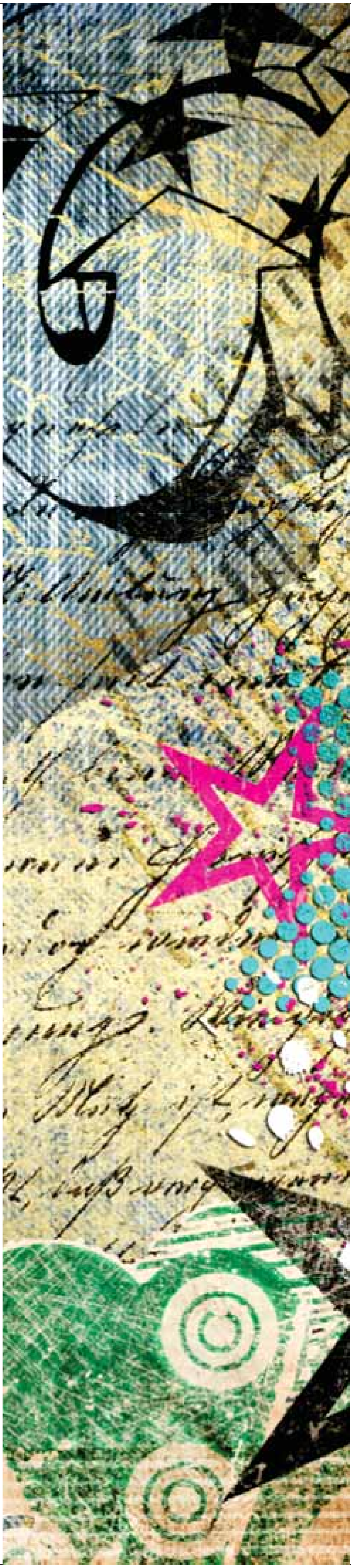

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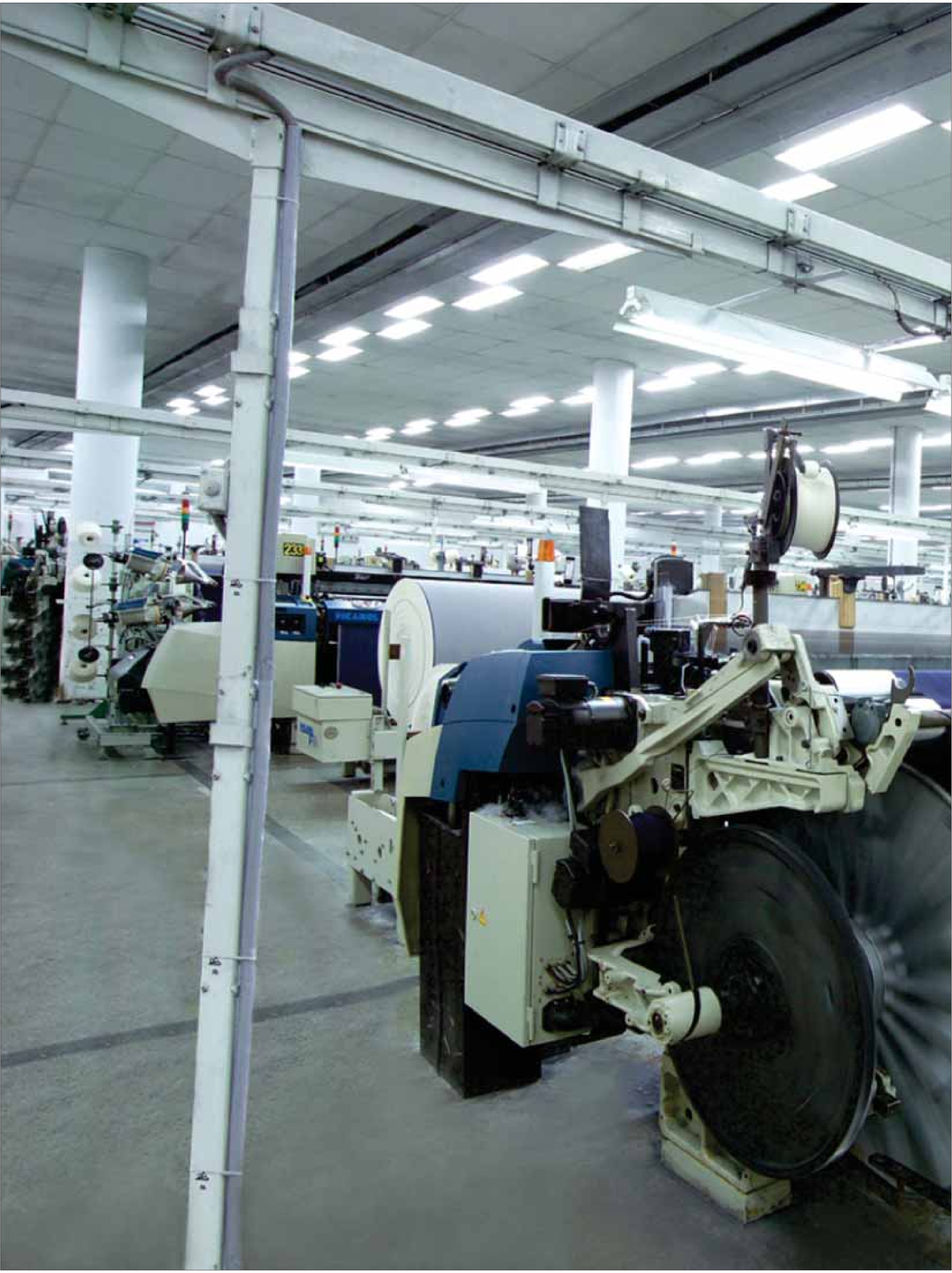
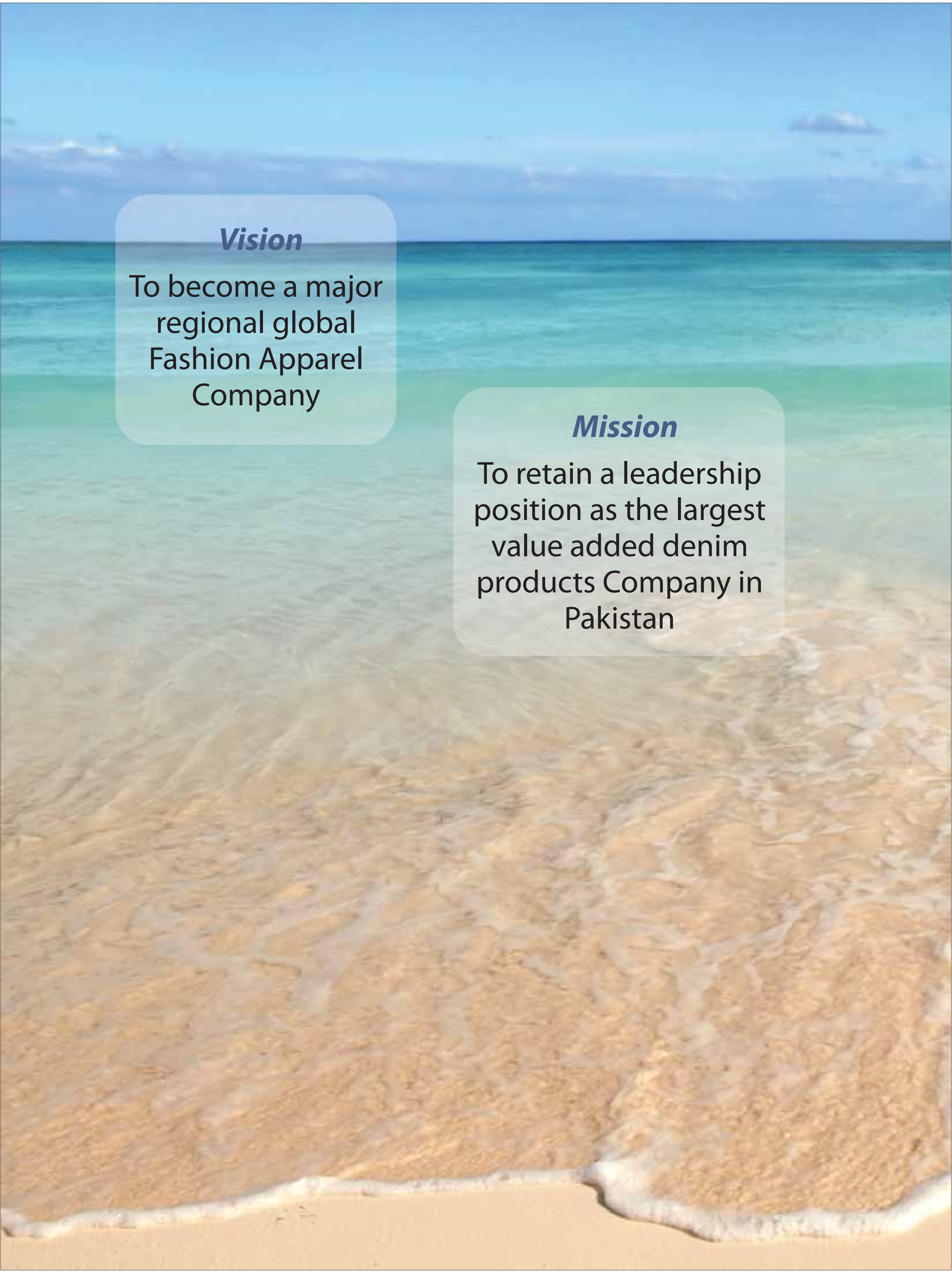




Vision

To become a major regional global Fashion Apparel Company

Mission

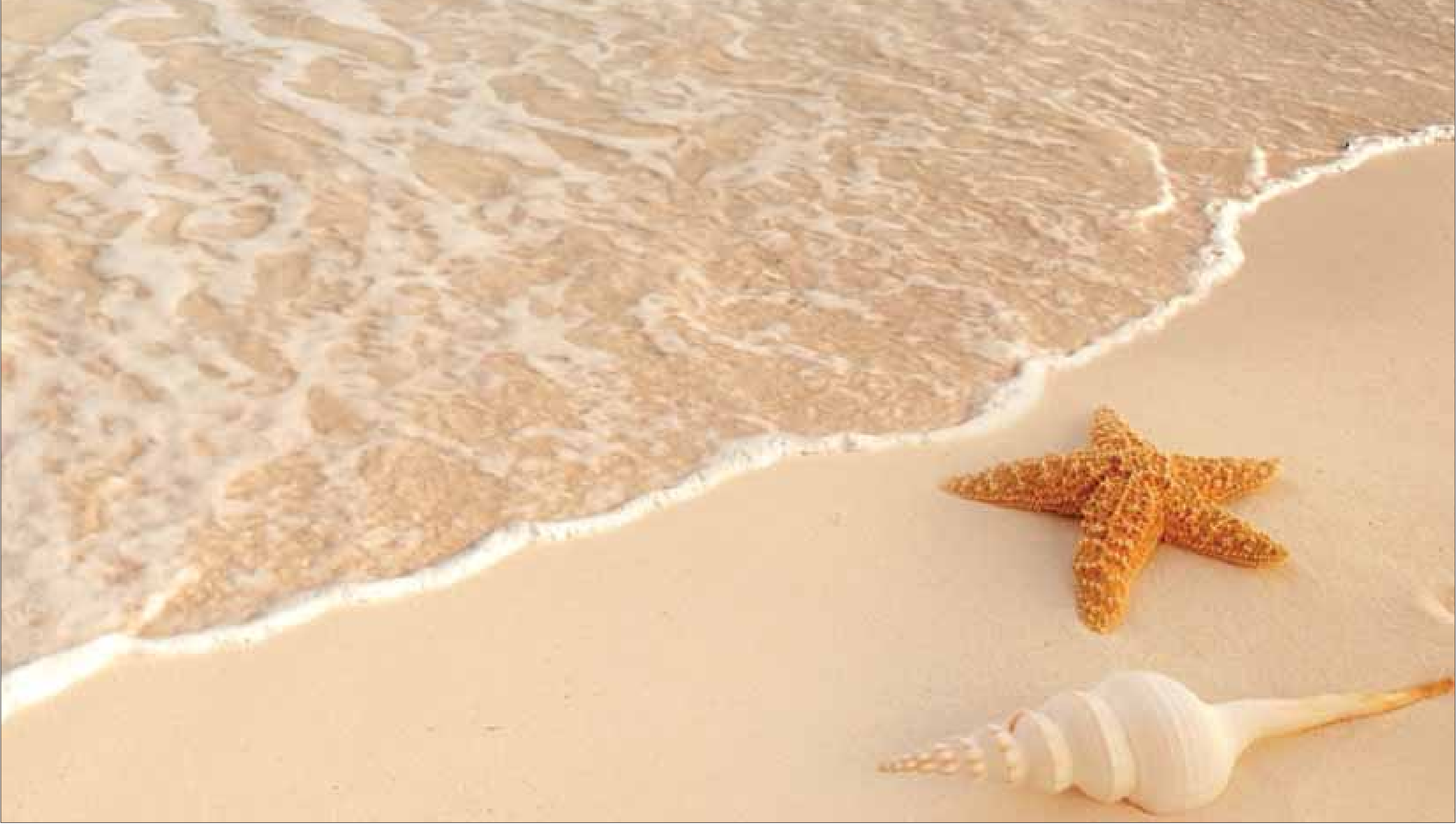
To retain a leadership position as the largest value added denim products Company in Pakistan

