AZGARD-9

Consolidated Financial Statements

Russell Bedford

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Auditors' Report to the Members

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

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

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

In our opinion the consolidated financial statements present fairly the financial position of the Group as at December 31, 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan

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

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

Rahman Sarfaraz Rahim Iqbal Rafiq

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

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

Consolidated Balance Sheet
as at December 31, 2009

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

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

Lahore

CHIEF EXECUTIVE

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

DIRECTOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 REPORTING ENTITY

The Group consists of the following companies:

Parent Company

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

Subsidiary Companies

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

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

Farital AB ("FAB") is incorporated in Sweden. Investment in FAB was made in order to acquire **Montebello SRL ("MSRL")** a Limited Liability Company incorporated in Italy and owner of an Italian fabric brand. MSRL is engaged in import, export, wholesale and retail marketing and manufacture of textile and apparel products and accessories. Effective control of FAB and MSRL was obtained on December 31, 2008 by ANL. Proportion of interest held by ANL is 100%. The amounts reflected in consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flow statement and related notes to the consolidated financial statements for the year ended December 31, 2008 do not include results of FAB and only the financial position of FAB as at December 31, 2008 has been reflected in consolidated balance sheet as at that date.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Financial Liabilities Re-profiling

Azgard Nine Limited

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

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

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

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

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

Subsidiaries

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

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial instruments at amortized cost and certain items of property, plant and equipment at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.4 Judgements, estimates and assumptions

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

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

The management of the Group reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Group expects to derive from that item and the maximum period upto which such benefits are expected to be available.

2.4.2 Recoverable amount of assets/cash generating units and impairment

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

2.4.3 Fair values based on inputs from other than active market

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

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

2.4.4 Taxation

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

2.4.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Group would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4.7 Obligations under defined benefit plans

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

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

3.2 Property, plant and equipment

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

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

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

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

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

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

Depreciation on additions to operating assets, including transfers from capital work in progress, is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

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

3.3 Surplus / deficit arising on revaluation of operating assets

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

3.4 Intangible assets

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

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

3.5 Software

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

3.6 Research and development expenditure

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized and recognized as an intangible asset only if development costs can be measured reliably, the product or process is

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

3.7 Goodwill acquired in business combination

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

3.8 Stores, spares and loose tools

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

3.9 Stock in trade

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

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

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

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

3.10 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plan

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

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

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

Defined benefit plan

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

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

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

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

3.11 Financial instruments

3.11.1 Recognition

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

3.11.2 Classification and measurement

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

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

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

3.11.2(b) Held-to-maturity investments

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

3.11.2(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve

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months from the reporting date, where these are presented as non-current assets. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument. Refer to note 47.1 to the financial statements for financial assets classified in this category.

3.11.2(d) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Assets in this category are presented as non-current assets unless the management intends to dispose of the asset within twelve months from the reporting date. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument. Refer to note 47.1 to the financial statements for financial assets classified in this category.

3.11.2(e) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument. Refer to note 47.2 to the financial statements for financial liabilities classified in this category.

3.11.2(f) Derivative financial instruments

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

<u>Fair value hedges</u>

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

<u>Cash flow hedges</u>

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

3.11.3 De-recognition

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

3.11.4 Off-setting

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

3.11.5 Regular way purchases and sales of financial assets

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

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

3.12 Ordinary share capital

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

3.13 Preference share capital

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

3.14 Redeemable capital

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

3.15 Investments in equity securities

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

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

3.16 Loans and borrowings

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

3.17 Finance leases

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

3.18 Operating leases

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

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

3.19 Trade and other payables

3.19.1 Financial liabilities

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

3.19.2 Non-financial liabilities

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

3.20 Provisions and contingencies

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

3.21 Trade and other receivables

3.21.1 Financial assets

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

3.21.2 Non-financial assets

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

3.22 Business combinations

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

3.23 Revenue

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

Revenue from different sources is recognized as follows:

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

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

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

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

3.24 Comprehensive income

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

3.24 Borrowing costs

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

3.25 Government grants

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

3.26 Income tax

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

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

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

3.27 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Parent Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

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

3.28 Cash and cash equivalents

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

3.29 Foreign currency transactions and balances

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

3.30 Impairment

3.3.1 Financial assets

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

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

3.3.2 Non-financial assets

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

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

3.31 Dividend to ordinary shareholders

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

3.32 Dividend distribution to preference shareholders

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

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

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

IFRS 7 - Financial Instruments *Disclosures*

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

IAS 23 - Borrowing Costs (Revised 2007)

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

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

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

IFRS 8 - Operating Segments

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

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

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

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

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

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

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

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

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

	Note	**2009**	2008
		Rupees	*Rupees*
5 SHARE CAPITAL			
Authorized share capital			
Ordinary shares of Rs. 10 each			
900,000,000 (2008: 900,000,000) voting shares		**9,000,000,000**	9,000,000,000
300,000,000 (2008: 300,000,000) non-voting shares		**3,000,000,000**	3,000,000,000
		12,000,000,000	12,000,000,000
Preference shares of Rs. 10 each			
300,000,000 (2008: 300,000,000) non-voting shares		**3,000,000,000**	3,000,000,000
		15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital			
Voting ordinary shares of Rs. 10 each	*5.1*		
323,712,733 (2008: 249,655,142) shares fully paid in cash		**3,237,127,330**	2,496,551,420
62,548,641 shares issued as fully paid bonus shares	*5.1.1*	**625,486,410**	-
12,276,073 (2008: 12,276,073) shares issued as consideration for machinery		**122,760,730**	122,760,730
50,811,992 (2008: 50,811,992) shares issued as consideration on merger		**508,119,920**	508,119,920
		4,493,494,390	3,127,432,070
Non-voting ordinary shares of Rs. 10 each	*5.2*		
4,753,719 (2008: 3,843,564) shares fully paid in cash		**47,537,190**	38,435,640
768,712 shares issued as fully paid bonus shares	*5.1.1*	**7,687,120**	
		55,224,310	38,435,640
Preference shares of Rs. 10 each (2008: Rs. 10 each)			
33,062,518 (2008: 66,125,083) shares fully paid in cash	*5.3, 5.4 & 5.5*	**330,625,180**	661,250,830
		4,879,343,880	3,827,118,540

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

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

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

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

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

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

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

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

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

Rate of dividend

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

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

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

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

Redemption option and timing

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

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

Conversion into voting ordinary shares

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

Creation and maintenance of redemption reserve

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

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

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

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

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

6.1 Share premium

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

6.2 Cash flow hedges

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

6.3 Translation reserve

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

6.4 Reserve on merger

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

6.5 Preference shares redemption reserve

This reserve has been created for redemption of preference shares issued by ANL as required to be created and maintained under the terms of issue as referred to note 5.4 for details.

