cost energy alternatives.

The Company faced with a significant financial pressure has implemented major cost cutting measures and is aligning itself with the new realities of the market, by exploring every possible opportunity of reducing its costs base and increasing its value chain efficiencies and improving its value proposition.



Cognizant of the changing industry dynamics and new realities, your company is steadfast on its stated strategic initiatives aimed at enhancing margins by drastically improving operations and affecting across the board cost reductions through consolidations, efficiency in manufacturing and induction of efficient plant and machinery and processes. Complimentary to these efforts is the goal to improve negotiated top line numbers through better product positioning, and enhanced portfolio of services offered to the customers. This is being achieved through a strong focus on developing and fostering a culture of working with the customers closely than ever before to develop highly customized teams in product design, marketing and manufacturing, which will act as an extension of the customer in their supply chain planning. Recently these efforts are beginning to pay off as the Company has been successful in achieving preferred supplier status with some key customers.

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

	Eighteen months ended June 30, 2011	Year ended December 31, 2009
Sales - Net	17,602,765,330	11,779,153,891
Operating Profit	(530,541,156)	2,616,316,454
Finance Cost	(3,998,409,630)	(2,424,424,504)
Profit before Tax	(4,528,950,786)	178,722,895
Profit after Tax	(4,702,240,421)	60,531,362
Earning per share	(10.403)	0.003

Consolidated Results Including Subsidiaries

	Eighteen months ended June 30, 2011	Year ended December 31, 2009
Sales - Net	29,048,101,839	26,340,569,015
Operating Profit	1,410,076,154	6,238,196,425
Finance Cost	(6,849,937,041)	(4,791,419,130)
Profit before Tax	(5,447,816,889)	1,363,060,912
Profit after Tax	(4,264,772,551)	1,537,928,573
Earning per share	(9.441)	3.35

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

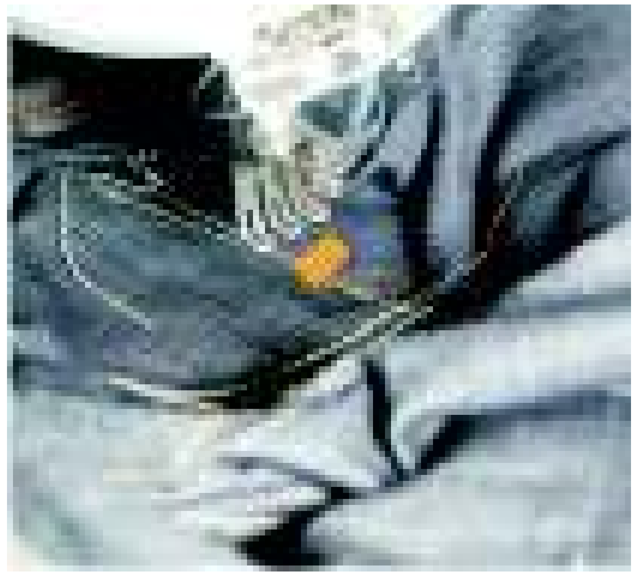
Future Outlook

Uncertainties and long term challenges remain on the horizon in the shape of high interest rates, persisting energy crisis and rising utility costs, volatile cost of cotton, and deteriorating law and order conditions. The expected devaluation of Rupee and ever increasing inflation are the other causes of concern for this sector. In this difficult time, the textile sector expects very effective measures from the Government to protect export businesses of the Country of which textile sector is the biggest contributor.

On the manufacturing front the Company is slowly and surely regaining its footing and starting to rebuild capacity in its critical Apparels Business as efficiently and cost effectively as possible. By June a significant capacity enhancement was achieved and efforts are continuing to scale up operations at the most optimal rate.

Notwithstanding the steady achievement of improvements and successes, the recovery is estimated to be a slow paced one and one which will entail a long term effort to achieve and maintain the position of a truly competitive world class Textiles and Apparel Company.

As part of the strategic initiatives, a wide ranging IT systems implementation plan has been undertaken in all divisions which will allow better management of operations and finances through implementation and monitoring of policies, checks and controls throughout the complex supply chain processes. This period saw the development and deployment of some phases of ERP at various sites including Garments and Spinning division. The ERP is being installed in phases and it is expected to cover all three textile divisions in the future.



As a result of the major financial reprofiling exercise the Company hopes to be able to avert serious repercussions cascading out of the negative situation in the past years and is expected to overcome the near and long term challenges. Steps are being taken to improve the financial health of the Company by major overhauling and consolidation of the Company businesses which will result in a stronger balance sheet with significantly improved debt profile.

Divestment of shareholding in Agritech Limited

During the period, the Company divested 20.13% comprising 79,006,816 ordinary shares held by it in Agritech Limited, through a combination of private placement and public offering, at a price of Rs. 30 per shares, including a premium of Rs. 20 per share. Further, the shareholders of the Company, in the extraordinary general meeting held on July 23, 2010, have approved the divestment of remaining 79.87% shares held in Agritech Limited. Majority of the funds generated through divestment of remaining shares will be utilized towards repayment/prepayment of some of the Company's debts. This process is at an advanced stage of negotiations with the investors.

With the successful restructuring/reprofiling of the Company's debts and proposed divestment of shareholding in Agritech Limited, the management of the Company envisages that sufficient financial resources will be available for the continuing operations of the Company. With positive impact on the finance costs and more effective management of resources and raw material procurement, the company is expected to continue its operations profitably , subject to impact, if any, of uncontrollable external circumstances including volatile raw material costs, power crises and global market conditions.

Period in review: Fertilizer Business

Urea Fertilizer

The period in review was extremely difficult for the fertilizer manufacturing sector in Pakistan as it faced unprecedented and extended gas load shedding and production curtailment on account of measures taken to provide respite to the electric consumers from extended load shedding.

As a consequence of extensive and unplanned natural gas load shedding to the Company, there was a considerable reduction in plant operation days which resulted in a significantly lower production of Urea compared to the previous period. As a consequence, the profit of the Company declined.

SSP Fertilizer

Hazara Phosphate continues to post a strong performance. The management has taken major debottlenecking initiatives, which resulted in current production achievement. The plant is also on track to further increase the capacity of the SSP plant to 162,000 in 2012 at a marginal capital expenditure. Moreover, significant breakthrough has been achieved in replacing imported phosphate rock with local phosphate rock as a key raw material for SSP production, which has consequently enhanced the margins. Going forward, an increased competition due to new capacities coming on line will drive competitive pricing. The Company retains its cost leadership advantage over competitors partly due to local rock usage.

DAP Fertilizer

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

Future Outlook - Fertilizer Business

Despite current problems in natural gas supplies, the fertilizer sector enjoys a positive outlook in Pakistan which is a major consumer of fertilizer with area under cultivation of approximately 23 million HA. The strategic importance of fertilizer usage and its related benefits to the agriculture sector cannot be ignored in the long run. The gas availability issue is a national issue which will be a challenge for the fertilizer industry to manage. However, the strong international Urea prices coupled with Rupee devaluation will make fertilizer imports more expensive and unaffordable for the GOP. Consequently, we expect the gas availability to improve over the next few months.

International Phosphate market currently shows a strong upwards trend , supporting the local SSP pricing and margins. Hazara Phosphate is expected to deliver a staggering performance in the year 2012 on the back of lowest cost technology, strong pricing and premium brand positioning.

Debt Re-profiling of Agritech

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

In lieu of the prevailing situation, the Company again decided to undergo restructuring of its entire debt and initiated the process in early 2011. The Company requested banks and financial institutions for a second round of restructuring. Lenders understood the situation, showed confidence in the business and management, and approved the restructuring. The terms of these supplemental agreements are effective from July 31, 2011. As part of restructuring, overdue markup of approximately PKR 3,200 million is also being converted into Preference Shares / Term Finance Certificates. In this regard, investors have provided their consent and the Company is in the process of making final arrangements for the same. This restructuring will help the Company to smoothen out its operations, which in turn will improve its financial health and allow the Company to service its debts on a timely basis.

Loss per share

The loss per share for the Company for the period ended June 30, 2011 was Rs. 10.403 per share.

Dividend

Due to circumstances already discussed the Board of Directors does not recommend dividend for the 18 months ended June 30, 2011.

Corporate governance & financial reporting framework

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

- The financial statements prepared by the management of the Company present accurate state of Company's operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- The Board is satisfied that the Company is performing well as going concern under the Code of Corporate Governance.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding as on June 30, 2011 except for those disclosed in the financial statements.
- The value of provident fund investments as at June 30, 2011 was Rs. 17.8 million.
- No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial period to which this balance sheet relates and the date of the Director's Report.

Board of directors

The Board comprises two non executive Directors and five Executive Directors (including the Chief Executive Officer). The Non Executive Directors bring to the Company their vast experience of business 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, six meetings of the Board of Directors held and the attendance by each director is as follows:

Name of Director	*Eligibility* *	*Attended*
Mr. Mueen Afzal	6	4
Mr. Ahmed H. Shaikh	6	6
Mr. Aehsun M.H. Shaikh	6	6
Mr. Ahmed Jaudet Bilal	3	2
Mr. Irfan Nazir Ahmed	6	6
Mr. Usman Rasheed	4	3
Mr. Aamer Ghias	4	4
Mr. Khalid A.H Al-Sagar	6	3
Chief Justic (R) Mian Mahboob Ahmad	1	1

* Held during the period the concerned Director was a member of the Board.

Consolidated financial statements

Consolidated financial statements of the Company together with its subsidiary companies Farital A.B, Montebello S.r.l, Agritech Limited and Hazara Phosphate Fertilizers (Private) Limited are also included.

Events after the reporting period (if any)

Auditor's observations

In context of the liquidity and other issue emphasized upon by the auditors in there opinion and as already stated, the Company envisages that, with the successful restructuring of debts, propose divestment of shareholding in Agritech Limited, Sufficient financial resource will be available for the continues operations of the Company.

With positive impact on the finance cost and more effective management resources and raw material procurement, the Company is expected to continue its operations profitably, subject to impact, of an, of uncontrollable external circumstances including volatile raw material costs, power crisis and globe market conditions.

Appointment of Auditors

Messrs Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, member firm of Russell Bedford International, a reputable Chartered Accountants firm completed its tenure of Appointment with the Company and being eligible has offered its services for another term.

Audit committee

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

Internal audit function

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

Shareholding pattern

The shareholding pattern as at June 30, 2011 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.

On behalf of the Board of Directors

Chief Executive Officer

October 10, 2011

Financial Highlights

Six years at a glance

Azgard Nine Limited	Eighteen months ended June 30, 2011	Year ended December 31				
		2009	2008	2007	2006	2005
Operating performance (Rs. 000)						
Sales-Net	17,602,765	11,737,857	10,113,499	6,628,342	4,889,682	4,422,472
Export Sales-Gross	14,469,060	10,017,267	8,222,024	5,430,603	4,128,679	3,832,201
Local Sales-Gross	2,859,903	1,725,461	1,966,476	1,262,415	817,706	791,645
Gross profit	180,213	3,191,493	3,453,276	2,007,353	1,186,320	1,133,686
Operating profit	(530,541)	2,616,317	3,622,166	2,240,007	1,916,487	1,107,156
Profit before tax	(4,528,951)	178,723	999,503	1,151,460	1,260,084	792,137
Profit after tax	(4,702,240)	60,531	897,284	1,079,453	1,144,514	741,294
EBITDA	122,253	3,214,070	4,178,278	2,792,791	2,178,423	1,411,716
Financial position (Rs. 000)						
Total Equity	10,269,064	14,500,553	10,125,083	9,720,054	9,174,168	3,093,102
Surplus on revaluation of property, plant and equipment	3,724,870	3,969,152	219,356	239,073	257,360	278,944
Long term debt	8,468,567	7,080,736	8,189,851	8,460,143	6,245,842	3,152,187
Property, plant and equipment	13,835,133	14,054,500	8,653,622	7,811,638	7,122,546	5,572,699
Financial analysis						
Current ratio (times) *	1.48	0.82	1.25	1.79	1.21	1.21
Debt to equity (ratio)	38:62	33:67	45:55	47:53	41:59	50:50
Profitability analysis						
EBITDA to Sales (%)	0.69	27.38	41.31	42.13	44.55	31.92
Operating profit to sales (%)	(3.01)	22.29	35.82	33.79	39.19	25.03
Earnings per share (Rs.)	(10.403)	0.003	2.650	3.260	4.970	7.420

*(excluding current portion of long term debt)

Consolidated	Eighteen months ended June 30, 2011	Year ended December 31				
		2009	2008	2007	2006	2005
Operating performance (Rs. 000)						
Sales-Net	29,048,102	26,276,262		12,308,605	6,504,962	4,460,828
Export Sales-Gross	13,296,159	11,751,841	8,238,448	5,432,454	4,131,916	3,870,557
Local Sales-Gross	15,889,321	14,680,850	11,724,806	7,492,457	2,492,848	791,644
Gross profit	3,686,308	8,293,405	6,675,682	4,574,384	1,892,804	1,138,480
Operating profit	1,410,076	6,238,196	6,013,480	4,143,801	1,409,305	1,105,088
Profit before tax	(5,447,817)	1,363,061	1,629,430	1,916,324	213,982	790,069
Profit after tax	(4,264,773)	1,537,929	1,397,393	1,453,448	155,524	739,212
EBITDA	4,877,359	7,289,830	6,949,771	4,889,886	1,960,805	1,409,902
Financial position (Rs. 000)						
Total Equity	7,243,546	11,842,203	9,759,139	9,329,302	7,952,063	3,093,775
Surplus on revaluation of property, plant and equipment	7,003,958	3,969,152	219,356	239,073	257,361	278,943
Long term debt	26,561,610	20,127,565	21,040,014	11,459,503	12,740,294	3,152,187
Property, plant and equipment	50,168,926	37,077,131	25,631,529	20,483,035	20,013,878	5,594,458
Financial analysis						
Current ratio (times) *	0.60	0.98	0.98	1.19	0.83	1.20
Debt to equity (ratio)	65:35	63:37	68:32	55:45	62:38	50:50
Profitability analysis						
EBITDA to Sales (%)	16.79	27.74	35.21	39.73	30.14	31.61
Operating profit to sales (%)	4.85	23.74	30.47	33.67	21.67	24.77
Earnings per share (Rs.)	(9.441)	4.220	4.220	4.460	0.440	7.400

*(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 eighteen months ended June 30, 2011

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 three (3) 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 a NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. All casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.

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 terms 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 period 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 period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

17. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The term of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

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

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

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

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

Chief Executive

October 10, 2011
LAHORE

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

4-B, 90 Canal Park,
Gulberg II,
Lahore.

T: +92 42 35756440, 35757022
F: +92 42 35757359
E: wisemen@wol.net.pk
W: www.russellbedford.com

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 eighteen months period ended June 30, 2011.

Rahman Sarfaraz Rahim Iqbal Rafiq

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

Date: *OCTOBER 10, 2011*
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 accountancy firms and consultants with affiliated offices worldwide.

Notice of Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of AZGARD NINE LIMITED (the "Company") will be held on October 31, 2011 at 11:00 A.M at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-e-Roomi, Lahore to transact the following business:

1. To confirm the minutes of the last EOGM held on July 23, 2010.
2. To receive, consider and adopt the financial statements for the period ended June 30, 2011 (18 months) together with Directors' and Auditors' Reports thereon;
3. To consider re-appointment of M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as external auditors for the financial year ending June 30, 2012 and to fix their remuneration, as per the recommendation of the Board.
4. To consider any other business that may be placed before the members with the permission of the chair.

By order of the Board

October 10, 2011
LAHORE

(Muhammad Ijaz Haider)
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 25, 2011 to October 31, 2011 (both days inclusive).
2. 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.
3. 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.
4. In case 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 along with the form of proxy. Representative of corporate members should bring the usual documents required for such purpose.
5. 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 June 30, 2011 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 eighteen months period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion-

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

   ii. the expenditure incurred during the period was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the period 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 June 30, 2011 and of the loss, other comprehensive income, its cash flows and changes in equity for the eighteen months period 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.

Without qualifying our opinion, we draw attention to note 3.2 to the financial statements pertaining to the Company's business operations, restructuring of financial and debt liabilities and other measures taken for meeting its obligations and other requirements including proposed divestment of its interests in Agritech Limited, a subsidiary of the Company.

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

Date: *OCTOBER 10, 2011*
Place: *LAHORE*

Balance Sheet
as at June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
1,500,000,000 ordinary and preference shares of Rs. 10 each	6.1	15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital	6.2	[illegible]	[illegible]
Reserves	7	[illegible]	[illegible]
Accumulated (losses)/profit		[illegible]	[illegible]
		[illegible]	[illegible]
Surplus on revaluation of property, plant and equipment	8	[illegible]	[illegible]
Non-current liabilities			
Redeemable capital - *Secured*	9	[illegible]	[illegible]
Long term finances - *Secured*	10	[illegible]	[illegible]
Liabilities against assets subject to finance lease - *Secured*	11	[illegible]	[illegible]
Derivative financial liabilities	12	-	-
		[illegible]	[illegible]
Current liabilities			
Current portion of non-current liabilities	13	[illegible]	[illegible]
Short term borrowings	14	[illegible]	[illegible]
Trade and other payables	15	[illegible]	[illegible]
Due to related party - *Unsecured*	16	[illegible]	[illegible]
Accrued interest/mark-up	17	[illegible]	[illegible]
Dividend payable	18	[illegible]	[illegible]
		[illegible]	[illegible]
Contingencies and commitments	19	-	-
		[illegible]	[illegible]

The annexed notes 1 to [illegible] form an integral part of these financial statements.

Lahore

CHIEF EXECUTIVE

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	20	[illegible]	[illegible]
Intangible assets	21	[illegible]	[illegible]
Long term investments	22	[illegible]	[illegible]
Derivative financial assets	23	-	[illegible]
Long term deposits - *Unsecured, considered good*	24	[illegible]	[illegible]
		[illegible]	[illegible]
Current assets			
Stores, spares and loose tools	25	[illegible]	[illegible]
Stock in trade	26	[illegible]	[illegible]
Trade receivables	27	[illegible]	[illegible]
Advances, deposits, prepayments and other receivables	28	[illegible]	[illegible]
Short term investments	22	[illegible]	[illegible]
Current taxation	29	[illegible]	[illegible]
Cash and bank balances	30	[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

DIRECTOR

Profit and Loss Account
for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
Turnover - Net	30	[illegible]	[illegible]
Cost of sales	32	[illegible]	[illegible]
Gross profit		[illegible]	[illegible]
Selling and distribution expenses	33	[illegible]	[illegible]
Administrative and general expenses	34	[illegible]	[illegible]
Net other income	35	[illegible]	[illegible]
Operating (loss)/profit		[illegible]	[illegible]
Finance cost	36	[illegible]	[illegible]
Other charges	37	-	[illegible]
(Loss)/profit before taxation		[illegible]	[illegible]
Taxation	38	[illegible]	[illegible]
(Loss)/profit after taxation		[illegible]	[illegible]
(Loss)/earnings per share - Basic and diluted	39	[illegible]	[illegible]

The annexed notes 1 to 50 form an integral part of these financial statements.

Lahore — CHIEF EXECUTIVE — DIRECTOR

Statement of Other Comprehensive Income
for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
Changes in fair value of cash flow hedges	7	[illegible]	[illegible]
Changes in fair value of available for sale financial assets	7	[illegible]	[illegible]
Incremental depreciation	8	[illegible]	[illegible]
Other comprehensive income before taxation		[illegible]	[illegible]
Taxation		-	-
Other comprehensive income before taxation		[illegible]	[illegible]
(Loss)/profit after taxation		[illegible]	[illegible]
Total comprehensive (loss)/income		[illegible]	[illegible]

The annexed notes 1 to 50 form an integral part of these financial statements.

Lahore — CHIEF EXECUTIVE — DIRECTOR

Cash Flow Statement
for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	47	538,662,561	1,435,417,625
Payments for:			
Interest/markup		(1,356,497,467)	(1,963,308,383)
Taxes paid		(178,955,940)	(125,005,838)
Net cash used in operating activities		(996,790,846)	(1,652,656,596)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(887,482,379)	(1,066,764,481)
Proceeds from disposal of property, plant and equipment		47,563,650	2,000,870
Proceeds from sale of investments - net of transaction costs		2,149,952,628	201,102,027
Return on investments		-	201,720,904
Redemption of investment in debt securities		-	360,000
Net cash flows from/(used in) investing activities		1,310,028,495	(1,699,659,582)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale and lease back		-	50,579,060
Borrowings from related party		(820,000,445)	918,780,000
Proceeds from issue of ordinary shares		-	1,000,250,252
Redemption of term finance certificates		(3,580,000)	(397,013,546)
Repayment of long term finances		(54,154,092)	(889,843,750)
Repayment of liabilities against assets subject to finance lease		(36,036,352)	(25,047,838)
Transaction costs on borrowings		(422,586,709)	-
Net increase in short term borrowings		799,286,877	2,337,253,260
Redemption of preference shares		(86,734,695)	-
Dividend paid		(50,445,862)	(14,424,849)
Net cash (used in)/inflows from financing activities		(391,355,368)	2,974,387,262
Unrealised exchange gain on cash and cash equivalents		24,402	-
Net (decrease)/increase in cash and cash equivalents		(38,087,435)	622,271,584
Cash and cash equivalents as at beginning of the period		284,345,114	62,073,610
Cash and cash equivalents as at end of the period	48	246,257,679	284,345,114

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

Lahore CHIEF EXECUTIVE DIRECTOR

Statement of Changes in Equity
for the eighteen months ended Jun 30, 2011

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

Lahore CHIEF EXECUTIVE DIRECTOR

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

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. The Company has three production units with Unit I located at 2.5 K.M. off Manga, Raiwind Road, District Kasur, Unit II at 20 K.M. off Ferozpur Road, 6 K.M. Rohi Nala, Der Khud, Lahore and Unit III at Alipur Road, Muzaffargarh.

2 CHANGE IN ACCOUNTING PERIOD

The Company was accorded approval by the relevant authorities to adopt the financial year to be from July 1st to June 30th in line with that of the textile industry and also obtained approvals from regulatory authorities to prepare financial statements exceeding twelve months, and, accordingly these financial statements have been prepared for eighteen months ended June 30, 2011. The corresponding figures shown in these financial statements pertain to the audited financial statements for the year ended December 31, 2009 and therefore, are not entirely comparable in respect of profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity.

3 BASIS OF PREPARATION

3.1 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.

3.2 Financial Liabilities and Business Operations

The Company is yet to emerge from the negative effects of liquidity crises arising out of worldwide and nationwide recessionary trends and other economic conditions in the current and previous periods. Difficult financial, operational and global market conditions continued to prevail for the major part of the period. Due to unavailability of adequate working capital finances, the Company was not able to make timely purchases of raw material and had to procure raw material at higher prices, resulting in substantial increase in cost of sales. Massive and continuing power crises forced the company to opt for higher cost energy alternatives that further increased the cost of production. Increasing interest rates resulted in high finance costs which also added significant financial pressure on the Company.

Due to the above circumstances, the Company was unable to meet its obligations in respect of various short and long term debt finances.

The Company has taken the following measures in this context for the management of liquid resources and for continuing profitable operations of the Company.

Restructuring of debts

As mentioned in note 9, 10 and 14, the Company has entered into restructuring agreement with providers of debt finances, whereby various short term and long term debts aggregating to Rs. 8,467.18 million have been restructured and the Company has been allowed grace periods of upto two years.

The restructuring of financial liabilities has facilitated the rationalisation of the same in accordance with the debt absorption capacity of the Company and further ensuring more effective and efficient management of financial resources of the Company and availability of sufficient resources for the continuing profitable operations of the Company. The management of the Company also envisages to resolve and meet its obligations including overdue debt finances as referred to in note 45.2.2.

Divestment of shareholding in Agritech Limited

As mentioned in note 21.1.3, the Company, during the period, divested 28.43% comprising 79,006,866 ordinary shares held in Agritech Limited, through a combination of private placement and public offering, at a price of Rs. 30 per share, including premium of Rs. 20 per share. Further, the shareholders of the Company, in the extraordinary general meeting held on July 23, 2010, have approved the divestment of remaining 76.87% shares held in Agritech Limited. The Company is in negotiations with potential buyers, a consortium of investors including banks. Negotiations are in the final stages and agreements in this context are expected to be concluded before the end of 2011. Majority of the funds generated through divestment of remaining shares will be utilized towards repayment/prepayment of some of the Company's debts including the current overdues.

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

Business operations

The Company has implemented major cost cutting measures in order to align itself with the new realities of the market, by exploring every possible opportunity of reducing its cost base and increasing its value chain efficiencies and proportion. With the successful restructuring of the Company's debts, proposed divestment of shareholding in Agritech Limited, the management of the Company envisages that sufficient financial resources will be available for the continuing operations of the Company. With positive impact on the finance costs and more effective management of resources and raw material procurement, the Company is expected to continue its operations profitably, subject to impact, if any, of uncontrollable external circumstances including volatile raw material costs, power crises and global market conditions.

3.3 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.

3.4 Judgments, estimates and assumptions

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

3.4.1 *Depreciation method, rates and useful lives of property, plant and equipment*

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.

3.4.2 *Recoverable amount and impairment*

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

3.4.3 *Fair values based on inputs from other than active market*

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

3.4.4 *Taxation*

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

3.4.5 *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.

3.4.6 *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.

3.5 Functional currency

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

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 **Property, plant and equipment**

4.1.1 **Operating fixed assets**

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

Major renewals and improvements to operating fixed assets 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 operating fixed assets 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 operating fixed asset using rates specified in note 20.1 to the financial statements. Depreciation on additions to operating fixed assets 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 operating fixed asset is derecognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

4.1.2 ***Capital work in progress***

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

4.2 **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 reporting period, through statement of other comprehensive income.

4.3 **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.

4.4 **Software**

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

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

4.5 **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.

4.6 **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.

4.7 **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 cost 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.

4.8 **Employee benefits**

4.8.1 **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.

4.8.2 **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.