The Origins and Inception

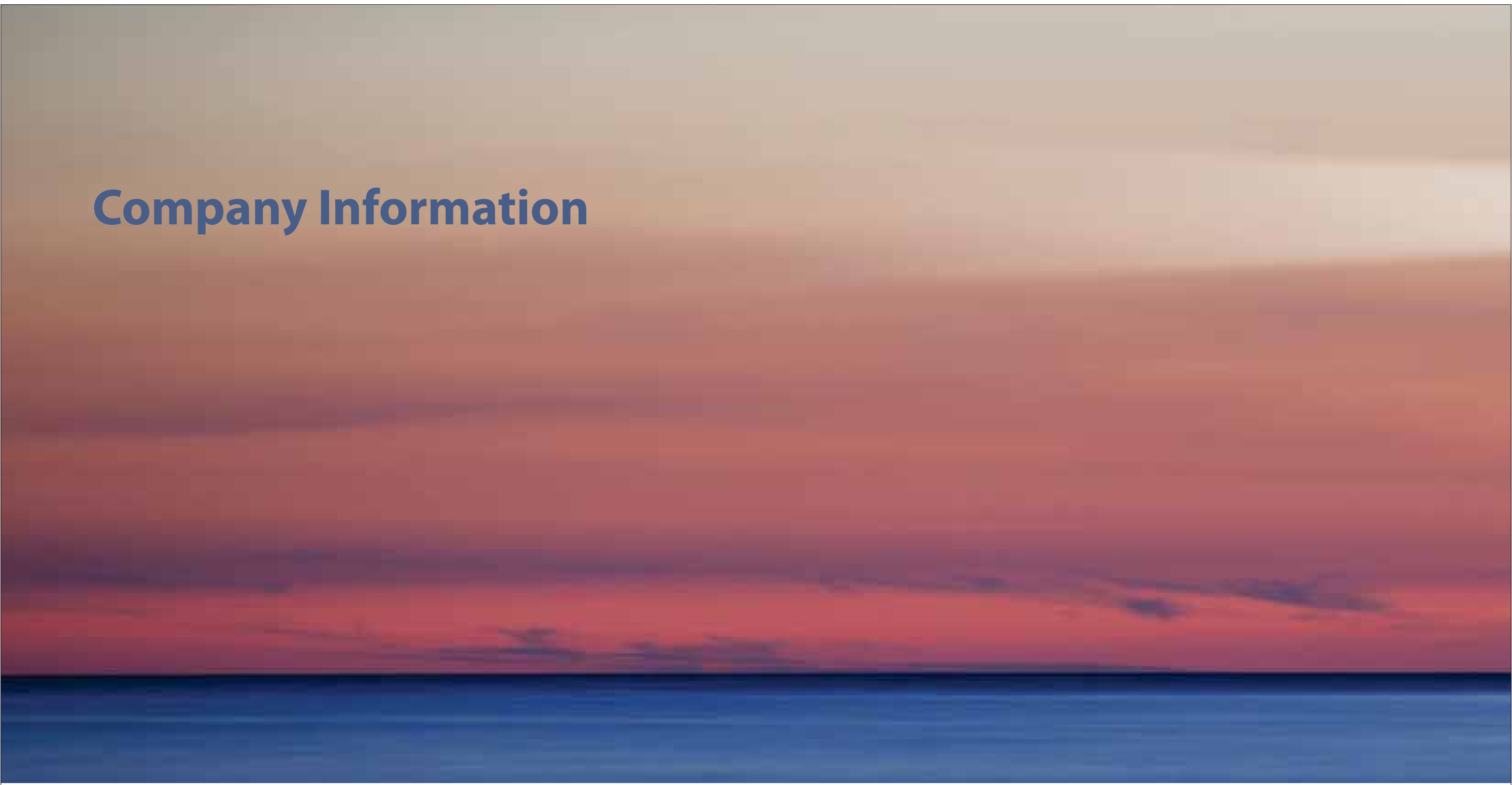
Azgard 9 in the ancient legend "Azgard" was one of nine worlds in Norse Mythology; it was protected by "Heimdall" the son of nine different mothers each attributing him with a particular skill and power and thus he would protect Azgard from the powers that be.

The significance of nine for our company is not just based on this mythology but also connected with the auspicious nature of this number throughout many different elements in and out of the world today that affect humans and their behaviours. The number nine is considered to be an auspicious and important number in Indian, Chinese, Japanese and Greek cultures for various different reasons.

In Chinese culture the number nine represents 'Change' and 'Transformation', as is the case with Azgard Nine which is changing and transforming itself into an entity with new goals, aspirations and targets. Nine in much of ancient Greek mythology also has represented gestation and fulfilment of creation as it does for us at Azgard Nine the 'Fulfilment of creation' for us being the forming of this global entity by nine members on the ninth day of February sowing the seeds for an auspicious and rewarding future.



Company Information



BOARD OF DIRECTORS

Mr. Aehsun M.H. Shaikh
Chairman

Mr. Ahmed H. Shaikh
Chief Executive

Mr. Nasir Ali Khan Bhatti

Mr. Usman Rasheed

Mr. Naseer Miyan

Mr. Yasir Habib Hashmi

Mr. Munir Alam

COMPANY SECRETARY

Mr. Muhammad Ijaz Haider

CHIEF FINANCIAL OFFICER

Mr. Zahid Rafiq, FCA

AUDIT COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman

Mr. Aehsun M.H. Shaikh

Mr. Naseer Miyan

HR & REMUNERATION COMMITTEE

Mr. Nasir Ali Khan Bhatti
Chairman

Mr. Ahmed H. Shaikh

Mr. Aehsun M.H. Shaikh

BANKERS

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

Bankers (Cont'd)

Askari Bank Limited

Barclays Bank Limited

Bank Al Habib Limited

Bank Al Falah Limited

Bank Islamic Pakistan

Habib Metropolitan Bank

Bank of Khyber

SHARES REGISTRAR

Hameed Majeed Associates (Private) Limited.
H.M. House, 7-Bank Square, Lahore.
Ph: +92(0)42 37235081-82
Fax: +92(0)42 37358817

LEGAL ADVISORS

Hamid Law Associates

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

WEB PRESENCE

www.azgard9.com

REGISTERED OFFICE

Ismail Aiwan-e-Science
Off Shahrah-e-Roomi Lahore, 54600.
Ph: +92(0)42 111-786-645
Fax: +92(0)42 35761791

PROJECT LOCATIONS

Unit I

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

Unit II

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

Unit III

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

Directors' Report to the Shareholders

The Directors of Azgard Nine Limited ("the Company") along with the management team hereby present the Company's Annual Report accompanied by the Audited Financial Statements for the year ended 30 June 2013.

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

Principal Activities

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

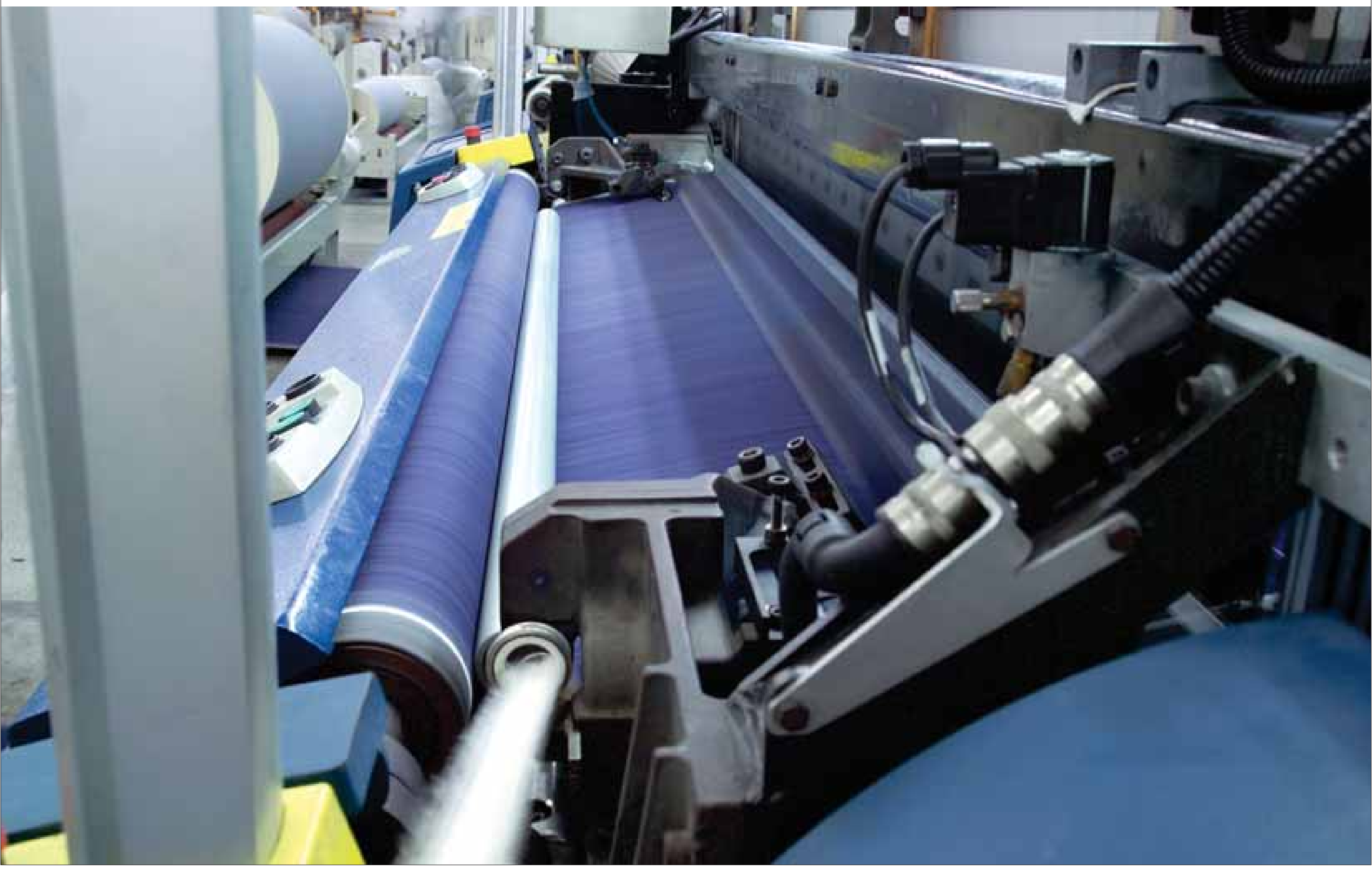
During the year, the Company divested the majority of its shareholding in M/s Agritech Limited ("AGL"). AGL was a subsidiary of the Company till 31 October 2012. Therefore, the results of AGL till 31 October 2012 have been consolidated in the profit and loss account of the Company.

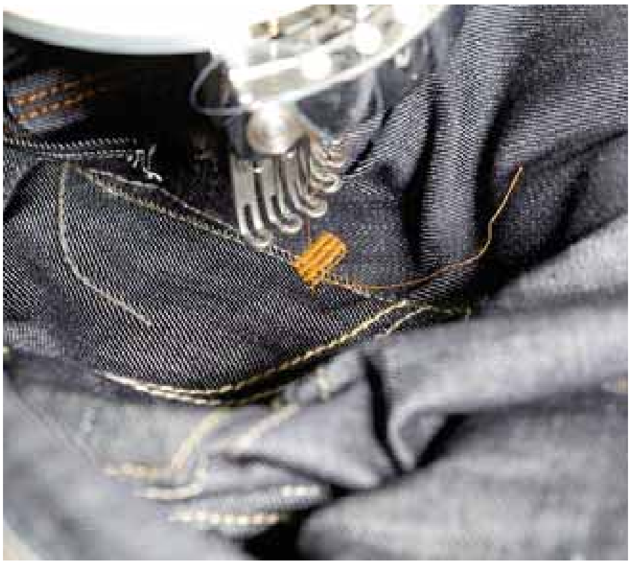
Following are the operating financial results of Azgard Nine Limited (Stand alone):

	Year ended 30 June 2013	Year ended 30 June 2012
Sale - net	13,719,625,585	11,524,279,419
Operating loss	(1,054,167,199)	(2,640,723,255)
Finance cost	(2,101,750,204)	(3,424,378,071)
Profit / (loss) before tax	1,101,484,062	(5,960,620,717)
Profit / (loss) after tax	963,944,545	(6,076,575,125)
Earnings / (loss) per share	2.119	(13.359)

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

	Year ended 30 June 2013	Year ended 30 June 2012
Sale - net	14,439,185,602	11,907,437,305
Operating loss	(839,281,668)	(2,789,603,562)
Finance cost	(2,095,622,067)	(3,387,282,464)
Loss before tax	(2,949,492,078)	(6,192,837,091)
Loss after tax	(3,087,031,595)	(6,308,791,499)
Gain / (loss) from discontinued operations	741,578,839	(1,646,592,181)
Total loss	(2,345,452,756)	(7,955,383,680)
(Loss) / earnings per share		
- from continuing operations	(6.787)	(13.869)
- from discontinuing operations	2.173	(3.053)





Review of Textiles and Apparel Business during the year

During the year, the Company continued to be in the grip of challenges at home as well as abroad. The highest power outages to date were coupled with ongoing financial impediments. This prevented the Company from achieving optimum utilization of production capacity.

The Company was supposed to receive Rs. 926.82 million for working capital purposes as part of the agreement through which the holding in AGL was disposed off. However, Rs. 700.00 million from the above mentioned amount did not materialize in spite of the Company fulfilling its entire obligations as per the agreement. The lack of these funds prevented the Company from achieving optimum capacities as these funds were to be used for working capital purposes. This was all due to one bank not acting in accordance with the agreement.

Additionally, it took longer to reach a final agreement regarding restructuring of the financial debts of the Company. Therefore, the Company had to continue to operate at sub-optimum capacities and continue to purchase raw materials with delays and at high rates.

The Company had to operate in these conditions in an increasingly competitive global textile market at a time when local cost of operations also increased due to utility costs and inflationary pressures. The year in review also witnessed the highest ever outages regarding availability of power and gas. This also had a negative effect on the operations of the Company. The Company is working on a substantial cost cutting program in an order to improve its performance and meet the challenges of the global market place.

At the same time the Company is also focusing on a strategy to consolidate its customer base, rationalize production volumes and increase pricing in order to improve its margins and efficiencies.