6.6 Available for sale financial assets

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

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

8 LOAN FROM ASSOCIATES - UNSECURED, SUBORDINATED

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

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

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

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

9.2 These Term Finance Certificates ('TFCs') have been issued by way of private placements and public subscription and are listed on Karachi Stock Exchange (Guarantee) Limited. The total issue comprises of 428,734 certificates of Rs. 5,000 each. The terms and conditions of issue and redemption are as follows:

Principal redemption

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

Return on TFCs

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

Conversion option

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

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

Trustee

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

Security

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

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

Principal redemption

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

Return on TFCs

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

Trustee

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

Security

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

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

Principal redemption

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

Call option

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

Return on TFCs

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

Trustee

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

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

Security

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

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

Principal redemption

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

Call option

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

Return on TFCs

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

Trustee

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

Security

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

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

Principal redemption

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

Call option

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

Return on TFCs

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

Trustee

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

Security

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

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

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

Principal redemption

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

Call option

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

Return on TFCs

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

Trustee

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

Security

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

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

10 LONG TERM FINANCES - SECURED

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

	Note	**2009**	2008
United Bank Limited	*10.1*	**75,000,000**	100,000,000
Citi Bank N.A (Bahrain)	*10.2*	**368,812,500**	542,437,500
National Bank of Pakistan	*10.3*	**1,000,000,000**	1,250,000,000
Deutsche Investitions - Und MBH (Germany)	*10.4*	**1,453,200,000**	1,499,985,000
Saudi Pak Industrial and Agricultural Company Limited	*10.5*	**100,000,000**	100,000,000
KASB Bank Limited	*10.6*	**-**	250,000,000
Syndicate Finance - I	*10.7*	**500,000,000**	400,000,000
Syndicate Finance - II	*10.8*	**2,374,485,482**	-
		5,871,497,982	4,142,422,500
Current maturity presented under current liabilities	*10.4 & 15*	**(2,211,400,000)**	(1,055,580,000)
		3,660,097,982	3,086,842,500

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

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

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

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

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

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

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

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

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

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

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

11.1 These represent plant and machinery, and vehicles acquired under finance lease arrangements and are secured by specific charge on leased assets, joint ownership of leased assets with the lender and lien over documents of title. Rentals are payable monthly / quarterly. The leases are priced at rates ranging from three months to one year KIBOR plus 2% to 3.25% (2008: six months to one year KIBOR plus 2% to 3.25%) per annum. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Group. The Group also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17.3.8 Historical information

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

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

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

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

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

	Note	2009	2008
		Rupees	*Rupees*
17.5 Workers' Welfare Fund ("WWF")			
As at the beginning of the year		**20,000**	20,000
Charged to profit or loss for the year		**28,301,957**	-
Paid during the year		**-**	-
As at end of the year		**28,321,957**	20,000
18 DIVIDEND PAYABLE			
Unclaimed dividend on ordinary shares		**4,002,037**	14,686,046
Dividend payable on preference shares	*5.5 & 48.2.2(b)*	**59,181,949**	-
		63,183,986	14,686,046

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 ANL was denied exemption under SRO 484(1)/92 from levy of customs duty and sales tax on certain plant and machinery by the customs department. An appeal was filed before the Honourable Lahore High Court which was decided in favour of ANL. The department has filed an appeal against the decision before the Honourable Supreme Court of Pakistan, the decision on which is pending. ANL expects a favourable outcome. Accordingly, no provision has been made for the potential liability which amounts to Rs. 9.9 million.

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

19.1.3 ANL has issued indemnity bonds amounting to Rs. 243 million (2008: Rs. 322 million) in favour of Collector of Customs and Sales Tax department in lieu of levies under various statutory notifications and these are likely to be released after the fulfillment of the terms of related notifications.

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

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

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

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

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

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

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

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

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

20 PROPERTY, PLANT AND EQUIPMENT

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

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

20.1 Operating assets

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

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

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

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

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

20.1.2 Disposal of property, plant and equipment

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

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

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

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

20.1.4 Revaluation of property, plant and equipment

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

20.1.4(a) Land

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

20.1.4(b) Building

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

20.1.4(b) Building

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

20.1.4(c) Plant and machinery

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

20.2 Capital work in progress

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

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

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

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

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

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

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

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

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

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

22 LONG TERM INVESTMENTS

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

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

22.1 Particulars of investments

	2009	2008
Quoted		
Colony Mills Limited 4,332 (2008: 4,332) ordinary shares of Rs. 10 each. Market value Rs. 7.19 per share (2008: Rs. 14.60 per share)		
Cost	**8,664**	8,664
Fair value adjustment	**22,483**	54,584
	31,147	63,248
JS Value Fund Limited (formerly BSJS Balanced Fund Limited) 1,000 (2008: 1,000) ordinary shares of Rs. 10 each. Market value Rs. 5.62 per share (2008: Rs. 4.49 per share)		
Cost	**10,000**	10,000
Fair value adjustment	**(4,380)**	(5,510)
	5,620	4,490
Unquoted		
National Security Insurance Company Limited 221,504 ordinary shares of Rs. 10 each.		
Cost	**-**	996,768
Accumulated impairment	**-**	(996,768)
	-	-
	36,767	67,738

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27.1 These are secured against letters of credit

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

28 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

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

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

28.3.1 Movement in rebate receivable

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

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

28.4 Subsidy receivable

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

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

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

28.5 Movement in accumulated impairment

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

29 SHORT TERM INVESTMENTS

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

Investments in related parties - quoted

Jahangir Siddiqui & Company Limited
3,950,633 ordinary shares of Rs. 10 each.
Market value Rs. 52.28 per share

Cost	-	206,421,001
Fair value adjustment	-	125,528
	-	206,546,529

Other investments - quoted

The Bank of Punjab
375 ordinary shares of Rs. 10 each.
Market value Rs. 13.20 per share

Cost	-	37,963
Fair value adjustment	-	(33,013)
	-	4,950
	-	206,551,479

30 CURRENT TAXATION

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

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

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

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

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

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

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

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

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

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

33.1 Raw material consumed

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 FINANCE COST

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

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

38 OTHER CHARGES

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

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

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

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

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

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

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

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

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

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

39.8 Assessments of AGL and HPFL upto and including tax year 2008 have been finalized. Income tax return of AGL for the tax year 2009 has been selected for audit under section 177 of the Ordinance and the same is in progress.