4.9 **Financial instruments**

4.9.1 **Recognition**

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

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

4.9.2 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.

4.9.2(a) 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.

4.9.2(b) 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.

4.9.2(c) Financial liabilities at amortised cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortised 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.

4.9.2(d) 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 recognised 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 recognised in profit or loss. Where derivatives are designated hedging instruments the method of recognising 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 recognised assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised 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 recognised 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 recognised in equity to the extent hedge is effective. The gain or loss relating to the ineffective portion is recognised in profit or loss.

4.9.3 De-recognition

Financial assets are de-recognised 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-recognised 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 recognised in profit or loss.

4.9.4 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 recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

4.10 Ordinary share capital

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

4.11 Preference share capital

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

4.12 Redeemable capital

Redeemable capital, including embedded equity component existing due to conversion options, if any, is recognised 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.

4.13 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 recognised in other comprehensive income until the investment is derecognised or impaired. Gains and losses on de-recognition and impairment losses are recognised in profit or loss.

4.14 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 amortised cost, with any difference between cost and value at maturity recognised in the profit or loss over the period of the investment on an effective interest basis.

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

4.15 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortised 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 amortised cost with any difference between cost and value at maturity recognised in the profit or loss over the period of the borrowings on an effective interest basis.

4.16 Finance leases

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

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

4.17 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.

4.18 Trade and other payables

4.18.1 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.

4.18.2 Non-financial liabilities

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

4.19 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.

4.20 Trade and other receivables

4.20.1 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.

4.20.2 Non-financial assets

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

4.21 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 right to receive payment is established.

Interest income is recognized using effective interest method.

4.22 Comprehensive income

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

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

4.23 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.

4.24 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.

4.25 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.

4.25.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year 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.

4.25.2 Deferred taxation

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

4.26 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 period.

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.

4.27 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.

4.28 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.

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

4.29 Impairment

4.29.1 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 amortised 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 recognised 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 recognised. 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 amortisation, if no impairment loss had been recognised.

4.29.2 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.

An impairment loss is recognised if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised 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 recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determining the recoverable amount. An impairment loss is reversed only to the 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 amortisation, if no impairment loss had been recognised.

4.30 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognised 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 period in which the dividends are approved by the Company's.

4.31 Dividend to preference shareholders

Dividend distribution to the preference shareholders is recognised 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.

5. NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO

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

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current period however, these do not affect financial statements of the Company for current period or any period. The effect, if any, on future periods, is impracticable to determine.

Standards, interpretations and amendments	Description
IFRS 1 - First-time Adoption of International Financial Reporting Standards *(Amendments)*	The amendments provide certain exemptions to first-time adopters of International Financial Reporting Standards.
IFRS 2 - *Share-based Payments (Amendments)*	The standard was amended to provide additional guidance on the accounting for share-based payment transactions among group entities.
IFRS 3 - *Business Combinations (Amendments)*	The amendments provide guidance on measurement of non-controlling interests and on measurement of un-replaced and voluntary replaced share-based payment awards and transitional requirements for contingent consideration from a business combination.
IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations (Amendments)*	The amendments provide clarification regarding scope of the standard.
IFRS 8 - *Operating Segments (Amendments)*	The amendments clarify requirements regarding disclosure of segment assets.
IAS 1 - *Presentation of Financial Statements (Amendments)*	The amendments provide guidance on current/non-current classification of convertible instruments.
IAS 7 - *Statement of Cash Flows (Amendments)*	The standard was amended to provide guidance on recognition of certain expenditures as investing activities.
IAS 17 - *Leases (Amendments)*	The amendments have removed guidance regarding classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification.
IAS 32 - *Financial Instruments: Presentation (Amendments)*	The amendments provide guidance on classification of right issues.
IAS 36 - *Impairment of Assets (Amendments)*	The amendments provide guidance on identification of unit of accounting for goodwill impairment test.
IAS 38 - *Intangible Assets (Amendments)*	The amendments clarify requirements regarding accounting for intangible assets acquired in a business combination.
IAS 39 - *Financial Instruments: Recognition and Measurement (Amendments)*	The amendments provide clarification regarding treatment of loan prepayment penalties and recognition of gains or losses on certain hedging instruments.
IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments*	The interpretation provides guidance on accounting for debt for equity swaps.

5.2 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 7 - *Financial Instruments: Disclosures (Amendments)*	The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRS 7 - *Financial Instruments: Disclosures (Amendments)*	The amendments provide enhanced disclosure requirements pertaining to derecognition of financial assets. The amendment is effective for annual periods beginning on or after July 01, 2011.
IFRS 9 - *Financial Instruments: Classification and Measurement*	The standard introduces new requirements for the classification and measurement of financial instruments, and replaces relevant requirements in IAS 39 - *Financial Instruments: Recognition and Measurement*. The standard is effective for annual periods beginning on or after January 01, 2013.

Notes to and forming part of Financial Statements
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Standards, interpretations and amendments	Description
IFRS 10 - Consolidated Financial Statements	The standard replaces those parts of IAS 27 – Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 11 - Joint Arrangements	The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 12 - Disclosure of Interests in Other Entities	The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 13 - Fair Value Measurement	The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.
IAS 1 - Presentation of Financial Statements (Amendments)	The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.
IAS 12 - Income Taxes	The amendments provide exception to the general principal of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.
IAS 24 - Related Party Disclosures (Revised 2009)	The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.
IAS 34 - Interim Financial Reporting (Amendments)	The amendments provide clarification about significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 13 - Customer Loyalty Programmes (Amendments)	The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognised as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
6. SHARE CAPITAL			
6.1 Authorised share capital			
Ordinary shares of Rs. 10 each			
900,000,000 voting shares		9,000,000,000	9,000,000,000
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 non-voting shares		3,000,000,000	3,000,000,000
		15,000,000,000	15,000,000,000
6.2 Issued, subscribed and paid-up capital			
Voting ordinary shares of Rs. 10 each			
[illegible] shares issued for cash	6.3	[illegible]	[illegible]
62,548,640 shares issued as bonus shares	6.3.1	[illegible]	[illegible]
[illegible] shares issued as consideration for machinery		[illegible]	[illegible]
[illegible] shares issued as consideration on merger		[illegible]	[illegible]
		[illegible]	[illegible]
Non-voting ordinary shares of Rs. 10 each			
[illegible] shares issued for cash	6.4	[illegible]	[illegible]
[illegible] shares issued as bonus shares	6.3.1	[illegible]	[illegible]
		[illegible]	[illegible]
Preference shares of Rs. 10 each			
Nil (December 31, 2009: [illegible]) shares issued for cash	6.5, 6.6	-	[illegible]
		[illegible]	[illegible]

	Note	June 30, 2011	December 31, 2009
		No. of shares	No. of shares
6.3 Movement in number of voting ordinary shares in issue			
As at beginning of the period		[illegible]	[illegible]
Issue of bonus shares	6.3.1	-	62,548,640
Issue of right shares	6.3.2	-	[illegible]
As at end of the period		[illegible]	[illegible]

6.3.1 During the year ended December 31, 2009, the Company increased its paid-up ordinary share capital through issue of bonus shares at 20 ordinary shares for every 100 ordinary shares held.

6.3.2 During the year ended December 31, 2009, the Company increased its paid-up ordinary share capital through issue of right shares at [illegible] ordinary shares for every 100 ordinary shares held.

	Note	June 30, 2011	December 31, 2009
		No. of shares	No. of shares
6.4 Movement in number of non-voting ordinary shares in issue			
As at beginning of the period		[illegible]	[illegible]
Issue of bonus shares	6.3.1	-	[illegible]
Issue of right shares	6.3.2	-	[illegible]
As at end of the period		[illegible]	[illegible]

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

	Note	June 30, 2011 No. of shares	December 31, 2009 No. of shares
6.5 Movement in number of preference shares in issue			
As at beginning of the period		55,962,518	66,125,683
Shares with redemption due presented under current liabilities	6.6 & 13	(55,962,518)	(10,163,165)
As at end of the period		-	55,962,518

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

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

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

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

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

	Total amount due Rupees	Redemption upto June 30, 2011 Rupees	Redemption upto December 31, 2009 Rupees	Overdue as at June 30, 2011 Rupees	Overdue as at December 31, 2009 Rupees
First redemption	330,625,650	86,734,895	-	243,890,755	330,625,650
Second redemption	330,625,100	-	-	330,625,100	-
	[illegible]	[illegible]	-	[illegible]	[illegible]

Previously, when the first redemption went overdue, the Company and preference shareholders had agreed in principal that these shares were to be redeemed out of a fresh issue of term finance certificates and the same was expected to be completed in April 2010. However, in context of the overall restructuring, the matter was deferred till all other matters with banks were settled. Following the successful debt restructuring of the Company, the management has recommenced negotiations regarding this issue, including settlement of second redemption, and, the same is expected to be settled soon. Also refer to note 15.1, 15.5 and 15.3.2.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
7 RESERVES			
Capital reserves			
Share premium	7.1	2,358,246,761	2,358,246,761
Merger reserve	7.2	105,152,005	105,152,005
Preference shares redemption reserve	7.3	[illegible]	625,500,000
		3,[illegible]	3,088,898,766
Cash flow hedges	7.4	[illegible]	[illegible]
Available for sale financial assets	7.5	[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

7.1 Share premium

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

7.2 Reserve on merger

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

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

7.3 Preference shares redemption reserve

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

7.4 Cash flow hedges

The Company has entered into cross currency / interest rate swap contracts with various banking companies to hedge the possible adverse movement 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".

7.5 Available for sale financial assets

This represents accumulated changes in fair value of investments classified as available for sale financial assets.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
As at beginning of the period		3,969,452,268	249,306,257
Surplus arising during the period		-	3,769,542,702
Incremental depreciation recognized in other comprehensive income		(244,282,408)	(49,796,691)
As at end of the period		3,724,[illegible]	3,969,452,268

8.1 For basis of revaluation, refer to note 20.1.5.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
9 REDEEMABLE CAPITAL - SECURED			
Term Finance Certificates - I	9.1	1,498,[illegible]	1,498,[illegible]
Term Finance Certificates - II	9.2	2,000,000,000	2,000,000,000
Term Finance Certificates - III	9.3	821,[illegible]	-
		4,[illegible]	3,[illegible]
Transaction costs	9.4	([illegible])	([illegible])
		[illegible]	[illegible]
Current maturity presented under current liabilities		([illegible])	([illegible])
		[illegible]	[illegible]

9.1 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 299,750 certificates of Rs. 5,000 each. In context of the overall debt restructuring, the issue was restructured with effect from March 20, 2010. The terms and conditions of issue and redemption, before and after the restructuring are as follows:

Before restructuring	After restructuring
Principal redemption	**Principal redemption**
The principal redemption was originally structured to be in ten stepped-up semi-annual installments starting from March 2008.	Post restructuring, the outstanding principal redemption is structured to be in twelve semi-annual installments starting from March 2012, with first eight installments of Rs. 88.046 million each and remaining four installments of Rs. 198.57 million each.

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

Before restructuring	After restructuring
Pricing	**Pricing**
The issue originally carried return at six months KIBOR plus 2.4% per annum, payable semi-annually.	The restructured issue carries return, payable semi-annually, at the following stepped-up rates for the tenor of issue: Calendar years 2010-2011 — Six months KIBOR plus 1.00% Calendar years 2012-2015 — Six months KIBOR plus 1.25% Calendar years 2016 onwards — Six months KIBOR plus 1.75%
Trustee	**Trustee**
First Dawood Investment Bank Limited was originally appointed as trustee for the issue under a trust deed, with power to enforce the Company's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.	Post restructuring, Faysal Bank Limited has appointed been as trustee under a trust deed, with power to enforce the Company's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.
Security	**Security**
The issue was originally secured by charge over present and future operating fixed assets of the Company.	Post restructuring, the issue is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantee.

As at June 30, 2011, interest/mark-up payments of Rs. 201.52 million are overdue. Refer note 45.2.2 for details.

9.2 These have been issued by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. In context of the overall debt restructuring, the issue was restructured with effect from June 04, 2010. The terms and conditions of issue and redemption, before and after the restructuring are as follows:

Before restructuring	After restructuring
Principal redemption	**Principal redemption**
The principal redemption was originally structured to be in ten equal semi-annual installments starting from June 2010.	Post restructuring, the outstanding principal redemption is structured to be in twelve semi-annual installments starting from June 2012, with first eight installments of Rs. 148.75 million each and remaining four installments of Rs. 310.95 million each.
Pricing	**Pricing**
The issue originally carried return at six months KIBOR plus 1.25% per annum, payable semi-annually.	The restructured issue carries return, payable semi-annually, at the following stepped-up rates for the tenor of issue: Calendar years 2010-2011 — Six months KIBOR plus 1.00% Calendar years 2012-2015 — Six months KIBOR plus 1.25% Calendar years 2016 onwards — Six months KIBOR plus 1.75%
Trustee	**Trustee**
Pak Brunei Investment Company was originally appointed as trustee for the issue under a trust deed, with power to enforce the Company's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.	Post restructuring, Pak Brunei Investment Company remains trustee of the issue, with power to enforce the Company's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.
Security	**Security**
The issue was originally secured by charge over present and future operating fixed assets of the Company.	Post restructuring, the issue is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantee.

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

As at June 30, 2011, principal redemption of Rs. 260,000 and interest/mark-up payments of Rs. 515 million are overdue. Refer note 45.2.2 for details.

9.3 These have been issued for repayment/redemption of various short term borrowings as part of the overall debt restructuring. The total issue comprises of 165,000 certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption is structured to be in eight quarterly installments starting from August 2014 with first four installments of Rs. 67.045 million each and remaining four installments of Rs. 69.795 million each, after two token redemptions of Rs. 1.65 million each and one lump sum redemption of Rs. 271.26 million during the year immediately preceding August 2014.

Pricing

The restructured issue carries return, payable quarterly, at following stepped-up rates for the tenor of issue.

Upto May 18, 2011	Twelve months KIBOR plus 1.00%
May 19, 2011 - November 18, 2014	Three months KIBOR plus 1.00%
November 19, 2014 - May 18, 2015	Three months KIBOR plus 1.25%

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

Security

The issue is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantee.

As at June 30, 2011, principal redemption of Rs. 275.08 million and interest/mark-up payments of Rs. 112.60 million are overdue. Refer note 45.2.2 for details.

		Note	June 30, 2011 Rupees	December 31, 2009 Rupees
9.4	**Transaction costs**			
	As at beginning of the year		24,035,025	34,497,506
	Incurred during the year		71,192,954	-
	Amortised during the year	36	(13,028,010)	(9,762,482)
	As at end of the year		[illegible]	24,035,025

10 LONG TERM FINANCES - SECURED

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

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
United Bank Limited	10.1	75,000,000	75,000,000
Citi Bank N.A (Bahrain)	10.2	-	368,014,500
National Bank of Pakistan	10.3	1,000,000,000	1,000,000,000
Deutsche Investitions - Und Mbh (Germany)	10.4	1,388,115,402	1,455,200,000
Saudi Pak Industrial and Agricultural Company Limited	10.5	100,000,000	100,000,000
Citi Bank N.A	10.6	567,539,466	-
HSBC Bank (Middle East) Limited	10.7	272,615,408	-
	10.8	3,403,270,276	2,997,914,500
Transaction costs		(83,430,609)	-
		3,319,839,667	2,997,914,500
Current maturity presented under current liabilities	10.6 & 13	(109,500,000)	(1,445,700,000)
		3,210,339,667	1,552,214,500

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18.1 The finance has been obtained from United Bank Limited for import of plant and machinery. In context of the overall restructuring, the finance was restructured with effect from January 08, 2010. The terms and conditions, before and after the restructuring, are as follows:

Before restructuring	After restructuring
Principal repayment	**Principal repayment**
The principal repayment was originally structured to be in eight equal semi-annual installments of Rs. 25 million each starting from December 2006.	Post restructuring, the outstanding principal repayment is structured to be in twelve semi-annual installments starting from June 2012, with first eight installments of Rs. 6.575 million each and remaining four installments of Rs. 10 million each.
Pricing	**Pricing**
The finance originally carried interest/markup at 7% per annum, payable quarterly.	The restructured finance carries interest/markup, payable semi-annually, at following stepped-up rates for the tenor: Calendar years 2011-2012 Six months KIBOR plus 1.00% Calendar years 2013-2016 Six months KIBOR plus 1.25% Calendar years 2017 onwards Six months KIBOR plus 1.75%
Security	**Security**
The finance was originally secured by charge over present and future operating fixed assets of the Company.	Post restructuring, the finance is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees.

18.2 This represents finance of USD 10 million obtained from Citi Bank N.A. (Bahrain) under a loan swap arrangement and was secured by charge over operating fixed assets of the Company, demand promissory notes and pledge of shares in Agritech Limited. The finance carried markup at three months LIBOR plus 4% per annum (December 31, 2009: three months LIBOR plus 4% per annum), payable quarterly. The finance has been fully settled during the period, through transfer of investments in term finance certificates. See note 21.1.7.

18.3 The finance has been obtained from National Bank of Pakistan to finance the acquisition of Agritech Limited. In context of the overall debt restructuring, the finance was restructured with effect from January 13, 2010. The terms and conditions, before and after the restructuring, are as follows:

Before restructuring	After restructuring
Principal repayment	**Principal repayment**
The principal repayment was originally structured to be in twelve equal semi-annual installments of Rs. 125 million each starting from January 2007.	Post restructuring, the outstanding principal repayment is structured to be in twelve semi-annual installments starting from January 2012, with first eight installments of Rs. 58.33 million each and remaining four installments of Rs. 155.33 million each.
Pricing	**Pricing**
The finance originally carried interest/markup at six months KIBOR plus 2.5% per annum, payable semi-annually.	The restructured finance carries interest/markup, payable semi-annually, at following stepped-up rates for the tenor: Calendar years 2010-2011 Six months KIBOR plus 1.00% Calendar years 2012-2015 Six months KIBOR plus 1.25% Calendar years 2016 onwards Six months KIBOR plus 1.75%
Security	**Security**
The finance was originally secured by charge over present and future operating fixed assets and current assets of the Company, and pledge of shares held in Agritech Limited.	Post restructuring, the finance is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees.

As at June 30, 2011, interest/markup payments of Rs. 155.36 million are overdue. Refer note 45.2.2 for details.

Notes to and forming part of Financial Statements
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18.4 This represents finance of Euro 15 million obtained from Deutsche Investitions - Und MBH (Germany) to finance the setup of new textile and apparel project. In context of the overall debt restructuring/rescheduling, the loan was also restructured with effect from October 15, 2010. The terms and conditions, before and after the restructuring, are as follows:

Before restructuring	After restructuring
Principal repayment	**Principal repayment**
The principal repayment was originally structured to be in ten equal semi-annual installments of Euro 1.5 million each starting from August 2008.	Post restructuring, the outstanding principal repayment is structured to be in twenty quarterly installments starting from January 2013, with first twelve installments of Euro 0.498 million each and remaining four installments of Euro 0.944 million each.
Pricing	**Pricing**
The finance originally carried interest/markup at six months EURIBOR plus 3.25% per annum, payable semi-annually.	Post restructuring, the finance carries return at three months EURIBOR plus 3.25% per annum, payable quarterly.
Security	**Security**
The finance was originally secured by charge over present and future operating fixed assets and current assets of the Company.	Post restructuring, the finance is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees.

As at June 30, 2011, interest/markup payments of Rs. 33.67 million are overdue. Refer note 45.2.2 for details.

18.5 The finance has been obtained from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements. In context of the overall debt restructuring/rescheduling, the loan was also restructured with effect from August 13, 2010. The terms and conditions, before and after the restructuring, are as follows:

Before restructuring	After restructuring
Principal repayment	**Principal repayment**
The principal repayment was originally structured to be in four equal semi-annual installments of 25 million each starting from February 2010.	Post restructuring, the outstanding principal repayment is structured to be in twenty four quarterly installments starting from January 2012, with first sixteen installments of Rs. 2.917 million each and remaining eight installments of Rs. 6.667 million each.
Pricing	**Pricing**
The finance originally carried return at six months KIBOR plus 2.5% per annum, payable quarterly.	The restructured finance carries interest/mark-up, payable quarterly, at following stepped-up rates for the tenor: Calendar years 2010-2011 Six months KIBOR plus 1.00% Calendar years 2012-2015 Six months KIBOR plus 1.25% Calendar years 2016 onwards Six months KIBOR plus 1.75%
Security	**Security**
The finance was originally secured by charge over present and future operating fixed assets and current assets of the Company.	Post restructuring, the finance is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees.

As at June 30, 2011, interest/mark-up payments of Rs. 17.797 million are overdue. Refer note 45.2.2 for details.

18.6 The finance has been obtained from Citi Bank N.A. on conversion of various short term borrowings as part of the overall debt restructuring and is secured by charge over present and future operating fixed assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees. The principal repayment is structured to be in six semi-annual installments starting from May 2013, with first four installments of Rs. 79.94 million each and two installments of Rs. 140.08 million each. The finance carries interest/markup, payable semi-annually, at following stepped-up rates for the tenor:

Notes to and forming part of Financial Statements
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10.7 The finance has been obtained from HSBC Bank (Middle East) Limited on conversion of various short term borrowings as part of the overall debt restructuring and is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees. The principal repayment is structured to be in six semi-annual installments starting from May 2012, with first four installments of Rs. 34.498 million each and two installments of Rs. 68.395 million each. The finance carries interest/markup, payable semi-annually, at following stepped-up rates for the tenor:

Calendar years 2010-2011	Six months KIBOR plus 1.00%
Calendar years 2012 onwards	Six months KIBOR plus 1.25%

As at June 30, 2011, interest/mark-up payments of Rs. 19.3 million are overdue. Refer note 45.2.3 for details.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
10.8 Transaction costs			
As at beginning of the year		-	-
Incurred during the year		51,495,035	-
Amortised during the year	36	(7,763,200)	-
As at end of the year		43,[illegible]	-

11 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Present value of minimum lease payments	11.1 & 11.2	45,[illegible]	87,075,385
Current maturity presented under current liabilities	11.1 & 11.2	(8,395,433)	(30,436,978)
		37,[illegible]	56,638,407

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 over a tenor of upto three years. The leases are priced at rates ranging from three months to twelve months KIBOR plus 2% to 4.75% (December 31, 2009: six months to one year KIBOR plus 2% to 3.25%) per annum. Under the terms of agreement, taxes, repairs, replacement 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.

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

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Not later than one year		9,[illegible]	37,[illegible]
Later than one year but not later than five years		45,[illegible]	70,[illegible]
Total future minimum lease payments		55,[illegible]	107,[illegible]
Finance charge allocated to future periods		(10,[illegible])	(20,[illegible])
Present value of future minimum lease payments		45,[illegible]	87,075,385
Not later than one year	13	(8,395,433)	(30,436,978)
Later than one year but not later than five years		37,[illegible]	56,638,407

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	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
12 DERIVATIVE FINANCIAL LIABILITIES			
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		-	14,472,950
		-	14,472,950
Current maturity presented under current liabilities	13	-	(14,472,950)
		-	-

13 CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Preference shares	8.3 & 8.4	574,[illegible]	550,[illegible]
Redeemable capital	9	779,[illegible]	875,[illegible]
Long term finances	10	168,[illegible]	1,[illegible]
Liabilities against assets subject to finance lease	11.2	8,395,433	30,436,978
Derivative financial liabilities	12	-	14,472,950
		1,[illegible]	2,[illegible]

14 SHORT TERM BORROWINGS

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

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Secured			
Running finances	14.1	2,[illegible]	2,[illegible]
Term loans	14.1	4,[illegible]	5,[illegible]
Bridge finance - I	14.2	1,[illegible]	-
Bridge finance - II	14.3	-	[illegible]
		8,[illegible]	8,[illegible]
Unsecured			
Commercial paper	14.4	-	799,[illegible]
		8,[illegible]	8,[illegible]

14.1 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 shares held in Agritech Limited and sponsor guarantees.

Mark-up on these finances is payable along with principal on maturity, except for running finances, where mark-up is payable quarterly/semi-annually. Local currency finances carry markup at rates ranging from one to six months KIBOR plus 1% per annum (December 31, 2009: one to six months KIBOR plus 1.75% to 5% per annum). Foreign currency finances carry mark-up at rates ranging from LIBOR of matching tenor plus 2% to 6.5% per annum (December 31, 2009: LIBOR of matching tenor plus 1% to 3.5% per annum). Markup on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of 10% per annum plus banks' spread of 1% per annum (December 31, 2009: 6.5% per annum plus banks' spread of 1% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.1% to 0.15% per quarter (December 31, 2009: 0.05% to 0.15% per quarter).

Notes to and forming part of Financial Statements
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14.2 Bridge finance-I has been obtained from various banking companies, as part of overall debt restructuring of the Company's debt finances, to bridge finance the operations and working capital requirements of the Company and is secured by pledge of shares held in Agritech limited, charge over present and future operating fixed assets and current assets of the Company and sponsor guarantee. The finance carries mark-up at twelve months KIBOR plus 1% per annum, payable along with principal on maturity.

14.3 Bridge finance-II was obtained from various banking companies to bridge the private placement/public subscription of ordinary shares of Agritech Limited (see note 22.1.3) and was secured by pledge of shares held in Agritech Limited, charge over present and future operating fixed assets of the Company and sponsor guarantee. The finance carried mark-up at six months KIBOR plus 2% to 5% per annum, payable along with principal on maturity. The finance was repaid during the year.

14.4 These were issued with a face value of Rs. 750 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 yield rate of nine months KIBOR plus 3.5% per annum and was redeemable at face value in May 2010. The issue was unsecured. As part of the overall restructuring of the Company's debt finances, the issue was also restructured, whereby the issue was redeemed at face value through a fresh issue of term finance certificates. See note 9.3.

14.5 As part of the overall restructuring of the Company's debt finances, various short term borrowings, including commercial paper, collectively amounting to Rs. 1.67 billion were restructured, with Rs. 845 million converted to long term finances (see note 10.6 and 10.7) and Rs. 825 million converted to redeemable capital (note 9.3).