Restructuring of Debts

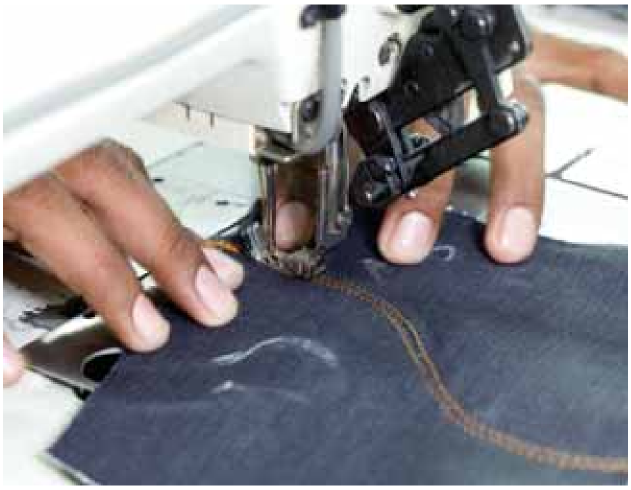
During the year, the Company settled its lender liabilities and sale related expenses by Rs. 10,043 million through sale of its subsidiary AGL.

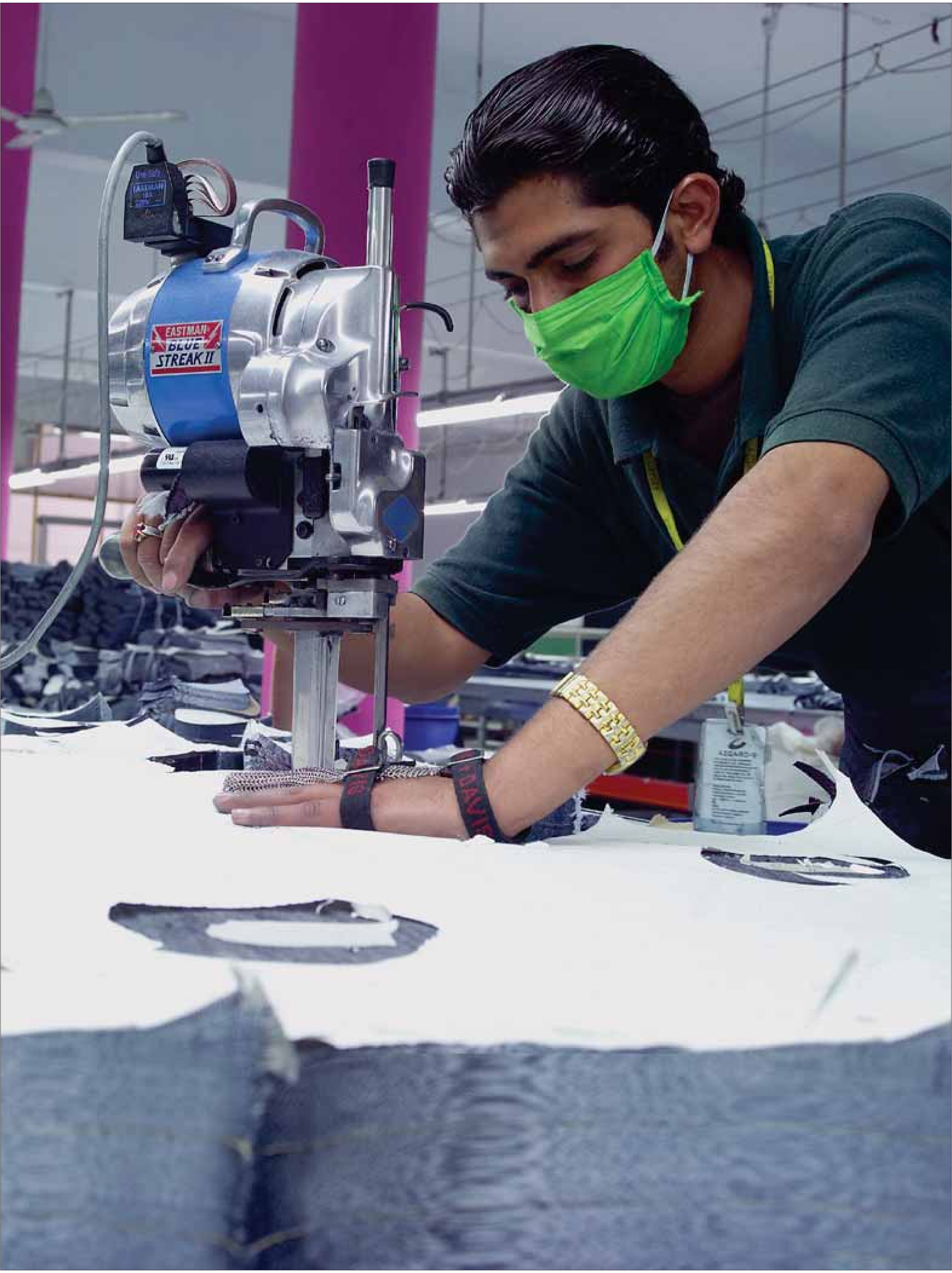
This had the following impacts on the Company:

1. Settlement of liabilities of the Company by Rs. 9,742 million. After settlement of these liabilities, the remaining debt levels are now at a sustainable level, provided the Company can run at optimum capacities and procure raw materials in a timely and cost effectively manner.
2. Decrease in financial cost by approximate 60% per annum by Rs. 1.5 billion.

It was planned that 100% of the Company's shareholding in AGL would be divested. Against this the Company would receive Rs. 926.82 million for working capital in order to increase operating capacity to the sustainable levels. However, during the year the Company received only Rs. 226.82 million as 20 million shares out of total number of shares to be sold were not de-pledged/released by Dubai Islamic Bank Pakistan Limited (DIBPL). Your Company has filed a civil suit against DIBPL for not releasing these 20 million shares.

Considering the financial position of the Company and the "stuck up" Rs. 700 million which was supposed to be received from the sale of these remaining 20 million shares in AGL, the management has initiated 2nd restructuring process. For this restructuring the Company would sell certain assets (because of non availability of working capital). Proceeds from divestment of remaining shareholding of AGL and sale of these assets would be utilized for settlement of loans of the Company. Negotiations for finalization of this restructuring are in process with lenders.




EASTMAN
BLUE
STREAK II

Subsequent to the 2nd restructuring and other proposed measures mentioned above, the management of the Company envisages that sufficient financial resources will be available for the continuing operations of the Company.

Future Outlook - Textile Business

The Company's Management in order to offset the massive effect of increased power cost has worked hard on development of higher margin product mix, in accordance with customer demands in order to increase the contribution margins.

The Management is conscious of the issues that are affecting profitability and is committed to turn around the affairs of the Company through 2nd restructuring, the development of an improved product mix and cost cutting.

Corporate Social Responsibility

Your Company is a responsible corporate citizen and fully recognizes its responsibility towards community, employees and environment.

Review of Fertilizer Business during the holding period of 4 months ended 31 October 2012

During the period of 4 months ended 31 October 2012, the business of AGL continued to be effected by the gas load shedding , as a result of which AGL reported loss for the four months period ended 31 October 2012 which have been consolidated.

Earnings per share

The earnings per share for the Company for the year ended 30 June 2013 was Rs 2.119 per share.

Dividends

Due to circumstances discussed above, the Board of Directors does not recommend dividend for the year ended 30 June 2013.

Corporate governance & financial reporting framework

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

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The Board is satisfied that the Company is performing well as going concern under the Code of Corporate Governance.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- Key operating and financial data for the last six years is annexed.
- There are no statutory payments on account of taxes, duties, levies, and charges which are outstanding as on 30 June 2013 except for those disclosed in the financial statements.
- The value of provident fund investment as at 30 June 2013 was Rs. 22.02 million.
- No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.
- There is a material uncertainty about Company's ability to continue as a going concern; however these financial statements have been prepared on going concern assumption for reasons more fully disclosed in the financial statements.
- The detail of trading in shares of the Company if any carried out by the Directors, CEO, CFO and Company Secretary and their spouses and minor children is provided in pattern of shareholding annexed with this report.
- Company has arranged in-house training program for its Directors.
- The statement of compliance with the best practices of code of corporate governance is provided in this annual report.

Board of Directors

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

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

Name of Directors	Eligibility	Attendance	Remarks
Mr. Khalid A. H. Al-Sagar	2	0	Resigned
Mr. Humayun N. Shaikh (Alternate Director for Mr. Khalid A.H Al-Sagar)	2	0	-
Mr. Ahmed H. Shaikh	4	4	-
Mr. Aehsun M. H. Shaikh	4	4	
Mr. Irfan Nazir Ahmad	3	3	Resigned
Mr. Aamer Ghias	1	0	Resigned
Mr. Usman Rasheed	4	4	-
Mr. Naseer Miyan	4	3	-
Mr. Imtiaz Ali Bhatti	3	3	Appointed in place of Mr. Aamer Ghias
Mr. Nasir Ali Khan Bhatti	2	2	Appointed in place of Mr. Khalid A.H. Al-Sagar
Mr. Imran Maqbool	1	1	Appointed in place of Mr. Irfan Nazir Ahmad

HR & REMUNERATION COMMITTEE MEETING

Name of Directors	Attendance	Remarks
Mr. Ahmed H. Shaikh	1	-
Mr. Aehsun M. H. Shaikh	1	-
Mr. Irfan Nazir Ahmad	0	Resigned
Mr. Nasir Ali Khan Bhatti	1	Appointed in place of Irfan Nazir Ahmad

AUDIT COMMITTEE MEETING

Name of Directors	Eligibility	Attendance	Remarks
Mr. Khalid A. H. Al-Sagar	2	0	Resigned
Mr. Humayun N. Shaikh (Alternate Director for Mr. Khalid A.H Al-Sagar)	2	0	-
Mr. Aehsun M. H. Shaikh	4	4	-
Mr. Naseer Miyan	4	3	-
Mr. Nasir Ali Khan Bhatti	2	2	Appointed in place of Mr. Khalid A.H. Al-Sagar

Leaves of absence were granted to Directors who could not attend the respective meetings.

Consolidated financial statements

Consolidated financial statements of the Company together with its subsidiary companies Montebello S.R.L and AGL are also included. AGL has been consolidated till holding period that ended 31 October 2012.

Auditors' observations

The auditors qualified their opinion in both standalone and consolidated report due to the fact that the Company could not make timely repayments of principal and interest / mark-up related to long term loans and certain financial and other covenants imposed by lenders could not be complied with. In this scenario, International Accounting Standard 1 - Presentation of Financial Statements requires that if an entity breaches a provision of long term loan, that liability becomes payable on demand and it should be classified as current. However, in our financial statements the long term debts continues to be classified as long term as per respective repayment schedule of loans.

In this regard, the lenders have continued to show their confidence in our diversified business and experienced management to gradually improve the financial performance and did not call the loans. Auditors observation in their standalone and consolidated audit report regarding Company's ability to continue as going concern due to liquidity issue, the Company as mentioned above is in process of second restructuring with completion of which portion of loans would be settled and remaining loans would get regularized.

The auditors have qualified their report on consolidated financial statements due to the fact that results of AGL for four months period have been consolidated on pro-rated based on six months reviewed financial information of AGL. A change in results of AGL will alter non-controlling interest, the gain on disposal of AGL, and cash flow statement, however, such change will not have an impact on the loss for the year attributable to ordinary equity holders of the Holding Company.

Appointment of Auditors

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

Audit committee

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

Internal audit function

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

Shareholding pattern

The shareholding pattern as at 30 June 2013 including the information under the Code of Corporate Governance for ordinary shares is annexed.

Web presence

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

Acknowledgment

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

On behalf of the Board of Directors

30 September 2013 — Chief Executive Officer

Notice of Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of AZGARD NINE LIMITED (the "Company") will be held on Thursday, October 31, 2013 at 11.00 A.M at the Registered Office of the Company Ismail Aiwan-i-Science, Off Shahrah-i-Roomi, Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on August 25, 2012;
2. To receive, consider and adopt the financial statements for the year ended June 30, 2013 together with Directors' and Auditors' Reports thereon;
3. To consider re-appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as external auditors for the financial year ending June 30, 2014 and to fix their remuneration, as per the recommendation of the Board;
4. To discuss any other business that may be brought forward with the permission of the chair.

By Order of the Board

30 September 2013
Lahore

(Muhammad Ijaz Haider)
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 24, 2013 to October 31, 2013. (both days inclusive).
2. The Preference Shareholders are not entitled to attend the meeting.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her place. Proxies, complete in every respect, in order to be effective, must be received at the Registered Office of the Company not less than forty eight (48) hours before the time of the meeting.
4. Members who have not yet submitted photocopy of computerized national Identity Card (CNIC) to the Company are requested to send the same at the earliest.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. FOR ATTENDING THE MEETING:

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

ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. FOR APPOINTING PROXIES:

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

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

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

iv. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Share holders are requested to notify any change in their addresses immediately to Company's Shares Registrar M/s Hameed Majeed Associates (Pvt.) Ltd. H. M. House, 7 Bank Square, Lahore.