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

39.10 Provision for deferred taxation pertains to AGL and HPFL only. No provision for deferred taxation has been made for ANL since its export sales, including proposed claims for indirect exports are expected to achieve the threshold for the Company, with the option to be taxed under the Final Tax Regime.

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

	Unit	**2009**	2008
		Rupees	*Rupees*
40 EARNINGS PER SHARE			
Profit attributable to ordinary shareholders	*Rupees*	**1,478,746,624**	1,338,211,189
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**441,270,585**	395,257,942
Earnings per share	*Rupees*	**3.35**	3.39

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

41 GOVERNMENT GRANT

During the year, the Group lodged claims amounting to Rs. 4,130,228 (2008: Rs. 122,064,947) on account of research and development rebate, Rs. 36,862,339 (2008: Rs. 33,384,958) as export rebate and Rs. 568,915,600 (2008: Rs. 2,798,701,820) on account of subsidy notified by Government of Pakistan on import of Di-Amonium Phosphate and on production of Granular Single Super Phosphate Fertilizer. These have been accounted for as government grant in accordance with IAS 20 'Government Grants'. Research and development rebate and agricultural subsidy have been deducted in reporting related expenses. Export rebate has been recognized as income and added to sales.

	2009	2008
	Rupees	*Rupees*
42 CASH GENERATED FROM OPERATIONS		
Profit before taxation	**1,363,060,912**	1,629,430,415
Adjustments for non-cash and other items		
Interest / markup expense	**4,451,698,400**	4,119,710,648
Gain on disposal of property, plant and equipment	**(50,998,807)**	(1,925,454)
Excess of fair value of subsidiary's identifiable assets acquired over cost of investment	**-**	(290,221,269)
Exchange difference on translation of foreign subsidiary	**256,828,302**	(1,328,968)
Loss on sale of available for sale financial assets	**28,838,073**	-
Loss on sale and lease back	**920,199**	-
Foreign exchange loss/(gain)	**108,295,630**	(37,181,192)
Changes in fair value of fair value hedges	**(13,025,907)**	11,321,450
Changes in fair value of financial assets at fair value through profit or loss	**-**	(92,515)
Dividend income	**-**	(1,730,500)
Loss/(gain) on sale of financial assets at fair value through profit or loss	**97,789,787**	(214,959,257)
Depreciation	**1,010,624,402**	918,684,619
Amortization	**41,010,264**	17,606,453
Provision for impairment of receivables	**11,849,669**	-
	5,943,830,012	4,519,884,015
Operating profit before changes in working capital	**7,306,890,924**	6,149,314,430
Changes in working capital		
Stores, spares and loose tools	**(825,224,640)**	(48,410,087)
Stock in trade	**608,858,748**	(2,538,025,857)
Trade receivables	**(2,006,580,218)**	(152,602,006)
Advances, deposits, prepayments and other receivables	**792,732,708**	(1,430,250,300)
Trade and other payables	**605,698,479**	1,421,989,847
Long term payables	**21,050,000**	-
Long term advances	**2,309,948**	(18,999,430)
Long term deposits	**(7,253,859)**	(3,573,307)
	(808,408,834)	(2,769,871,140)
Cash generated from operations	**6,498,482,090**	3,379,443,290
43 CASH AND CASH EQUIVALENTS		
Cash and bank balances	**437,814,314**	428,860,804
	437,814,314	428,860,804

44 NON-CASH FINANCING ACTIVITIES

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

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

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

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

45 EVENTS AFTER THE REPORTING PERIOD

45.1 ANL, subsequent to the reporting period, has divested 20.13% of the its investment in ordinary shares of AGL, comprising 79,006,816 ordinary shares of Rs. 10 each, through a combination of private placement and public offering. The sale has been made at a price of Rs. 30 per ordinary share.

45.2 In addition to delays in meeting its financial obligations occuring during the year, ANL, subsequent to the reporting period, has delayed the redemption of term finance certificates with an amount of Rs. 166,756,673, outstanding as on the date of authorisation for issue of these financial statements. Details are referred to in note 48.2.2 to the financial statements.

46 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Group's perspective comprise associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length. Pricing for these transactions is determined as follows:

Nature of transaction	**Pricing mechanism**
Purchases	Comparable uncontrolled price method
Borrowings	Comparable uncontrolled price method.
Contribution to post employment benefit plan	As per terms of employment
Compensation of key management personnel	As per terms of employment

	2009	2008
	Rupees	*Rupees*
Details of transactions and balances with related parties is as follows:		
46.1 Transactions with related parties		
46.1.1 *Associates*		
Purchases	**6,404,845**	3,322,566
46.1.2 *Post employment benefit plans*		
Contribution to employees provident fund trust	**64,136,687**	52,653,967
Contribution to gratuity trust	**3,796,901**	8,414,064
46.1.3 *Key management personnel*		
Short term employee benefits	**18,203,983**	18,639,983
Post employment benefits	**884,004**	884,004
46.2 Balances with related parties		
46.2.1 *Associates*		
Trade payables	**1,877,139**	-

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

	Note	2009 Rupees	2008 Rupees
46.2.2 *Post employment benefit plans*			
Payable to employees provident fund trust	17	**11,723,338**	6,858,093
Payable to gratuity trust	17	**16,413,300**	12,616,399
46.2.3 *Key management personnel*			
Short term employee benefits payable		**1,517,000**	1,517,000

47 FINANCIAL INSTRUMENTS

47.1 Financial assets by class and category

	Note	**2009**				
		Financial assets at fair value through profit or loss *Rupees*	**Loans and receivables** *Rupees*	**Available for sale financial assets** *Rupees*	**Derivatives** *Rupees*	**Total financial assets** *Rupees*
Investments	22 & 29	-	**-**	**36,767**	**-**	**36,767**
Cash flow hedges	23	-	**-**	**-**	**70,743,357**	**70,743,357**
Long term deposits	24	-	**56,988,258**	**-**	**-**	**56,988,258**
Trade receivables	27	-	**4,586,931,259**	**-**	**-**	**4,586,931,259**
Security deposits	28	-	**10,779,445**	**-**	**-**	**10,779,445**
Margin deposits	28	-	**28,557,243**	**-**	**-**	**28,557,243**
Insurance claims	28	-	**29,705,418**	**-**	**-**	**29,705,418**
Cash and bank balances	31	-	**437,814,314**	-	-	**437,814,314**
		-	**5,150,775,937**	**36,767**	**70,743,357**	**5,221,556,061**