14.6 The aggregate available short term funded facilities amounts to Rs. 10,008 million (December 31, 2009: Rs. 9,744 million) out of which Rs. 1,914 million (December 31, 2009: Rs. 2,163 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit to Rs. 2,107 million (December 31, 2009: Rs. 2,002 million) of which the limits remaining unavailed as at the reporting date amount to Rs. 297 million (December 31, 2009: Rs. 976 million).

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
15 TRADE AND OTHER PAYABLES			
Trade creditors		1,455,214,806	1,308,140,728
Accrued liabilities		315,657,035	287,910,024
Advances from customers		74,347,853	39,354,792
Subscription money against sale of investment	15.1	-	84,630,000
Payable to employees provident fund trust		114,122,901	5,352,208
Workers' profit participation fund	15.2	48,013,878	31,693,527
Workers' Welfare Fund	15.4	3,762,587	3,782,587
Tax deducted at source		9,757,426	4,445,456
Other payables		58,746,463	49,794,995
		2,083,628,341	1,776,403,962

15.1 This represents amounts received from Pre-IPO investors as per their commitments under the Pre-IPO agreements for the purchase of the shares of Agritech Limited. See note 22.1.3.

15.2 This includes interest on payable to employees provident fund trust amounting to Rs. 4,618,785 (December 31, 2009: nil).

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
15.2 Workers' Profit Participation Fund ("WPPF")			
As at the beginning of the period		31,693,527	18,967,741
Interest on funds utilised by the Company	15.3	8,319,551	3,319,301
Charged to profit or loss for the period		-	9,406,485
Paid during the period		-	-
As at end of the period		40,013,078	31,693,527

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	June 30, 2011 Rupees	December 31, 2009 Rupees
15.3 Interest on WPPF is charged at 17.5% (December 31, 2009: 17.5%) per annum.		
15.4 Workers' Welfare Fund ("WWF")		
As at the beginning of the period	3,762,587	20,000
Charged to profit or loss for the period	-	3,742,587
Paid/adjusted during the period	-	-
As at end of the period	3,762,587	3,762,587

16 DUE TO RELATED PARTY - UNSECURED

This represents short term loan obtained from Agritech Limited, a subsidiary of the Company and is repayable on demand. The loan is unsecured and carries markup at 15.5% per annum (December 31, 2009: 15.5% per annum).

17 INTEREST/MARK-UP ACCRUED ON BORROWINGS

This includes interest accrued on short term loan obtained from related party (see note 16) amounting to Rs. 125,524,696 (December 31, 2009: Rs. 17,090,620).

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
18 DIVIDEND PAYABLE			
Unclaimed dividend on ordinary shares		4,002,057	4,002,057
Dividend payable on preference shares	18.1	28,737,841	59,430,948
		32,739,898	63,433,005

18.1 Preference dividend was due for payment on November 21, 2010, however no payments have been made upto the reporting date. The management intends to settle this along with the settlement of outstanding preference shares. See note 6.4, 45.2.2 and 19.1.5.

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 The Company was denied exemption under SRO 484(I)/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.

19.1.2 Several ex-employees of Agritech Limited have filed a petition against the Company demanding terminal benefits including those under the golden hand shake scheme. The claim, valued at Rs. 8 million, is pending before the Honourable Lahore High Court and the Company expects a favourable outcome.

19.1.3 The Company has issued indemnity bonds amounting to Rs. 358 million (December 31, 2009: Rs. 265 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 Foreign guarantees given by the Company to its bankers as at the reporting date amount to Rs. 167.79 million (December 31, 2009: Rs. 152.03 million).

19.1.5 As referred to in note 6.6 in the financial statements, no redemption of preference shares has been made upto the reporting date in respect of second and final redemption, whereas, only partial redemption has been carried out in respect of first redemption. Further, non-payment or delayed payment of dividend on preference shares as referred to in note 18.1 may attract penalties in the form of dividend at higher rates. See note 45.2.2.

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19.1.6 The Company was unable to meet its obligations in respect of various debt finances on their respective due dates which may result in further 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 45.2.2 for details.

19.1.7 Contingencies related to tax matters are referred to note 30 in the financial statements.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
19.2 Commitments			
19.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores and spares		[illegible]	[illegible]
- purchase of machinery		[illegible]	-
- purchase of raw material		[illegible]	[illegible]
		[illegible]	[illegible]
19.2.2 Commitments for capital expenditure		-	[illegible]
20 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	20.1	[illegible]	[illegible]
Capital work in progress	20.2	-	[illegible]
		[illegible]	[illegible]

Notes to and forming part of Financial Statements
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20.1 Operating fixed assets

	Cost / Revaluation: As at January 01, 2010 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2011 Rupees	Rate %	Depreciation: As at January 01, 2010 Rupees	For the period Rupees	Adjustment Rupees	As at June 30, 2011 Rupees	Written down value as at June 30, 2011 Rupees
Assets owned by the Company											
Freehold land											
- Cost	[illegible]	-	-	-	[illegible]	-	-	-	-	-	[illegible]
- Revaluation	[illegible]	-	-	-	[illegible]	-	-	-	-	-	[illegible]
	[illegible]	-	-	-	[illegible]		-	-	-	-	[illegible]
Building on freehold land											
- Cost	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
- Revaluation	[illegible]	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
	[illegible]	[illegible]	-	[illegible]	[illegible]		[illegible]	[illegible]	-	[illegible]	[illegible]
Plant and machinery											
- Cost	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
- Revaluation	[illegible]	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
	[illegible]	[illegible]	-	[illegible]	[illegible]		[illegible]	[illegible]	-	[illegible]	[illegible]
Furniture, fixture and office equipment	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tools and equipment	[illegible]	[illegible]	-	-	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Electric installation	[illegible]	[illegible]	-	-	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Assets subject to finance lease											
Plant and machinery	[illegible]	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Vehicles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

	Cost					Rate	Accumulated depreciation				Net book value
Items owned by the Company											
Freehold land	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cost	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Revaluation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Building on freehold land	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cost	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Revaluation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plant & machinery	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cost	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Revaluation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furniture, fixtures and office equipment	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tools and equipment	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Items subject to finance lease											
Plant & machinery	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

28.2 [illegible]

28.3 [illegible]

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

28.4.3 Disposal of operating fixed assets

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Company policy	Company employee
Furniture, fixtures and office equipment	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
Others							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
20.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	32	997,254,876	553,486,770
Administrative and general expenses	34	28,517,467	41,559,417
		[illegible]	[illegible]

20.1.5 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". Basis of revaluation are as follows:

20.1.5(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 neighborhood and adjoining areas.

20.1.5(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.

20.1.5(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

	June 30, 2011			
	As at January 01, 2010 Rupees	Additions Rupees	Transfers Rupees	As at June 30, 2011 Rupees
Building	713,960	4,243,130	(4,957,090)	-
Plant and machinery	-	19,463,857	(19,463,857)	-
	713,960	23,706,987	(24,420,947)	-

	December 31, 2009			
	As at January 01, 2009 Rupees	Additions Rupees	Transfers Rupees	As at December 31, 2009 Rupees
Building	82,291,559	258,798,766	(340,376,365)	713,960
Plant and machinery	836,379,334	1,424,705,236	(2,261,084,570)	-
	918,670,893	1,683,504,002	(2,601,460,935)	713,960

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
26 INTANGIBLE ASSETS			
Development costs	26.1	4,777,448	4,977,500
Software	26.2	[illegible]	10,409,302
		[illegible]	[illegible]

26.1 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:

	June 30, 2011 Rupees	December 31, 2009 Rupees
Cost		
As at beginning of the period	87,853,404	87,853,404
Additions during the period	-	-
As at end of the period	87,853,404	87,853,404
Accumulated amortization		
As at beginning of the period	(82,875,904)	(67,546,468)
Amortization for the period	(200,052)	(15,329,436)
As at end of the period	(83,075,956)	(82,875,904)
	4,777,448	4,977,500

26.2 This represents expenditure incurred on implementation of Oracle Financials Suite. Movement in cost of implementation and accumulated amortization is as follows:

	June 30, 2011 Rupees	December 31, 2009 Rupees
Cost		
As at beginning of the period	13,414,093	13,414,093
Additions during the period	-	-
As at end of the period	13,414,093	13,414,093
Accumulated amortization		
As at beginning of the period	(3,004,791)	-
Amortization for the period	[illegible]	(3,004,791)
As at end of the period	[illegible]	(3,004,791)
	[illegible]	10,409,302

27 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 eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
Investments in related parties			
Cost	22.1	[illegible]	[illegible]
Accumulated impairment	22.1	-	[illegible]
Fair value adjustment	22.1	[illegible]	[illegible]
		[illegible]	[illegible]
Other investments			
Cost	22.2	[illegible]	[illegible]
Fair value adjustment	22.2	[illegible]	[illegible]
		[illegible]	36,767
		[illegible]	[illegible]

22.1 Investments in related parties

Quoted

Agritech Limited (Formerly Pak American Fertilizers Limited)
[illegible] (December 31, 2009: [illegible]) ordinary shares of Rs. 10 each.
Proportion of capital held: 79.67% (December 31, 2009: 100%)
Activity: Fertilizer
Relationship: Parent - Subsidiary

	Note		
Cost	22.1.1, 22.1.2, 22.1.3	[illegible]	[illegible]
Fair value adjustment		[illegible]	[illegible]
		[illegible]	16,773,900,000

Unquoted

Nafees International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI
Nil (December 31, 2009: 25,500) ordinary shares of Turkish Lira 1 million each.
Proportion of capital held: nil (December 31, 2009: 51%)
Activity: Textile and Apparel
Relationship: Parent - Subsidiary

	Note		
Cost	22.1.4	-	[illegible]
Accumulated impairment		-	[illegible]
		-	-

Fashal AB
[illegible] ordinary shares with a capital of SEK [illegible]
Proportion of capital held: 100% (December 31, 2009: 100%)
Activity: Textile and Apparel
Relationship: Parent - Subsidiary

	Note		
Cost	22.1.5	[illegible]	[illegible]
Fair value adjustment		[illegible]	[illegible]
		[illegible]	[illegible]

Agritech Limited (Formerly Pak American Fertilizers Limited)
[illegible] (December 31, 2009: [illegible]) term finance certificates of Rs. [illegible] (December 31, 2009: Rs. [illegible] each)

	Note		
	22.1.6 & 22.1.7	[illegible]	[illegible]
		[illegible]	[illegible]

Investments classified as short term presented under current assets

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
Agritech Limited			
[illegible] (December 31, 2009: [illegible]) ordinary shares of Rs. 10 each.			
Cost	22.1.1, 22.1.2, 22.1.3	[illegible]	[illegible]
Fair value adjustment		[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

22.1.1 The investment in equity securities of Agritech Limited has been measured at fair value at Rs. 35 per share (December 31, 2009: Rs. 30 per share). The management of the Company have estimated the fair value of their interest in Agritech Limited at Rs.35 per share as compared to market value of Rs. 10 taking into consideration the approximate value at which the divestment is expected to be made (see note 22.1.3), and which is also reflective of the controlling interest to be transferred. For basis of valuation, refer to note 44.3 to the financial statements.

22.1.2 [illegible] ordinary shares (December 31, 2009: [illegible] ordinary shares) held in Agritech Limited are pledged with providers of debt finance. See note 47.

22.1.3 The Company, during the period, divested [illegible] (20.33%) ordinary shares held in Agritech Limited, through a combination of private placement and public offering, at a price of Rs. 30 per share, including a premium of Rs. 20 per share. Further, the shareholders of the Company, in the extraordinary general meeting held on July 23, 2011, have approved the divestment of remaining 79.67% shares held in Agritech Limited. The Company is in negotiations with potential buyers, being a consortium of investors, including banks, and the same are expected to be finalized soon. Accordingly, the investment has been classified as a short term investment and presented under current assets.

22.1.4 During the period, the Company has disposed its investment in Nafees International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI at USD [illegible] per share.

22.1.5 Investment in equity securities of Fashal 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 Fashal AB. The investment has been measured at fair value at Rs. [illegible] per share (December 31, 2009: Rs. [illegible] per share). For basis of valuation, refer to note 44.3 to the financial statements.

22.1.6 These represent [illegible] (December 31, 2009: [illegible]) term finance certificates of Rs. [illegible] (December 31, 2009: [illegible]) each issued by Agritech Limited 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 [illegible] certificates which was classified as investment held to maturity. Subsequently, however, [illegible] 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, and it being no longer appropriate to classify these as held to maturity, the remaining investment was 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.

22.1.7 During the period, the Company transferred [illegible] certificates of Rs. [illegible] each against settlement of long term finance obtained from Citi Bank N.A. (Bahrain) at a loss of Rs. [illegible] million. See note 10.2.

22.1.8 Details of investments pledged as security are referred to in note 47 to the financial statements.

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
22.3 Other investments			
Quoted			
Colony Mills Limited			
4,532 ordinary shares of Rs. 10 each.			
Market value Rs. 1.7 per share (December 31, 2009: Rs. 7.45 per share)			
Cost		[illegible]	[illegible]
Fair value adjustment		[illegible]	[illegible]
		[illegible]	[illegible]
JS Value Fund Limited (formerly BSJS Balanced Fund Limited)			
1,000 ordinary shares of Rs. 10 each.			
Market value Rs. 5.5 per share (December 31, 2009: Rs. 5.62 per share)			
Cost		[illegible]	[illegible]
Fair value adjustment		[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

23 DERIVATIVE FINANCIAL ASSETS

Cash flow hedges

Hedged item	Hedging instrument	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Mark-up payments on Term Finance Certificates at six months KIBOR plus 1.75% per annum.	Mark-up payments to Faysal Bank Limited on outstanding USD notional amount at fixed rate of 6.91% per annum.	[illegible]	[illegible]	[illegible]
			[illegible]	[illegible]
Current maturity presented under current assets			[illegible]	[illegible]
			-	[illegible]

24 LONG TERM DEPOSITS - UNSECURED, CONSIDERED GOOD

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Utility companies and regulatory authorities	24.1	[illegible]	[illegible]
Financial institutions	24.2	[illegible]	[illegible]
		[illegible]	[illegible]

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 amortised cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as its amortised cost is impracticable to determine.

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

25 STORES AND SPARES

	June 30, 2011 Rupees	December 31, 2009 Rupees
Stores	[illegible]	[illegible]
Spares	[illegible]	[illegible]
	[illegible]	[illegible]

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

26 STOCK IN TRADE

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Raw material		[illegible]	[illegible]
Work in process		[illegible]	[illegible]
Finished goods	26.1	[illegible]	[illegible]
		[illegible]	[illegible]

26.1 Finished goods include stock of waste valued at net realisable value of nil (December 31, 2009: Rs. [illegible]).

26.2 Entire stock in trade with the exception of waste is valued at cost being lower than net realisable value.

26.3 Details of stock in trade pledged as security are referred to in note 47 to the financial statements.

27 TRADE RECEIVABLES

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Local			
- secured	27.1	[illegible]	[illegible]
- unsecured, considered good		[illegible]	[illegible]
- unsecured, considered doubtful		[illegible]	[illegible]
		[illegible]	[illegible]
Foreign			
- secured	27.1	[illegible]	[illegible]
- unsecured, considered good	27.2	[illegible]	[illegible]
- unsecured, considered doubtful		[illegible]	-
		[illegible]	[illegible]
		[illegible]	[illegible]
Accumulated impairment		[illegible]	[illegible]
		[illegible]	[illegible]

27.1 These are secured against letters of credit.

27.2 These include Rs. [illegible] (December 31, 2009: Rs. [illegible]) due from Montebello s.r.l, a wholly owned subsidiary of the Company.

	June 30, 2011 Rupees	December 31, 2009 Rupees
27.3 Movement in accumulated impairment of trade receivables		
As at beginning of the period	[illegible]	[illegible]
Impairment recognised during the period	[illegible]	[illegible]
As at end of the period	[illegible]	[illegible]

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
28 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers - unsecured, considered good		[illegible]	[illegible]
Advances to employees - unsecured, considered good	28.1	[illegible]	[illegible]
Security deposits		[illegible]	[illegible]
Margin deposits	28.2	[illegible]	[illegible]
Prepayments		[illegible]	[illegible]
Rebate receivable		[illegible]	[illegible]
Derivative financial assets	[illegible]	[illegible]	[illegible]
Sales tax recoverable		[illegible]	[illegible]
Letters of credit		[illegible]	[illegible]
Insurance claims		[illegible]	[illegible]
Other receivables - unsecured, considered good		[illegible]	[illegible]
		[illegible]	[illegible]

28.1 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. [illegible] (December 31, 2009: Rs. [illegible]).

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

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
29 CURRENT TAXATION			
Advance tax/income tax refundable		[illegible]	[illegible]
Provision for taxation		[illegible]	[illegible]
		[illegible]	[illegible]
30 CASH AND BANK BALANCES			
Cash in hand		[illegible]	[illegible]
Cash at banks			
current accounts in local currency		[illegible]	[illegible]
deposit accounts in local currency	30.1	[illegible]	[illegible]
deposit accounts in foreign currency	30.2	[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

30.1 These carry return at [illegible]% per annum (December 31, 2009: [illegible]% per annum).

30.2 These carry return at prevailing LIBOR per annum (December 31, 2009: prevailing LIBOR per annum).

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
31 TURNOVER - NET			
Local		[illegible]	[illegible]
Export	31.1 & 31.2	[illegible]	[illegible]
		[illegible]	[illegible]
Export rebate/Duty draw back		[illegible]	[illegible]
Sales tax		[illegible]	-
Trade discounts		[illegible]	[illegible]
		[illegible]	[illegible]

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

31.1 These include indirect exports, taxable under Section 154 (3B) of the Income Tax Ordinance, 2001, amounting to Rs. [illegible] (December 31, 2009: Rs. [illegible]).

31.2 These include sales to related parties amounting to Rs. [illegible] (December 31, 2009: [illegible]).

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
32 COST OF SALES			
Raw material consumed	32.1	[illegible]	[illegible]
Salaries, wages and benefits	32.2	[illegible]	[illegible]
Fuel and power		[illegible]	[illegible]
Stores and spares consumed		[illegible]	[illegible]
Travelling, conveyance and entertainment		[illegible]	[illegible]
Rent, rates and taxes		[illegible]	[illegible]
Insurance		[illegible]	[illegible]
Repair and maintenance		[illegible]	[illegible]
Processing charges		[illegible]	[illegible]
Depreciation	[illegible]	[illegible]	[illegible]
Amortisation	[illegible]	[illegible]	[illegible]
Printing and stationery		[illegible]	[illegible]
Communication		[illegible]	[illegible]
Others		[illegible]	[illegible]
		[illegible]	[illegible]
Work in process			
As at beginning of the year		[illegible]	[illegible]
As at end of the year		[illegible]	[illegible]
		[illegible]	[illegible]
Cost of goods manufactured		[illegible]	[illegible]
Finished goods			
As at beginning of the year		[illegible]	[illegible]
As at end of the year		[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]
32.1 Raw material consumed			
As at beginning of the year		[illegible]	[illegible]
Purchased during the year		[illegible]	[illegible]
Sold during the year		-	[illegible]
As at end of the year		[illegible]	[illegible]
		[illegible]	[illegible]

32.2 These include charge in respect of employees retirement benefits amounting to Rs. [illegible] (December 31, 2009: Rs. [illegible]).

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
33 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	33.1	[illegible]	[illegible]
Traveling, conveyance and entertainment		[illegible]	[illegible]
Fuel and power		[illegible]	[illegible]
Repair and maintenance		[illegible]	[illegible]
Rent, rates and taxes		[illegible]	[illegible]
Insurance		[illegible]	[illegible]
Commission	33.2	[illegible]	[illegible]
Freight and other expenses		[illegible]	[illegible]
Printing and stationery		[illegible]	[illegible]
Communication		[illegible]	[illegible]
Advertisement and marketing		[illegible]	[illegible]
Legal and professional charges		[illegible]	[illegible]
Fee and subscription		[illegible]	[illegible]
Miscellaneous		[illegible]	[illegible]
		[illegible]	[illegible]

33.1 These include charge in respect of employees retirement benefits amounting to Rs. [illegible] (December 31, 2009: Rs. [illegible]).

33.2 Commission on sales previously shown as deduction from turnover has been reclassified and included in selling and distribution expenses for better presentation.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
34 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	34.1	[illegible]	[illegible]
Traveling, conveyance and entertainment		[illegible]	[illegible]
Fuel and power		[illegible]	[illegible]
Repair and maintenance		[illegible]	[illegible]
Rent, rates and taxes		[illegible]	[illegible]
Insurance		[illegible]	[illegible]
Freight and clearing		[illegible]	[illegible]
Printing and stationery		[illegible]	[illegible]
Communication		[illegible]	[illegible]
Legal and professional charges	34.2	[illegible]	[illegible]
Depreciation	[illegible]	[illegible]	[illegible]
Amortization	[illegible]	[illegible]	[illegible]
Fee and subscription		[illegible]	[illegible]
		[illegible]	[illegible]

34.1 These include charge in respect of employees retirement benefits amounting to Rs. [illegible] (December 31, 2009: Rs. [illegible]).

	June 30, 2011 Rupees	December 31, 2009 Rupees
34.2 These include following in respect of auditors' remuneration:		
Annual statutory audit	[illegible]	[illegible]
Report on consolidated financial statements	[illegible]	[illegible]
Limited scope review	[illegible]	[illegible]
Review report under Code of Corporate Governance	[illegible]	[illegible]
Certification and other services	[illegible]	[illegible]
Out of pocket expenses	[illegible]	[illegible]
	[illegible]	[illegible]

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
35 NET OTHER INCOME			
Net gains/(losses) on financial instruments			
Gain/(loss) on disposal of investments	35.1	[illegible]	[illegible]
Gain on settlement of long term finance		[illegible]	-
Changes in fair value of fair value hedges	35.3	[illegible]	[illegible]
Return on investments	35.4	[illegible]	[illegible]
Foreign exchange gain		[illegible]	[illegible]
Return on bank deposits		[illegible]	[illegible]
Impairment of financial assets	[illegible]	[illegible]	[illegible]
		[illegible]	[illegible]
Other income/(expenses)			
Loss/(gain) on disposal of property, plant and equipment	[illegible]	[illegible]	[illegible]
Loss on sale and lease back		-	[illegible]
Donations	35.5	-	[illegible]
Miscellaneous		[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

35.1 These comprise gain/(loss) on disposal of the following investments:

	June 30, 2011	December 31, 2009
Ordinary shares in Agritech Limited	[illegible]	-
Ordinary shares in Nishat International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI	[illegible]	-
Term finance certificates in Agritech Limited	[illegible]	[illegible]
	[illegible]	[illegible]

35.2 This represents gain on settlement of long term finance obtained from Citi Bank N.A. (Bahrain), being the difference between settlement amount and outstanding liability as on the date of settlement. See note [illegible] and [illegible].

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

35.4 This represents return on investment in term finance certificates in Agritech Limited.

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

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
36 FINANCE COST			
Interest / mark-up on:			
redeemable capital		[illegible]	[illegible]
long term finances		[illegible]	[illegible]
liabilities against assets subject to finance lease		[illegible]	[illegible]
short term borrowings		[illegible]	[illegible]
borrowings from related parties		[illegible]	[illegible]
		[illegible]	[illegible]
Interest on workers' profit participation fund	[illegible]	[illegible]	[illegible]
Interest on payable to employees provident fund trust		[illegible]	-
Amortization of transaction costs	[illegible]	[illegible]	[illegible]
Foreign exchange loss		[illegible]	[illegible]
Bank charges and commission		[illegible]	[illegible]
		[illegible]	[illegible]

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	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
37 OTHER CHARGES			
Workers' Profit Participation Fund		-	9,485,468
Workers' Welfare Fund		-	3,762,587
		-	13,248,055
38 TAXATION			
Current taxation	38.1	173,289,635	140,491,533
Deferred taxation	38.5	-	-
		173,289,635	140,491,533

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 2008 and section 5 of the Ordinance.

38.2 Assessments for tax years 2007 and 2008 were amended under section 122 of the Ordinance. The Company filed an appeal before the Commissioner Inland Revenue which was decided in favour of the Company. The department has preferred an appeal before Appellate Tribunal Inland Revenue which is pending for adjudication.

38.3 Assessments for the tax year 2010 was rectified by Deputy Commissioner Inland Revenue. The Company has filed appeal against the rectification order before the Commissioner Inland Revenue (Appeals) which is pending for adjudication.

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

38.5 Export sales, including proportionate items 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.

38.6 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	June 30, 2011 Rupees	December 31, 2009 Rupees
39 (LOSS)/EARNINGS PER SHARE			
(Loss)/profit attributable to ordinary shareholders	Rupees	(4,704,856,354)	[illegible]
Weighted average number of ordinary shares outstanding during the year	No. of shares	[illegible]	[illegible]

	Unit	June 30, 2011 Rupees	December 31, 2009 Rupees
(Loss)/earnings per share	Rupees	(10.40)	[illegible]

40 GOVERNMENT GRANT

During the year, the Company lodged claims amounting to nil (December 31, 2009: Rs. 4,150,248) and Rs. 360,605,064 (December 31, 2009: Rs. 36,862,539) as research and development rebate and export rebate/duty draw-back 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/duty draw-back has been recognised as income and added to sales.