Financial Highlights

Six years at a glance

Azgard Nine Limited	Year ended 30 June 2013	Year ended 30 June 2012	Eighteen months ended June 30 2011	Year ended 31 December		
				2009	2008	2007
Operating performance (Rs. 000)						
Sales-net	13,719,626	11,524,279	17,602,765	11,737,857	10,113,499	6,628,342
Export Sales-Gross	11,715,767	9,823,943	14,469,060	10,017,267	8,222,024	5,430,603
Local Sales-Gorss	2,038,185	1,771,498	2,859,903	1,725,461	1,966,476	1,262,415
Gross profit/(loss)	461,580	(1,118,047)	112,273	3,191,493	3,453,276	2,007,353
Operating (loss)/profit	(1,054,167)	(2,536,243)	(530,541)	2,616,317	3,622,166	1,572,168
Profit/(loss) before tax	1,101,484	(5,960,621)	(4,528,951)	178,723	999,503	1,151,460
Loss after tax	963,945	(6,076,575)	(4,702,240)	60,531	897,284	1,079,453
Financial position (Rs. 000)						
Total Equity	1,262,286	4,471,164	10,269,064	14,500,553	10,125,083	9,720,054
Surplus on revaluation of property, plant and equipment	3,470,587	3,596,276	3,724,870	3,969,152	219,356	239,073
Long term debt	7,830,878	11,512,029	8,468,567	7,080,736	8,189,851	8,460,143
Property, plant and equipment	12,953,017	13,399,121	13,843,422	14,069,896	8,687,157	7,811,638
Financial analysis						
Current ratio	0.67	1.27	1.48	0.82	1.25	1.79
Debt to equity ratio	62:38	59:41	38:62	33:67	45:55	47:53
Profitability analysis						
Operating (loss)/profit to sales (%)	(7.68)	(22.91)	(3.01)	22.29	35.82	23.72
Earning/(Loss) per share (Rs.)	2.119	(13.359)	(10.403)	0.003	2.120	3.260

*(excluding current portion of long term debt)

Consolidated	Year ended 30 June 2013	Year ended 30 June 2012	Eighteen months ended 30 June 2011	Year ended 31 December 2009	2008	2007
Operating performance (Rs. 000)						
Sales - net	14,439,186	11,907,437	29,048,102	26,276,262	19,737,424	12,308,605
Export sales - gross	12,439,502	10,237,604	13,296,159	11,751,841	8,238,448	5,432,454
Local sales - gorss	2,038,185	1,771,498	15,889,321	14,680,850	11,724,806	7,492,457
Gross (loss) / profit	744,517	(1,042,450)	3,686,308	8,293,405	6,822,906	4,574,384
Operating (loss) / profit	(839,282)	(2,805,555)	1,410,076	6,238,196	6,013,480	3,732,582
Loss before tax	(2,949,492)	(6,192,837)	(5,447,817)	1,363,061	1,629,430	1,916,324
Loss after tax	(3,087,032)	(6,308,791)	(4,264,773)	1,537,929	1,397,393	1,453,488
Gain / (loss) from discontinued operations	741,579	(1,646,592)	-	-	-	-
Total (loss) / profit	(2,345,453)	(7,955,384)	(4,264,773)	1,537,929	1,397,393	1,453,488
Financial position (Rs. 000)						
Total equity	(942,614)	(248,312)	7,243,546	11,842,203	9,759,139	9,329,302
Surplus on revaluation of property, plant and equipment	3,470,587	6,746,439	7,003,958	3,969,152	219,356	239,073
Long term debt	7,830,878	11,512,029	26,561,610	20,127,565	21,040,014	14,393,720
Property, plant and equipment	12,973,011	13,416,312	50,168,926	37,077,131	25,631,529	20,483,035
Financial analysis						
Current ratio*	0.74	1.16	0.60	0.98	0.98	1.19
Debt to equity ratio	64:36	53:47	65:35	63:37	68:32	55:45
Profitability analysis						
Operating (loss) / profit to sales (%)	(5.81)	(23.43)	4.85	23.74	30.47	30.32
(Loss) / earnings per share - continuing operations	(6.787)	(13.869)	(9.441)	3.351	3.385	4.460
Earnings / (loss) per share - discontinued operations	2.173	(3.053)	-	-	-	-

*(excluding current portion of long term debt)

Statement of Compliance

With best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Nasir Ali Khan Bhatti
Executive Directors	Ahmed H. Shaikh, Usman Rasheed, Imtiaz Ali Bhatti and Imran Maqbool
Non-executive Directors	Aehsun M.H. Shaikh and Naseer Miyan

   The independent directors meets the criteria of independence under clause i (b) of the CCG.

   Election of Directors due on 25 August 2012 could not be held due to a stay order of the Honorable Civil Court of Lahore ("Court"). The said election will be held after the Court order is vacated.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and non of them has defaulted in payment of any loan to a banking Company, a DFI or a NBFI.

4. During the year following Directors had resigned:

   i. Mr. Aamer Ghias resigned on October 10, 2012.

   ii. Mr. Khalid A.H. Al-Sagar resigned on February 28, 2013.

   iii. Mr. Irfan Nazir Ahmed resigned on April 29, 2013.

   and the following Directors had filled the casual vacancy.

   i. Mr. Imtiaz Ali Bhatti appointed on October 10, 2012.

   ii. Mr. Nasir Ali Khan Bhatti appointed on February 28, 2013.

   iii. Mr. Imran Maqbool appointed on April 29, 2013.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified in clause (xi) of CCG, Chief Executive Officer is exempted from the requirement of Directors' training program, but none of the other Directors got certification under any Directors' training program during the year.

10. The Board has approved remuneration and terms and conditions of employment of CFO, Company Secretary and Head of Internal Audit.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

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

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

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom one is non-executive director and the chairman of the committee is an independent director.

18. The board has set up an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

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

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors

30 September 2013

Chief Executive Officer

Review Report to the Members on Statement of Compliance

With Best Practices of Code of Corporate Governance

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

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Azgard Nine Limited ("the Company") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations notified by The Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

We draw attention to point 1 and 9 of the Statement of Compliance relating to election of Directors and Director's training program respectively. We have not qualified our conclusion in respect of these matters.

KPMG Taseer Hadi & Co.

Lahore

Date: 30 September 2013

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

Financial Statements

Auditors' Report to the Members

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

Telephone + 92 (42) 3585 0471-76
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We have audited the annexed balance sheet of **Azgard Nine Limited** ("the Company") as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conduct 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 qualified opinion and, after due verification, we report that:

a) as stated in note 2.3 and 42.2.2 to the financial statements, the Company could not make timely repayments of principal and interest / mark-up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard on Presentation of financial statements (IAS-1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current. In these financial statements the long term debts have been classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS-1, current liabilities of the Company would have increased by Rs. 7,146.25 million as at the reporting date;

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

c) in our opinion:

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

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

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

KPMG Taseer Hadi & Co.

d) in our opinion and to the best of our information and according to the explanations given to us, except for the effects on the financial statements of the matter referred in paragraph (a) above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

We draw attention to the matter that the Company has reported negative cash flows of Rs. 1,100.78 million from its operations during the year ended 30 June 2013 and, as of that date, its current liabilities exceeded its current assets by Rs. 3,762.64 million, including Rs. 1,945.36 million relating to overdue principal and interest / mark-up thereon, and its accumulated loss stood at Rs. 6,704.09 million. The difference between current liabilities and current assets would be Rs. 10,908.89 million, had the Company classified its long term debts as current for reasons more fully explained in the note 2.3 to the financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the financial statements. Our opinion is not qualified in respect of this matter.

KPMG Taseer Hadi & Co.

Lahore

Date: 30 September 2013

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

Balance Sheet
as at 30 June 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	*5*	**15,000,000,000**	15,000,000,000
Issued, subscribed and paid-up capital	*5*	**4,548,718,700**	4,548,718,700
Reserves	*6*	**3,417,653,853**	7,716,165,332
Accumulated loss		**(6,704,086,654)**	(7,793,719,801)
		1,262,285,899	4,471,164,231
Surplus on revaluation of fixed assets	*7*	**3,470,587,281**	3,596,275,883
Non-current liabilities			
Redeemable capital - *secured*	*8*	**4,563,334,050**	2,729,435,196
Long term finances - *secured*	*9*	**1,646,718,198**	-
Liabilities against assets subject to finance lease - *secured*	*10*	**-**	24,020,739
		6,210,052,248	2,753,455,935
Current liabilities			
Current portion of non-current liabilities	*11*	**832,991,069**	8,105,591,253
Short term borrowings	*12*	**4,819,186,842**	8,156,743,175
Trade and other payables	*13*	**2,526,245,640**	4,049,064,395
Due to Agritech Limited - *unsecured, considered good*	*14*	**-**	286,395,126
Interest / mark-up accrued on borrowings	*15*	**1,501,702,254**	1,425,935,847
Dividend payable	*16*	**13,415,572**	32,729,078
Current taxation	*28*	**39,252,658**	-
		9,732,794,035	22,056,458,874
Contingencies and commitments	*17*		
		20,675,719,463	32,877,354,923
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**12,953,017,078**	13,395,217,269
Intangible assets	*19*	**1,302,407**	3,907,224
Long term investments	*20*	**1,726,766,466**	1,765,517,738
Long term deposits - *unsecured, considered good*	*21*	**24,477,987**	30,030,493
		14,705,563,938	15,194,672,724
Current assets			
Stores, spares and loose tools	*22*	**130,970,353**	173,319,525
Stock in trade	*23*	**2,211,143,101**	3,027,802,430
Trade receivables	*24*	**2,149,837,255**	2,384,301,663
Advances, deposits, prepayments and other receivables	*25*	**629,344,302**	831,308,310
Due from Agritech Limited - *unsecured, considered good*	*26*	**16,600,910**	-
Short term investments	*27*	**700,000,000**	10,969,811,440
Current taxation	*28*	**-**	6,417,088
Cash and bank balances	*29*	**132,259,604**	289,721,743
		5,970,155,525	17,682,682,199
		20,675,719,463	32,877,354,923

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

Lahore | Chief Executive | Director

Profit and Loss Account

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Sales - *net*	30	**13,719,625,585**	11,524,279,419
Cost of sales	31	**(13,258,045,955)**	(12,642,326,820)
Gross profit / (loss)		**461,579,630**	(1,118,047,401)
Selling and distribution expenses	32	**(1,058,753,127)**	(1,093,611,371)
Administrative and general expenses	33	**(456,993,702)**	(429,064,483)
Operating loss		**(1,054,167,199)**	(2,640,723,255)
Net other income	34	**4,257,401,465**	104,480,609
Finance cost	35	**(2,101,750,204)**	(3,424,378,071)
Profit / (loss) before taxation		**1,101,484,062**	(5,960,620,717)
Taxation	36	**(137,539,517)**	(115,954,408)
Profit / (loss) after taxation		**963,944,545**	(6,076,575,125)
Earnings / (loss) per share - *basic and diluted*	37	**2.119**	(13.359)

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

Lahore

Chief Executive

Director

Statement of Comprehensive Income

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Profit / (loss) after taxation		**963,944,545**	(6,076,575,125)
Other comprehensive (loss) / income:			
Items that are or may be subsequently reclassified to profit or loss			
Changes in fair value of cash flow hedges		**-**	(48,894,931)
Changes in fair value of available for sale financial assets		**16,390**	198,976,215
Fair value gain realized on sale of available for sale financial asset reclassified to profit or loss	34	**(4,298,527,869)**	-
		(4,298,511,479)	150,081,284
Total comprehensive loss for the year		**(3,334,566,934)**	(5,926,493,841)

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

Lahore | Chief Executive | Director

Cash Flow Statement

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Cash flow from operating activities			
Cash generated from operations	39	**135,274,297**	388,960,848
Interest / mark-up paid		**(1,143,001,527)**	(242,360,070)
Taxes paid		**(91,869,771)**	(45,862,281)
Long term deposits		**(1,183,955)**	(10,413,900)
Net cash (used in) / generated from operating activities		**(1,100,780,956)**	90,324,597
Cash flow from investing activities			
Capital expenditure		**(75,789,159)**	(114,514,264)
Proceeds from disposal of property, plant and equipment		**3,110,329**	16,350,533
Proceeds from sale of investment in Agritech Limited - *net*		**3,491,590,474**	-
Net cash generated from / (used in) investing activities		**3,418,911,644**	(98,163,731)
Cash flow from financing activities			
Loan (repaid) / obtained from Agritech Limited		**(269,622,566)**	8,437,008
Redemption of term finance certificates		**(199,997)**	-
Repayment of long term finances		**(990,663,587)**	-
Repayment of liabilities against assets subject to finance lease		**(2,673,704)**	(7,097,857)
Net (decrease) / increase in short term borrowings		**(456,552,369)**	285,497,951
Net cash (used in) / generated from financing activities		**(1,719,712,223)**	286,837,102
Net increase in cash and cash equivalents		**598,418,465**	278,997,968
Cash and cash equivalents at beginning of the year		**(1,542,328,017)**	(1,821,325,985)
Cash and cash equivalents at end of the year	40	**(943,909,552)**	(1,542,328,017)

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

Lahore — Chief Executive — Director

Statement of Changes in Equity

for the year ended 30 June 2013

	Issued, subscribed and paid-up capital	Capital reserves					Revenue reserves		
		Share premium	Cash flow hedges	Reserve on merger	Preference share redemption reserve	Available for sale financial assets	Accumulated loss	Total reserves	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2011	4,548,718,700	2,358,246,761	48,894,931	105,152,005	661,250,830	4,392,539,521	(1,845,738,603)	5,720,345,445	10,269,064,145
Total comprehensive income for the year									
Loss for the year ended 30 June 2012	-	-	-	-	-	-	(6,076,575,125)	(6,076,575,125)	(6,076,575,125)
Other comprehensive (loss) / income for the year ended 30 June 2012	-	-	(48,894,931)	-	-	198,976,215	-	150,081,284	150,081,284
Total comprehensive (loss) / income for the year	-	-	(48,894,931)	-	-	198,976,215	(6,076,575,125)	(5,926,493,841)	(5,926,493,841)
Transfer of incremental depreciation from surplus on revaluation of fixed assets	-	-	-	-	-	-	128,593,927	128,593,927	128,593,927
As at 30 June 2012	4,548,718,700	2,358,246,761	-	105,152,005	661,250,830	4,591,515,736	(7,793,719,801)	(77,554,469)	4,471,164,231
As at 01 July 2012	**4,548,718,700**	**2,358,246,761**	**-**	**105,152,005**	**661,250,830**	**4,591,515,736**	**(7,793,719,801)**	**(77,554,469)**	**4,471,164,231**
Total comprehensive income for the year									
Profit for the year ended 30 June 2013	**-**	**-**	**-**	**-**	**-**	**-**	**963,944,545**	**963,944,545**	**963,944,545**
Other comprehensive loss for the year ended 30 June 2013	**-**	**-**	**-**	**-**	**-**	**(4,298,511,479)**	**-**	**(4,298,511,479)**	**(4,298,511,479)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(4,298,511,479)**	**963,944,545**	**(3,334,566,934)**	**(3,334,566,934)**
Transfer of incremental depreciation from surplus on revaluation of fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**125,688,602**	**125,688,602**	**125,688,602**
As at 30 June 2013	**4,548,718,700**	**2,358,246,761**	**-**	**105,152,005**	**661,250,830**	**293,004,257**	**(6,704,086,654)**	**(3,286,432,801)**	**1,262,285,899**

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

Lahore

Chief Executive

Director

Notes to the Financial Statements

for the year ended 30 June 2013

1 Reporting entity

Azgard Nine Limited ("the Company") was incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 km off Ferozpur Road, 6 km Badian Road on Ruhi Nala, Der Khurd, Lahore.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Going concern assumption

The Company in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. During the year, the Company has divested majority of its shareholdings in Agritech Limited ("AGL") and as a result of the said divestment, the Company has settled its long term loans, certain interest / mark-up, redeemable capital, short term borrowings, bills other payable, charges and short term loan from AGL amounting to Rs. 10,042.991 million. However, the Company could only manage to make available Rs. 226.819 million to meet its working capital requirements from the divestment of AGL as opposed to the Rs. 926.819 million surplus anticipated by the Company as explained in note 27.1. Further, because of constraints in the availability of funds, installed operational capacities could not be achieved due to unavailability of sufficient working capital. Had the Company been able to make timely purchases of raw materials the cost of sales would have been lower.