	Note	2008				
		Financial assets at fair value through profit or loss *Rupees*	Loans and receivables *Rupees*	Available for sale financial assets *Rupees*	Derivatives *Rupees*	Total financial assets *Rupees*
Investments	22 & 29	206,551,479	-	67,738	-	206,619,217
Cash flow hedges	23		-	-	175,673,993	175,673,993
Long term deposits	24		48,405,665	-	-	48,405,665
Trade receivables	27		2,556,062,590	-	-	2,556,062,590
Security deposits	28		3,746,090	-	-	3,746,090
Margin deposits	28		61,218,959	-	-	61,218,959
Insurance claims	28		28,493,266	-	-	28,493,266
Cash and bank balances	31		428,860,804	-	-	428,860,804
		206,551,479	3,126,787,374	67,738	175,673,993	3,509,080,584

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

47.2 Financial liabilities by class and category

	Note	**2009**		
		Financial liabilities at amortized cost *Rupees*	**Derivatives** *Rupees*	**Total financial liabilities** *Rupees*
Loan from associates	8	**340,000,000**	-	**340,000,000**
Redeemable capital	9	**13,891,729,061**	**-**	**13,891,729,061**
Long term finances	10	**5,871,497,982**	**-**	**5,871,497,982**
Liabilities against assets subject to finance lease	11	**364,338,321**	**-**	**364,338,321**
Cash flow hedges	12	**-**	**-**	**-**
Fair value hedges	12	**-**	**14,472,950**	**14,472,950**
Long term payables	13	**52,185,199**		**52,185,199**
Short term borrowings	16	**12,891,613,075**	**-**	**12,891,613,075**
Trade creditors	17	**4,756,207,091**	**-**	**4,756,207,091**
Accrued liabilities	17	**668,952,046**	**-**	**668,952,046**
Advance against sale of investment	17	**84,120,000**	**-**	**84,120,000**
Mark-up accrued on borrowings		**1,000,787,278**	**-**	**1,000,787,278**
Dividend payable	18	**63,183,986**	**-**	**63,183,986**
		39,984,614,039	**14,472,950**	**39,999,086,989**

	Note	2008		
		Financial liabilities at amortized cost *Rupees*	Derivatives *Rupees*	Total financial liabilities *Rupees*
Loan from associates	8	340,000,000	-	340,000,000
Redeemable capital	9	14,081,682,407	-	14,081,682,407
Long term finances	10	4,142,422,500	-	4,142,422,500
Liabilities against assets subject to finance lease	11	152,364,652	-	152,364,652
Cash flow hedges	12	-	23,038,052	23,038,052
Fair value hedges	12	-	27,498,857	27,498,857
Long term payables	13	31,135,199	-	31,135,199
Short term borrowings	16	8,437,887,588	-	8,437,887,588
Trade creditors	17	4,487,575,573	-	4,487,575,573
Accrued liabilities	17	371,902,108	-	371,902,108
Advance against sale of investment	17	-	-	-
Mark-up accrued on borrowings		974,107,530	-	974,107,530
Dividend payable	18	14,686,046	-	14,686,046
		33,033,763,603	50,536,909	33,084,300,512

47.3 Fair values of financial instruments

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

47.3.1 Methods of determining fair values

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

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

47.3.2 Discount/interest rates used for determining fair values

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

47.3.3 Significant assumptions used in determining fair values

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

Derivative financial instruments

In determining fair values of derivative financial instruments, a risk adjusted discount factor of 15.5% (2008: 16%) has been used. If discount factor was 1% higher or lower, the carrying amount of derivative financial instruments would decrease or increase by Rs. 0.69 million or Rs. 0.71 million (2008: Rs. 2.56 million or Rs.2.36 million) respectively. The Group also makes assumptions about future foreign exchange rates which may effect fair values of derivative financial instruments. Sensitivity of fair values of derivative financial instruments to changes in foreign exchange rates is referred to in note 48.3.1(c) to the financial instruments. However, there are no other sources of estimation uncertainty that may have a significant risk of causing any material adjustment to the carrying amounts of derivative financial instruments.

47.3.4 Significance of fair value accounting estimates to the Group's financial position and performance

The Group uses fair value accounting for its financial instruments in determining its overall financial position and in making decisions about individual financial instruments. This approach reflects the judgement of the Group about the present value of expected future cash flows relating to an instrument. The management believes that fair value information is relevant to many decisions made by users of financial statements as it permits comparison of financial instruments having substantially the same economic characteristics and provides neutral basis for assessing the management's stewardship by indicating effects of its decisions to acquire, sell or hold financial assets and to incur, maintain or discharge financial liabilities.

48 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

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

48.1 Credit risk

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

48.1.1 Maximum exposure to credit risk

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

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	Note	2009 Rupees	2008 Rupees
Loans and receivables			
Long term deposits with financial institutions	24	**17,911,390**	16,582,656
Trade receivables	27	**4,586,931,259**	2,556,062,590
Security deposits	28	**10,779,445**	3,746,090
Margin deposits	28	**28,557,243**	61,218,959
Insurance claims	28	**29,705,418**	28,493,266
Cash at banks	31	**434,373,910**	421,723,766
		5,108,258,665	3,087,827,327
Derivative financial assets			
Cash flow hedges	23	**70,743,357**	175,673,993
		5,179,002,022	3,263,501,320

48.1.2 Concentration of credit risk

The Group identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of

	2009	2008
Customers	**4,586,931,259**	2,556,062,590
Banking companies and financial institutions	**592,070,763**	707,438,730
	5,179,002,022	3,263,501,320

48.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical default rates and present ages.

48.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits, security deposits, margin deposits, insurance claims and cash flow hedges. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group.

48.1.3(b) Counterparties without external credit ratings

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

	2009		2008	
	Gross carrying amount *Rupees*	**Accumulated Impairment** *Rupees*	Gross carrying amount *Rupees*	Accumulated Impairment *Rupees*
Neither past due nor impaired	**3,735,175,710**	**-**	1,953,599,373	-
Past due by 0 to 6 months	**733,871,131**	**-**	533,097,778	-
Past due by 6 to 12 months	**117,884,418**	**-**	69,365,439	-
Past due by more than one year	**16,547,550**	**16,547,550**	4,697,881	4,697,881
	4,603,478,809	**16,547,550**	2,560,760,471	4,697,881

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The Group's four significant customers account for Rs. 1,791 million (2008: Rs. 540 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 4% (2008: 2.5%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 2,657 million (2008: Rs. 725 million) secured through confirmed letters of credit and thus do not carry any significant credit risk.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or those past due by less one year, since these relate to customers who have had good payment record with the Group. Trade receivables not past due include receivables amounting to Rs. 261 million (2008: Rs. 174 million) that were re-negotiated, which otherwise would have been overdue by more than one year.