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	June 30, 2011 Rupees	December 31, 2009 Rupees
41 CASH GENERATED FROM OPERATIONS		
Profit before taxation	(4,528,956,706)	170,722,095
Adjustments for non cash and other items		
Interest / markup on borrowings	3,609,552,293	2,114,360,580
Loss on disposal of property, plant and equipment	1,603,225	520,053
Gain on settlement of long term finances	(48,893,814)	-
Gain/(loss) on disposal of investments	(577,783,889)	20,838,075
Loss on sale and lease back	-	920,090
Foreign exchange (gain)/loss	(33,201,934)	38,799,524
Changes in fair value of fair value hedges	(14,673,950)	(13,645,987)
Return on investments	(107,390,804)	(114,501,180)
Depreciation	1,067,752,845	509,845,087
Amortization of transaction costs on borrowings	16,411,266	43,139,454
Amortization of intangible assets	7,107,276	9,767,851
Provision for impairment of receivables	149,444,452	11,849,660
	4,052,182,505	2,705,747,066
Operating (loss)/profit before changes in working capital	(476,768,201)	2,884,469,970
Changes in working capital		
Stores, spares and loose tools	(68,577,854)	(202,757,868)
Stock in trade	656,416,293	(386,749,548)
Trade receivables	(336,793,875)	(1,259,380,956)
Advances, deposits, prepayments and other receivables	270,256,306	(435,384,690)
Trade and other payables	354,584,062	409,520,062
Long term deposits	3,267,549	-
	1,035,430,844	(1,848,652,354)
Cash generated from operations	558,662,561	1,035,817,616
42 CASH AND CASH EQUIVALENTS		
Cash and bank balances	106,257,605	204,545,114
	106,257,605	204,545,114

43 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 and purchase	Cost plus margin
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

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

	June 30, 2011 Rupees	December 31, 2009 Rupees
Details of transactions and balances with related parties is as follows:		
43.1 Transactions with related parties		
43.1.1 Subsidiaries		
Sales	[illegible]	[illegible]
Return on investments	[illegible]	[illegible]
Interest / mark-up on borrowings	[illegible]	[illegible]
43.1.2 Associates		
Purchases	-	[illegible]
43.1.3 Post employment benefit plans		
Contribution to employees provident fund trust	[illegible]	[illegible]
Interest on payable to employees provident fund trust	[illegible]	-
43.1.4 Key management personnel		
Short term employee benefits	[illegible]	[illegible]
Post employment benefits	[illegible]	[illegible]
43.2 Balances with related parties		
43.2.1 Subsidiaries		
Borrowings	[illegible]	[illegible]
Trade receivables	[illegible]	[illegible]
Interest / mark-up payable	[illegible]	[illegible]
43.2.2 Associates		
Trade payables	-	[illegible]
43.2.3 Post employment benefit plans		
Payable to employees provident fund trust	[illegible]	[illegible]
43.2.4 Key management personnel		
Short term employee benefits payable	[illegible]	[illegible]

44 FINANCIAL INSTRUMENTS

44.1 Financial assets by class and category

	Note	June 30, 2011 Loans and receivables Rupees	Available for sale financial assets Rupees	Derivatives Rupees	Total financial assets Rupees
Investments	22	-	[illegible]	-	[illegible]
Cash flow hedges	23	-	-	[illegible]	[illegible]
Long term deposits	24	[illegible]	-	-	[illegible]
Trade receivables	27	[illegible]	-	-	[illegible]
Security deposits	28	[illegible]	-	-	[illegible]
Margin deposits	28	[illegible]	-	-	[illegible]
Insurance claims	28	[illegible]	-	-	[illegible]
Cash and bank balances	30	[illegible]	-	-	[illegible]
		[illegible]	[illegible]	[illegible]	[illegible]

Notes to and forming part of Financial Statements for the eighteen months ended June 30, 2011

	Note	December 31, 2009 Loans and receivables Rupees	Available for sale financial assets Rupees	Derivatives Rupees	Total financial assets Rupees
Investments	22	-	[illegible]	-	[illegible]
Cash flow hedges	23	-	-	[illegible]	[illegible]
Long term deposits	24	[illegible]	-	-	[illegible]
Trade receivables	27	[illegible]	-	-	[illegible]
Security deposits	28	[illegible]	-	-	[illegible]
Margin deposits	28	[illegible]	-	-	[illegible]
Insurance claims	28	[illegible]	-	-	[illegible]
Cash and bank balances	30	[illegible]	-	-	[illegible]
		[illegible]	[illegible]	[illegible]	[illegible]

44.2 Financial liabilities by class and category

	Note	June 30, 2011 Financial liabilities at amortized cost Rupees	Derivatives Rupees	Total financial liabilities Rupees
Redeemable capital	9	[illegible]	-	[illegible]
Long term finances	10	[illegible]	-	[illegible]
Liabilities against assets subject to finance lease	11	[illegible]	-	[illegible]
Fair value hedges	12	-	-	-
Short term borrowings	14	[illegible]	-	[illegible]
Trade creditors	15	[illegible]	-	[illegible]
Accrued liabilities	15	[illegible]	-	[illegible]
Advance against sale of investment	15	-	-	-
Due to related party	16	[illegible]	-	[illegible]
Mark-up accrued on borrowings	17	[illegible]	-	[illegible]
Dividend payable	18	[illegible]	-	[illegible]
		[illegible]	-	[illegible]

	Note	December 31, 2009 Financial liabilities at amortized cost Rupees	Derivatives Rupees	Total financial liabilities Rupees
Redeemable capital	9	[illegible]	-	[illegible]
Long term finances	10	[illegible]	-	[illegible]
Liabilities against assets subject to finance lease	11	[illegible]	-	[illegible]
Fair value hedges	12	-	[illegible]	[illegible]
Short term borrowings	14	[illegible]	-	[illegible]
Trade creditors	15	[illegible]	-	[illegible]
Accrued liabilities	15	[illegible]	-	[illegible]
Advance against sale of investment	15	[illegible]	-	[illegible]
Due to related party	16	[illegible]	-	[illegible]
Mark-up accrued on borrowings	17	[illegible]	-	[illegible]
Dividend payable	18	[illegible]	-	[illegible]
		[illegible]	[illegible]	[illegible]

Notes to and forming part of Financial Statements
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44.5 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.

44.5.1 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.

44.5.2 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.

44.5.3 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:

Investment in subsidiaries

In determining the fair values of investments in subsidiaries, a risk-adjusted discount factor of 15% (December 31, 2009: 16.5%) has been used. If discount factor was 1% higher or lower, the carrying amount of investment would decrease or increase by Rs. 3,463 million or Rs. 4,136 million (December 31, 2009: Rs. 1,914 million or Rs. 1,915 million) respectively. The management also makes various other assumptions based on historical trends and future plans of the management. These assumed risks associated with these assumptions and may include effects of regulatory and legislative changes, increased competition, technological changes, pricing pressures, changes in labour and material costs and the prevalent general business and economic conditions. However, there are no other sources of estimation uncertainty that may have a significant risk of causing any material adjustment to the carrying amounts of investments.

Derivative financial instruments

In determining fair values of derivative financial instruments, a risk adjusted discount factor of 13.78% (December 31, 2009: 15%) has been used. If discount factor was 1% higher or lower, the carrying amount of derivative financial instruments would decrease or increase by Rs. 0.25 million or Rs. 0.26 million (December 31, 2009: Rs. 0.69 million or Rs. 0.71 million) respectively. The Company also makes assumptions about future foreign exchange rates which may affect 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 45.3.1(c) to the financial statements. 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.

44.5.4 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.

45. 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.

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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:

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
45.1 Credit risk			
Credit risk is the risk of financial loss to the Company, if counterparty to a financial instrument fails to meet its obligations.			
45.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Available for sale financial assets			
Investment in debt securities	22.3	260,001,964	599,640,000
Loans and receivables			
Long term deposits with financial institutions	24	5,365,400	10,045,225
Trade receivables	27	3,405,586,167	3,126,006,285
Security deposits	28	5,449,689	3,527,789
Margin deposits	28	40,684,741	20,557,243
Insurance claims	28	42,084,943	29,705,468
Cash at banks	30	103,773,072	201,450,988
		3,662,172,952	3,401,456,108
Derivative financial assets			
Cash flow hedges	21	48,896,935	78,743,356
		3,751,149,887	4,075,835,456

45.1.2 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:

	June 30, 2011	December 31, 2009
Customers	3,405,586,167	3,126,006,285
Banking companies and financial institutions	305,084,756	345,316,171
Others	260,001,964	599,640,000
	3,751,149,887	4,075,835,456

45.1.3 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.

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45.1.1(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 owners of debt securities [illegible] credit rating agencies. [illegible] financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

45.1.1(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:

	June 30, 2011		December 31, 2009	
	Gross carrying amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	[illegible]	-	[illegible]	-
Past due by 0 to 6 months	[illegible]	-	[illegible]	-
Past due by 6 to 12 months	[illegible]	-	[illegible]	-
Past due by more than one year	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]

The Company's five (December 31, 2009: four) most significant customers account for Rs. [illegible] million (December 31, 2009: Rs. [illegible] million) of trade receivables at the reporting date, apart from which, exposure to any single customer does not exceed [illegible] 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 [illegible] with the Company. Trade receivables [illegible] Rs. [illegible] million) that were [illegible] by more than one year.

45.1.4 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 [illegible] which are secured by a charge over trust of operating assets.

45.1.5 Credit risk management

As mentioned in note 45.1.1(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. However, special terms [illegible] of the Group.

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45.2 Liquidity risk

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

45.2.1 Exposure to liquidity risk

45.2.1(a) *Contractual maturities of financial liabilities, including estimated interest payments*

	June 30, 2011				
	Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Non-derivative financial liabilities					
Redeemable capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long term finances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liabilities against assets subject to finance lease	[illegible]	[illegible]	[illegible]	[illegible]	-
Short term borrowings	[illegible]	[illegible]	[illegible]	-	-
Trade creditors	[illegible]	[illegible]	[illegible]	-	-
Accrued liabilities	[illegible]	[illegible]	[illegible]	-	-
Subscription money against sale of investment	-	-	-	-	-
Due to related party	[illegible]	[illegible]	[illegible]	-	-
Mark-up accrued on borrowings	[illegible]	[illegible]	[illegible]	-	-
Dividend payable	[illegible]	[illegible]	[illegible]	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Derivative financial liabilities					
Cross currency swaps	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
	-	-	-	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	December 31, 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					
Redeemable capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long term finances	[illegible]	[illegible]	[illegible]	[illegible]	-
Liabilities against assets subject to finance lease	[illegible]	[illegible]	[illegible]	[illegible]	-
Short term borrowings	[illegible]	[illegible]	[illegible]	-	-
Trade creditors	[illegible]	[illegible]	[illegible]	-	-
Accrued liabilities	[illegible]	[illegible]	[illegible]	-	-
Subscription money against sale of investment	[illegible]	[illegible]	[illegible]	-	-
Due to related party	[illegible]	[illegible]	[illegible]	-	-
Mark-up accrued on borrowings	[illegible]	[illegible]	[illegible]	-	-
Dividend payable	[illegible]	[illegible]	[illegible]	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Derivative financial liabilities					
Cross currency swaps	-	-	-	-	-
Interest rate swaps	[illegible]	[illegible]	[illegible]	-	-
	[illegible]	[illegible]	[illegible]	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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

	Carrying amount Rupees	Expected cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
	June 30, 2011				
Assets	48,894,934	54,714,489	54,714,489	-	-
Liabilities	-	-	-	-	-
	48,894,934	54,714,489	54,714,489	-	-
	December 31, 2009				
Assets	76,745,356	85,663,908	27,950,863	57,713,045	-
Liabilities	(14,472,950)	(16,298,918)	(16,298,918)	-	-
	[illegible]	[illegible]	[illegible]	57,713,045	-

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

	Carrying amount Rupees	Expected cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
	June 30, 2011				
Assets	48,894,934	54,714,489	54,714,489	-	-
Liabilities	-	-	-	-	-
	48,894,934	54,714,489	54,714,489	-	-
	December 31, 2009				
Assets	76,745,356	85,663,908	27,950,863	57,713,045	-
Liabilities	(14,472,950)	(16,298,918)	(16,298,918)	-	-
	[illegible]	[illegible]	[illegible]	57,713,045	-

45.2.2 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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Due to circumstances described in note 1.2, the Company was unable to meet its obligations in respect of various debt finances and liabilities. As further explained in notes 1.2, 9, 10 and 14, the management of the Company has successfully restructured its financial liabilities through restructuring in accordance with its debt absorption capacity. Further, restructuring of financial liabilities has facilitated and ensured more effective and efficient management of financial resources of the Company and availability of sufficient resources for the continuing profitable operations of the Company. The management of the Company also envisages to resolve and meet its obligations including the following overdue debts/liabilities:

Nature of liability	Principal Rupees	Interest/markup Rupees	Total Rupees
Preference shares	574,549,935	-	574,549,935
Dividend on preference shares	28,727,040	-	28,727,040
Long term finances	-	244,617,393	244,617,393
Redeemable capital	275,500,000	826,794,614	1,102,174,614
Short term borrowings	274,514,000	499,387,056	773,898,056
	[illegible]	[illegible]	[illegible]

The Company is in negotiations, for divestment of shareholding in Agritech Limited, with prospective buyers, a consortium of investors including banks. Negotiations are in the final stages and agreements in this connection are expected to be concluded before the end of 2011. Majority of the funds generated through divestment of remaining shares will be utilized towards repayment/prepayment of certain of the Company's debts including the overdue loans.

45.3 Market risk

45.3.1 Currency risk

Currency risk is the risk that the fair value 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.

45.3.1(a) *Exposure to currency risk*

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

	AED Rupees	EURO Rupees	USD Rupees	GBP Rupees	YEN Rupees	Total Rupees
	June 30, 2011					
Assets						
Investments	-	[illegible]	-	-	-	[illegible]
Trade receivables	-	[illegible]	[illegible]	[illegible]	-	[illegible]
Cash and bank balances	-	[illegible]	[illegible]	-	-	[illegible]
	-	[illegible]	[illegible]	[illegible]	-	[illegible]
Liabilities						
Long term finances	-	[illegible]	-	-	-	[illegible]
Short term borrowings	-	-	[illegible]	-	-	[illegible]
Mark-up accrued on borrowings	-	-	[illegible]	-	-	[illegible]
Trade creditors	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]
Gross balance sheet exposure	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]
Fair value of hedging instruments						[illegible]
Net balance sheet exposure						[illegible]

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	December 31, 2009					
	AED Rupees	EURO Rupees	USD Rupees	GBP Rupees	YEN Rupees	Total Rupees
Assets						
Investments	-	[illegible]	-	-	-	[illegible]
Trade receivables	-	[illegible]	[illegible]	[illegible]	-	[illegible]
Cash and bank balances	-	-	[illegible]	-	-	[illegible]
	-	[illegible]	[illegible]	[illegible]	-	[illegible]
Liabilities						
Long term finances	-	[illegible]	[illegible]	-	-	[illegible]
Short term borrowings	-	-	[illegible]	-	-	[illegible]
Mark-up accrued on borrowings	-	[illegible]	[illegible]	-	-	[illegible]
Trade creditors	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gross balance sheet exposure	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fair value of hedging instruments						[illegible]
Net balance sheet exposure						[illegible]

45.1.1(b) Exchange rates applied during the year

Foreign exchange rates applied during the year are as follows:

	June 30, 2011			
	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	**122.71**	**124.08**	**121.80**	**124.09**
USD	**86.00**	**85.85**	**85.68**	**86.05**
GBP	**136.69**	**138.58**	**137.01**	**138.62**
YEN	**0.99**	**1.07**	**0.98**	**1.07**
AED	**23.41**	**23.37**	**23.49**	**23.43**

	December 31, 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	115.02	120.81	115.89	121.10
USD	81.48	84.11	81.58	84.30
GBP	127.62	135.08	127.96	135.40
YEN	0.87	0.91	0.88	0.91
CHF	75.30	81.26	75.57	81.45

45.1.1(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.

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	June 30, 2011		December 31, 2009	
	Equity Rupees	Profit Rupees	Equity Rupees	Profit Rupees
EURO		**262,077,405**	-	271,124,658
USD	**4,880,493**	**49,248,486**	7,074,336	45,394,874
GBP		**29,886,450**	-	15,540,605
YEN		-	-	(14,656)
AED		**(60,793)**	-	-
	4,880,493	**321,533,588**	7,074,336	332,052,636

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

45.1.1(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposures 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 to refer to finance production of exportable goods. Proceeds from exports are used to repay/settle/rollover the Company's obligations under these working capital lines which substantially reduces exposure to currency risk in respect of such liabilities. Balances in foreign currency are also maintained in current and saving/deposit accounts with banking companies. The Company also occasionally uses currency options to cover any significant unfavourable scenarios.

45.1.2 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.

45.1.2(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:

	June 30, 2011		December 31, 2009	
	Financial asset Rupees	Financial liability Rupees	Financial asset Rupees	Financial liability Rupees
Non-derivative financial instruments				
Fixed rate instruments	**145,875,850**	**367,158,570**	13,644	1,326,557,896
Variable rate instruments	**288,510,864**	**14,584,842,368**	600,058,805	15,817,679,519
Derivative financial instruments				
Fair value hedges	-	-	-	14,473,958
Cash flow hedges	**40,894,936**	-	70,743,357	-

45.1.2(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 nil (December 31, 2009: Rs. [illegible]) and (December 31, 2009: Rs. [illegible]) respectively. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

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

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

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	June 30, 2011 Equity Rupees	June 30, 2011 Profit Rupees	December 31, 2009 Equity Rupees	December 31, 2009 Profit Rupees
[illegible]				
Variable rate instruments	-	[illegible]	-	[illegible]
Cash flow hedges	[illegible]	-	[illegible]	-
	[illegible]	[illegible]	[illegible]	[illegible]

	June 30, 2011 Equity Rupees	June 30, 2011 Profit Rupees	December 31, 2009 Equity Rupees	December 31, 2009 Profit Rupees
[illegible]				
Variable rate instruments	-	[illegible]	-	[illegible]
Cash flow hedges	[illegible]	-	[illegible]	-
	[illegible]	[illegible]	[illegible]	[illegible]

45.3.(d) Interest rate risk management

[illegible]

45.3.3 Price risk

[illegible]

46 CAPITAL MANAGEMENT

[illegible]

	Unit	June 30, 2011 Rupees	December 31, 2009 Rupees
Total debt	Rupees	[illegible]	[illegible]
Total equity	Rupees	[illegible]	[illegible]
		[illegible]	[illegible]
Gearing	%age	[illegible]	[illegible]

[illegible]

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	Unit	June 30, 2011 Rupees	December 31, 2009 Rupees
47 RESTRICTIONS ON TITLE, AND ASSETS PLEDGED AS SECURITY			
Mortgages and charges			
Hypothecation of stocks and receivables		27,000,000,000	[illegible]
Hypothecation of book debts and receivables		27,000,000,000	[illegible]
Mortgage over land and building		27,000,000,000	[illegible]
Hypothecation of plant and machinery		27,000,000,000	[illegible]
Pledge			
Raw material		[illegible]	[illegible]
Finished goods		[illegible]	[illegible]
Investments in equity securities		[illegible]	[illegible]
Investments in debt securities		[illegible]	[illegible]

48 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

[illegible]

	June 30, 2011 Chief Executive Rupees	June 30, 2011 Directors Rupees	June 30, 2011 Executives Rupees
Managerial remuneration	[illegible]	[illegible]	[illegible]
Allowances and perquisites	[illegible]	[illegible]	[illegible]
Post employment benefits	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Number of persons	1	[illegible]	[illegible]

	December 31, 2009 Chief Executive Rupees	December 31, 2009 Directors Rupees	December 31, 2009 Executives Rupees
Managerial remuneration	[illegible]	[illegible]	[illegible]
Allowances and perquisites	[illegible]	[illegible]	[illegible]
Post employment benefits	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Number of persons	1	[illegible]	[illegible]

48.1 [illegible]

Notes to and forming part of Financial Statements
for the eighteen months ended June 30, 2011

	Unit	June 30, 2011 Rupees	December 31, 2009 Rupees
49 PLANT CAPACITY AND ACTUAL PRODUCTION			
Spinning			
Number of rotors installed	No.	2,445	2,445
Plant capacity on the basis of utilization converted into 6.5s count	Kgs	11,245,674	14,905,300
Actual production converted into 6.5s count	Kgs	9,034,294	11,504,135
Number of spindles installed	No.	54,400	54,400
Plant capacity on the basis of utilization converted into 20s count	Kgs	12,014,834	12,064,836
Actual production converted into 20s count	Kgs	11,339,742	10,754,340
Weaving			
Number of looms installed	No.	250	250
Annual capacity on the basis of utilization converted into 50 picks	Mtrs	69,486,535	40,928,645
Actual production converted into 50 picks	Mtrs	35,413,700	26,266,603
Garments			
Number of stitching machines installed	No.	2,289	2,219
Annual capacity on the basis of utilization	Pcs	11,109,520	10,707,581
Actual production	Pcs	9,558,897	8,457,563

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 period.

50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 10, 2011 by the Board of Directors of the Company.

51 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 in the financial statements.

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

AZGARD-9

Consolidated Financial Statements

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Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
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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 June 30, 2012 and the related consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the eighteen months period then ended. We have also expressed separate opinion on financial statements of the Parent Company. The financial statements of the subsidiary companies [illegible] Agritech Limited, Hazara Phosphate Fertilizers (Private) Limited and Fantail 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.

In the audit report by us on the separate financial statements of the Parent Company for the eighteen months period ended June 30, 2012 and by other auditors on the separate financial statements of Agritech Limited for the year ended June 30, 2011, attention was drawn, without qualifying the audit opinion, to certain matters as referred to below in this report.
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.

Our audit was conducted in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of the Group as at June 30, 2012 and the results of its operations for the eighteen months period then ended.

Without qualifying the audit opinion, attention is drawn to note 3.2 to the financial statements pertaining to the Parent Company's business operations, restructuring of financial and debt liabilities and other measures taken for meeting its obligations and other requirements including proposed divestment of its interest in Agritech Limited, a subsidiary of the Company. Attention was also drawn to this matter by us in our audit report on the separate financial statements of the Parent Company.

Without qualifying the audit opinion attention is drawn to note 3.3 to the financial statements pertaining to liquidity problems faced by Agritech Limited resulting in overdue debt installments and interest/markup thereon. Agritech Limited has entered into a second round of rescheduling /restructuring agreement subsequent to reporting date with the providers of debt finances whereby certain long term debts have been rescheduled and Agritech Limited has been allowed a further grace period of one year. Overdue interest/mark up is proposed to be converted into preference shares/ privately placed term finance certificates. Attention was also drawn to this matter by auditors of Agritech Limited in their audit report on the separate financial statements for the year ended June 30, 2011 of Agritech Limited.

Rahman Sarfaraz Rahim Iqbal Rafiq

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

Date: *OCTOBER 10, 2012*
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 office worldwide.

Consolidated Balance Sheet
as at June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
1,500,000,000 ordinary and preference shares of Rs. 10 each	6.1	15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital	6.2	[illegible]	[illegible]
Reserves	7	[illegible]	[illegible]
Accumulated (losses)/profit		[illegible]	[illegible]
		[illegible]	[illegible]
Surplus on revaluation of property, plant and equipment	8	[illegible]	[illegible]
Non-controlling interests	9	[illegible]	-
Loan from related parties - Unsecured	10	500,000,000	500,000,000
Non-current liabilities			
Redeemable capital - Secured	11	[illegible]	[illegible]
Long term finances - Secured	12	[illegible]	[illegible]
Liabilities against assets subject to finance lease - Secured	13	[illegible]	[illegible]
Derivative financial liabilities	14	-	-
Long term payables - Unsecured	15	[illegible]	[illegible]
Deferred taxation	16	[illegible]	[illegible]
Employees retirement benefits	17	[illegible]	[illegible]
		[illegible]	[illegible]
Current liabilities			
Current portion of non-current liabilities	18	[illegible]	[illegible]
Short term borrowings	19	[illegible]	[illegible]
Accrued interest/mark-up	20	[illegible]	[illegible]
Trade and other payables	21	[illegible]	[illegible]
Dividend payable	22	[illegible]	[illegible]
		[illegible]	[illegible]
Contingencies and commitments	23	-	-
		[illegible]	[illegible]

The annexed notes 1 to 50 form an integral part of these financial statements.

Lahore

CHIEF EXECUTIVE

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	24	[illegible]	[illegible]
Intangible assets	25	[illegible]	[illegible]
Long term investments	26	[illegible]	[illegible]
Derivative financial assets	27	-	[illegible]
Long term deposits - Unsecured, considered good	28	[illegible]	[illegible]
Long term advances	29	[illegible]	[illegible]
Non-current assets held for disposal	30	[illegible]	-
		[illegible]	[illegible]
Current assets			
Stores, spares and loose tools	31	[illegible]	[illegible]
Stock in trade	32	[illegible]	[illegible]
Trade receivables	33	[illegible]	[illegible]
Advances, deposits, prepayments and other receivables	34	[illegible]	[illegible]
Current taxation	35	[illegible]	[illegible]
Cash and bank balances	36	[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

DIRECTOR

Consolidated Profit and Loss Account
for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Turnover - Net	37	[illegible]	[illegible]
Cost of sales	38	[illegible]	[illegible]
Gross profit		[illegible]	[illegible]
Selling and distribution expenses	39	[illegible]	[illegible]
Administrative and general expenses	40	[illegible]	[illegible]
Net other income	41	[illegible]	[illegible]
Operating profit		[illegible]	[illegible]
Finance cost	42	[illegible]	[illegible]
Other charges	43	[illegible]	[illegible]
(Loss)/profit before taxation		[illegible]	[illegible]
Taxation	44	[illegible]	[illegible]
(Loss)/profit after taxation		[illegible]	[illegible]
(Loss)/profit after taxation attributable to:			
Equity holders of the Parent Company		[illegible]	[illegible]
Non-controlling interests		[illegible]	-
		[illegible]	[illegible]
(Loss)/earnings per share - Basic and diluted	45	[illegible]	[illegible]

The annexed notes 1 to 58 form an integral part of these financial statements.

Lahore | CHIEF EXECUTIVE | DIRECTOR

Consolidated Statement of Other Comprehensive Income
for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Changes in fair value of cash flow hedges	7	[illegible]	[illegible]
Changes in fair value of available for sale financial assets	7	[illegible]	[illegible]
Foreign exchange differences on translation of foreign subsidiaries		[illegible]	[illegible]
Incremental depreciation	8	[illegible]	[illegible]
Other comprehensive income/(loss) before taxation		[illegible]	[illegible]
Taxation		[illegible]	-
Other comprehensive income/(loss) before taxation		[illegible]	[illegible]
(Loss)/profit after taxation		[illegible]	[illegible]
Total comprehensive (loss)/income		[illegible]	[illegible]
Total comprehensive (loss)/income attributable to:			
Equity holders of the Parent Company		[illegible]	[illegible]
Non-controlling interests		[illegible]	-
		[illegible]	[illegible]

The annexed notes 1 to 58 form an integral part of these financial statements.