Due to the above mentioned reasons, the Company has reported negative cash flows of Rs. 1,100.781 million from its operations during the year ended 30 June 2013 and, as of that date, its current liabilities exceeded its current assets by Rs. 3,762.639 million, including Rs. 1,945.364 million relating to overdue principal and interest / mark-up thereon, and its accumulated loss stood at Rs. 6,704.087 million. These conditions cast a significant doubt about the Company's ability to continue as a going concern. These financial statements have however, been prepared on a going concern basis. The assumption that the Company would continue as a going concern is based on the measures as explained in the succeeding paragraph and expectation of future profitability and positive cash flows from operating activities.

As a part of the second restructuring, the management of the Company intends to sell certain low performing assets, debt restructuring and divestment of its remaining shareholding of Rs. 700.000 million in AGL to achieve better liquidity. With these proposed measures, the management of the Company envisages that sufficient financial resources will be available for continuing operations of the Company. With repayment of long term debt there will be a positive impact on reduction of finance costs and with more effective management of resources and raw material procurement, the Company is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

2.3 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 42.2.2. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 7,146.255 million as detailed below have been classified as long term as per the repayment schedules in the financial statements as the management considers that event of default has not been declared by the lenders and also because of the fact that during the year the Company has commenced discussions with its lenders for reprofiling of its long term debts:

Notes to the Financial Statements

for the year ended 30 June 2013

	Principal net of current maturity
	Rupees
Redeemable capital	
Term Finance Certificates - II	613,440,233
Term Finance Certificates - IV	1,021,683,477
Term Finance Certificates - V	402,008,983
Privately Placed Term Finance Certificates - VI	2,896,803,000
Privately Placed Term Finance Certificates	326,456,184
Privately Placed Term Finance Certificates	217,200,000
	5,477,591,877
Long term finances	
Deutsche Investitions - Und MBH (Germany)	907,054,268
Saudi Pak Industrial and Agricultural Company Limited	41,040,190
HSBC Bank (Middle East) Limited	209,782,786
Citi Bank N.A (Pakistan)	510,785,519
	1,668,662,763
	7,146,254,640

2.4 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.

2.5 Judgments, estimates and assumptions

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

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

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 18.1.

2.5.2 Recoverable amount of assets / cash generating units and impairment

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

2.5.3 Fair values based on inputs from other than active market

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

Notes to the Financial Statements

for the year ended 30 June 2013

2.5.4 Taxation

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

2.5.5 Provisions

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

2.5.6 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.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

2.6 Functional currency

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

3 Significant accounting polices

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

3.1 Property, plant and equipment

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

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

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using rates specified in note 18.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

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

Notes to the Financial Statements

for the year ended 30 June 2013

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

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

Further the surplus on revaluation of property, plant and equipment shall be utilized in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

3.3 Intangible assets

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

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

3.4 Software

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

3.5 Research and development expenditure

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

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

3.6 Stores, spares and loose tools

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

3.7 Stock in trade

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

Raw materials	Average cost
Work in process	Average manufacturing cost

Notes to the Financial Statements

for the year ended 30 June 2013

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

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

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

3.8 Employee benefits

Short-term employee benefits

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

Post-employment benefits

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

3.9 Investments

The Company classifies its investments into following classes depending on the purpose for which the investments are made. Investments are either classified as investment in subsidiary, investment in debt security or financial instruments as follows:

3.9.1 Investment in subsidiary

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

3.9.2 Investments in debt securities

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

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

3.9.3 Financial instruments

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument. The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2013

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

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

3.9.3(b) ***Held-to-maturity investments***

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

3.9.3(c) ***Loans and receivables***

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

3.9.3(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 off 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.

3.9.3(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.

3.9.3(f) ***Derivative financial instruments***

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

Notes to the Financial Statements

for the year ended 30 June 2013

Fair value hedges

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

Cash flow hedges

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

3.9.4 De-recognition

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

3.9.5 Off-setting

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

3.9.6 Regular way purchases and sales of financial assets

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

3.10 Ordinary share capital

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

3.11 Preference share capital

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

3.12 Redeemable capital

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

3.13 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.

Notes to the Financial Statements

for the year ended 30 June 2013

3.14 Finance leases

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

3.15 Operating leases

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

3.16 Trade and other payables

3.16.1 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.

3.16.2 Non-financial liabilities

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

3.17 Provisions and contingencies

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

3.18 Trade and other receivables

3.18.1 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.

3.18.2 Non-financial assets

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

3.19 Revenue

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

Notes to the Financial Statements
for the year ended 30 June 2013

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.

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

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

3.20 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.

3.21 Government grants

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

3.22 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 taxation

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

3.23 Earnings per share (EPS)

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

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

Notes to the Financial Statements
for the year ended 30 June 2013

3.24 Cash and cash equivalents

Cash and cash equivalents comprise running finances, cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

3.25 Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss.

3.26 Impairment

3.26.1 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.

3.26.2 Non-financial assets

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

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

3.27 Dividend to ordinary shareholders

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

Notes to the Financial Statements

for the year ended 30 June 2013

3.28 Dividend distribution to preference shareholders

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

4 New and revised approved accounting standards, interpretations and amendments thereto

New standards, amendments to approved accounting standards and interpretations which became effective during the year ended 30 June 2013

There were certain new standards and amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements except for the amendment to IAS 1 'Presentation of financial statements' regarding 'other comprehensive income'.

The primary change resulting from this amendment is that the Company has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustment).

Had there been no change in the aforementioned, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

New standards, amendments to approved accounting standards and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2013

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

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

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

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

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

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

	2013	2012
	Rupees	Rupees
5 Share capital		
Authorized share capital		
Ordinary shares of Rs. 10 each		
900,000,000 (2012: 900,000,000) voting shares	**9,000,000,000**	9,000,000,000
300,000,000 (2012: 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 (2012: 300,000,000) non-voting shares	**3,000,000,000**	3,000,000,000
	15,000,000,000	15,000,000,000

Notes to the Financial Statements

for the year ended 30 June 2013

	2013 Rupees	2012 Rupees
Issued, subscribed and paid-up capital		
Voting ordinary shares of Rs. 10 each		
323,712,733 (2012: 323,712,733) shares fully paid in cash	**3,237,127,330**	3,237,127,330
62,548,641 (2012: 62,548,641) shares issued as fully paid bonus shares	**625,486,410**	625,486,410
12,276,073 (2012: 12,276,073) shares issued as consideration for machinery	**122,760,730**	122,760,730
50,811,992 (2012: 50,811,992) shares issued as consideration on merger	**508,119,920**	508,119,920
	4,493,494,390	4,493,494,390
Non-voting ordinary shares of Rs. 10 each		
4,753,719 (2012: 4,753,719) shares fully paid in cash	**47,537,190**	47,537,190
768,712 (2012: 768,712) shares issued as fully paid bonus shares	**7,687,120**	7,687,120
	55,224,310	55,224,310
	4,548,718,700	4,548,718,700

As at 30 June 2013, Jahangir Siddiqui & Co. Limited, an associated undertaking, holds 112,157,863 (2012: 112,157,863) ordinary shares of the Company.

	Note	2013 Rupees	2012 Rupees
6 Reserves			
Share premium	6.1	**2,358,246,761**	2,358,246,761
Merger reserve	6.2	**105,152,005**	105,152,005
Redemption of preference shares	6.3	**661,250,830**	661,250,830
Available for sale financial assets	6.4	**293,004,257**	4,591,515,736
		3,417,653,853	7,716,165,332

6.1 Share premium

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

6.2 Reserve on merger

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

6.3 Preference shares redemption reserve

This reserve has been created for redemption of preference shares issued by the Company as required to be created and maintained under the terms of issue and section 85 of the Companies Ordinance, 1984.

6.4 Available for sale financial assets

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

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for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
7 Surplus on revaluation of fixed assets			
As at beginning of the year		**3,596,275,883**	3,724,869,810
Incremental depreciation transferred to accumulated loss		**(125,688,602)**	(128,593,927)
As at end of the year		**3,470,587,281**	3,596,275,883
8 Redeemable capital - *secured*			
Term Finance Certificates - II	*8.1*	**651,066,836**	1,498,649,061
Term Finance Certificates - IV	*8.2*	**1,083,768,528**	2,498,000,000
Term Finance Certificates - V	*8.3*	**527,682,637**	823,620,000
Privately Placed Term Finance Certificates - VI	*8.4*	**3,218,670,000**	3,218,670,000
Privately Placed Term Finance Certificates	*8.5*	**326,456,184**	-
Privately Placed Term Finance Certificates	*8.6*	**217,200,000**	-
		6,024,844,185	8,038,939,061
Accumulated deferred notional income	*8.7*	**(856,485,545)**	(1,124,890,714)
Transaction cost	*8.8*	**(57,772,282)**	(74,354,806)
		5,110,586,358	6,839,693,541
Less: Amount shown as current liability			
Amount payable within next twelve months		**(547,252,308)**	(2,559,131,063)
Amount due after 30 June 2013	*8.9*	**-**	(1,551,127,282)
		(547,252,308)	(4,110,258,345)
		4,563,334,050	2,729,435,196

8.1 These Term Finance Certificates - II ("TFC - II") have been issued by way of private placements and public subscription and are listed on Karachi Stock Exchange (Guarantee) Limited. The total issue comprises of 428,734 certificates of Rs. 5,000 each. The terms and conditions of the issue as per Amendment No. 1 to Master Restructuring and Intercreditor Agreement ("MRA-1") dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of TFC - II is structured to be in ten un-equal installments. During the year, first installement amounting to Rs. 847.582 million was settled by the Company, also refer to note 27.2. Remaining nine installments are to be paid semi-annually starting from 20 September 2013 and ending on 20 September 2017.

Return on TFCs

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

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

Trustee

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

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for the year ended 30 June 2013

Security

For detail of securities refer to note 8.10.

At the reporting date interest / mark-up amounting to Rs. 139.614 million was overdue. Refer to note 42.2.2 for details.

8.2 These Term Finance Certificates - IV ("TFC - IV") have been issued by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. The terms and conditions of the issue as per MRA-1 dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of TFC - IV is structured to be in ten un-equal installments. During the year, first installment amounting to Rs. 1,414.231 million was settled by the Company, also refer to note 27.2. Remaining nine installments are to be paid semi-annually starting from 04 December 2013 and ending on 04 December 2017.

Return on TFCs

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

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

Trustee

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

Security

For detail of securities refer to note 8.10.

At the reporting date interest / mark-up amounting to Rs. 258.577 million was overdue. Refer to note 42.2.2 for details.

8.3 These Term Finance Certificates - V ("TFC - V") represent restructuring of various short term facilities amounting to Rs. 825.000 million. The total issue comprised of 165,000 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue as per MRA-1 dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of TFC - V is structured to be in nine un-equal installments. During the year, first installement amounting to Rs. 295.937 million was settled by the Company, also refer to note 27.2. Remaining eight installments are to be paid quarterly starting from 18 February 2014 and ending on 18 November 2015.

Return on TFCs

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

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

Notes to the Financial Statements

for the year ended 30 June 2013

Trustee

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

Security

For detail of securities refer to note 8.10.

At the reporting date interest / mark-up amounting to Rs. 91.921 million was overdue. Refer to note 42.2.2 for details.

8.4 This represent restructuring of outstanding mark-up amounting to Rs. 3,218.670 million related to long term debts and short term borrowings till 31 March 2012. The total issue comprises of 643,734 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in seven unequal semi annual installments starting from 31 March 2014 and ending on 31 March 2017.

Call option

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

Return on PPTFCs

The issue carries nil return (also refer to note 8.7).

Trustee

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

Security

The issue is secured by:

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

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

8.5 These represent restructuring of outstanding principal amounting to Rs. 256.020 million and outstanding mark-up along with preference dividend amounting to Rs. 70.436 million related to preference shares into fresh issue of Privately Placed Term Finance Certificates ("PPTFCs") by way of Settlement Agreement ("the Agreement") between the Company and JS Global Capital Limited dated 22 October 2012 effective from 19 October 2012. The total issue comprised of 12 PPTFCs having face value of Rs. 27.205 million each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of PPTFCs is structured to be in twelve equal installments amounting to Rs. 27.205 million each. Installments are to be paid semi-annually starting from 19 April 2015 and ending on 19 October 2020.