48.1.4 Collateral held

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

48.1.5 Credit risk management

As mentioned in note 48.1.3(b) to the financial statements, the Group's financial assets do not carry significant credit risk, with the exception of trade receivables, which are exposed to losses arising from any non-performance by counterparties. In respect of trade receivables, the Group manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

Liquidity risk

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

48.2.1 Exposure to liquidity risk

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

	2009				
	Carrying amount *Rupees*	Contractual cash flows *Rupees*	One year or less *Rupees*	One to three years *Rupees*	More than three years *Rupees*
Non-derivative financial liabilities					
Loan from associates	340,000,000	606,365,874	53,244,000	159,877,874	393,244,000
Redeemable capital	13,891,729,061	21,011,548,381	4,057,270,760	12,961,887,028	3,992,390,593
Long term finances	5,871,497,982	8,534,581,028	1,860,739,871	5,249,211,021	1,424,630,136
Liabilities against assets subject to finance lease	364,338,321	476,619,225	172,826,149	233,474,010	70,319,066
Long term payables	52,185,199	53,658,699	736,750	21,786,750	31,135,199
Short term borrowings	12,891,613,075	12,960,571,785	12,960,571,785	-	-
Trade creditors	4,756,207,091	4,756,207,091	4,756,207,091	-	-
Accrued liabilities	668,952,046	668,952,046	668,952,046	-	-
Subscription money against sale of investment	84,120,000	84,120,000	84,120,000	-	-
Mark-up accrued on borrowings	1,000,787,278	1,000,787,278	1,000,787,278	-	-
Dividend payable	63,183,986	63,183,986	63,183,986	-	-
	39,984,614,039	50,216,595,393	25,678,639,716	18,626,236,683	5,911,718,994
Derivative financial liabilities					
Cross currency swaps	-	-	-	-	-
Interest rate swaps	14,472,950	16,298,918	16,298,918	-	-
	14,472,950	16,298,918	16,298,918	-	-
	39,999,086,989	50,232,894,311	25,694,938,634	18,626,236,683	5,911,718,994

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

	2008				
	Carrying amount *Rupees*	Contractual cash flows *Rupees*	One year or less *Rupees*	One to three years *Rupees*	More than three years *Rupees*
Non-derivative financial liabilities					
Loan from associates	340,000,000	667,386,466	61,020,592	159,877,874	446,488,000
Redeemable capital	14,081,682,407	23,034,997,649	1,731,877,538	13,767,922,143	7,535,197,968
Long term finances	4,142,422,500	5,924,894,248	1,837,436,843	3,321,904,583	765,552,822
Liabilities against assets subject to finance lease	152,364,652	198,201,314	69,596,410	85,580,145	43,024,759
Long term payables	31,135,199	31,135,199			31,135,199
Short term borrowings	8,437,887,588	8,586,380,740	8,586,380,740	-	-
Trade creditors	4,487,575,573	4,487,575,573	4,487,575,573	-	-
Accrued liabilities	371,902,108	371,902,108	371,902,108	-	-
Subscription money against sale of investment	-	-	-	-	-
Mark-up accrued on borrowings	974,107,530	974,107,530	974,107,530	-	-
Dividend payable	14,686,046	14,686,046	14,686,046	-	-
	33,033,763,603	44,291,266,873	18,134,583,380	17,335,284,745	8,821,398,748
Derivative financial liabilities					
Cross currency swaps	23,038,052	24,334,491	24,334,491	-	-
Interest rate swaps	27,498,857	29,453,181	19,043,764	10,409,417	-
	50,536,909	53,787,672	43,378,255	10,409,417	-
	33,084,300,512	44,345,054,545	18,177,961,635	17,345,694,162	8,821,398,748

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

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

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

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

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

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

48.2.2 Liquidity risk management

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

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

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

Nature of liability	***Note***	**Due date**	**Amount** ***Rupees***
Preference shares	*5.5 & 48.2.2(a)*	September 24, 2009	330,625,650
Dividend on preference shares	*5.5 & 48.2.2(b)*	November 21, 2009	59,181,949
Long term finances	*10.4 & 48.2.2(c)*	August 15, 2009	181,650,000
Term finance certificates	*9.2 & 48.2.2(d)*	December 04, 2009	135,516,741
Term finance certificates	*9.3 & 48.2.2(e)*	March 20, 2010	166,756,673
			873,731,013

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

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

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

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

48.2.2(e) This represents principal redemption of listed term finance certificates that was due on March 20, 2010 but is outstanding as on the date of authorization for issue of these financial statements. The said redemption has been deferred for a period of

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sixty days from the due date. The deferral was approved through an extraordinary resolution of investors passed by majority of investors, as required by the terms of issue for such deferral, whereby it has been resolved that ANL and the lenders shall come to an agreement regarding an acceptable solution. The management intends to propose re-profiling of the total liability and is confident of favourable settlement with the investors.

The temporary liquidty shortfall has been mitigated through generation of Rs. 2.37 billion from divestment of 20.13% ordinary shares held in AGL, through a combination of private placement and public subscription. Funds generated have been utilized towards repayment/redemption of certain liabilities, with sufficient funds available for other requirements. The management, based on favourable response already received, is also considering to take-up the matter with the providers of debt finance for re-profiling of some of the existing liabilities. Major cost cutting initiatives and improved debt collection will also reduce the financial burden on ANL. The management is confident that the above measures coupled with strong capital base of Rs. 18.47 billion (including surplus on revaluation of property, plant and equipment), advantageous capital gearing of 32.8% , continuing profitable trends (with accumulated profits of Rs. 2.68 billion as at the reporting date) and expected improvement in economic and market conditions will improve the liquidity position. ANL, if required, also has financial support from its subsidiaries and associated companies. The management does not envisage any difficulty in generating and arranging necessary finances and in meeting its financial obligations when due.

There are no major liquidity problems which may impact continued opertaions of subsidiary companies.