Lahore | CHIEF EXECUTIVE | DIRECTOR

Consolidated Cash Flow Statement
for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	47	7,904,864,179	6,490,402,090
Payments for:			
Interest/markup		(3,865,149,437)	(4,054,137,882)
Taxes paid		(329,545,806)	(251,805,080)
Net cash used in operating activities		4,766,309,446	2,292,452,019
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		[illegible]	[illegible]
Purchase of software		-	(520,052)
Proceeds from disposal of property, plant and equipment		108,068,556	54,311,713
Proceeds from sale of investments - net of transaction costs		2,149,867,198	389,925,624
Return on investments		-	-
Redemption of investment in debt securities		-	-
Net cash flow from/(used in) investing activities		(6,993,758,060)	(8,304,673,985)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale and lease back		-	344,000,000
Long term finances obtained		1,455,000,976	2,474,685,602
Proceeds from issue of ordinary shares		-	1,085,358,252
Redemption of term finance certificates		(3,220,640)	(109,953,346)
Repayment of long term finances		(79,154,092)	(889,865,750)
Repayment of liabilities against assets subject to finance lease		(158,325,009)	(951,358,289)
Transaction costs on borrowings		(375,345,075)	(500,000)
Net increase in short term borrowings		1,404,482,030	4,453,725,687
Redemption of preference shares		(86,734,095)	-
Dividend paid		(60,645,863)	(44,466,048)
Net cash (used in)/inflow from financing activities		2,103,462,235	7,026,376,408
Net (decrease)/increase in cash and cash equivalents		(133,896,925)	8,592,536
Cash and cash equivalents as at beginning of the year		437,844,344	429,093,864
Unrealized exchange gain on cash and cash equivalents		793,373	-
Cash and cash equivalents as at end of the year	48	304,740,832	437,814,364

Lahore — CHIEF EXECUTIVE — DIRECTOR

Consolidated Statement of Changes in Equity
for the eighteen months ended June 30, 2011

[illegible]

The annexed notes 1 to 58 form an integral part of these financial statements.

Lahore — CHIEF EXECUTIVE — DIRECTOR

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

1 REPORTING ENTITY

Parent Company

Azgard Nine Limited ("ANL") 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-i-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 K.M. off Manga, Raiwind Road, District Kasur; Unit II at 20 K.M. off Ferozpur Road, 6 K.M Raiwind Road on Bahi Nala, Dist Khudi, Lahore and Unit III at Atlas Road, Muzaffargarh.

Subsidiary Companies

Agritech Limited ("AGL") 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 79.67%. During the 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 fertilizer. HPFL was acquired on November 28, 2008 by AGL. Proportion of interest held by AGL is 100%.

Fashal 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%.

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 05 January 2006. The subsidiary has been disposed of during the period on December 30, 2010. Accordingly, the profit and loss account for the eighteen months ended June 30, 2011 includes results of NIT upto the date of disposal only.

2 CHANGE IN ACCOUNTING PERIOD

ANL was accorded approval by the relevant authorities to adopt the financial year to be from July 1st to June 30th in line with that of the textile industry and also obtained approvals from regulatory authorities to prepare financial statements exceeding twelve months, and, accordingly these financial statements have been prepared for eighteen months ended June 30, 2011. The corresponding figures shown in these financial statements pertain to the audited financial statements for the year ended December 31, 2009 and therefore, are not entirely comparable in respect of profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity.

These consolidated financial statements are based on individual/consolidated audited financial statements of ANL and its subsidiaries as follows:

Azgard Nine Limited	Eighteen months ended June 30, 2011
Agritech Limited	Six months ended June 30, 2010 and year ended June 30, 2011
Fashal AB	Eighteen months ended June 30, 2011
Nafees International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI	364 days period ended December 30, 2010

3 BASIS OF PREPARATION

3.1 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.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

3.2 Financial Liabilities and Business Operations

3.2.1 Azgard Nine Limited

ANL is yet to emerge from the negative effects of liquidity crises arising out of worldwide and nationwide recessionary trends and other economic conditions in the current and previous periods. Difficult financial, operational and global market conditions continued to prevail for the major part of the period. Due to unavailability of adequate working capital finances, ANL was not able to make timely purchases of raw material and had to procure raw material at higher prices, resulting in substantial increase in cost of sales. Massive and continuing power crises forced the company to opt for higher cost energy alternatives that further increased the cost of production. Increasing interest rates resulted in high finance costs which also added significant financial pressure on ANL.

Due to the above circumstances, the ANL was unable to meet its obligations in respect of various short and long term debt finances.

ANL has taken the following measures in this context for the management of liquid resources and for its continuing profitable operations.

Restructuring of debts

As mentioned in note 14, 12 and 19, ANL has entered into restructuring agreement with providers of debt finances, whereby various short term and long term debts aggregating to Rs. 8,417.18 million have been restructured and ANL has been allowed grace periods of upto two years.

The restructuring of financial liabilities has facilitated the rationalization of the same in accordance with the debt absorption capacity of ANL and further ensuring more effective and efficient management of financial resources of ANL and availability of sufficient resources for the continuing profitable operations of ANL. The management of ANL also envisages to resolve and meet its obligations including overdue debt finances as referred to in note 3.2.2.

Divestment of shareholding in Agritech Limited

ANL, during the period, on April 12, 2010, has divested 20.13% comprising 79,006,846 ordinary shares held in AGL, through a combination of private placement and public offering at a price of Rs. 30 per share, including premium of Rs. 20 per share. Further, the shareholders of ANL, in the extraordinary general meeting held on July 23, 2010, have approved the divestment of remaining 79.67% shares held in Agritech Limited. ANL is in negotiations with potential buyers, a consortium of investors including banks. Negotiations are in the final stages and agreements in this context are expected to be concluded before the end of 2011. Majority of the funds generated through divestment of remaining shares will be utilized towards repayment/prepayment of some of the ANL's debts including the current overdues.

Business operations

ANL has implemented major cost cutting measures in order to align itself with the new realities of the market, by exploring every possible opportunity of reducing its cost base and increasing its value chain efficiencies and proposition. With the successful restructuring of ANL's debts, proposed divestment of shareholding in Agritech Limited, the management of ANL envisages that sufficient financial resources will be available for the continuing operations of ANL. With positive impact on the finance costs and more effective management of resources and raw material procurement, ANL is expected to continue its operations profitably, subject to impact, if any, of uncontrollable external circumstances including volatile raw material costs, power crises and global market conditions.

3.2.2 Agritech Limited

The worldwide and nationwide recessionary trends and other economic conditions have perpetuated general credit and liquidity crises. These circumstances are being faced by all the industrial and business sectors in Pakistan. AGL, during the year, also faced operational issues due to extended gas load shedding in winter and gas curtailment by Government of Pakistan for shifting the gas towards power sector to reduce electricity load shedding. Additionally, AGL has faced massive devaluation of the Pak Rupee over the past couple of years which increased urea project cost manifold, with high interest/mark-up rates resulting in substantially high finance costs on project finance and acquisition loans. This has perpetuated temporary liquidity issues, as referred to in note 3.2.2 to the financial statements.

AGL has taken the following measures in this context for the management of liquid resources and for its continuing profitable operations.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

Financial liabilities rescheduling and business operations

Subsequent to the reporting date AGL has entered into a second round of rescheduling with the providers of debt finances and agreements in this respect have been signed with effect from 31 July 2011. By virtue of this rescheduling, AGL has been allowed further grace period of one year for principal repayments of long term debt amounting to [illegible] million. The outstanding markup, on redeemable capital and long term finances, till June 30, 2010 amounting to Rs. [illegible] million is proposed to be converted into preference shares / privately placed term finance certificates (PPTFCs). In this regard, investors have provided their consents and AGL is in the process of making final arrangements for issuance of preference shares / PPTFCs.

With the successful rescheduling of the AGL's debt finances the management envisages that sufficient financial resources will be available for the continuing operations of AGL. The fertilizer sector is likely to remain robust in coming years. The trend indicates that the sales will continue to grow with improved operational profitability inspite of high finance costs and other factors.

3.3 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, benefits payable under defined benefit plan at present value 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.

3.4 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. Subsequently, 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 may have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

3.4.1 *Depreciation method, rates and useful lives of property, plant and equipment*

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.

3.4.2 *Recoverable amount and impairment*

The management of the Group reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

3.4.3 *Fair values based on inputs from other than active market*

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

3.4.4 *Taxation*

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

3.4.5 *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.

3.4.6 *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.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

3.5 Functional currency

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 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.

4.2 Property, plant and equipment

4.2.1 Operating fixed assets

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

Major renewals and improvements to operating fixed 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 of operating fixed assets 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. Depreciation on additions to operating fixed assets 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.

Fertilizer segment	**Useful lives in years**
Buildings on freehold land	40 - 50
Plant and machinery	30 - 50
Residential colony assets	5 - 30
Furniture's, fixtures and office equipment	3 - 10
Vehicles and rail transport	5
Roads, bridges and culverts	20 - 40
Tools and equipment	3 - 10
Electrical and other installations	10 - 20
Books and literature	10
Catalysts	As used by the Group

Textile and hazard segment	**Depreciation rates per year**
Buildings on freehold land	2.5%
Plant and machinery	2% - 5%
Furniture's, fixtures and office equipment	10%
Vehicles	20%
Tools and equipment	10%
Electrical and other installations	10%

Notes to and forming part of Consolidated Financial Statements
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An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

4.2.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

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

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit 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 reporting period, through statement of other comprehensive income.

4.4 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 are amortized over the period, not exceeding four years, over which the Group expects to obtain economic benefit, 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.

4.5 Software

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

4.6 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 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 preparing 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.

4.7 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.

4.8 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.

Notes to and forming part of Consolidated Financial Statements
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4.9 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 cost 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.

4.10 Employee benefits

4.10.1 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.

4.10.2 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

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.

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

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 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 to the financial statements.

4.11 Financial instruments

4.11.1 Recognition

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

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

4.11.2 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.

4.11.2(a) 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.

4.11.2(b) *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.

4.11.2(c) *Financial liabilities at amortised cost*

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortised 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.

4.11.2(d) *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 recognised 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 recognised in profit or loss. Where derivatives are designated hedging instruments the method of recognising 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 recognised assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised 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 recognised 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 recognised in equity to the extent hedge is effective. The gain or loss relating to the ineffective portion is recognised in profit or loss.

4.11.3 De-recognition

Financial assets are de-recognised if the Group'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-recognised 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 recognised in profit or loss.

4.11.4 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 recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

4.12 Ordinary share capital

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

4.13 Preference share capital

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

4.14 Redeemable capital

Redeemable capital, including embedded equity component existing due to conversion options, if any, is recognised 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.

4.15 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, these, 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 recognised in other comprehensive income until the investment is derecognised or impaired. Gains and losses on de-recognition and impairment losses are recognised in profit or loss.

4.16 Investments in debt securities

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

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

4.17 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortised 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 amortised cost with any difference between cost and value at maturity recognised in the profit or loss over the period of the borrowings on an effective interest basis.

4.18 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 amortised 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 [illegible].

Notes to and forming part of Consolidated Financial Statements
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4.19 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.

4.20 Trade and other payables

4.20.1 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.

4.20.2 Non-financial liabilities

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

4.21 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.

4.22 Trade and other receivables

4.22.1 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.

4.22.2 Non-financial assets

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

4.23 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 into the relevant carrier.

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

Dividend income is recognized when right to receive payment is established.

Interest income is recognized using effective interest method.

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for the eighteen months ended June 30, 2011

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

4.25 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.

4.26 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.

4.27 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.

4.27.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year 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.

4.27.2 Deferred taxation

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

4.28 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.

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4.29 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.

4.30 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. Foreign exchange differences arising on translation of foreign subsidiaries are recognized in equity.

4.31 Impairment

4.31.1 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.

4.31.2 Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less 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 to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.32 Dividend to ordinary shareholders

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

4.33 Dividend 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.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

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

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

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not affect financial statements of the Group for current period or any period. The effect, if any, on future periods, is impracticable to determine.

Standards, interpretations and amendments	Description
IFRS 1 – First-time Adoption of International Financial Reporting Standards *(Amendments)*	The amendments provide certain exemptions to first-time adopters of International Financial Reporting Standards.
IFRS 2 – Share-based Payments *(Amendments)*	The standard was amended to provide additional guidance on the accounting for share-based payment transactions among group.
IFRS 3 – Business Combinations *(Amendments)*	The amendments provide guidance on measurement of non-controlling interests and on measurement of un-replaced and voluntary replaced share-based payment awards and transitional requirements for contingent consideration from a business combination.
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations *(Amendments)*	The amendments provide clarification regarding scope of the standard.
IAS 1 – Presentation of Financial Statements *(Amendments)*	The amendments provide guidance on current/non-current classification of convertible instruments.
IAS 7 – Statement of Cash Flows *(Amendments)*	The standard was amended to provide guidance on recognition of certain expenditures as investing activities.
IAS 17 – Leases *(Amendments)*	The amendments have removed guidance regarding classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification.
IAS 32 – Financial Instruments: Presentation *(Amendments)*	The amendments provide guidance on classification of right issues.
IAS 36 – Impairment of Assets *(Amendments)*	The amendments provide guidance on identification of unit of accounting for goodwill impairment test.
IAS 38 – Intangible Assets *(Amendments)*	The amendments clarify requirements regarding accounting for intangible assets acquired in a business combination.
IAS 39 – Financial Instruments: Recognition and Measurement *(Amendments)*	The amendments provide clarification regarding treatment of loan prepayment penalties and recognition of gains or losses on certain hedging instruments.
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	The interpretation provides guidance on accounting for debt for equity swaps.

5.2 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 7 – Financial Instruments: Disclosures *(Amendments)*	The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.

Notes to and forming part of Consolidated Financial Statements
for the eighteen months ended June 30, 2011

Standards, interpretations and amendments	Description
IFRS 7 - Financial Instruments: Disclosures (Amendments)	The amendments provide enhanced disclosure requirements pertaining to derecognition of financial assets. The amendment is effective for annual periods beginning on or after July 01, 2011.
IFRS 9 - Financial Instruments: Classification and Measurement	The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 10 - Consolidated Financial Statements	The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 11 - Joint Arrangements	The standard supersedes IAS 31 - Interest in Joint Ventures, and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 12 - Disclosure of Interests in Other Entities	The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 13 - Fair Value Measurement	The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.
IAS 1 - Presentation of Financial Statements (Amendments)	The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.
IAS 12 - Income Taxes	The amendments provide exceptions to the general principle of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.
IAS 24 - Related Party Disclosures (Revised 2009)	The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.
IAS 34 - Interim Financial Reporting (Amendments)	The amendments provide clarification about significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 13 - Customer Loyalty Programmes (Amendments)	The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognised as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.

Notes to and forming part of Consolidated Financial Statements
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		Note	June 30, 2011	December 31, 2009
			Rupees	Rupees
6.	**SHARE CAPITAL**			
6.1	**Authorized share capital**			
	Ordinary shares of Rs. 10 each			
	900,000,000 voting shares		9,000,000,000	9,000,000,000
	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 non-voting shares		3,000,000,000	3,000,000,000
			15,000,000,000	15,000,000,000
6.2	**Issued, subscribed and paid-up capital**			
	Voting ordinary shares of Rs. 10 each			
	325,763,750 shares issued for cash	6.3	[illegible]	[illegible]
	62,548,648 shares issued as bonus shares	6.3.1	625,486,480	625,486,480
	62,276,675 shares issued as consideration for machinery		[illegible]	[illegible]
	50,811,992 shares issued as consideration on merger		508,119,920	508,119,920
			4,493,456,390	4,493,456,390
	Non-voting ordinary shares of Rs. 10 each			
	4,753,719 shares issued for cash	6.4	47,537,190	47,537,190
	768,763 shares issued as bonus shares	6.3.1	7,687,630	7,687,630
			55,224,820	55,224,820
	Preference shares of Rs. 10 each			
	Nil (December 31, 2009: 33,062,549) shares issued for cash	6.5, 6.6	-	330,625,490
			4,548,681,210	4,879,306,700

		Note	June 30, 2011	December 31, 2009
			No. of shares	No. of shares
6.3	**Movement in number of voting ordinary shares in issue**			
	As at beginning of the period		449,345,639	312,745,387
	Issue of bonus shares	6.3.1	-	62,548,648
	Issue of right shares	6.3.2	-	74,051,604
	As at end of the period		449,345,639	449,345,639

6.3.1 During the year ended December 31, 2009, ANL increased its paid-up ordinary share capital through issue of bonus shares at 20 ordinary shares for every 100 ordinary shares held.

6.3.2 During the year ended December 31, 2009, ANL increased its paid-up ordinary share capital through issue of right shares at 23.68 ordinary shares for every 100 ordinary shares held.

		Note	June 30, 2011	December 31, 2009
			No. of shares	No. of shares
6.4	**Movement in number of non-voting ordinary shares in issue**			
	As at beginning of the period		5,523,435	3,808,217
	Issue of bonus shares	6.3.1	-	768,763
	Issue of right shares	6.3.2	-	946,455
	As at end of the period		5,523,435	5,523,435

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		No. of shares	No. of shares
6.5 Movement in number of preference shares in issue			
As at beginning of the period		[illegible]	[illegible]
Shares with redemption due presented under current liabilities	6.6 & 18	([illegible])	([illegible])
As at end of the period		-	[illegible]

6.6 Preference shares were issued by ANL during year ended September 30, 2006 and are non-voting, non-participatory, partly convertible and cumulative.

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

First redemption: 50 % of the issued amount at the end of fifth year from date of issue, i.e. September 24, 2009
Second redemption: 50 % of the issued amount at the end of sixth year from date of issue, i.e. September 24, 2010

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

	Total amount due	Redemption upto		Overdue as at	
		June 30, 2011	December 31, 2009	June 30, 2011	December 31, 2009
	Rupees	Rupees	Rupees	Rupees	Rupees
First redemption	[illegible]	[illegible]	-	[illegible]	[illegible]
Second redemption	[illegible]	-	-	[illegible]	-
	[illegible]	[illegible]	-	[illegible]	[illegible]

Previously, when the first redemption went overdue, ANL and preference shareholders had agreed in principle that these shares were to be redeemed out of a fresh issue of term finance certificates and the same was expected to be completed in April 2010. However, in course of the overall restructuring the matter was deferred till all other matters with banks were settled. Following the successful debt restructuring of ANL, the management has recommenced negotiations regarding this issue, including settlement of second redemption, and, the same is expected to be settled soon. Also refer to note 22.4, 25.1.6 and 51.2.2.

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
7 RESERVES			
Capital reserves			
Share premium	7.1	[illegible]	[illegible]
Merger reserve	7.2	[illegible]	[illegible]
Translation reserve	7.3	[illegible]	([illegible])
Preference shares redemption reserve	7.4	[illegible]	[illegible]
		[illegible]	[illegible]
Cash flow hedges	7.5	[illegible]	[illegible]
Available for sale financial assets	7.6	[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

7.1 Share premium

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

7.2 Reserve on merger

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

7.3 Translation reserve

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

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

7.4 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.

7.5 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".

7.6 Available for sale financial assets

This represents accumulated changes in fair value of investments classified as available for sale financial assets.

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
As at beginning of the period		[illegible]	[illegible]
Surplus arising during the period			
Surplus for the period		[illegible]	[illegible]
Deferred tax		([illegible])	-
		[illegible]	[illegible]
Incremental depreciation recognized in other comprehensive income			
Incremental depreciation for the period		([illegible])	([illegible])
Deferred tax		[illegible]	-
		([illegible])	([illegible])
As at end of the period		[illegible]	[illegible]
Attributable to non-controlling interests		([illegible])	-
Attributable to equity holders of the parent		[illegible]	[illegible]

8.1 For basis of revaluation, refer to note 24.1.5.

	Note	June 30, 2011	December 31, 2009
9 NON-CONTROLLING INTERESTS			
As at beginning of the period		-	-
Arising during the period on divestment		[illegible]	-
Share of total comprehensive income		[illegible]	-
Share of surplus on revaluation of property, plant and equipment	8	[illegible]	-
As at end of the year		[illegible]	-

9.1 Non-controlling interests relate to interests of minority shareholders in AGL arising on partial divestment by ANL during the period, on April 12, 2010.

9.2 Non-controlling interest in respect of interests of minority shareholder in NST was not recognized in previous periods due to accumulated losses in NST.

10 LOAN FROM RELATED PARTY - UNSECURED

This represents loan obtained by Agritech Limited from JS Infocom Limited to finance the acquisition of HSTL. The loan carries mark-up at six months KIBOR plus 3.25% per annum (December 31, 2009: six months KIBOR plus 3.25% per annum). The loan is subordinate to all long term and short term finances obtained by Agritech Limited. The tenor of this loan is six years.

Notes to and forming part of Consolidated Financial Statements
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	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
11 REDEEMABLE CAPITAL - SECURED			
Term Finance Certificates - I	11.1	[illegible]	[illegible]
Term Finance Certificates - II	11.2	[illegible]	[illegible]
Term Finance Certificates - III	11.3	[illegible]	-
Term Finance Certificates - IV	11.4	[illegible]	[illegible]
Term Finance Certificates - V	11.5	[illegible]	[illegible]
Term Finance Certificates - VI	11.6	[illegible]	[illegible]
Sukuks	11.7	[illegible]	[illegible]
		[illegible]	[illegible]
Transaction costs	11.8	[illegible]	[illegible]
		[illegible]	[illegible]
Current maturity presented under current liabilities		[illegible]	[illegible]
		[illegible]	[illegible]

11.1 These Term Finance Certificates (TFCs) have been issued by ANL by way of private placements and public subscription and are listed on Karachi Stock Exchange (Guarantee) Limited. The total issue comprises of [illegible] certificates of Rs. 5,000 each. In context of the overall debt restructuring, the issue was restructured with effect from March [illegible], 2010. The terms and conditions of issue and redemption, before and after the restructuring, are as follows:

Before restructuring	After restructuring
Principal redemption	**Principal redemption**
The principal redemption was originally structured to be in ten stepped-up semi-annual installments starting from March 2008.	Post restructuring, the outstanding principal redemption is structured to be in twelve semi-annual installments starting from March 2012, with first eight installments of Rs. [illegible] million each and remaining four installments of Rs. [illegible] million each.
Pricing	**Pricing**
The issue originally carried return at six months KIBOR plus 2.4% per annum, payable semi-annually.	The restructured issue carries return, payable semi-annually, at the following stepped-up rates for the tenor of issue: Calendar years 2010-2011 Six months KIBOR plus 1.00% Calendar years 2012-2015 Six months KIBOR plus 1.25% Calendar year 2016 onwards Six months KIBOR plus 1.75%
Trustee	**Trustee**
First Dawood Investment Bank Limited was originally appointed as trustee for the issue under a trust deed, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.	Post restructuring, Faysal Bank Limited has appointed been as trustee under a trust deed, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.
Security	**Security**
The issue was originally secured by charge over present and future operating fixed assets of the issuer.	Post restructuring, the issue is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantee.

11.2 These have been issued by ANL by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. In context of the overall debt restructuring, the issue was restructured with effect from June [illegible], 2010. The terms and conditions of issue and redemption, before and after the restructuring are as follows:

Notes to and forming part of Consolidated Financial Statements
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Before restructuring	After restructuring
Principal redemption	**Principal redemption**
The principal redemption was originally structured to be in ten equal semi-annual installments starting from June 2010.	Post restructuring, the outstanding principal redemption is structured to be in twelve semi-annual installments starting from June 2012, with first eight installments of Rs. 146.75 million each and remaining four installments of Rs. 330.95 million each.
Pricing	**Pricing**
The issue originally carried return at six months KIBOR plus 2.25% per annum, payable semi-annually.	The restructured issue carries return, payable semi-annually, at the following stepped-up rates for the tenor of issue: Calendar years 2010-2011 Six months KIBOR plus 1.00% Calendar years 2012-2015 Six months KIBOR plus 1.25% Calendar years 2016 onwards Six months KIBOR plus 1.75%
Trustee	**Trustee**
Pak Brunei Investment Company was originally appointed as trustee for the issue under a trust deed, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.	Post restructuring, Pak Brunei Investment Company remains trustee of the issue, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.
Security	**Security**
The issue was originally secured by charge over present and future operating fixed assets of the issuer.	Post restructuring, the issue is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantee.

As at June 30, 2011, principal redemption of Rs. [illegible] is overdue. Refer note [illegible] for details.

11.3 These have been issued by ANL for repayment/redemption of various short term borrowings as part of the overall debt restructuring. The total issue comprises of [illegible] certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

The principal redemption is structured to be in eight quarterly installments starting from August 2011 with first four installments of Rs. [illegible] million each and remaining four installments of Rs. [illegible] million each, after two token redemptions of Rs. [illegible] million each and one lump sum redemption of Rs. [illegible] million during the year immediately preceding August 2011.

Pricing

The restructured issue carries return, payable quarterly, at following stepped-up rates for the tenor of issue:

Upto May 18, 2011	Twelve months KIBOR plus 1.00%
May 19, 2011 - November 18, 2011	Three months KIBOR plus 1.00%
November 19, 2011 - May 18, 2013	Three months KIBOR plus 1.25%

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

Security

The issue is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantee.