Notes to the Financial Statements

for the year ended 30 June 2013

Return on PPTFCs

The issue carries a fixed mark-up rate at 11% per annum.

Trustee

In order to protect the interests of PPTFC holders, JS Bank Limited has been appointed as Trustee under a Trust Deed for the issue of PPTFCs entered on 23 October 2012, with power to enforce the Company's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Trust Deed.

Security

The issue is secured by personal Guarantee of Sponsor Director.

8.6 These represent restructuring of outstanding principal amounting to Rs. 170.132 million and outstanding mark-up along with preference dividend amounting to Rs. 47.068 million related to preference shares into fresh issue of Privately Placed Term Finance Certificates ("PPTFCs") by way of Settlement Agreement ("the Agreement") between the Company and Lenders dated 22 October 2012 effective from 19 October 2012. The total issue comprised of 21,720 PPTFCs having face value of Rs. 10,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of PPTFCs is structured to be in twelve equal installments amounting to Rs. 18.100 million each. Installments are to be paid semi-annually starting from 19 April 2015 and ending on 19 October 2020.

Return on PPTFCs

The issue carries a fixed mark-up rate at 11% per annum.

Trustee

In order to protect the interests of PPTFC holders, JS Bank Limited has been appointed as Trustee under a Trust Deed for the issue of PPTFCs entered on 23 October 2012, with power to enforce the Company's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Trust Deed.

Security

The issue is secured by personal Guarantee of Sponsor Director.

8.7 This represents the difference between amortized cost and face value of zero-coupon Privately Placed Term Finance Certificates - VI, with five year maturity (refer to note 8.4). Amortized cost has been determined using effective interest rate of 13.23% per annum being the weighted average rate of return on redeemable capital. Movement is as follows:

		2013	2012
	Note	**Rupees**	Rupees
Deferred notional income			
As at beginning of the year		**1,124,890,714**	-
Occurred during the year		**-**	1,189,908,326
Amortized during the year	*35*	**(268,405,169)**	(65,017,612)
As at end of the year		**856,485,545**	1,124,890,714

Notes to the Financial Statements

for the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
8.8	**Transaction costs**			
	As at beginning of the year		**74,354,806**	86,964,537
	Amortized during the year	*35*	**(16,582,524)**	(12,609,731)
	As at end of the year		**57,772,282**	74,354,806

8.9 The Company during the year, as well as in previous year could not make certain interest / mark-up payments on due dates and further remained non-compliant with certain financial and other covenants imposed by the lenders as a result of which the entire redeemable capital was classified as current in the year ended 30 June 2012. However, as at the reporting date, the Company has classified redeemable capital in accordance with the repayment schedule for reasons fully explained in note 2.3.

8.10 Common security

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

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

- Personal Guarantee of Sponsor Director.

	Note	2013 Rupees	2012 Rupees
9 Long term finances - *secured*			
United Bank Limited	*9.1*	**-**	75,000,000
National Bank of Pakistan	*9.2*	**-**	1,000,000,000
Deutsche Investitions - Und MBH (Germany)	*9.3*	**907,054,269**	1,422,000,000
Saudi Pak Industrial and Agricultural Company Limited	*9.4*	**43,251,155**	100,000,000
HSBC Bank (Middle East) Limited	*9.5*	**255,602,579**	272,113,408
Citi Bank N.A (Pakistan)	*9.6*	**567,539,466**	567,539,466
		1,773,447,469	3,436,652,874
Transaction costs	*9.7*	**(21,944,566)**	(28,254,867)
		1,751,502,903	3,408,398,007
Less: Amount shown as current liability			
Amount payable within next twelve months		**(104,784,705)**	(1,936,345,512)
Amount due after 30 June 2013	*9.8*	**-**	(1,472,052,495)
		(104,784,705)	(3,408,398,007)
		1,646,718,198	-

9.1 The finance has been settled during the year by the Company. Also refer to note 27.2.

At the reporting date interest / mark-up amounting to Rs. 5.683 million was overdue. Refer to note 42.2.2 for details.

9.2 The finance has been settled during the year by the Company. Also refer to note 27.2.

At the reporting date interest / mark-up amounting to Rs. 77.940 million was overdue. Refer to note 42.2.2 for details.

Notes to the Financial Statements

for the year ended 30 June 2013

9.3 This represents Euros 15 million obtained from Deutsche Investitions - Und MBH (Germany) ("DEG") to finance the setup of new textile and apparel project. In context of the overall debt restructuring of the Company, the finance was rescheduled in the previous year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms, the loan is payable in twenty-one un-equal installments. During the year, first installment amounting to Rs. 641.221 million was settled by the Company. Also refer to note 27.2. Remaining twenty installments are to be paid quarterly starting from 15 July 2015. For detail of securities refer to note 8.10.

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

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

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

At the reporting date interest amounting to Rs. 15.963 million was overdue. Refer to note 42.2.2 for details.

9.4 The finance has been obtained from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements. As per MRA - 1 dated 11 April 2012, loan is payable in eighteen un-equal installments. During the year, first installment amounting to Rs. 56.749 million was settled by the Company. Also refer to note 27.2. Remaining seventeen installments are to be paid quarterly starting from 13 November 2013 and ending on 13 November 2017. For detail of securities refer to note 8.10.

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

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

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

At the reporting date interest / mark-up amounting to Rs. 10.361 million was overdue. Refer to note 42.2.2 for details.

9.5 The finance has been obtained from HSBC Bank Middle East Limited for long term working capital requirements. As per MRA-1 dated 11 April 2012, the loan is payable in nine un-equal installments. During the year, first installment amounting to Rs. 7.511 million was settled by the Company. Also refer to note 27.2. Remaining eight installments are to be paid semi-annually starting from 01 May 2013 and ending on 01 November 2016. For detail of securities refer to note 8.10.

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

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

At the reporting date principal amounting to Rs. 6.000 million and interest / mark-up amounting to Rs. 34.758 million was overdue. Refer to note 42.2.2 for details.

9.6 As part of the overall debt restructuring, the finance was converted from various short term borrowings. As per MRA-1 dated 11 April 2012, the loan is payable in six un-equal installments. Installment are to be paid semi-annually starting from 01 May 2014 and ending on 01 November 2016. For detail of securities refer to note 8.10.

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

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

At the reporting date interest / mark-up amounting to Rs. 72.823 million was overdue. Refer to note 42.2.2 for details.

Notes to the Financial Statements

for the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
9.7	**Transaction costs**			
	As at beginning of the year		**28,254,867**	43,430,609
	Amortized during the year	*35*	**(6,310,301)**	(15,175,742)
	As at end of the year		**21,944,566**	28,254,867

9.8 The Company during the year, as well as in previous year could not make certain principal and interest / mark-up payments on due dates and further remained non-compliant with certain financial and other covenants imposed by the lenders as a result of which the entire long term finance was classified as current liability in the year ended 30 June 2012. However, as at the reporting date, the Company has classified long term loans in accordance with the repayment schedule for reasons fully explained in note 2.3.

10 Liabilities against assets subject to finance lease -*secured*

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

	Note	2013 Rupees	2012 Rupees
Present value of minimum lease payments	*10.1 & 10.2*	**32,586,801**	36,436,705
Current maturity presented under current liabilities	*11*	**(32,586,801)**	(12,415,966)
		-	24,020,739

10.1 These represent plant and machinery, and vehicles acquired under finance lease arrangements and are secured by specific charge on leased assets, joint ownership of leased assets with the lender and lien over documents of title. Rentals are payable monthly / quarterly. The leases are priced at rates ranging from three months to twelve months KIBOR plus 2.00% to 4.00% (2012: three months to twelve months KIBOR plus 2.00% to 4.00%) per annum. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option. The Company during the current year remained unable to make repayments in respect of lease liabilities as a result of which the Lessor has demanded immediate repayment of outstanding lease installments and return of the leased assets. Consequently, all liability in respect of lease has been classified as current liability.

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

	Note	2013 Rupees	2012 Rupees
Not later than one year		**40,918,058**	17,050,310
Later than one year but not later than five years		**-**	27,769,672
Total future minimum lease payments		**40,918,058**	44,819,982
Finance charge allocated to future periods		**(8,331,257)**	(8,383,277)
Present value of future minimum lease payments		**32,586,801**	36,436,705
Not later than one year	*11*	**(32,586,801)**	(12,415,966)
Later than one year but not later than five years		**-**	24,020,739

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	Note	2013 Rupees	2012 Rupees
11 Current portion of non-current liabilities			
Preference shares of Rs. 10 each (2012: Rs. 10 each)	*11.1*	**148,367,255**	574,518,935
Redeemable capital	*8*	**547,252,308**	4,110,258,345
Long term finances	*9*	**104,784,705**	3,408,398,007
Liabilities against assets subject to finance lease	*10.2*	**32,586,801**	12,415,966
		832,991,069	8,105,591,253

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

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

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

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

The Company during the year, has settled its liability towards preference shares through conversion into a fresh issue of PPTFCs amounting to Rs. 426.152 million. Refer to note 8.5 and note 8.6.

The Company intends to settle its remaining liability towards preference shares through conversion into a fresh issue of Financial Instruments, the terms of which are being negotiated with the majority of the investors and the process is expected to materialize in due course.

At the reporting date, entire outstanding amount of preference shares was overdue. Refer to note 42.2.2 for details.

12 Short term borrowings

Secured

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

	Note	2013 Rupees	2012 Rupees
Running finance	*12.1*	**1,076,169,156**	1,832,049,760
Term loan	*12.1*	**3,550,598,236**	5,006,610,401
Morabaha / LPO	*12.1*	**192,419,450**	198,626,000
Bridge finance	*12.2*	**-**	1,119,457,014
		4,819,186,842	8,156,743,175

12.1 These facilities have been obtained from various banking companies and financial institutions for working capital requirements and are secured by Common Security (refer to note 8.10), lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, pledge of stocks, ranking charge amounting to Rs. 750 million on current and future assets of the Company.

Mark-up on these finances is payable quarterly / semi-annually. Local currency finances carry mark-up at rates ranging from one to twelve months KIBOR plus 1% per annum (2012: one to six months KIBOR plus 1% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR / EURIBOR of matching tenor plus 2% to 6.5% per annum (2012: LIBOR of matching tenor plus 2% to 6.5% per annum). Mark-up on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of 8.20% to 10.00% per annum plus banks' spread of 1% per annum (2012: 10% per annum plus banks' spread of 1% per annum).

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Morabaha / LPO carry mark-up at rates ranging from six to twelve months KIBOR plus 1% to 3% per annum (2012: six to twelve months KIBOR plus 1% to 3% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.10% to 0.15% per quarter (2012: 0.1% to 0.15% per quarter). Certain finances also carry a penalty interest / mark-up.

During the year, an amount of Rs. 748.351 million and Rs. 1,153.117 million in respect of running finance and term loan respectively was settled by the Company. Also refer to note 27.2.

At the reporting date interest / mark-up amounting to Rs. 93.158 million was overdue in respect of running finance. Further, principal amounting to Rs. 232.602 million and interest / mark-up amounting to Rs. 311.618 million was overdue in respect of term loan. Refer to note 42.2.2 for details.

12.2 The finance has been settled during the year by the Company. Also refer to note 27.2.

At the reporting date interest / mark-up amounting to Rs. 68.753 million was overdue. Refer to note 42.2.2 for details.

12.3 The aggregate available short term funded facilities amounts to Rs. 7,149 million (2012: Rs. 10,308 million) out of which Rs. 2,338 million (2012: Rs. 1,474 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit amounts to Rs. 521 million (2012: Rs. 2,107 million) of which the limits remaining unutilized as at the reporting date amounts to Rs. 128 million (2012: Rs. 144 million).

	Note	**2013** Rupees	2012 Rupees
13 Trade and other payables			
Trade creditors		**1,615,111,688**	1,499,989,313
Bills payable	*13.1 & 13.2*	**385,516,037**	1,755,448,679
Accrued liabilities		**303,875,359**	519,327,523
Advances from customers		**64,724,636**	102,516,590
Payable to Provident Fund Trust	*13.3*	**83,897,625**	96,248,979
Workers' Profit Participation Fund	*13.4*	**55,243,056**	47,015,366
Tax deducted at source		**10,492,869**	10,941,701
Derivative financial liability		**-**	7,424,080
Other payables		**7,384,370**	10,152,164
		2,526,245,640	4,049,064,395

13.1 During the year, an amount of Rs. 1,560.869 million was settled by the Company in respect of bills payable. Also refer to note 27.2.

13.2 At the reporting date bills amounting to Rs. 274.462 million and interest / mark-up amounting to Rs. 41.309 million were overdue. Refer to note 42.2.2 for details.

13.3 Interest on outstanding liability towards Provident Fund Trust is charged at 16.10% (2012: 16.10%) per annum.

13.4 Interest on outstanding liability towards Workers' Profit Participation Fund is charged at 17.50% (2012:17.50%)

14 Due to Agritech Limited - *unsecured, considered good*

This represented short term loan obtained from AGL, which was settled during the year. Also refer to note 27.2.

	2013 Rupees	2012 Rupees
15 Interest / mark-up accrued on borrowings		
Redeemable capital	**587,769,949**	388,702,771
Long term finances	**243,861,238**	304,019,043
Short term borrowings	**670,071,067**	664,634,827
Payable to a related party	**-**	68,579,206
	1,501,702,254	1,425,935,847

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for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
16 Dividend payable			
Unclaimed dividend on ordinary shares		**4,002,037**	4,002,037
Dividend payable on preference shares	*16.1*	**9,413,535**	28,727,041
		13,415,572	32,729,078

16.1 Preference dividend was due for payment on 21 November 2010, however no payments have been made up to the reporting date. During the year the Company has partially adjusted the preference dividend against the new issue of PPTFCs. The management intends to settle this amount along with the settlement of outstanding overdue preference shares.