48.3 Market risk

48.3.1 Currency risk

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

48.3.1(a) Exposure to currency risk

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

	2009				
	EURO	**USD**	**GBP**	**YEN**	**Total**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Assets					
Trade receivables	**2,285,373,385**	**989,225,721**	**166,783,016**	**-**	**3,441,382,122**
Cash and bank balances	**34,507,615**	**24,833,958**	**-**	**-**	**59,341,573**
	2,319,881,000	**1,014,059,679**	**166,783,016**	**-**	**3,500,723,695**
Liabilities					
Long term finances	**(1,453,200,000)**	**(368,812,500)**	**-**	**-**	**(1,822,012,500)**
Short term borrowings	**-**	**(93,983,909)**	**-**	**-**	**(93,983,909)**
Mark-up accrued on borrowings	**(26,379,362)**	**(7,946,936)**	**-**	**-**	**(34,326,298)**
Trade and other payables	**(324,856,621)**	**(135,033,083)**	**(7,378,833)**	**(116,919)**	**(467,385,456)**
	(1,804,435,983)	**(605,776,428)**	**(7,378,833)**	**(116,919)**	**(2,417,708,163)**
Gross balance sheet exposure	**515,445,017**	**408,283,251**	**159,404,183**	**(116,919)**	**1,083,015,532**
Fair value of hedging instruments					**56,270,407**
Net balance sheet exposure					**1,139,285,939**

	2008				
	EURO	USD	GBP	YEN	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Assets					
Trade receivables	480,562,426	784,981,075	310,601	-	1,265,854,102
Cash and bank balances	1,805,039	3,591,178	-	-	5,396,217
	482,367,465	788,572,253	310,601	-	1,271,250,319

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	2008				
	EURO	USD	GBP	YEN	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Liabilities					
Long term finances	(1,499,985,000)	(542,437,500)	-	-	(2,042,422,500)
Short term borrowings	(356,514,004)	(2,616,212)	-	(1,431,677)	(360,561,893)
Mark-up accrued on borrowings	(48,690,055)	(18,514,638)	-	-	(67,204,693)
Trade and other payables	(358,192,277)	(70,480,517)	-	(21,104)	(428,693,898)
	(2,263,381,336)	(634,048,867)	-	(1,452,781)	(2,898,882,984)
Gross balance sheet exposure	(1,781,013,871)	154,523,386	310,601	(1,452,781)	(1,627,632,665)
Fair value of hedging instruments					125,137,084
Net balance sheet exposure					(1,502,495,581)

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

Foreign exchange rates applied during the year are as follows:

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

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

48.3.1(c) ***Sensitivity analysis***

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

	2009		2008	
	Equity	**Profit**	Equity	Profit
	Rupees	***Rupees***	*Rupees*	*Rupees*
EURO	**-**	**51,544,502**	(18,981,196)	(178,101,387)
USD	**7,074,336**	**40,828,325**	15,779,053	15,452,339
GBP	**-**	**15,940,418**	-	31,060
YEN	**-**	**(11,692)**	-	(145,278)
CHF	**-**	**-**	(10,745,897)	-
	7,074,336	**108,301,553**	(13,948,040)	(162,763,266)

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

48.3.1(d) Currency risk management

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

48.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

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

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Group's interest/mark-up bearing financial instruments as at the reporting date are as follows:

	2009		2008	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	Rupees	***Rupees***	*Rupees*	*Rupees*
Non-derivative financial instruments				
Fixed rate instruments	**36,811,134**	**96,050,000**	15,153,969	100,000,000
Variable rate instruments	**418,905**	**20,052,565,364**	92,748	18,276,469,559
Derivative financial instruments				
Fair value hedges		**14,472,950**		27,498,857
Cash flow hedges	**70,743,357**	**-**	175,673,993	23,038,052

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

The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss, however the Group has designated derivatives (interest rate swaps) as hedging instruments under the fair value hedge accounting model. An increase or decrease of 100 basis points in interest rates as at the reporting date would have increased or decreased profit by Rs. 67,118 (2008: Rs. 255,441) or Rs. 67,743 (2008: Rs. 516,397) respectively. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

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

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

	2009		2008	
	Equity	**Profit**	Equity	Profit
	Rupees	***Rupees***	*Rupees*	*Rupees*
Increase of 100 basis points				
Variable rate instruments	**-**	**(200,529,843)**	-	(182,765,623)
Cash flow hedges	**(754,875)**	**-**	(2,815,209)	-
	(754,875)	**(200,529,843)**	(2,815,209)	(182,765,623)

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	2009		2008	
	Equity	**Profit**	Equity	Profit
	Rupees	***Rupees***	*Rupees*	*Rupees*
Decrease of 100 basis points				
Variable rate instruments	**-**	**200,529,843**	-	182,765,623
Cash flow hedges	**774,519**	**-**	2,876,974	-
	774,519	**200,529,843**	2,876,974	182,765,623

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

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

48.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Group is not exposed to price risk as at December 31, 2009 since the fair values of the Group's financial instruments are not based on market prices. However, as at December 31, 2008, the Group investments in listed securities which were measured at fair values based on market prices. An increase/(decrease) of 10% in market prices as at December 31, 2008 would have increased/(decreased) profit after taxation by Rs. 20.65 million.

52 BUSINESS COMBINATIONS

52.1 During the year ended December 31, 2008, AGL acquired 100% shares of Hazara Phosphate Fertilizers (Private) Limited from National Fertilizer Corporation of Pakistan (Private) Limited through Privatization Commission of Pakistan for a consideration of Rs. 1,386 million. The effective control was obtained on November 28, 2008. This acquisition has brought about expansion and diversification of the Group's fertilizer business.

	Rupees	***Rupees***
Cost of acquisition		1,385,564,400
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	2,032,717,461	
Long term deposits	1,761,375	
Stores, spares and loose tools	29,975,373	
Stock in trade	276,458,949	
Advances, deposits, prepayments and other receivables	348,816,034	
Current taxation	12,174,316	
Cash and bank balances	28,896,763	
Deferred tax liability	(554,530,443)	
Trade and other payables	(500,484,159)	1,675,785,669
Excess of fair value of net assets acquired over cost of acquisition		290,221,269
Cost of acquisition net of cash acquired		1,356,667,637

52.2 During the year ended December 31, 2008, Azgard Nine Limited acquired 100% shares of Montebello SRL through Farital AB, a holding company incorporated in Sweden, for a consideration of Euro 23.758 million. The effective control was obtained on December 31, 2008. This acquisition has brought about expansion and geographical diversification of the Group's textile and apparel business by providing access to well established marketing network in Europe.