As at June 30, 2011, principal redemption of Rs. [illegible] million is overdue. Refer note [illegible] for details.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

11.4 These have been issued by AGL 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 1,300,000 certificates of Rs. 5,000 each. In context of the overall debt restructuring, the issue was restructured with effect from October 26, 2010. The terms and conditions of issue and redemption, before and after the restructuring are as follows:

Before restructuring	After restructuring
Principal redemption	**Principal redemption**
The principal redemption was originally structured to be in ten equal semi-annual installments starting from July 2010.	Post restructuring, the principal redemption is structured to be in twelve semi-annual installments starting from January 2012 with first six installments of Rs. 465.617 million each and remaining six installments of Rs. 746.884 million each, after two token redemptions of Rs. 0.096 million each during July 2010.
Pricing	**Pricing**
The issue originally carried return at six months KIBOR plus 1.75% per annum, payable semi-annually.	The restructured issue carries return, payable semi-annually, at six months KIBOR plus 1.75% per annum.
Call option	**Call option**
As per terms of the original issue, AGL had the option to redeem the issue by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days.	Post restructuring, AGL continues to have the option to redeem the issue by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days.
Trustee	**Trustee**
Faysal Bank Limited was originally appointed as trustee for the issue under a trust deed, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.	Post restructuring, Faysal Bank Limited remains trustee of the issue, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.
Security	**Security**
The issue was originally secured by charge over present and future operating fixed assets of the issuer.	Post restructuring, the issue is secured by charge over present and future operating fixed assets of the issuer.

As at June 30, 2011, principal redemption of Rs. 0.192 million is overdue. Refer note 51.2.2 for details.

11.5 These have been issued by AGL by way of private placements with a consortium of investors for redemption of privately placed term finance certificates issued earlier by the AGL. The total issue comprises of 300,000 certificates of Rs. 5,000 each. In context of the overall debt restructuring, the issue was restructured with effect from October 26, 2010. The terms and conditions of issue and redemption, before and after the restructuring are as follows:

Before restructuring	After restructuring
Principal redemption	**Principal redemption**
The principal redemption was originally structured to be in ten equal semi-annual installments starting from May 2010.	Post restructuring, the principal redemption is structured to be in twelve semi-annual installments starting from May 2012 with first six installments of Rs. 87.418 million each and remaining six installments of Rs. 162.549 million each, after two token redemptions of Rs. 0.099 million each during July 2010 and August 2010.
Pricing	**Pricing**
The issue originally carried return at six months KIBOR plus 1.75% per annum, payable semi-annually.	The restructured issue carries return, payable semi-annually, at six months KIBOR plus 1.75% per annum.

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Before restructuring	After restructuring
Call option	**Call option**
As per terms of the original issue, AGL had the option to redeem the issue, at any time after the expiry of two years from the date of issue, by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days.	Post restructuring, AGL continues to have the option to redeem the issue by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days. However, the call option can be exercised only after the expiry of two years from the date of issue.
Trustee	**Trustee**
Pak Brunei Investment Company Limited was originally appointed as trustee for the issue under a trust deed, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.	Post restructuring, Pak Brunei Investment Company Limited remains trustee of the issue, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.
Security	**Security**
The issue was originally secured by charge over present and future operating fixed assets of the issuer.	Post restructuring, the issue is secured by charge over present and future operating fixed assets of the issuer.

As at June 30, 2011, principal redemption of Rs. 0.119 million is overdue. Refer note 51.2.3 for details.

11.6 These have been issued by AGL by way of private placement with a consortium of investors to finance the acquisition of HFL. The total issue comprises of 100,000 certificates of Rs. 5,000 each. In context of the overall debt restructuring, the issue was restructured with effect from December 30, 2010. The terms and conditions of issue and redemption, before and after the restructuring are as follows:

Before restructuring	After restructuring
Principal redemption	**Principal redemption**
The principal redemption was originally structured to be in sixteen equal quarterly installments starting from February 2010.	Post restructuring, the principal redemption is structured to be in twenty four quarterly installments starting from March 2012 with first twelve installments of Rs. 14.487 million each and remaining twelve installments of Rs. 26.842 million each, after two token redemptions of Rs. 0.096 million each during October 2010 and November 2010.
Pricing	**Pricing**
The issue originally carried return at three months KIBOR plus 3.25% per annum, payable quarterly.	The restructured issue carries return, payable quarterly, at three months KIBOR plus 3.25% per annum.
Call option	**Call option**
As per terms of the original issue, AGL had the option to redeem the issue, at any time after the expiry of two years from the date of issue, by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days.	Post restructuring, AGL continues to have the option to redeem the issue by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days. However, the call option can be exercised only after the expiry of two years from the date of issue.
Trustee	**Trustee**
JS Bank Limited was originally appointed as trustee for the issue under a trust deed, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.	Post restructuring, JS Bank Limited remains trustee of the issue, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

Before restructuring	After restructuring
Security	**Security**
The issue was originally secured by charge over present and future operating fixed assets of the issuer.	Post restructuring, the issue is secured by charge over present and future operating fixed assets of the issuer.

As at June 30, 2011, principal redemption of Rs. [illegible] million is overdue. Refer note [illegible] for details.

11.7 These have been issued by AGL by way of private placements with a consortium of investors to finance the balancing, modernization and replacement of AGL's property, plant and equipment. The total issue comprises of [illegible] certificates of Rs. 5,000 each. In context of the overall debt restructuring, the issue was restructured with effect from October 26, 2010. The terms and conditions of issue and redemption, before and after the restructuring are as follows:

Before restructuring	After restructuring
Principal redemption	**Principal redemption**
The principal redemption was originally structured to be in six equal semi-annual installments starting from February 2010.	Post restructuring, the principal redemption is structured to be in twelve semi-annual installments starting from February 2012 with first twelve installments of Rs. [illegible] million each and remaining twelve installments of Rs. [illegible] million each, after two minor redemptions of Rs. [illegible] million each during July 2010 and August 2010.
Pricing	**Pricing**
The issue originally carried return at six months KIBOR plus 2% per annum, payable semi-annually.	The restructured issue carries return, payable semi-annually, at six months KIBOR plus 2% per annum.
Call option	**Call option**
As per terms of the original issue, AGL had the option to redeem the issue, at any time after the expiry of one year from the date of issue, by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days.	Post restructuring, AGL continues to have the option to redeem the issue by way of exercise of call option by giving a notice in writing to TFC holders and the trustee of not less than thirty days. However, the call option can be exercised only after the expiry of one year from the date of issue.
Trustee	**Trustee**
Pak Brunei Investment Company Limited was originally appointed as trustee for the issue under a trust deed, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.	Post restructuring, Pak Brunei Investment Company Limited remains trustee of the issue, with power to enforce the issuer's obligations, in case of default, in accordance with the terms of the trust deed and to distribute the proceeds of any such enforcement among the TFC holders.
Security	**Security**
The issue was originally secured by charge over present and future operating fixed assets of the issuer.	Post restructuring, the issue is secured by charge over present and future operating fixed assets of the issuer.

As at June 30, 2011, principal redemption of Rs. [illegible] million is overdue. Refer note [illegible] for details.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
11.8 Transaction costs			
As at beginning of the year		[illegible]	[illegible]
Incurred during the year		[illegible]	[illegible]
Amortized during the year	[illegible]	([illegible])	([illegible])
As at end of the year		[illegible]	[illegible]

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	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
12 LONG TERM FINANCES - SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies and financial institutions.			
United Bank Limited	12.1	75,000,000	75,000,000
Citi Bank N.A. (Bahrain)	12.2	-	[illegible]
National Bank of Pakistan	12.3	1,000,000,000	1,000,000,000
Deutsche Investitions - Und [illegible] (Germany)	12.4	[illegible]	[illegible]
Saudi Pak Industrial and Agricultural Company Limited	12.5	[illegible]	[illegible]
Citi Bank N.A.	12.6	[illegible]	-
HSBC Bank (Middle East) Limited	12.7	[illegible]	-
KASB Bank Limited	12.8	[illegible]	-
National Bank of Pakistan	12.9	[illegible]	-
Dubai Islamic Bank Limited	12.10	[illegible]	-
Syndicate Term Finance - I	12.11	[illegible]	[illegible]
Syndicate Term Finance - II	12.12	[illegible]	[illegible]
Syndicate Term Finance - III	12.13	[illegible]	-
		[illegible]	[illegible]
Transaction costs	12.14	([illegible])	-
		[illegible]	[illegible]
Current maturity presented under current liabilities	12.6 & 18	([illegible])	([illegible])
		[illegible]	[illegible]

12.1 The finance has been obtained by ANL from United Bank Limited for import of plant and machinery. In context of the overall restructuring, the finance was restructured with effect from January [illegible], 2011. The terms and conditions, before and after the restructuring:

Before restructuring	After restructuring
Principal repayment	**Principal repayment**
The principal repayment was originally structured to be in eight equal semi-annual installments of Rs. [illegible] million each starting from December 2006.	Post restructuring, the outstanding principal repayment is structured to be in twelve semi-annual installments starting from June 2012, with first eight installments of Rs. [illegible] million each and remaining four installments of Rs. [illegible] million each.
Pricing	**Pricing**
The finance originally carried interest/markup at 7% per annum, payable quarterly.	The restructured finance carries interest/markup, payable semi-annually, at following mark-up rates for the tenor: Calendar years 2011-2012: Six months KIBOR plus [illegible]% Calendar years 2013-2016: Six months KIBOR plus [illegible]% Calendar years 2017 onwards: Six months KIBOR plus [illegible]%
Security	**Security**
The finance was originally secured by charge over present and future operating fixed assets of the issuer.	Post restructuring, the finance is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees.

12.2 This represents finance of US$ [illegible] million obtained by ANL from Citi Bank N.A. (Bahrain) under a loan swap arrangement and was secured by charge over operating fixed assets of ANL, demand promissory notes and pledge of shares in Agritech Limited. The finance carried mark-up at three months LIBOR plus [illegible]% per annum (December 31, 2009: three months LIBOR plus [illegible]% per annum), payable quarterly. The finance has been fully settled during the period, through transfer of investments in term finance certificates.

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63.3 The finance has been obtained by ANL from National Bank of Pakistan to finance the acquisition of Agritech Limited. In context of the overall debt restructuring/rescheduling, the finance was restructured with effect from January 15, 2010. The terms and conditions, before and after the restructuring, are as follows:

Before restructuring	After restructuring
Principal repayment	**Principal repayment**
The principal repayment was originally structured to be in twelve equal semi-annual installments of Rs. 125 million each starting from January 2007.	Post restructuring, the outstanding principal repayment is structured to be in twelve semi-annual installments starting from January 2012, with first eight installments of Rs. 58.33 million each and remaining four installments of Rs. [illegible] million each.
Pricing	**Pricing**
The finance originally carried interest/markup at six months KIBOR plus 1.5% per annum, payable semi-annually.	The restructured finance carries interest/markup, payable semi-annually, at following stepped-up rates for the tenor:
	Calendar years 2010-2011 — Six months KIBOR plus 1.00%
	Calendar years 2012-2015 — Six months KIBOR plus 1.25%
	Calendar years 2016 onwards — Six months KIBOR plus 1.75%
Security	**Security**
The finance was originally secured by charge over present and future operating fixed assets and current assets of ANL and pledge of shares held in Agritech Limited.	Post restructuring, the finance is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees.

As at June 30, 2011, interest/mark-up payments of Rs. [illegible] million are overdue. Refer note 51.2.2 for details.

63.4 This represents finance of Euro 15 million obtained by ANL from Deutsche Investitions - Und MBH (Germany) to finance the setup of new textile and apparel project. In context of the overall debt restructuring/rescheduling, the issue was also restructured with effect from October 15, 2010. The terms and conditions, before and after the restructuring are as follows:

Before restructuring	After restructuring
Principal repayment	**Principal repayment**
The principal repayment was originally structured to be in ten equal semi-annual installments of Euro 1.5 million each starting from August 2008.	Post restructuring, the outstanding principal repayment is structured to be in twenty quarterly installments starting from January 2013, with first twelve installments of Euro [illegible] million each and remaining four installments of Euro [illegible] million each.
Pricing	**Pricing**
The finance originally carried interest/markup at six months EURIBOR plus 3.25% per annum, payable semi-annually.	Post restructuring, the finance carries return at three months EURIBOR plus 3.25% per annum, payable quarterly.
Security	**Security**
The finance was originally secured by charge over present and future operating fixed assets and current assets of ANL.	Post restructuring, the finance is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees.

As at June 30, 2011, interest/mark-up payments of Rs. [illegible] million are overdue. Refer note 51.2.2 for details.

63.5 The finance has been obtained by ANL from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements. In context of the overall debt restructuring/rescheduling, the issue was also restructured with effect from August 15, 2010. The terms and conditions, before and after the restructuring are as follows:

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Before restructuring	After restructuring
Principal repayment	**Principal repayment**
The principal repayment was originally structured to be in four equal semi-annual installments of 25 million each starting from February 2010.	Post restructuring, the outstanding principal repayment is structured to be in twenty four quarterly installments starting from January 2012, with first sixteen installments of Rs. [illegible] million each and remaining eight installments of Rs. [illegible] million each.
Pricing	**Pricing**
The finance originally carried return at six months KIBOR plus 2.5% per annum, payable quarterly.	The restructured finance carries interest/mark-up, payable quarterly, at following stepped-up rates for the tenor:
	Calendar years 2010-2011 — Six months KIBOR plus 1.00%
	Calendar years 2012-2015 — Six months KIBOR plus 1.25%
	Calendar years 2016 onwards — Six months KIBOR plus 1.75%
Security	**Security**
The finance was originally secured by charge over present and future operating fixed assets and current assets of ANL.	Post restructuring, the finance is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees.

As at June 30, 2011, interest/mark-up payments of Rs. [illegible] million are overdue. Refer note 51.2.2 for details.

63.6 The finance has been obtained by ANL from Citi Bank N.A. on conversion of various short term borrowings as part of the overall debt restructuring and is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees. The principal repayment is structured to be in six semi-annual installments starting from May 2012, with first four installments of Rs. [illegible] million each and two installments of Rs. [illegible] million each. The finance carries interest/markup, payable semi-annually, at following stepped-up rates for the tenor:

Calendar years 2010-2011	Six months KIBOR plus 1.00%
Calendar years 2012 onwards	Six months KIBOR plus 1.25%

As at June 30, 2011, interest/mark-up payments of Rs. [illegible] million are overdue. Refer note 51.2.2 for details.

63.7 The finance has been obtained by ANL from HSBC Bank (Middle East) Limited on conversion of various short term borrowings as part of the overall debt restructuring and is secured by charge over present and future operating fixed assets and current assets, mortgage over properties, pledge of shares held in Agritech Limited and sponsor guarantees. The principal repayment is structured to be in six semi-annual installments starting from May 2012, with first four installments of Rs. [illegible] million each and two installments of Rs. [illegible] million each. The finance carries interest/markup, payable semi-annually, at following stepped-up rates for the tenor:

Calendar years 2010-2011	Six months KIBOR plus 1.00%
Calendar years 2012 onwards	Six months KIBOR plus 1.25%

As at June 30, 2011, interest/mark-up payments of Rs. [illegible] million are overdue. Refer note 51.2.2 for details.

63.8 The finance has been obtained by AGL from KASB Bank Limited to meet working capital requirements and is secured by charge over operating fixed assets of AGL (excluding land and building). The finance carries mark-up at six months KIBOR plus 2.50% per annum, payable semi-annually. The principal repayment is structured to be in twelve semi-annual installments starting from June 2012, with first six installments of Rs. [illegible] million each and remaining six installments of Rs. [illegible] million each.

63.9 The finance has been obtained by AGL from National Bank of Pakistan to finance cost overrun for successful completion and commissioning of revamp project and is secured by charge over operating fixed assets of AGL (excluding land and building). The finance carries mark-up at six months KIBOR plus 2.25% per annum, payable semi-annually. The principal repayment is structured to be in eight equal semi-annual installments of Rs. [illegible] each starting from April 2012.

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42.40 The finance has been obtained by AGL from Dubai Islamic Bank Limited on conversion of a short term borrowing facility amounting to Rs. 365 million as part of the overall debt restructuring. The finance is secured by charge over present and future operating fixed assets of AGL. The finance carries mark-up at six months KIBOR plus 2.25% per annum, payable semi-annually. The principal repayment is structured to be in six semi-annual installments starting from 01 December 2013, with first four installments of Rs. 31.500 million each and remaining two installments of Rs. 119.625 million each.

42.41 The finance has been obtained by AGL from a consortium of various banking companies to finance the acquisition of HIPS and is secured by charge over operating fixed assets of AGL. The finance carries mark-up at three months KIBOR plus 3.25% per annum payable quarterly. The principal repayment is structured to be in sixteen equal quarterly installments of Rs. 31.25 million each, starting from February 2010. As at June 30, 2011, principal repayments of Rs. 162.5 million are overdue. Refer note 51.2.2 for details.

42.42 The finance has been obtained by AGL from a consortium of banking companies to finance the revamping of operational efficiencies of AGL's plant and is secured by charge over operating fixed assets of the AGL. The finance carries mark-up at six months KIBOR plus 2.25% per annum, payable semi-annually. The principal repayment is structured to be in twelve semi-annual installments starting from June 2012, with first six installments of Rs. 175 million each and remaining six installments of Rs. 325 million each.

42.43 The finance has been obtained by AGL from a consortium of banking companies on conversion of various short term borrowings as part of the overall debt restructuring and is secured by charge over operating fixed assets of AGL. The finance carries mark-up at six months KIBOR plus 2.25% per annum, payable semi-annually. The principal repayment is structured to be in six semi-annual installments starting from June 2012, with first four installments of Rs. 264.000 million each and two installments of Rs. 983.50 million each.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
42.44 Transaction costs			
As at beginning of the year		-	-
Incurred during the year		51,493,835	-
Amortized during the year	60	(5,783,286)	-
As at end of the year		45,710,549	-

43 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Present value of minimum lease payments	43.1 & 43.2	260,181,481	364,338,524
Current maturity presented under current liabilities	43.1 & 43.2	(83,607,558)	(85,138,418)
		176,573,923	279,200,106

43.1 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 lessor and lien over documents of title. Rentals are payable monthly / quarterly over a tenor of upto three years. The leases are priced at rates ranging from three months to twelve months KIBOR plus 2% to 3.75% (December 31, 2009: six months to one year KIBOR plus 2% to 3.25%) per annum. Under the terms of agreement, taxes, repairs, replacement and insurance costs in respect of assets subject to finance lease are borne by lessee. Lessee also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option.

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

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Not later than one year		94,583,764	172,826,149
Later than one year but not later than five years		212,743,092	303,793,076
Total future minimum lease payments		307,326,856	476,619,225
Finance charge allocated to future periods		(66,464,365)	(112,280,904)
Present value of future minimum lease payments		260,181,481	364,338,524
Not later than one year	48	(83,607,558)	(85,138,418)
Later than one year but not later than five years		176,573,923	279,200,106

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		Note	June 30, 2011 Rupees	December 31, 2009 Rupees
44 DERIVATIVE FINANCIAL LIABILITIES				
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.		-	14,472,950
			-	14,472,950
Current maturity presented under current liabilities		48	-	(14,472,950)
			-	-

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
45 LONG TERM PAYABLES			
Payable to building contractor	45.1	34,435,499	34,435,499
Payable to supplier		-	20,050,000
		34,435,499	54,485,499

45.1 This represents amount payable to a contractor whose claim is pending with arbitrator. Refer to note 51.4.4 for details.

	June 30, 2011 Rupees	December 31, 2009 Rupees
46 DEFERRED TAXATION		
Deferred tax liability on taxable temporary differences		
Accelerated tax depreciation	6,526,430,882	3,722,545,405
Finance lease transactions	58,898,638	-
	6,585,329,520	3,722,545,405
Deferred tax asset on deductible temporary differences		
Provisions	(37,400,694)	(20,632,589)
Minimum taxation	(95,446,078)	(15,675,903)
Unabsorbed tax credits	(3,538,566,702)	(1,538,806,436)
Finance lease transactions	-	(425,249)
	(3,611,413,364)	(1,575,261,458)
Net liability recognised in balance sheet	2,973,915,156	2,147,283,947

46.1 Deferred tax has been calculated at 35% (2009: 35%) of temporary differences as at the reporting date.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
47 EMPLOYEES RETIREMENT BENEFITS			
The amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligation	47.1	35,438,864	24,547,935
Fair value of plan assets	47.3	(65,438,257)	(33,545,338)
Surplus		29,999,584	9,401,497
Unrecognised actuarial gains	47.4	362,963	7,010,065
		29,372,517	16,411,500

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	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
17.1 Movement in present value of defined benefit obligation			
As at beginning of the period		24,947,036	26,344,673
Charged to profit or loss for the period	17.5	8,094,371	6,067,368
Benefits paid during the period		(62,460)	(405,652)
Actuarial loss/(gain) arising during the period		2,457,876	(7,058,353)
As at end of the period	17.2	[illegible]	24,947,036

	June 30, 2011	December 31, 2009
	Rupees	Rupees

17.2 The present value of defined benefit obligation has been determined based on the following assumptions:

Discount rate	14%	14%
Expected rates of increase in salary	13%	13%
Expected return on plan assets	13%	13%
Expected average remaining working lives of employees	14 years	13 years

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
17.3 Movement in fair value of plan assets			
As at beginning of the period		15,545,526	14,267,609
Contribution paid to the fund		-	-
Expected return on plan assets	17.5	4,135,126	2,579,467
Benefits paid during the period		(62,460)	(405,652)
Actuarial losses arising during the period		(4,189,964)	(2,556,895)
As at end of the period		15,428,257	15,545,526
17.4 Movement in unrecognized actuarial gain			
As at beginning of the period		7,014,883	2,492,545
(Loss)/gain arising during the period		(6,647,840)	4,519,458
Recognized during the period	17.5	-	-
As at end of the period		363,943	7,014,883
17.5 Charge to profit or loss			
Current service cost		[illegible]	[illegible]
Interest cost		[illegible]	[illegible]
		8,094,371	6,067,368
Actuarial loss recognized during the period		-	-
Expected return on plan assets		(4,135,126)	(2,579,467)
		3,959,245	3,796,901
17.6 The charge to profit or loss has been allocated as follows:			
Cost of sales		3,458,549	3,114,477
Selling and distribution expenses		55,077	352,736
Administrative and general expenses		445,614	332,688
		3,959,245	3,796,901

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	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
17.7 Actual return on plan assets		(54,838)	(395,428)

17.8 Historical information

		2008	2007	2006
Present value of defined benefit obligation	Rupees	26,344,673	24,157,547	21,408,314
Fair value of plan assets	Rupees	14,267,609	21,402,705	21,935,676
(Deficit)/surplus	Rupees	(12,124,064)	(2,744,842)	447,362
Actuarial adjustment as a percentage of:				
Present value of defined benefit obligation	%age	16.72	9.40	1.14
Fair value of plan assets	%age	16.08	8.91	14.86

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
18 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Preference shares	6.3 & 6.4	574,568,901	338,625,650
Redeemable capital	11	1,390,888,762	1,988,768,580
Long term finances	12	1,482,248,686	2,211,488,888
Liabilities against assets subject to finance lease	15.2	65,087,558	85,130,018
Derivative financial liabilities	14	-	14,472,950
		3,512,793,907	4,632,380,358

19 SHORT TERM BORROWINGS

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

	Note	June 30, 2011	December 31, 2009
Secured			
Running finances	19.1	[illegible]	[illegible]
Term loans	19.1	[illegible]	5,776,438,828
Bridge finance - I	19.2	[illegible]	-
Bridge finance - II	19.3	-	800,000,000
		11,204,914,982	11,703,835,309
Unsecured			
Finance against foreign bills	19.1	78,356,778	788,912,261
Commercial paper	19.4	-	832,025,025
		78,356,778	1,620,937,286
		11,283,271,760	13,324,772,595

19.1 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 borrowers, 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 sponsor guarantee.

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Mark-up on these finances is payable along with principal on maturity, except for running finances, where mark-up is payable quarterly/semi-annually. Local currency finances carry markup at rates ranging from one to six months KIBOR plus 1.5% to 4.5% per annum (December 31, 2009: one to six months KIBOR plus 1.75% to 5% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR of matching tenor plus 2% to 6.5% per annum (December 31, 2009: LIBOR of matching tenor plus 4% to 3.5% per annum). Markup on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of 10% per annum plus banks' spread of 1% per annum (December 31, 2009: 6.5% per annum plus banks' spread of 1% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.1% to 0.15% per quarter (December 31, 2009: 0.05% to 0.15% per quarter).

20.2 Bridge finance-I has been obtained from various banking companies, as part of overall debt restructuring of ANL's debt finances, to bridge finance the operations and working capital requirements of ANL and is secured by pledge of shares held in Agritech limited, charge over present and future operating fixed assets and current assets of ANL and sponsor guarantee. The finance carries mark-up at twelve months KIBOR plus 1% per annum, payable along with principal on maturity.

20.3 Bridge finance-II was obtained from various banking companies to bridge the private placement/public subscription of ordinary shares of Agritech Limited and was secured by pledge of shares held in Agritech Limited, charge over present and future operating fixed assets of ANL and sponsor guarantee. The finance carried mark-up at six months KIBOR plus 2% to 5% per annum, payable along with principal on maturity. The finance was repaid during the year.

20.4 These were issued with a face value of Rs. 750 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 yield rate of three months KIBOR plus 3.5% per annum and was redeemable at face value in May 2010. The issue was unsecured. As part of the overall restructuring of ANL's debt finances, the issue was also restructured, whereby the issue was redeemed at face value through a fresh issue of term finance certificates. See note 11.3.

20.5 As part of the overall restructuring of the Group's debt finances, various short term borrowings, including commercial paper, collectively amounting to Rs. 5,061 million were restructured, with Rs. 4,236 million converted to long term finances (see note 12.6, 12.7, 12.10 and 12.11) and Rs. 825 million converted to redeemable capital (note 11.3).

20.6 The aggregate available short term funded facilities amounts to Rs. 13,512 million (December 31, 2009: Rs. 14,797 million) out of which Rs. 2,327 million (December 31, 2009: Rs. 2,509 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit is Rs. 5,484 million (December 31, 2009: Rs. 9,774 million) of which the limits remaining unutilized as at the reporting date amount to Rs. 1,092 million (December 31, 2009: Rs. [illegible] million).