17 Contingencies and commitments

17.1 Contingencies

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

17.1.2 The Company has issued indemnity bonds amounting to Rs. 212.437 million (2012: Rs. 641 million) in favour of Collector of Customs and Sales Tax department in lieu of levies under various statutory notifications and these are likely to be released after the fulfillment of the terms of related notifications.

17.1.3 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 167.605 million (2012: Rs. 169.73 million).

17.1.4 No redemption of preference shares has been made up to the reporting date in respect of second and final redemption, whereas, only partial redemption has been carried out in respect of first redemption. During the year the Company has partially converted preference shares and preference dividend payable into PPTFCs, as referred to in note 8.5 and 8.6.

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

17.1.6 Foreign bills discounted as at reporting date aggregated to Rs. 1,937.219 million (2012: 1,999.142 million).

	Note	2013 Rupees	2012 Rupees
17.2 Commitments			
17.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		**-**	30,507,298
- purchase of machinery		**-**	14,639,280
- purchase of raw material		**43,889,430**	76,726,497
		43,889,430	121,873,075
17.2.2 Commitments for capital expenditure		**705,600**	3,236,108

18 Property, plant and equipment

	Note	2013 Rupees	2012 Rupees
Operating fixed assets	*18.1*	**12,952,810,186**	13,387,681,719
Capital work in progress	*18.2*	**206,892**	7,535,550
		12,953,017,078	13,395,217,269

Notes to the Financial Statements
for the year ended 30 June 2013

18.1 Operating fixed assets

	30 June 2013										
	Cost / revalued amount						Depreciation				
Particulars	As at 01 July 2012	Additions	Transfers	Disposals	As at 30 June 2013	Rate %	As at 01 July 2012	For the year	Adjustments / (disposals) / transfers	As at 30 June 2013	Net book value as at 30 June 2013
	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Owned assets											
Freehold land											
- cost	558,010,025	-	-	-	558,010,025		-	-	-	-	558,010,025
- revaluation	719,724,975	-	-	-	719,724,975		-	-	-	-	719,724,975
	1,277,735,000	-	-	-	1,277,735,000		-	-	-	-	1,277,735,000
Buildings on freehold land											
- cost	2,680,259,983	7,655,166	-	-	2,687,915,149	2.5	523,423,391	53,615,649	-	577,039,040	2,110,876,109
- revaluation	703,539,295	-	-	-	703,539,295	2.5	160,466,029	13,955,474	-	174,421,503	529,117,792
	3,383,799,278	7,655,166	-	-	3,391,454,444		683,889,420	67,571,123	-	751,460,543	2,639,993,901
Plant and machinery											
- cost	9,611,260,727	51,844,039	2,578,500	-	9,665,683,266	2 - 5	3,151,356,096	276,600,949	654,544	3,428,611,589	6,237,071,677
- revaluation	3,733,396,598	-	-	-	3,733,396,598	2 - 5	1,399,918,957	111,733,125	-	1,511,652,082	2,221,744,516
	13,344,657,325	51,844,039	2,578,500	-	13,399,079,864		4,551,275,053	388,334,074	654,544	4,940,263,671	8,458,816,193
Furniture, fixtures and office equipment	197,056,785	1,971,955	-	(103,000)	198,925,740	10	96,573,542	10,152,887	(36,671)	106,689,758	92,235,982
Vehicles	79,826,974	1,125,800	9,314,277	(7,912,025)	82,355,026	20	55,641,308	4,926,861	265,420	60,833,589	21,521,437
Tools and equipment	390,938,701	12,471,593	-	-	403,410,294	10	126,506,768	26,891,747	-	153,398,515	250,011,779
Electrical installations	172,365,383	8,049,265	-	-	180,414,648	10	78,772,513	9,867,431	-	88,639,944	91,774,704
	18,846,379,446	83,117,818	11,892,777	(8,015,025)	18,933,375,016		5,592,658,604	507,744,123	883,293	6,101,286,020	12,832,088,996
Assets subject to finance lease											
Plant and machinery	218,023,444	-	(2,578,500)	-	215,444,944	2 - 5	89,880,536	5,716,439	(654,544)	94,942,431	120,502,513
Vehicles	10,813,167	-	(9,314,277)	(816,200)	682,690	20	4,995,198	540,757	(5,071,942)	464,013	218,677
	228,836,611	-	(11,892,777)	(816,200)	216,127,634		94,875,734	6,257,196	(5,726,486)	95,406,444	120,721,190
	19,075,216,057	83,117,818	-	(8,831,225)	19,149,502,650		5,687,534,338	514,001,319	(4,843,193)	6,196,692,464	12,952,810,186

Notes to the Financial Statements
for the year ended 30 June 2013

18.1.1 Operating fixed assets

Particulars	30 June 2012										
	Cost / revalued amount						Depreciation				
	As at 01 July 2011	Additions	Transfers	Disposals	As at 30 June 2012	Rate %	As at 01 July 2011	For the year	Adjustments / (disposals) / transfers	As at 30 June 2012	Net book value as at 30 June 2012
	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Owned assets											
Freehold land											
- cost	558,010,025	-	-	-	558,010,025		-	-	-	-	558,010,025
- revaluation	719,724,975	-	-	-	719,724,975		-	-	-	-	719,724,975
	1,277,735,000	-	-	-	1,277,735,000		-	-	-	-	1,277,735,000
Buildings on freehold land											
- cost	2,656,348,696	23,911,287	-	-	2,680,259,983	2.5	468,595,349	54,828,042	-	523,423,391	2,156,836,592
- revaluation	703,539,295	-	-	-	703,539,295	2.5	146,510,554	13,955,475	-	160,466,029	543,073,266
	3,359,887,991	23,911,287	-	-	3,383,799,278		615,105,903	68,783,517	-	683,889,420	2,699,909,858
Plant and machinery											
- cost	9,590,058,342	36,843,458	-	(15,641,073)	9,611,260,727	2 - 5	2,869,217,700	293,184,848	(11,046,452)	3,151,356,096	6,459,904,631
- revaluation	3,743,286,955	-	-	(9,890,357)	3,733,396,598	2 - 5	1,295,170,861	111,733,125	(6,985,029)	1,399,918,957	2,333,477,641
	13,333,345,297	36,843,458	-	(25,531,430)	13,344,657,325		4,164,388,561	404,917,973	(18,031,481)	4,551,275,053	8,793,382,272
Furniture, fixtures and office equipment	192,499,787	4,616,998	-	(60,000)	197,056,785	10	85,681,414	10,909,376	(17,248)	96,573,542	100,483,243
Vehicles	58,078,729	1,683,455	41,249,731	(21,184,941)	79,826,974	20	37,267,073	4,348,199	14,026,036	55,641,308	24,185,666
Tools and equipment	377,132,492	13,806,209	-	-	390,938,701	10	97,584,733	28,922,035	-	126,506,768	264,431,933
Electrical installations	146,248,076	26,117,307	-	-	172,365,383	10	69,494,861	9,277,652	-	78,772,513	93,592,870
	18,744,927,372	106,978,714	41,249,731	(46,776,371)	18,846,379,446		5,069,522,545	527,158,752	(4,022,693)	5,592,658,604	13,253,720,842
Assets subject to finance lease											
Plant and machinery	218,023,444	-	-	-	218,023,444	2 - 5	83,871,777	6,008,759	-	89,880,536	128,142,908
Vehicles	52,062,898	-	(41,249,731)	-	10,813,167	20	26,485,979	4,203,138	(25,693,919)	4,995,198	5,817,969
	270,086,342	-	(41,249,731)	-	228,836,611		110,357,756	10,211,897	(25,693,919)	94,875,734	133,960,877
	19,015,013,714	106,978,714	-	(46,776,371)	19,075,216,057		5,179,880,301	537,370,649	(29,716,612)	5,687,534,338	13,387,681,719

Notes to the Financial Statements

for the year ended 30 June 2013

18.1.2 Disposal of property, plant and equipment

	2013						
	Cost	Accumulated depreciation	Net book value	Sale proceeds	Loss on disposal	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles - owned							
Suzuki Mehran (LEC-09-6098)	**556,250**	**(267,890)**	**288,360**	**222,900**	**(65,460)**	**Company policy**	**Employee**
Suzuki Mehran (LEC-09-6449)	**558,678**	**(289,570)**	**269,108**	**227,471**	**(41,637)**	**Company policy**	**Employee**
Honda City (LEB-09-6904)	**1,432,000**	**(804,761)**	**627,239**	**592,400**	**(34,839)**	**Company policy**	**Employee**
Suzuki Mehran (LEC-09-6103)	**552,000**	**(280,151)**	**271,849**	**222,250**	**(49,599)**	**Company policy**	**Employee**
Honda City (LEA-10-1394)	**1,282,768**	**(603,309)**	**679,459**	**513,507**	**(165,952)**	**Company policy**	**Employee**
Suzuki Mehran (LEA-08-9392)	**414,783**	**(274,242)**	**140,541**	**106,000**	**(34,541)**	**Company policy**	**Employee**
Suzuki Cultus (LED-08-7720)	**652,000**	**(404,303)**	**247,697**	**170,105**	**(77,592)**	**Company policy**	**Employee**
Suzuki Cultus (LEE-08-8430)	**682,000**	**(408,327)**	**273,673**	**178,922**	**(94,751)**	**Company policy**	**Employee**
Suzuki Mehran (LEC-09-6096)	**557,250**	**(297,259)**	**259,991**	**222,250**	**(37,741)**	**Company policy**	**Employee**
Suzuki Mehran (LEC-09-6097)	**554,625**	**(319,819)**	**234,806**	**139,156**	**(95,650)**	**Company policy**	**Employee**
Suzuki Cultus (LEE-08-1207)	**669,671**	**(428,669)**	**241,002**	**164,168**	**(76,834)**	**Company policy**	**Employee**
	7,912,025	**(4,378,300)**	**3,533,725**	**2,759,129**	**(774,596)**		
Vehicles - leased							
Suzuki Cultus (LEC-09-4567)	**816,200**	**(428,223)**	**387,977**	**330,400**	**(57,577)**	**Company policy**	**Employee**
Office equipment							
Lenovo laptop	**54,000**	**(19,360)**	**34,640**	**11,000**	**(23,640)**	**Company policy**	**Employee**
Lenovo laptop	**49,000**	**(17,311)**	**31,689**	**9,800**	**(21,889)**	**Company policy**	**Employee**
	103,000	**(36,671)**	**66,329**	**20,800**	**(45,529)**		
2013	**8,831,225**	**(4,843,194)**	**3,988,031**	**3,110,329**	**(877,702)**		
2012	46,776,371	(29,716,610)	17,059,761	16,350,533	(709,228)		

	Note	**2013**	2012
		Rupees	Rupees
18.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*31*	**498,380,814**	517,909,936
Administrative and general expenses	*33*	**15,620,505**	19,460,713
		514,001,319	537,370,649

18.1.4 Revaluation of fixed assets

Land, building, and plant & machinery of the Company was revalued as at 28 December 2009 by a firm of independent valuers, Consultancy Support & Services (Private) Limited.

18.2 Capital work in progress

	2013			
	As at 01 July 2012	**Additions**	**Transfers**	**As at 30 June 2013**
	Rupees	**Rupees**	**Rupees**	**Rupees**
Building	**262,172**	**2,593,061**	**(2,786,005)**	**69,228**
Plant and machinery	**7,273,378**	**8,652,192**	**(15,787,906)**	**137,664**
	7,535,550	**11,245,253**	**(18,573,911)**	**206,892**

	2012			
	As at 01 July 2011	Additions	Transfers	As at 30 June 2012
	Rupees	Rupees	Rupees	Rupees
Building	-	15,645,811	(15,383,639)	262,172
Plant and machinery	-	7,273,378	-	7,273,378
	-	22,919,189	(15,383,639)	7,535,550

Notes to the Financial Statements

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
19 Intangible assets			
Development costs	*19.1*	**-**	-
Software	*19.2*	**1,302,407**	3,907,224
		1,302,407	3,907,224

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

	Note	2013 Rupees	2012 Rupees
Cost			
As at beginning of the year		**87,853,404**	87,853,404
Accumulated amortization			
As at beginning of the year		**(87,853,404)**	(86,075,956)
Amortization for the year	*31*	**-**	(1,777,448)
As at end of the year		**(87,853,404)**	(87,853,404)
		-	-
Rate of amortization		**20%**	20%

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

	Note	2013 Rupees	2012 Rupees
Cost		**13,024,081**	13,024,081
Accumulated amortization			
As at beginning of the year		**(9,116,857)**	(6,512,040)
Amortization for the year	*33*	**(2,604,817)**	(2,604,817)
As at end of the year		**(11,721,674)**	(9,116,857)
		1,302,407	3,907,224
Rate of amortization		**20%**	20%

20 Long term investments

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

Notes to the Financial Statements
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	Note	2013 Rupees	2012 Rupees
Investments in related parties			
Cost		**2,891,100,557**	2,891,100,557
Accumulated impairment			
Opening balance		**(1,125,597,650)**	-
Charge during the year	*34*	**(38,767,662)**	(1,125,597,650)
Accumulated impairment		**(1,164,365,312)**	(1,125,597,650)
	20.1	**1,726,735,245**	1,765,502,907
Other investments			
Cost		**18,664**	18,664
Fair value adjustment		**12,557**	(3,833)
	20.2	**31,221**	14,831
		1,726,766,466	1,765,517,738

20.1 Investments in related parties

Unquoted

20.1.1 Farital AB

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

	Note	2013 Rupees	2012 Rupees
Cost		**2,625,026,049**	2,625,026,049
Transferred	*20.1.2*	**(2,625,026,049)**	-
		-	2,625,026,049
Accumulated impairment		**(1,125,597,650)**	(1,125,597,650)
Transferred	*20.1.2*	**1,125,597,650**	-
		-	(1,125,597,650)
	20.1.4	**-**	1,499,428,399

20.1.2 Montebello s.r.l.

6,700,000 ordinary shares with a capital of Euro 6,700,000
Proportion of capital held: 100%
Activity: *Textile and Apparel*
Relationship: *Parent - Subsidiary*

	Note	2013 Rupees	2012 Rupees
Cost	*20.1.1*	**2,625,026,049**	-
Accumulated impairment			
Transferred	*20.1.1*	**(1,125,597,650)**	-
Charge during the year	*34*	**(38,767,662)**	-
Accumulated impairment		**(1,164,365,312)**	-
	20.1.4	**1,460,660,737**	-

Notes to the Financial Statements

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
20.1.3 Agritech Limited			
53,259 Term Finance Certificates of Rs. 5,000 each	*20.1.5*	**266,074,508**	266,074,508
(2012: 53,259 Term Finance Certificates of Rs. 5,000 each)			

20.1.4 During the year, 100% owned subsidiary of the Company, Farital AB has been dissolved. Farital AB was incorporated in order to acquire 100% interest in Montebello s.r.l., owner of an Italian fabric and jeans brand. Consequent to dissolution of Farital AB, 100% interest in Montebello s.r.l. has been transferred to the Company. The investment has been measured at fair value at Rs. 218.01 (2012: Rs. 223.80) per share. For basis of valuation, refer to note 42.4.1 to the financial statements.