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

	Rupees	Rupees
Cost of acquisition		2,625,026,049
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	22,400,617	
Intangible assets	1,599,973	
Long term deposits	4,590,960	
Stores, spares and loose tools	111,000	
Stock in trade	1,275,657,558	
Advances, deposits, prepayments and other receivables	248,832,662	
Cash and bank balances	3,802,864	
Short term borrowings	(434,540,808)	
Trade and other payables	(415,128,195)	707,326,631
Goodwill		1,917,699,418
Cost of acquisition net of cash acquired		2,621,223,185

53 SEGMENT INFORMATION

The Group has adopted IFRS 8 - Operating Segments with effect from January 01, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocated resources to the segments and to assess their performance. In contrast, the predecessor standard, IAS 14 - Segment Reporting, required identification of two sets of segments; business and geographical, using a risks and returns approach, with a company's systems of internal financial reporting to key management personnel serving only at the starting point for the identification of such segments. Adoption of IFRS 8 has resulted in changes in disclosure and presentation of the Group's segment information. However, there is no change in basis of segmentation and measurement of segment profit or loss, since the Group's segmentation in previous periods was based on management approach to segment reporting.

53.1 Products and services from which reportable segments derive their revenues

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

Segment	**Product**
Textile and apparel	Denim and other textile and products
Fertilizer	Nitrogenous and phosphatic fetilizers

Information reagrding Group's reportable segments is presented below.

53.2 Segment revenues and results

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

	Textile and apparel		**Fertilizer**	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Segment revenue	**13,347,978,048**	10,129,923,061	**12,928,284,326**	9,607,500,754
Segment profit	**75,014,627**	322,063,789	**1,462,913,946**	1,075,329,349
	13,422,992,675	10,451,986,850	**14,391,198,272**	10,682,830,103

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year. (2008: Nil).

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

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

53.3 Segment assets and liabilities

	Textile and apparel		Fertilizer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Segment assets	**28,359,923,478**	20,362,483,040	**30,135,165,241**	25,409,233,621
Segment liabilities	**19,745,928,564**	17,449,294,172	**22,937,804,093**	18,343,927,013
	48,105,852,042	37,811,777,212	**53,072,969,334**	43,753,160,634

53.4 Additions to non-current assets

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

	Textile and apparel		Fertilizer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Property,plant and equipment	**2,209,535,865**	1,390,615,800	**6,476,474,932**	2,627,101,801
Intangible assets	**520,852**	-	**-**	-
	2,210,056,717	1,390,615,800	**6,476,474,932**	2,627,101,801

53.5 Other segment information

	Textile and apparel		Fertilizer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Depreciation	**575,386,023**	540,255,310	**435,238,379**	378,364,871
Amortization	**29,089,284**	17,606,453	**11,920,980**	-
Interest expense	**2,074,564,359**	2,000,122,456	**2,377,134,041**	2,119,588,192
Interest income	**9,395,148**	1,402,695	**3,672,848**	22,900,868
Income tax (expense)/income	**(118,191,533)**	(102,218,852)	**293,059,194**	(129,818,425)
	2,570,243,281	2,457,168,062	**3,121,025,442**	2,391,035,506

53.6 Geographical information

The Group operates in two geographical areas; Pakistan and Europe. The Group's revenue from external customers and information about its non-current assets by geographical location are as follows:

	Non-current assets		Revenue from external customer	
	2009	2008	**2009**	2008
	Rupees	*Rupees*	***Rupees***	*Rupees*
Pakistan	**40,739,816,214**	31,234,235,265	**23,706,895,854**	19,644,461,925
Europe	**1,982,410,735**	61,191,065	**2,569,366,520**	92,961,890
	42,722,226,949	31,295,426,330	**26,276,262,374**	19,737,423,815

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

54 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2009	2008
Spinning			
Number of rotors installed	*No.*	2,416	2,416
Plant capacity on the basis of utilization converted into 6.5s count	*Kgs*	14,965,001	14,965,001
Actual production converted into 6.5s count	*Kgs*	11,924,619	13,207,174
Number of spindles installed	*No.*	54,408	54,408
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	12,814,834	12,814,834
Actual production converted into 20s count	*Kgs*	10,754,318	12,274,985
Weaving			
Number of looms installed	*No.*	230	166
Annual capacity on the basis of utilization converted into 38 picks	*Mtrs*	40,028,613	29,860,666
Actual production converted into 38 picks	*Mtrs*	26,246,413	25,042,308
Garments			
Number of stitching machines installed	*No.*	2,229	2,229
Annual capacity on the basis of utilization	*Pcs*	10,797,583	10,797,583
Actual production	*Pcs*	8,457,943	7,595,954

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist, picks etc. It would also vary according to the pattern of production adopted in a particular year.

	Unit	2009	2008
Urea fertilizer			
Rated capacity on basis of utilization - 330 days (2008: 330 days)	*Metric tonnes*	346,500	346,500
Actual production - 330 days (2008: 330 days)	*Metric tonnes*	383,879	376,098
Production efficiency	*%age*	111	109
Phosphatic fertilizer			
Rated capacity on basis of utilization - 330 days (2008: 34 days)	*Metric tonnes*	81,000	7,200
Actual production - 330 days (2008: 34 days)	*Metric tonnes*	113,819	7,696
Production efficiency	*%age*	141	107

55 DATE OF AUTHORIZATION FOR ISSUE

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

56 GENERAL

Figures have been rounded off to the nearest rupee.

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

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

Pattern of Shareholding

Ordinary Shares as at December 31, 2009

Number of Shareholders	Shareholding From	To	Total Shares Held
439	1	100	26,245
1256	101	500	452,544
1317	501	1000	1,126,259
2425	1001	5000	6,465,515
658	5001	10000	5,201,013
257	10001	15000	3,305,263
138	15001	20000	2,555,234
108	20001	25000	2,538,197
55	25001	30000	1,570,843
29	30001	35000	960,252
34	35001	40000	1,290,299
21	40001	45000	904,638
57	45001	50000	2,812,185
14	50001	55000	741,034
12	55001	60000	698,013
12	60001	65000	753,240
9	65001	70000	619,862
11	70001	75000	806,973
5	75001	80000	384,894
5	80001	85000	415,948
6	85001	90000	526,928
4	90001	95000	368,256
21	95001	100000	2,096,780
24	100001	125000	2,732,820
21	125001	150000	2,924,351
9	150001	175000	1,473,375
6	175001	200000	1,180,990
5	200001	225000	1,036,439
9	225001	250000	2,177,700
5	250001	275000	1,293,107
3	275001	300000	890,587
2	300001	325000	605,067
1	350001	375000	350,858
2	375001	400000	800,000
3	400001	425000	1,233,171
3	425001	450000	1,298,420
1	450001	475000	457,592
3	475001	500000	1,500,000
2	500001	525000	1,026,748
1	525001	550000	528,024
1	550001	575000	567,101
2	625001	650000	1,274,852
1	675001	700000	692,703
3	725001	750000	2,221,417
2	775001	800000	1,600,000
3	800001	825000	2,422,855
1	950001	975000	950,157
1	975001	1000000	1,000,000
1	1075001	1100000	1,075,953
2	1125001	1150000	2,263,099
1	1200001	1225000	1,208,357
1	1275001	1300000	1,295,000
1	1450001	1475000	1,462,592
2	1475001	1500000	2,992,800
1	1650001	1675000	1,668,000
1	1675001	1700000	1,700,000
1	1900001	1925000	1,908,400
1	2375001	2400000	2,380,260
1	2525001	2550000	2,544,572