20 ACCRUED INTEREST/MARK-UP

These include overdue interest/mark-up amounting to Rs. 4,343.51 million.

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
21 TRADE AND OTHER PAYABLES			
Trade creditors		4,109,799,567	4,756,467,091
Accrued liabilities		503,645,571	368,952,046
Advances from customers		103,441,952	85,526,008
Subscription money against sale of investment	21.1	-	86,128,000
Payable to employees provident fund trust	21.2	114,487,990	16,723,558
Workers' profit participation fund	21.3	49,866,366	68,574,247
Workers' Welfare Fund	21.5	11,062,964	28,324,957
Tax deducted at source		69,744,095	53,258,454
Security deposits and retention money		50,868,460	45,758,931
Other payables		249,839,524	56,878,996
		[illegible]	5,851,667,558

21.1 This represents amounts received from Pre-IPO investors as per their commitments under the Pre-IPO agreements for the purchase of the shares of Agritech Limited.

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21.2 This includes interest on payable to employees provident fund trust amounting to Rs. 15,934,767 (December 31, 2009: nil).

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
21.3 Workers' Profit Participation Fund ('WPPF')			
As at the beginning of the period		68,574,237	63,982,165
Interest on funds utilized by the Group	21.4	8,249,516	3,340,340
Charged to profit or loss for the period		4,891,992	55,464,426
Paid during the period		(29,899,468)	(62,158,774)
As at end of the period		49,866,366	68,854,247

21.4 Interest on WPPF is charged at 17.5% (December 31, 2009: 17.5%) per annum.

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
21.5 Workers' Welfare Fund ('WWF')			
As at the beginning of the period		28,324,957	20,000
Charged to profit or loss for the period		3,064,010	28,304,957
Paid/adjusted during the period		(20,375,000)	-
As at end of the period		11,062,964	28,324,957

22 DIVIDEND PAYABLE

	Note	June 30, 2011	December 31, 2009
Unclaimed dividend on ordinary shares		4,002,657	4,002,657
Dividend payable on preference shares	22.1	28,727,041	59,431,549
		32,729,698	63,434,206

22.1 Preference dividend was due for payment on November 21, 2010, however no payments have been made upto the reporting date. The management intends to settle this along with the settlement of outstanding preference shares. See notes 6.4, 53.2.2 and 23.1.8.

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 ANL was denied exemption under SRO 484(I)/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.

23.1.2 Several ex-employees of Agritech Limited 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.

23.1.3 ANL has issued indemnity bonds amounting to Rs. 338 million (December 31, 2009: Rs. 243 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.

23.1.4 A contractor's claim amounting to Rs. 498.518 million against the AGL was not acknowledged as debt since the AGL also has a counter claim amounting to Rs. 2,336.83 million against the contractor. The claim is under settlement with arbitrator. The management expects a favorable decision.

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25.1.5 AGL has filed a suit before the Islamabad High Court impugning the decision of Government of Pakistan (Ministry of Industries, Production & Special Initiatives) wherein it was communicated that since AGL commenced its operations with effect from 15.09.1998 therefore the ten years period for the subsidized rate of feedstock gas under the 1989 Fertilizer Policy shall end on 12.09.2008. AGL has contended that the Government granted subsidy to other fertilizer companies from the date of their "commercial operations" and is therefore bound under constitutional law to equal treatment and non-discrimination against AGL. The commercial operations of AGL were commenced on 29.11.1999 therefore the subsidized period of ten years shall end on 28.11.2009. Through an order 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. 56 million and bank guarantee of Rs. 448 million with Islamabad High Court, which has been deposited by it. AGL has a very strong arguable case and there is every likelihood of success, therefore no provision of amount of Rs. 952.690 million has been made.

25.1.6 A case title WAPDA versus Agritech Limited is pending before the honourable High Court, where in, WAPDA has assailed the order passed by the Additional District and Sessions Judge, Mianwali, in favor of AGL. Through the said order, it was held the AGL was not liable to pay an amount Rs. 2,238,50 as demanded by WAPDA. The case is pending for adjudication.

25.1.7 Counter guarantees given by the Group to its bankers as at the reporting date amount to Rs. 366.05 million (December 31, 2009: Rs. 348.35 million).

25.1.8 As referred to in note 6.6 to the financial statements, no redemption of preference shares has been made upto the reporting date in respect of accrued and final redemption, whereas, only partial redemption has been carried out in respect of first redemption. Further, non-payment or delayed payment of dividend on preference share, as referred to in note 21.1 may attract penalties in the form of dividend at higher rates. See note 5.2.2.

25.1.9 AHL and AGL were unable to meet their obligations in respect of various debt finances on their respective due dates which may result in further encumbrances 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 5.2.2 for details.

25.1.10 Contingencies related to tax matters are referred to note 44 to the financial statements.

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
25.2 Commitments			
25.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores and spares		1,6,745,448	394,774,424
- purchase of machinery		5,919,288	1,786,958,741
- purchase of raw material		25,000,276	811,185,420
		175,465,012	2,989,918,782
25.2.2 Commitments for capital expenditure		-	3,565,908
26 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	26.1	30,339,684,425	29,036,768,986
Capital work in progress	26.2	10,029,202,261	7,580,422,073
		50,368,886,686	37,617,116,059

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	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees	Mode of disposal	Particulars of buyer
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Company policy	Company employee

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	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
24.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	38	[illegible]	988,564,075
Administrative and general expenses	40	[illegible]	[illegible]
Income from experimental farm		[illegible]	[illegible]
		[illegible]	[illegible]

24.1.5 Revaluation of property, plant and equipment

Land, building and plant and machinery of ASL 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 March 31, 2010 by an independent firm of valuers Maricon Consultants (Private) Limited. Basis of revaluation are as follows:

24.1.5(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.

24.1.5(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 auxiliary structures, physical condition and level of preventive maintenance carried out by the Group.

24.1.5(c) Plant and machinery

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

24.1.5(d) Residential colony assets

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

24.2 Capital work in progress

	As at January 01, 2010 Rupees	Additions Rupees	Transfers Rupees	As at June 30, 2011 Rupees
Building	[illegible]	[illegible]	[illegible]	[illegible]
Plant and machinery	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]

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	December 31, 2009			
	As at January 01, 2009 Rupees	Additions Rupees	Transfers Rupees	As at December 31, 2009 Rupees
Building	[illegible]	[illegible]	[illegible]	[illegible]
Plant and machinery	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]

Additions to capital work in progress include borrowing costs of Rs. [illegible] million (December 31, 2009: Rs. [illegible] million) relating to specific borrowings and Rs. [illegible] million (December 31, 2009: nil) relating to general borrowings capitalized at annual capitalization rate of [illegible] and also include salaries and other directly attributable expenses of Rs. [illegible] million (December 31, 2009: Rs. [illegible] million).

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
25. INTANGIBLE ASSETS			
Development costs	25.1	[illegible]	4,977,500
Software	25.2	[illegible]	11,558,154
Goodwill arising on business combination			
Acquisition of AGL		[illegible]	[illegible]
Acquisition of FAB		[illegible]	[illegible]
Acquisition of NIT		-	[illegible]
		[illegible]	[illegible]

25.1 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 amortisation is as follows:

	June 30, 2011 Rupees	December 31, 2009 Rupees
Cost		
As at beginning of the period	87,853,484	87,853,484
Additions during the period	-	-
As at end of the period	87,853,484	87,853,484
Accumulated amortisation		
As at beginning of the period	(82,875,984)	[illegible]
Amortisation for the period	[illegible]	[illegible]
As at end of the period	[illegible]	(82,875,984)
	[illegible]	4,977,500

25.2 This represents expenditure incurred on implementation of Oracle Financials Suite. Movement in cost of implementation and accumulated amortisation is as follows:

	June 30, 2011 Rupees	December 31, 2009 Rupees
Cost		
As at beginning of the period	15,144,906	[illegible]
Additions during the period	-	[illegible]
Foreign exchange difference	[illegible]	[illegible]
As at end of the period	[illegible]	15,144,906

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	June 30, 2011 Rupees	December 31, 2009 Rupees
Accumulated amortisation		
As at beginning of the period	(3,586,752)	-
Amortisation for the period	[illegible]	(3,586,752)
Foreign exchange difference	[illegible]	-
As at end of the period	[illegible]	(3,586,752)
	[illegible]	11,558,154

26. LONG TERM INVESTMENTS

These represent investments in listed equity securities and mutual funds. These are held for an indefinite period and have been classified as available for sale financial assets.

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Cost	26.1	18,664	18,664
Fair value adjustment	26.1	(5,800)	18,103
		12,864	36,767

26.1 Particulars of investments are as follows:

Colony Mills Limited
4,552 ordinary shares of Rs. 10 each
Market value Rs. 1.7 per share (December 31, 2009: Rs. 7.19 per share)

	June 30, 2011 Rupees	December 31, 2009 Rupees
Cost	8,664	8,664
Fair value adjustment	(1,300)	22,483
	7,364	31,147

JS Value Fund Limited (formerly [illegible] Balanced Fund Limited)
1,000 ordinary shares of Rs. 10 each
Market value Rs. 5.5 per share (December 31, 2009: Rs. 5.62 per share)

	June 30, 2011 Rupees	December 31, 2009 Rupees
Cost	10,000	10,000
Fair value adjustment	(4,500)	(4,380)
	5,500	5,620
	12,864	36,767

27. DERIVATIVE FINANCIAL ASSETS

Cash flow hedges

Hedged item	*Hedging instrument*	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Mark-up payments on Term Finance Certificates at six months KIBOR plus 1.75% per annum.	Mark-up payments to Faysal Bank Limited on outstanding USD notional amount at fixed rate of 6.965% per annum.	13.4	[illegible]	70,741,356
			[illegible]	70,741,356
Current maturity presented under current assets			[illegible]	(25,445,260)
			-	45,296,096

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	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
28 LONG TERM DEPOSITS - UNSECURED, CONSIDERED GOOD			
Utility companies and regulatory authorities	28.1	30,764,584	30,476,468
Financial institutions	28.2	15,069,900	17,591,290
		[illegible]	[illegible]

28.1 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 amortised cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as its amortised cost is impracticable to determine.

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

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
29 LONG TERM ADVANCES			
Advances to employees - unsecured, considered good	29.1 & 29.3	14,776,004	26,445,537
Advances to employees - secured	29.2	25,145,332	45,808,742
		[illegible]	[illegible]
Current maturity presented under current assets		(8,257,412)	(4,775,584)
		[illegible]	[illegible]

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

29.2 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 (December 31, 2009: one half of six months KIBOR per annum).

29.3 These include advances to executives amounting to Rs. [illegible] (December 31, 2009: Rs. [illegible]).

29.4 These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortised cost. However, in view of large number of advances, it is impracticable to determine amortised cost of each advance. Further, taking into account the carrying amount of advances as at the reporting date, difference between the amortised cost and carrying amount of these advances is not considered to be material.

30 NON-CURRENT ASSETS HELD FOR SALE

These compressors and related equipment were replaced by the AGL as a part of revamp project of the plant. These compressors and related equipment are presented as a non-current assets held for sale in accordance with the management's intention to sell the same. The carrying amounts are of these items are as follows:

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
Cost	20.3	[illegible]	-
Revaluation surplus	20.3	[illegible]	-
		[illegible]	-
31 STORES AND SPARES			
Stores		[illegible]	[illegible]
Spares		[illegible]	1,207,989,054
Loose tools		[illegible]	[illegible]
		[illegible]	[illegible]

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	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
32 STOCK IN TRADE			
Raw material		[illegible]	2,350,788,045
Work in process		728,637,748	871,659,644
Finished goods	32.1	[illegible]	2,553,588,506
		[illegible]	[illegible]

32.1 Finished goods include stock of waste valued at net realisable value of nil (December 31, 2009: Rs. [illegible]).

32.2 Entire stock in trade with the exception of waste is valued at cost being lower than net realisable value.

32.3 Details of stock in trade pledged as security are referred to in note [illegible] to the financial statements.

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
33 TRADE RECEIVABLES			
Local			
- secured	33.1	[illegible]	[illegible]
- unsecured, considered good		[illegible]	[illegible]
- unsecured, considered doubtful		[illegible]	[illegible]
		427,964,796	1,162,096,687
Foreign			
- secured	33.1	[illegible]	[illegible]
- unsecured, considered good		[illegible]	[illegible]
- unsecured, considered doubtful		[illegible]	-
		[illegible]	[illegible]
		[illegible]	[illegible]
Accumulated impairment		(209,350,086)	(16,547,550)
		[illegible]	[illegible]

33.1 These are secured against letters of credit.

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
33.2 Movement in accumulated impairment of trade receivables			
As at beginning of the period		16,547,550	[illegible]
Impairment recognised during the period		[illegible]	[illegible]
As at end of the period		[illegible]	16,547,550

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	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
34 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers - unsecured, considered good		578,597,182	977,167,554
Advances to employees - unsecured, considered good	34.1	66,364,998	48,290,558
Security deposits		40,889,937	46,779,605
Margin deposits	34.2	40,884,741	28,557,243
Prepayments		9,525,034	23,122,192
Rebate receivable		272,884,106	145,959,352
Derivative financial assets	27	40,894,934	25,445,288
Sales tax recoverable		245,777,674	327,083,862
Subsidy receivable		558,825,960	627,865,596
Letters of credit		76,005,710	302,995,858
Insurance claims		42,088,943	20,785,608
Other receivables - unsecured, considered good		25,384,988	44,424,547
		1,954,067,805	2,587,295,869

34.1 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. 38,152,688 (2009: Rs. 1,988,871).

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

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
35 CURRENT TAXATION			
Advance tax/income tax refundable		525,895,278	485,432,654
Provision for taxation		(225,875,516)	(157,118,854)
		299,819,762	328,313,800
36 CASH AND BANK BALANCES			
Cash in hand		3,674,475	5,445,494
Cash at banks			
current accounts in local currency		138,978,576	338,321,205
current accounts in foreign currency		67,566,754	58,923,668
deposit accounts in local currency	36.1	144,588,249	36,814,154
deposit accounts in foreign currency	36.2	452,788	418,905
		301,537,847	434,373,910
		305,709,822	437,814,714

36.1 These carry return at 5% per annum (December 31, 2009: 5% per annum).

36.2 These carry return at prevailing LIBOR per annum (December 31, 2009: prevailing LIBOR per annum).

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	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
37 TURNOVER - NET			
Local		15,889,324,430	14,480,845,560
Export	37.1	13,296,159,249	11,751,840,902
		29,185,483,679	26,232,686,462
Export rebate/Duty draw back		368,805,064	36,862,330
Sales tax		(258,469,400)	(4,094,019)
Trade discounts		(299,363,380)	(14,888,997)
		29,045,455,839	26,249,565,813

37.1 These include indirect exports, taxable under Section 154(3B) of the Income Tax Ordinance, 2001, amounting to Rs. 757,755,670 (December 31, 2009: Rs. 752,048,696).

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
38 COST OF SALES			
Raw material consumed	38.1	14,108,214,784	6,481,595,004
Salaries, wages and benefits	38.2	2,670,846,884	1,795,035,308
Fuel and power		1,699,589,748	877,542,337
Stores and spares consumed		1,087,594,928	706,299,408
Traveling, conveyance and entertainment		76,567,098	48,308,524
Rent, rates and taxes		29,652,227	8,577,771
Insurance		300,879,243	143,067,019
Repair and maintenance		99,085,864	54,445,576
Processing charges		99,945,435	245,456,958
Depreciation	24.1.4	1,910,586,788	988,764,675
Amortization	25.1	5,817,443	15,534,635
Printing and stationery		25,414,858	13,417,383
Communication		14,423,299	12,567,745
Others		170,778,582	125,907,646
		22,299,352,785	11,485,509,956
Work in process			
As at beginning of the year		875,659,641	1,073,514,996
As at end of the year		(736,837,749)	(875,659,641)
		141,821,892	208,855,325
		22,441,174,677	11,697,784,481
Government subsidy		-	(568,915,688)
Cost of goods manufactured		22,441,174,677	11,038,868,681
Finished goods			
As at beginning of the year		2,122,088,586	1,468,774,329
Purchases during the period		1,780,738,612	6,699,835,864
As at end of the year		(1,316,805,655)	(2,122,088,586)
		2,617,409,563	6,562,508,069
		25,561,754,880	17,592,857,569

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	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
38.1 Raw material consumed			
As at beginning of the year		2,559,788,066	2,063,628,454
Purchased during the year		13,856,548,855	6,908,089,241
Sold during the year		-	(10,618)
As at end of the year		(2,305,414,467)	(2,559,788,066)
		14,110,922,454	6,411,919,011

38.2 These include charge in respect of employees retirement benefits amounting to Rs. 3,458,519 (December 31, 2009: Rs. 1,114,977) and Rs. 70,788,515 (December 31, 2009: Rs. 49,552,252) on account of gratuity and provident fund respectively.

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
39 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	39.1	186,346,299	110,968,787
Travelling, conveyance and entertainment		79,535,068	32,000,365
Fuel and power		58,829	31,396
Repair and maintenance		1,046,373	345,458
Rent, rates and taxes		15,406,889	8,788,258
Insurance		892,743	1,322,901
Commission	39.2	305,254,438	64,305,681
Freight and other expenses		585,360,476	560,603,298
Printing and stationery		975,949	1,282,557
Communication		52,646,794	34,992,853
Advertisement and marketing		22,652,844	19,160,352
Legal and professional charges		1,425,000	638,050
Fee and subscription		833,934	218,352
Miscellaneous		26,528,764	14,971,486
		[illegible]	[illegible]

39.1 These include charge in respect of employees retirement benefits amounting to Rs. 55,677 (December 31, 2009: Rs. 352,736) and Rs. 5,750,360 (December 31, 2009: Rs. 3,284,849) on account of gratuity and provident fund respectively.

39.2 Commission on sales previously shown as deduction from turnover has been reclassified and included in selling and distribution expenses for better presentation.

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	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
40 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	40.1	805,092,672	743,795,666
Travelling, conveyance and entertainment		249,538,865	126,435,478
Fuel and power		39,350,563	22,520,715
Repair and maintenance		56,649,395	36,502,860
Rent, rates and taxes		64,702,395	22,403,526
Insurance		13,621,825	11,809,939
Freight and clearing		44,679,526	125,135,096
Printing and stationery		18,844,432	11,988,945
Communication		57,738,452	35,738,678
Legal and professional charges	40.2	139,808,457	86,539,563
Depreciation	24.1.4	29,889,929	22,018,695
Amortization	25.2	4,890,342	3,596,792
Fee and subscription		24,408,769	8,432,307
Others		89,372,775	66,445,774
		[illegible]	[illegible]

40.1 These include charge in respect of employees retirement benefits amounting to Rs. 445,654 (December 31, 2009: Rs. 358,188) and Rs. 18,174,760 (December 31, 2009: Rs. 14,566,567) on account of gratuity and provident fund respectively.

	June 30, 2011	December 31, 2009
	Rupees	Rupees
40.2 These include following in respect of auditors' remuneration:		
Annual statutory audit	4,538,290	2,195,000
Report on consolidated financial statements	1,200,000	500,000
Half yearly review/audit	1,575,000	1,000,000
Review report under Code of Corporate Governance	258,000	100,000
Certification and other services	488,000	360,000
Out of pocket expenses	589,053	754,092
	8,653,345	4,909,092

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
41 NET OTHER INCOME			
Net gain/(loss) on financial instruments			
Gain/(loss) on disposal of investments	41.1	327,783,889	(120,527,864)
Gain on settlement of long term finance		48,092,044	-
Changes in fair value of fair value hedges	41.2	14,673,958	13,037,997
Foreign exchange gain		75,304,525	36,130,520
Return on bank deposits		56,680,093	12,092,367
Interest on advances to employees		1,257,647	977,629
Impairment of financial assets	33.3	(373,798,534)	(113,849,000)
		481,599,924	(78,245,590)

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
Other income/(expenses)			
Gain on disposal of property, plant and equipment	24.1.3	[illegible]	[illegible]
Loss on sale and lease back		-	[illegible]
Reversal of excess provision		-	[illegible]
Donations	41.4	[illegible]	[illegible]
Loss from experimental farm		[illegible]	[illegible]
Miscellaneous		[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

41.1 These comprise gain/(loss) on disposal of the following investments:

Ordinary shares in Agritech Limited	[illegible]	-
Ordinary shares in Nafees International Tekstil Sanayi Ve Ticaret ANONIM SIRKETI	[illegible]	-
Term finance certificates in Agritech Limited	[illegible]	[illegible]
	[illegible]	[illegible]

41.2 This represents gain on settlement of long term finance obtained from Citi Bank N.A (Bahrain), being the difference between settlement amount and outstanding liability as on the date of settlement. See note 12.2.

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

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

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
42 FINANCE COST			
Interest / mark-up on:			
subordinated loan		[illegible]	[illegible]
redeemable capital		[illegible]	[illegible]
long term finances		[illegible]	[illegible]
liabilities against assets subject to finance lease		[illegible]	[illegible]
short term borrowings		[illegible]	[illegible]
		[illegible]	[illegible]
Borrowing costs capitalized		[illegible]	[illegible]
		[illegible]	[illegible]
Interest on workers' profit participation fund	21.3	[illegible]	[illegible]
Interest on payable to employees provident fund trust		[illegible]	-
Amortization of transaction costs	11.8	[illegible]	[illegible]
Foreign exchange loss		[illegible]	[illegible]
Bank charges and commission		[illegible]	[illegible]
		[illegible]	[illegible]
43 OTHER CHARGES			
Workers' Profit Participation Fund		[illegible]	[illegible]
Workers' Welfare Fund		[illegible]	[illegible]
		[illegible]	[illegible]

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
44 TAXATION (EXPENSE)/INCOME			
Current taxation	44.1	[illegible]	[illegible]
Deferred taxation	44.6	[illegible]	[illegible]
		[illegible]	[illegible]

44.1 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 2008 and section 5 of the Ordinance.

44.2 Provision for current tax for AGL and HPFL has been made in accordance with section 113 'Minimum tax on income of certain persons' of the Ordinance.

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

44.4 ANL's assessments for tax years 2007 and 2008 were amended under section 122 of the Ordinance. ANL filed an appeal before the Commissioner Inland Revenue which was decided in favour of ANL. The department has preferred an appeal before Appellate Tribunal Inland Revenue which is pending for adjudication.

44.5 ANL's assessments for the tax year 2010 was rectified by Deputy Commissioner Inland Revenue. ANL has filed appeal against the rectification order before the Commissioner Inland Revenue (Appeals) which is pending for adjudication.

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

44.7 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 proposals/forms for indirect exports are expected to achieve the threshold for the Company, with the option to be taxed under the Final Tax Regime.

44.8 Assessments up to and including tax year 2010 are deemed to have been finalised under section 120 of the Ordinance.

44.9 There is no relationship between tax expense and accounting profit/loss since the Company's profits are either subject to tax under the Final Tax Regime or have been charge to turnover tax. Accordingly, no numerical reconciliation has been presented.