Pattern of Shareholding

Ordinary Shares as at December 31, 2009

Number of Shareholders	Shareholding From	To	Total Shares Held
1	2800001	2825000	2,817,095
1	3000001	3025000	3,013,382
1	3100001	3125000	3,120,000
1	3250001	3275000	3,268,908
1	3425001	3450000	3,436,393
1	4400001	4425000	4,410,000
1	4675001	4700000	4,683,845
3	5000001	5500000	15,949,545
1	6000001	6500000	6,109,205
2	6500001	7000000	13,556,783
3	7500001	8000000	23,456,121
1	8500001	9000000	8,565,424
1	9000001	9500000	9,166,000
1	10500001	11000000	10,840,724
2	13500001	14000000	27,370,000
1	14000001	14500000	14,160,769
1	14500001	15000000	15,000,000
1	16000001	16500000	16,319,600
1	24000001	24500000	24,130,000
1	38000001	38500000	38,460,000
1	59000001	59500000	112,157,863
7047			**449,349,439**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,806	158,453,231	35.26%
Joints Stock Companies	164	148,638,439	33.08%
Financial Institutions	23	62,782,926	13.97%
Investment Companies	9	39,306,682	8.75%
Mutual Funds	27	36,825,342	8.20%
Insurance Companies	7	3,062,817	0.68%
Leasing Companies	2	150,002	0.03%
Modaraba	9	130,000	0.03%
Total	**7,047**	**449,349,439**	**100%**

Information as required under

Code of Corporate Governance

CATEGORIES OF SHAREHOLDERS		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
Associated Companies, Undertakings and related parties		Nil	Nil
NIT and ICP		1	1,608,357
Directors, Chief Executive Officer and their spouse and minor children			
Mr. Mueen Afzal	Chairman	1	1
Mr. Ahmed H. Shaikh	CEO	1	30,622,000
Mr. Aehsum M. H. Shaikh	Director	1	11,248,000
Mr. Khalid A.H. Al-Sagar	Director	1	6,530,118
Chief Justice (R) Mian Mahboob Ahmad	Director	1	1
Mr. Ali Jehangir Siddiqui	Director	1	1
Mr. Ali Hussain	Director	1	1
Executives		Nil	Nil
Public Sector Companies and Corporation		164	148,638,439
Banks, DFIs, NBFI, Insurance Companies		39	105,152,425
Leasing Companies, Modarabas & Mutual Funds		38	37,105,344
Shareholders holdings ten percent or more voting interest of the Company			
Jahangir Siddiqui & Company		1	112,157,863
Detail of trading in shares by the Directors, CEO, CFO, Company Secretary, their Spouses and Minor Children.		-	Nil

Pattern of Shareholding

Preference Shares as at December 31, 2009

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
11	1	100	361
45	101	500	16,721
15	501	1000	13,852
34	1001	5000	89,838
13	5001	10000	99,944
2	1001	15000	24,428
3	15001	20000	58,500
1	20001	25000	22,500
1	25001	30000	26,970
1	35001	40000	35,663
1	40001	45000	43,213
2	50001	55000	103,000
1	55001	60000	59,500
1	70001	75000	71,250
1	75001	80000	75,500
1	90001	95000	92,984
3	95001	100000	300,000
2	125001	150000	271,888
1	150001	175000	162,000
1	175001	200000	200,000
1	775001	800000	799,345
1	875001	900000	900,000
1	1000001	1025000	1,013,863
1	1150001	1175000	1,160,241
1	1275001	1300000	1,286,500
1	2200001	2225000	2,270,125
1	2225001	2250000	2,249,000
1	2625001	2650000	2,625,500
1	2975001	3000000	2,988,577
1	3075001	3100000	3,090,793
1	4075001	4100000	4,091,409
1	4775001	4800000	4,800,000
1	5000001	5500000	5,030,000
1	6500001	7000000	6,512,632
1	25500001	26000000	25,601,986
155			**66,125,083**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	144	28,871,610	43.66%
Insurance Companies	1	1,286,500	1.95%
Joints Stock Companies	3	26,401,831	39.93%
Financial Institutions	5	9,564,111	14.46%
Other	1	1,031	0.00%
Total	**154**	**66,125,083**	**100%**

Information as required under

Code of Corporate Governance

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
Associated Companies, Undertakings and related parties	Nil	Nil
NIT and ICP	Nil	Nil
Directors, Chief Executive Officer and their spouse and minor children	Nil	Nil
Executives	Nil	Nil
Public Sector Companies and Corporation	3	26,401,831
Banks, DFIs, NBFI, Insurance Companies Leasing Companies, Modarabas & Mutual Funds	7	10,851,642
Shareholders holdings ten percent or more voting interest of the Company		
JS GLOBAL CAPITAL LIMITED	1	25,601,986
Detail of trading in shares by the Directors, CEO, CFO, Company Secretary, their Spouses and Minor Children.	-	Nil

Form of Proxy

Azgard Nine Limited

AZGARD-9

I/We ____

son/daughter of ____

a member/members of Azgard Nine Limited and holder of ______________________ shares as

per Registered Folio No. ______________ do hereby appoint Mr./Ms. ______________________

son/daughter of ______________________________________ or failing him/her

Mr. Ms. ____

son/daughter of ____

who is also member of the Company vide Registered Folio No. ______________________

as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday the April 30, 2010 at 11:00 a.m at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore and at any adjournment thereof.

In witness whereof on this ______________ day of ______________ 2010.

WITNESSES:

1. Signature: ______________________

   Name ______________________

   Address ______________________

   ____

   NIC: ______________________

Affix Revenue Stamp

2. Signature: ______________________

   Name ______________________

   Address ______________________

   ____

   NIC: ______________________

____

Member's Signature

NOTE:

1. The Form of Proxy should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.
2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national Identity Cards/Passport in original to provide his/her identity, and in case of Proxy, must enclosed an attested copy of his/her NIC or Passport. Representatives of corporate members should bring the usual documents for such purpose.

AFFIX CORRECT POSTAGE

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