	Unit	June 30, 2011	December 31, 2009
		Rupees	Rupees
45 (LOSS)/EARNINGS PER SHARE			
(Loss)/profit attributable to ordinary shareholders	Rupees	[illegible]	[illegible]
Weighted average number of ordinary shares outstanding during the year	No. of shares	[illegible]	[illegible]
(Loss)/earnings per share	Rupees	[illegible]	[illegible]

46 GOVERNMENT GRANT

During the year, the Group lodged claims amounting to nil (December 31, 2009: Rs. [illegible]), Rs. [illegible] (December 31, 2009: Rs. [illegible]) and nil (December 31, 2009: Rs. [illegible]) as research and development rebate, export rebate/duty drawback and agricultural subsidy respectively which have been accounted for as government grant in accordance with IAS 20 'Government Grants'. Research and development rebate and agricultural subsidy has been deducted in reporting relevant expenses. Export rebate/duty drawback has been recognized as income and added to sales.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	June 30, 2011	December 31, 2009
	Rupees	Rupees

47 CASH GENERATED FROM OPERATIONS

Profit before taxation	(1,467,866,600)	1,363,860,912
Adjustments for non-cash and other items:		
Interest / markup on borrowings	4,259,532,102	2,213,339,453
Loss on disposal of property, plant and equipment	(26,714,763)	(50,908,807)
Gain on settlement of long term finances	(48,892,914)	-
Gain/(loss) on disposal of investments	(177,780,609)	126,027,860
Loss on sale and lease back	-	920,199
Foreign exchange (gain)/loss	(28,284,934)	168,395,430
Changes in fair value of fair value hedges	(14,472,958)	(13,605,907)
Return on investments	-	-
Depreciation	5,940,886,650	3,010,624,492
Amortisation of transaction costs on borrowings	77,040,860	21,688,837
Amortisation of intangible assets	7,984,435	19,321,437
Provisions for impairment of receivables	272,790,526	11,569,928
	9,904,806,576	5,607,869,740
Operating (loss)/profit before changes in working capital	[illegible]	[illegible]
Changes in working capital		
Stores, spares and loose tools	(886,845,936)	(825,314,645)
Stock in trade	1,560,584,759	608,858,748
Trade receivables	(454,846,955)	(1,749,751,916)
Advances, deposits, prepayments and other receivables	683,850,578	792,752,708
Trade and other payables	2,204,885,400	605,698,479
Long term payables	-	24,850,000
Long term advances	3,433,016	2,339,548
Long term deposits	(1,428,867)	(7,252,836)
	3,103,809,494	(554,580,552)
Cash generated from operations	[illegible]	[illegible]

48 CASH AND CASH EQUIVALENTS

Cash and bank balances	384,709,632	437,914,314
	384,709,632	437,914,314

49 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
Sales and purchases	Cost plus margin
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

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	June 30, 2011	December 31, 2009
	Rupees	Rupees

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

49.1 Transactions with related parties

49.1.1 Associates		
Purchases	-	6,466,045
Interest/mark-up on borrowings	81,421,049	54,625,300
49.1.2 Post employment benefit plans		
Charge to profit or loss on account of:		
Employees provident fund trust	90,483,444	64,130,607
Interest on payable to employees provident fund trust	17,715,676	-
Gratuity trust	3,959,287	3,796,904
49.1.3 Key management personnel		
Short-term employee benefits	58,506,776	48,205,983
Post employment benefits	2,457,094	1,880,056

49.2 Balances with related parties

49.2.1 Associates		
Trade payables	-	4,877,630
Accrued interest/mark-up	125,552,103	68,747,258
Accrued liabilities	70,000,000	70,000,000
Borrowings	340,000,000	340,000,000
49.2.2 Post employment benefit plans		
Payable to employees provident fund trust	114,407,998	11,725,336
Payable to gratuity trust	20,573,587	16,415,300
49.2.3 Key management personnel		
Short-term employee benefits payable	4,054,943	1,517,000

50 FINANCIAL INSTRUMENTS

50.1 Financial assets by class and category

	Note	Loans and receivables	Available for sale financial assets	Derivatives	Total financial assets
		June 30, 2011			
		Rupees	Rupees	Rupees	Rupees
Investments	26	-	12,864	-	12,864
Cash flow hedges	27	-	-	48,094,934	48,094,934
Long term deposits	28	52,831,484	-	-	52,831,484
Trade receivables	33	4,400,158,994	-	-	4,400,158,994
Security deposits	34	12,889,937	-	-	12,889,937
Margin deposits	34	4,684,710	-	-	4,684,710
Insurance claims	34	42,988,945	-	-	42,988,945
Cash and bank balances	36	384,709,632	-	-	384,709,632
		4,897,313,124	12,864	48,094,934	4,945,338,956

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	Note	December 31, 2009			
		Loans and receivables Rupees	Available for sale financial assets Rupees	Derivatives Rupees	Total financial assets Rupees
Investments	26	-	36,767	-	36,767
Cash flow hedges	27	-	-	70,743,356	70,743,356
Long-term deposits	28	56,988,208	-	-	56,988,208
Trade receivables	33	4,586,934,259	-	-	4,586,934,259
Security deposits	34	10,779,445	-	-	10,779,445
Margin deposits	34	28,557,243	-	-	28,557,243
Insurance claims	34	29,705,468	-	-	29,705,468
Cash and bank balances	36	437,814,314	-	-	437,814,314
		5,150,779,937	36,767	70,743,356	5,221,559,060

54.2 Financial liabilities by class and category

	Note	June 30, 2011		
		Financial liabilities at amortised cost Rupees	Derivatives Rupees	Total financial liabilities Rupees
Subordinated loan	40	340,000,000	-	340,000,000
Redeemable capital	41	15,042,888,248	-	15,042,888,248
Long term finances	42	11,277,549,983	-	11,277,549,983
Liabilities against assets subject to finance lease	43	241,481,481	-	241,481,481
Fair value hedges	44	-	-	-
Long term payables	45	31,431,498	-	31,431,498
Short term borrowings	49	11,284,667,753	-	11,284,667,753
Trade creditors	24	4,409,799,367	-	4,409,799,367
Accrued liabilities	24	965,665,371	-	965,665,371
Advance against sale of investment	24	-	-	-
Mark-up accrued on borrowings	28	6,445,634,382	-	6,445,634,382
Dividend payable	22	32,728,078	-	32,728,078
		25,105,199,182	-	25,105,199,182

	Note	December 31, 2009		
		Financial liabilities at amortised cost Rupees	Derivatives Rupees	Total financial liabilities Rupees
Subordinated loan	40	340,000,000	-	340,000,000
Redeemable capital	41	13,891,724,063	-	13,891,724,063
Long term finances	42	5,671,497,982	-	5,671,497,982
Liabilities against assets subject to finance lease	43	364,338,324	-	364,338,324
Fair value hedges	44	-	14,473,950	14,473,950
Long term payables	45	52,145,498	-	52,145,498
Short term borrowings	49	13,894,653,675	-	13,894,653,675
Trade creditors	24	4,756,207,894	-	4,756,207,894
Accrued liabilities	24	668,952,046	-	668,952,046
Advance against sale of investment	24	84,120,000	-	84,120,000
Mark-up accrued on borrowings	28	1,000,787,278	-	1,000,787,278
Dividend payable	22	63,185,986	-	63,185,986
		[illegible]	14,473,950	[illegible]

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

54.3 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 to their carrying amounts.

54.3.1 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.

54.3.2 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.

54.3.3 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 13.70% (December 31, 2009: 15%) has been used. If discount factor was 1% higher or lower, the carrying amount of derivative financial instruments would decrease or increase by Rs. 0.25 million or Rs. 0.26 million (December 31, 2009: Rs. 0.69 million or Rs. 0.71 million) respectively. The Group also makes assumptions about future foreign exchange rates which may affect 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 54.3.1(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.

54.3.4 Significance of fair value accounting estimates to the Company's financial position and performance

The Group uses fair value accounting for its financial instruments in determining its overall financial position and in making decisions about individual financial instruments. This approach reflects the judgment of the Group about the present value of expected future cash flows relating to an instrument. The management believes that fair value information is relevant to many decisions made by users of 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.

55 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:

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

51.1 Credit risk

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

	Note	June 30, 2011	December 31, 2009
		Rupees	Rupees
51.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Long term deposits with financial institutions	28	[illegible]	[illegible]
Trade receivables	33	4,484,138,994	4,586,954,259
Security deposits	34	[illegible]	[illegible]
Margin deposits	34	[illegible]	[illegible]
Insurance claims	34	[illegible]	[illegible]
Cash at banks	36	[illegible]	[illegible]
		[illegible]	[illegible]
Derivative financial assets			
Cash flow hedges	27	[illegible]	[illegible]
		[illegible]	[illegible]

51.1.2 Concentration of credit risk

The Group identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	June 30, 2011	December 31, 2009
	Rupees	Rupees
Customers	4,484,138,994	4,586,954,259
Banking companies and financial institutions	[illegible]	[illegible]
	[illegible]	[illegible]

51.1.3 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 [illegible].

51.1.3(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 [illegible] counterparties [illegible].

51.1.3(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:

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	June 30, 2011		December 31, 2009	
	Gross carrying amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	[illegible]	-	[illegible]	-
Past due by 0 to 6 months	[illegible]	-	[illegible]	-
Past due by 6 to 12 months	[illegible]	-	[illegible]	-
Past due by more than one year	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]

The Group's five (December 31, 2009: five) significant customers account for Rs. [illegible] million (December 31, 2009: Rs. [illegible] million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 5% (December 31, 2009: 5%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. [illegible] million (December 31, 2009: Rs. [illegible] million) are 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 than 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. [illegible] million (2009: Rs. [illegible] million) that were re-negotiated [illegible].

51.1.4 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 [illegible].

51.1.5 Credit risk management

As mentioned in note 51.1.3(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. However, special terms including extended credit is allowed to wholly-owned subsidiaries in the earlier years of acquisition as a matter of business and special credit policy of the Group.

51.2 Liquidity risk

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

51.2.1 Exposure to liquidity risk

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

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	June 30, 2011				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees	Rupees
Non-derivative financial liabilities					
Subordinated loan	[illegible]	[illegible]	-	-	[illegible]
Redeemable capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long term finances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liabilities against assets subject to finance lease	[illegible]	[illegible]	[illegible]	[illegible]	-
Long term payables	[illegible]	[illegible]	[illegible]	-	-
Short term borrowings	[illegible]	[illegible]	[illegible]	-	-
Trade creditors	[illegible]	[illegible]	[illegible]	-	-
Accrued liabilities	[illegible]	[illegible]	[illegible]	-	-
Subscription money against sale of investment	-	-	-	-	-
Mark-up accrued on borrowings	[illegible]	[illegible]	[illegible]	-	-
Dividend payable	[illegible]	[illegible]	[illegible]	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Derivative financial liabilities					
Cross currency swaps	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
	-	-	-	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	December 31, 2009				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees	Rupees
Non-derivative financial liabilities					
Subordinated loan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Redeemable capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long term finances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liabilities against assets subject to finance lease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long term payables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Short term borrowings	[illegible]	[illegible]	[illegible]	-	-
Trade creditors	[illegible]	[illegible]	[illegible]	-	-
Accrued liabilities	[illegible]	[illegible]	[illegible]	-	-
Subscription money against sale of investment	[illegible]	[illegible]	[illegible]	-	-
Mark-up accrued on borrowings	[illegible]	[illegible]	[illegible]	-	-
Dividend payable	[illegible]	[illegible]	[illegible]	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Derivative financial liabilities					
Cross currency swaps	-	-	-	-	-
Interest rate swaps	[illegible]	[illegible]	[illegible]		
	[illegible]	[illegible]	[illegible]	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	June 30, 2011				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	[illegible]	[illegible]	[illegible]	-	-
Liabilities	-	-	-	-	-
	[illegible]	[illegible]	[illegible]	-	-

	December 31, 2009				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	[illegible]	[illegible]	[illegible]	[illegible]	-
Liabilities	([illegible])	([illegible])	([illegible])	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	-

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

	June 30, 2011				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	[illegible]	[illegible]	[illegible]	-	-
Liabilities	-	-	-	-	-
	[illegible]	[illegible]	[illegible]	-	-

	December 31, 2009				
	Carrying amount	Expected cash flows	One year or less	One to three years	More than three years
	Rupees	Rupees	Rupees	Rupees	Rupees
Assets	[illegible]	[illegible]	[illegible]	[illegible]	-
Liabilities	([illegible])	([illegible])	([illegible])	-	-
	[illegible]	[illegible]	[illegible]	[illegible]	-

51.2.2 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.

Due to [illegible] as described in note 1.2, ANM, and ASL were unable meet their obligations in respect of various debt finances and liabilities.

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

Agarand Nine Limited

As explained in notes 3.2, 11, 12 and 16 the management of the ANL has successfully restructured its financial liabilities through [illegible]

Nature of liability	Principal Rupees	Intermarkup Rupees	Total Rupees
Preference shares	[illegible]	-	[illegible]
Dividend on preference shares	[illegible]	-	[illegible]
Long term finances	-	[illegible]	[illegible]
Redeemable capital	[illegible]	[illegible]	[illegible]
Short term borrowings	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]

ANL, during the period, on April 12, 2010, has divested 20.13% comprising [illegible] ordinary shares held in AGL, through a [illegible]

Agritech Limited

AGL, during the year and subsequently faced operational issues due to [illegible] As a result, AGL is facing a temporary liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

Nature of liability	Principal Rupees	Intermarkup Rupees	Total Rupees
Long term finances	[illegible]	[illegible]	[illegible]
Redeemable capital	[illegible]	[illegible]	[illegible]
Short term borrowings	[illegible]	[illegible]	[illegible]
Bills payable	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]

In lieu of the prevailing situation, the Group again decided to undergo restructuring of its entire debt. [illegible]

50.3 Market risk

50.3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. [illegible]

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

50.3.1(a) Exposure to currency risk

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

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Trade receivables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cash and bank balances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liabilities						
Long term finances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Short term borrowings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mark-up accrued on borrowings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade creditors	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gross balance sheet exposure	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fair value of hedging instruments						[illegible]
Net balance sheet exposure						[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Trade receivables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cash and bank balances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liabilities						
Long term finances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Short term borrowings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mark-up accrued on borrowings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade creditors	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gross balance sheet exposure	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fair value of hedging instruments						[illegible]
Net balance sheet exposure						[illegible]

50.3.1(b) Exchange rates applied during the year

Foreign exchange rates applied during the year are as follows:

	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	[illegible]	[illegible]	[illegible]	[illegible]
USD	[illegible]	[illegible]	[illegible]	[illegible]
GBP	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]
AED	[illegible]	[illegible]	[illegible]	[illegible]

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	December 31, 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	[illegible]	[illegible]	[illegible]	[illegible]
USD	[illegible]	[illegible]	[illegible]	[illegible]
GBP	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]
CHF	[illegible]	[illegible]	[illegible]	[illegible]

51.1.1(c) Sensitivity analysis

[illegible]

	June 30, 2011		December 31, 2009	
	Equity Rupees	Profit Rupees	Equity Rupees	Profit Rupees
EURO		[illegible]	-	[illegible]
USD	[illegible]	[illegible]	[illegible]	[illegible]
GBP		[illegible]	-	[illegible]
YEN		-	-	[illegible]
AED		[illegible]	-	-
	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

51.1.1(d) Currency risk management

[illegible]

51.1.2 Interest rate risk

[illegible]

51.1.2(a) Interest / mark-up bearing financial instruments

[illegible]

	June 30, 2011		December 31, 2009	
	Financial asset Rupees	Financial liability Rupees	Financial asset Rupees	Financial liability Rupees
Non-derivative financial instruments				
Fixed rate instruments	[illegible]	-	[illegible]	[illegible]
Variable rate instruments	[illegible]	[illegible]	[illegible]	[illegible]
Derivative financial instruments				
Fair value hedges	-	-	-	[illegible]
Cash flow hedges	[illegible]	-	[illegible]	-

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

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

[illegible]

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

[illegible]

	June 30, 2011		December 31, 2009	
	Equity Rupees	Profit Rupees	Equity Rupees	Profit Rupees
Increase of 100 basis points				
Variable rate instruments	-	[illegible]	-	[illegible]
Cash flow hedges	[illegible]	-	[illegible]	
	[illegible]	[illegible]	[illegible]	[illegible]

	June 30, 2011		December 31, 2009	
	Equity Rupees	Profit Rupees	Equity Rupees	Profit Rupees
Decrease of 100 basis points				
Variable rate instruments	-	[illegible]	-	[illegible]
Cash flow hedges	[illegible]	-	[illegible]	-
	[illegible]	[illegible]	[illegible]	[illegible]

51.1.2(d) Interest rate risk management

[illegible]

51.1.3 Price risk

[illegible]

52 CAPITAL MANAGEMENT

[illegible]

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	Note	June 30, 2011 Rupees	December 31, 2009 Rupees
Total debt	Rupees	[illegible]	[illegible]
Total equity	Rupees	[illegible]	[illegible]
		[illegible]	[illegible]
Gearing	%age	[illegible]	[illegible]

The management of the Group, due to constraints described in note 3.2 had to take measures relating to debt management, including restructuring of debt and financial liabilities, as referred to in note 14, 16, 18 and 51.2.2. 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.

53 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY

	June 30, 2011 Rupees	December 31, 2009 Rupees
Mortgages and charges		
Hypothecation of stocks and receivables	[illegible]	[illegible]
Hypothecation of book debts and receivables	[illegible]	[illegible]
Mortgage over land and building	[illegible]	[illegible]
Hypothecation of plant and machinery	[illegible]	[illegible]
Pledge		
Raw material	[illegible]	[illegible]
Finished goods	[illegible]	[illegible]

54 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in 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:

	June 30, 2011		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Managerial remuneration	[illegible]	[illegible]	[illegible]
Allowances and perquisites	[illegible]	[illegible]	[illegible]
Post employment benefits	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Number of persons	1	5	[illegible]

	December 31, 2009		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Managerial remuneration	[illegible]	[illegible]	[illegible]
Allowances and perquisites	[illegible]	[illegible]	[illegible]
Post employment benefits	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Number of persons	[illegible]	[illegible]	[illegible]

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

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

55 SEGMENT INFORMATION

55.1 Products and services from which reportable segments derive their revenues

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on type of goods supplied. The Group's reportable segments are therefore as follows:

Segment	Product
Textile and apparel	Denim and other textile and products
Fertilizer	Nitrogenous and phosphate fertilizers

Information regarding Group's reportable segments is presented below.

55.2 Segment revenues and results

The following is and analysis of the Group's revenue and results by reportable segment:

	Textile and apparel	
	June 30, 2011 Rupees	December 31, 2009 Rupees
Segment revenue	[illegible]	[illegible]
Segment (loss)/profit	[illegible]	[illegible]
	[illegible]	[illegible]

	Fertilizer	
	June 30, 2011 Rupees	December 31, 2009 Rupees
Segment revenue	[illegible]	[illegible]
Segment (loss)/profit	[illegible]	[illegible]
	[illegible]	[illegible]

	Total	
	June 30, 2011 Rupees	December 31, 2009 Rupees
Segment revenue	[illegible]	[illegible]
Segment (loss)/profit	[illegible]	[illegible]
	[illegible]	[illegible]

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the reporting period.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents profit after taxation earned by segments. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Notes to and forming part of Consolidated Financial Statements
for the eighteen months ended June 30, 2011

51.3 Segment assets and liabilities

	Textile and apparel	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Segment assets	27,497,388,655	24,703,925,478
Segment liabilities	23,431,880,344	19,745,928,564
	[illegible]	[illegible]

	Footwear	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Segment assets	43,944,709,600	34,435,165,244
Segment liabilities	30,448,392,848	22,707,864,093
	[illegible]	[illegible]

	Total	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Segment assets	78,432,888,675	58,495,088,749
Segment liabilities	53,252,477,524	43,745,750,657
	[illegible]	[illegible]

51.4 Additions to non-current assets

Additions to non-current assets for each reportable segment are as follows:

	Textile and apparel	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Property plant and equipment	819,758,588	2,269,535,865
Intangible assets	-	520,852
	819,758,588	2,270,056,717

	Footwear	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Property plant and equipment	14,095,393,663	6,476,474,932
Intangible assets	-	-
	14,095,393,663	6,476,474,932

Notes to and forming part of Consolidated Financial Statements
for the eighteen months ended June 30, 2011

51.5 Other segment information

	Textile and apparel	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Depreciation	1,022,644,950	575,586,825
Amortization	24,745,468	29,085,284
Interest expense	3,834,566,455	2,074,564,359
Interest income	8,247,889	9,705,148
Income tax (expense)/income	(173,289,044)	[illegible]
	4,745,536,780	2,578,345,484

	Footwear	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Depreciation	544,644,688	435,238,379
Amortization	60,709,575	11,920,980
Interest expense	4,938,938,577	2,377,434,041
Interest income	29,018,024	3,672,848
Income tax (expense)/income	1,316,322,975	293,010,056
	7,304,498,650	[illegible]

	Total	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Depreciation	1,569,686,638	1,010,824,402
Amortization	84,957,016	41,010,264
Interest expense	8,773,504,532	4,451,998,400
Interest income	37,037,900	13,067,996
Income tax (expense)/income	1,143,044,330	174,917,024
	12,049,988,414	[illegible]

51.6 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	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Pakistan	54,465,459,675	40,974,576,270
Europe	1,957,784,491	1,982,610,735
	56,373,244,166	42,957,187,005

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	Revenue from external customer	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Pakistan	26,828,314,843	23,771,282,495
Europe	3,237,789,996	2,505,366,526
	[illegible]	[illegible]

	Total	
	June 30, 2011	December 31, 2009
	Rupees	Rupees
Pakistan	[illegible]	[illegible]
Europe	[illegible]	[illegible]
	[illegible]	[illegible]

56 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	June 30, 2011	December 31, 2009
Spinning			
Number of rotors installed	No.	2,416	2,416
Plant capacity on the basis of utilization converted into 6.5s count	Kgs	[illegible]	[illegible]
Actual production converted into 6.5s count	Kgs	[illegible]	[illegible]
Number of spindles installed	No.	56,400	56,400
Plant capacity on the basis of utilization converted into 20s count	Kgs	[illegible]	[illegible]
Actual production converted into 20s count	Kgs	[illegible]	[illegible]
Weaving			
Number of looms installed	No.	250	250
Annual capacity on the basis of utilization converted into 50 picks	Mtrs	[illegible]	[illegible]
Actual production converted into 50 picks	Mtrs	[illegible]	[illegible]
Garments			
Number of stitching machines installed	No.	2,329	2,329
Annual capacity on the basis of utilization	Pcs	[illegible]	[illegible]
Actual production	Pcs	[illegible]	[illegible]

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 period.

	Unit	June 30, 2011	December 31, 2009
		Rupees	Rupees
Urea fertilizer			
Rated capacity on basis of utilization	Metric tonnes	[illegible]	[illegible]
Actual production	Metric tonnes	[illegible]	[illegible]
Production efficiency	%age	[illegible]	[illegible]

Notes to and forming part of Consolidated Financial Statements for the eighteen months ended June 30, 2011

	Unit	June 30, 2011	December 31, 2009
		Rupees	Rupees
Phosphate fertilizer			
Rated capacity on basis of utilization	Metric tonnes	[illegible]	[illegible]
Actual production	Metric tonnes	[illegible]	[illegible]
Production efficiency	%age	[illegible]	[illegible]

57 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October [illegible], 2011 by the Board of Directors of the Parent Company.

58 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 reflected in the relevant notes to the financial statements.

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

Pattern of Shareholding

Ordinary Shares as at June 30, 2011

Number of Shareholders	Shareholding From	To	Total Shares Held
516	1 -	100	27,366
1225	101 -	500	437,898
1388	501 -	1000	1,238,274
1678	1001 -	5000	4,437,948
670	5001 -	10000	7,366,866
365	10001 -	15000	5,042,607
241	15001 -	20000	4,431,482
108	20001 -	25000	3,438,264
98	25001 -	30000	2,809,382
56	30001 -	35000	1,808,654
56	35001 -	40000	2,207,864
35	40001 -	45000	1,500,624
52	45001 -	50000	2,555,760
26	50001 -	55000	1,378,354
18	55001 -	60000	1,430,590
18	60001 -	65000	1,207,467
16	65001 -	70000	961,395
16	70001 -	75000	1,084,975
13	75001 -	80000	1,022,608
8	80001 -	85000	662,058
6	85001 -	90000	737,398
9	90001 -	95000	832,936
35	95001 -	100000	3,496,457
5	100001 -	105000	510,626
5	105001 -	110000	537,444
2	110001 -	115000	225,382
3	115001 -	120000	355,864
8	120001 -	125000	990,529
3	125001 -	130000	386,556
4	130001 -	135000	532,526
3	135001 -	140000	410,709
3	140001 -	145000	431,988
5	145001 -	150000	744,408
1	150001 -	155000	155,000
4	155001 -	160000	630,348
2	160001 -	165000	329,276
3	165001 -	170000	506,535
1	170001 -	175000	173,950
2	175001 -	180000	358,425
1	180001 -	185000	185,000
2	185001 -	190000	380,000
8	195001 -	200000	1,600,000
1	200001 -	205000	202,000

Pattern of Shareholding

Ordinary Shares as at June 30, 2011

Number of Shareholders	Shareholding From	To	Total Shares Held
1	205001 -	210000	210,000
1	210001 -	215000	211,838
1	215001 -	220000	220,000
2	225001 -	230000	455,000
1	235001 -	240000	240,000
3	240001 -	245000	731,790
2	245001 -	250000	495,582
1	250001 -	255000	254,420
1	270001 -	275000	274,000
2	285001 -	290000	575,000
5	295001 -	300000	1,488,651
1	305001 -	310000	310,000
2	320001 -	325000	650,000
1	325001 -	330000	329,000
1	330001 -	335000	333,000
2	345001 -	350000	700,000
1	365001 -	370000	369,000
1	375001 -	380000	380,000
2	395001 -	400000	794,500
2	405001 -	410000	864,467
2	430001 -	435000	865,276
1	440001 -	445000	442,500
1	525001 -	530000	528,133
1	545001 -	550000	545,500
1	595001 -	600000	600,000
1	625001 -	630000	626,741
1	645001 -	650000	645,864
1	660001 -	665000	662,937
1	745001 -	750000	744,209
1	750001 -	755000	753,000
1	760001 -	765000	760,800
1	780001 -	785000	784,739
1	795001 -	800000	800,000
1	840001 -	845000	864,347
1	840001 -	845000	841,886
1	875001 -	880000	878,145
1	1045001 -	1050000	1,047,246
1	1050001 -	1055000	1,025,000
1	1075001 -	1080000	1,075,953
1	1080001 -	1085000	1,081,000
1	1205001 -	1210000	1,208,357
1	1495001 -	1500000	1,500,000
1	1695001 -	1700000	1,954,200

Pattern of Shareholding

Ordinary Shares as at June 30, 2011

Number of Shareholders	Shareholding From	To	Total Shares Held
[illegible]	[illegible]	[illegible]	[illegible]
4,626			449,345,430

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage %
Individuals	4,453	157,560,259	35.06
Insurance Companies	7	8,164,157	1.82
Joint Stock Companies	116	129,686,176	28.9
Financial Institutions	16	65,749,044	14.6
Modarabas	6	252,300	0.05
Investment Companies	15	45,632,646	10.1
Mutual Funds	5	3,853,250	0.85
Leasing Companies	2	150,302	0.03
Funds	12	35,754,426	7.96
Modaraba Management Cos.	2	16,300	0.03
Others	4	3,622,292	0.80
Total	4,638	449,345,430	100%

Information as required under

Code of Corporate Governance

CATEGORIES OF SHAREHOLDERS		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
Associated Companies, Undertakings and related parties			
Jahangir Siddiqui & Co. Ltd.		1	112,157,863
NIT and ICP		1	24,226
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Khalid A.H. Al-Sagar	Chairman	1	4,526,416
Mr. Ahmad H. Shaikh	CEO	1	30,622,000
Mr. Aahsan M. H. Shaikh	Director	1	10,759,000
Mr. Irfan Nazir Ahmad	Director	1	1
Mr. Aamer Ghias	Director	1	1
Mr. Usman Rashwal	Director	1	1
Mr. Naseer Mirjan	Director	1	1
Executives		52	Nil
Public Sector Companies and Corporation		164	148,838,430
Banks, DFIs, NBFIs, Insurance Companies		38	148,595,049
Leasing Companies, Modarabas & Mutual Funds		27	38,605,680
Shareholders holding ten percent or more voting interest of the Company			
Jahangir Siddiqui & Co. Ltd.		1	112,157,863
Detail of trading in shares by the Directors, CEO, CFO, Company Secretary, Their Spouses and Minor Children		-	Nil

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 Monday the October 31, 2016 at 11:00 a.m. at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-e-Roomi, Lahore and at any adjournment thereof.

In witness whereof on this ____________ day of ____________ 2016.

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 enclose 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-i-Science
Off Shahrah-e-Roomi
Lahore - 54600