20.1.5 These represent Term Finance Certificates ("TFCs") of Rs. 5,000 each issued by AGL and carry return at six months KIBOR plus 1.75% and are redeemable in thirteen unequal semi-annual installments after a grace period of three years starting from 14 July 2013. Since 25,237 (2012: 25,237) number off TFCs out of total number of TFCs are pledged as security with providers of debt finance, therefore these have been presented as long term investment.

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

	Note	2013 Rupees	2012 Rupees
20.2 Other investments			
Quoted			
Colony Mills Limited			
4,332 (2012: 4,332) ordinary shares of Rs. 10 each			
Market value Rs. 4.43 per share (2012: Rs. 1.72 per share)			
Cost		**8,664**	8,664
Fair value adjustment		**10,527**	(1,213)
		19,191	7,451
JS Value Fund Limited			
1,000 (2012: 1,000) ordinary shares of Rs. 10 each			
Market value Rs. 12.03 per share (2012: Rs. 7.38 per share)			
Cost		**10,000**	10,000
Fair value adjustment		**2,030**	(2,620)
		12,030	7,380
		31,221	14,831

21 Long term deposits - *unsecured, considered good*

	Note	2013 Rupees	2012 Rupees
Utility companies and regulatory authorities	*21.1*	**17,484,247**	23,506,497
Financial institutions	*21.2*	**6,993,740**	6,523,996
		24,477,987	30,030,493

21.1 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.

Notes to the Financial Statements
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21.2 These have been deposited with various banking companies and financial institutions.

	Note	2013 Rupees	2012 Rupees
22 Stores, spares and loose tools			
Stores, spares and loose tools		**130,970,353**	335,048,870
Less: provision for slow moving and obsolete items	*22.1*	**-**	(161,729,345)
		130,970,353	173,319,525

22.1 Provision for slow moving and obsolete items

	2013 Rupees	2012 Rupees
As at beginning of the year	**161,729,345**	-
Provision recognized during the year	**-**	161,729,345
Less: provision written off	**(161,729,345)**	-
As at end of the year	**-**	161,729,345

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

	Note	2013 Rupees	2012 Rupees
23 Stock in trade			
Raw material		**1,132,636,448**	1,602,140,598
Work in process		**706,429,440**	1,126,493,487
Finished goods		**401,964,652**	376,974,302
Less: diminution in value of stock due to net realizable value	*23.1*	**(29,887,439)**	(77,805,957)
		2,211,143,101	3,027,802,430

23.1 Diminution in the value of stock is related to work in process and finished goods.

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

	Note	2013 Rupees	2012 Rupees
24 Trade receivables			
Local			
- secured	*24.1*	**57,628,161**	7,427,983
- unsecured, considered good		**102,914,486**	156,800,352
- unsecured, considered doubtful		**24,597,754**	12,240,583
		185,140,401	176,468,918
Foreign			
- secured	*24.1*	**441,204,961**	222,401,742
- unsecured, considered good		**1,548,089,646**	1,997,671,586
- unsecured, considered doubtful		**429,659,084**	140,646,800
		2,418,953,691	2,360,720,128
		2,604,094,092	2,537,189,046
Less: provision against trade receivables	*24.2*	**(454,256,837)**	(152,887,383)
		2,149,837,255	2,384,301,663

Notes to the Financial Statements
for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
24.1 These are secured against letters of credit.			
24.2 Movement in provision of trade receivables			
As at beginning of the year		**152,887,383**	166,389,403
Provision recognized during the year		**309,816,228**	174,666,838
Less: provision written off		**(8,446,774)**	(188,168,858)
As at end of the year		**454,256,837**	152,887,383

25 Advances, deposits, prepayments and other receivables

	Note	2013 Rupees	2012 Rupees
Advances to suppliers - *unsecured, considered good*		**46,321,083**	350,232,226
Advances to employees - *unsecured, considered good*			
- against salaries	*25.1*	**14,561,020**	13,614,858
- against expenses		**19,467,905**	20,058,323
Security deposits		**5,967,336**	5,435,136
Margin deposits	*25.2*	**34,238,755**	34,238,755
Rebate receivable		**153,249,493**	187,929,559
Sales tax / FED recoverable		**311,723,606**	163,316,637
Letters of credit		**25,964,274**	48,712,485
Insurance claims		**10,105,655**	1,160,685
Other receivables - *unsecured, considered good*		**7,745,175**	6,609,646
		629,344,302	831,308,310

25.1 These represent advances to employees against future salaries and post employment benefits in accordance with the Company policy and include advances to executives amounting Rs. 27.647 million (2012: Rs 25.400 million).

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

26 Due from Agritech Limited - *unsecured, considered good*

It mainly represents mark-up related to investment in TFC's of AGL as referred to in note 20.1.

27 Short term investments

Quoted

Agritech Limited
20,000,000 (2012: 313,423,184) ordinary shares of Rs. 10 each
Value of investment Rs. 35 per share (2012: Rs. 35 per share)
Proportion of share capital held 5.10% (2012: 79.87%)

	Note	2013 Rupees	2012 Rupees
Cost			
Cost		**6,378,291,871**	6,378,291,871
Disposal during the year		**(5,971,283,571)**	-
		407,008,300	6,378,291,871
Fair value adjustment			
Opening		**4,591,519,569**	4,591,519,569
Realized during the year	*34*	**(4,298,527,869)**	-
		292,991,700	4,591,519,569
		700,000,000	10,969,811,440

Notes to the Financial Statements

for the year ended 30 June 2013

27.1 In previous year, the Company entered into Share Transfer and Debt Swap Agreement and First Supplemental Agreement ("the Agreement") to dispose off its entire shareholding in AGL. The Company during the year has divested major part of its shareholding in AGL. As a result, out of 313,423,184 number of shares held by the Company at the start of the year, 293,423,184 number of shares were sold on 31 October 2012 at Rs. 35.00 per share and remaining 20,000,000 number of shares are still under pledge whose divestment would complete once these shares are released. The Company has filed a legal suit against Dubai Islamic Bank Limited ("DIB") for release of pledged shares.

The remaining investment of 20,000,000 number of share in AGL has become an ordinary investment of the Company as against the investment in subsidiary as at beginning of the year.

27.2 As a result of the divestment, the Company has adjusted to the extent of Rs. 6,778.221 million and paid Rs. 3,264.770 million to settle its long term loans, certain mark-up, redeemable capital, short term borrowings, bills payable, other charges and short term loan from AGL amounting to Rs. 10,042.991 million and injected the remaining amount of Rs. 226.82 million in its working capital.

27.3 The closing 20,000,000 number of shares continued to be valued at Rs. 35.00 per share as against the market value of Rs. 11.58 (2012: 12.54) per share on the basis of price agreed in the Agreement.

27.4 All shares held by the Company are pledged with DIB.

	Note	2013 Rupees	2012 Rupees
28 Current taxation			
As at beginning of the year		**6,417,088**	76,509,215
Paid / adjusted during the year		**91,869,771**	45,862,281
Provision for the year		**(137,539,517)**	(115,954,408)
As at end of the year		**(39,252,658)**	6,417,088
29 Cash and bank balances			
Cash in hand		**2,081,561**	1,296,860
Cash at banks			
- current accounts in local currency		**118,029,232**	154,120,175
- deposit accounts in local currency	*29.1*	**11,689,764**	133,879,196
- deposit accounts in foreign currency	*29.2*	**459,047**	425,512
		130,178,043	288,424,883
		132,259,604	289,721,743

29.1 These carry return at 6.00% to 8.50% per annum (2012: 5.00% to 13.34% per annum).

29.2 These carry return at prevailing LIBOR per annum (2012: prevailing LIBOR per annum).

	Note	2013 Rupees	2012 Rupees
30 Sales - *net*			
Local		**2,038,185,223**	1,771,497,625
Export	*30.1 & 30.2*	**11,715,766,508**	9,823,943,126
		13,753,951,731	11,595,440,751
Rebate on exports		**39,188,075**	46,963,486
Sales tax		**(32,362,624)**	(7,162,598)
Discount		**(41,151,597)**	(110,962,220)
		13,719,625,585	11,524,279,419

30.1 These include indirect exports, taxable under Section 154 (3b) of the Income Tax Ordinance, 2001, amounting to Rs. 537.911 million (2012: Rs. 101.644 million).

30.2 These include sales to related parties amounting to Rs. 295.894 million (2012: Rs. 480.577 million).

Notes to the Financial Statements

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
31 Cost of sales			
Raw materials consumed		**9,105,344,851**	8,838,342,995
Salaries, wages and benefits	*31.1*	**1,414,082,564**	1,519,645,224
Fuel and power		**1,235,045,634**	897,713,749
Store, spares and loose tools consumed		**221,043,133**	494,836,797
Traveling, conveyance and entertainment		**132,398,171**	138,103,555
Rent, rates and taxes		**16,016,051**	13,387,780
Insurance		**52,287,620**	65,594,577
Repair and maintenance		**43,375,915**	38,497,321
Processing charges		**71,254,467**	90,808,768
Depreciation	*18.1.3*	**498,380,814**	517,909,936
R & D amortization	*19.1*	**-**	1,777,448
Printing and stationery		**7,367,988**	9,148,588
Communications		**5,622,675**	5,272,985
Others		**60,752,375**	59,504,308
		12,862,972,258	12,690,544,031
Work in process			
As at beginning of the year		**1,126,493,487**	678,642,704
As at end of the year		**(706,429,440)**	(1,126,493,487)
		420,064,047	(447,850,783)
Cost of goods manufactured		**13,283,036,305**	12,242,693,248
Finished goods			
As at beginning of the year		**376,974,302**	776,607,874
As at end of the year		**(401,964,652)**	(376,974,302)
		(24,990,350)	399,633,572
		13,258,045,955	12,642,326,820

31.1 These include charge in respect of employees retirement benefits amounting to Rs. 42.851 million (2012: Rs. 38.095 million).

	Note	2013 Rupees	2012 Rupees
32 Selling and distribution expenses			
Salaries and benefits	*32.1*	**100,633,888**	124,686,047
Traveling, conveyance and entertainment		**43,508,319**	38,457,947
Fuel and power		**26,031**	24,965
Repair and maintenance		**873,601**	981,578
Rent, rates and taxes		**767,809**	622,721
Insurance		**11,195,921**	4,464,768
Freight and other expenses		**346,071,656**	369,241,123
Provision against trade receivables	*24.2*	**309,816,228**	174,666,838
Printing and stationery		**652,104**	222,767
Communication		**43,490,080**	29,100,990
Advertisement and marketing		**8,411,424**	531,100
Legal and professional charges		**30,000**	75,000
Fee and subscription		**475,659**	435,588
Commission		**191,636,670**	348,397,024
Miscellaneous		**1,163,737**	1,702,915
		1,058,753,127	1,093,611,371

Notes to the Financial Statements

for the year ended 30 June 2013

32.1 These include charge in respect of employees retirement benefits amounting to Rs. 2.253 million (2012: Rs. 2.473 million).

	Note	2013 Rupees	2012 Rupees
33 Administrative and general expenses			
Salaries and benefits	*33.1*	**262,860,732**	205,215,121
Traveling, conveyance and entertainment		**33,452,147**	58,018,212
Fuel and power		**29,717,576**	24,636,687
Repair and maintenance		**17,239,885**	22,944,178
Rent, rates and taxes		**7,906,128**	7,667,054
Insurance		**1,137,367**	2,531,231
Printing and stationery		**5,616,363**	6,381,630
Communication		**18,260,909**	24,179,405
Legal and professional charges	*33.2*	**24,078,149**	16,309,560
Depreciation	*18.1.3*	**15,620,505**	19,460,713
Amortization	*19.2*	**2,604,817**	2,604,817
Fee and subscription		**32,505,025**	32,898,641
Donations	*33.3*	**1,115,258**	1,401,810
Others		**4,878,841**	4,815,424
		456,993,702	429,064,483

33.1 These include charge in respect of employees retirement benefits amounting to Rs. 10.243 million (2012: Rs. 9.468 million).

	2013 Rupees	2012 Rupees
33.2 These include following in respect of auditors' remuneration		
Annual statutory audit	**1,660,000**	1,445,000
Report on consolidated financial statements	**800,000**	750,000
Half yearly review	**575,000**	500,000
Review report under Code of Corporate Governance	**170,000**	150,000
Certification and other services	**100,000**	360,000
Out of pocket expenses	**200,000**	150,000
	3,505,000	3,355,000

33.3 This represents donation to different associations and trusts. None of the Directors have any interest in the donee.

Notes to the Financial Statements
for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
34 Net other income			
Net gain / (loss) on financial instruments			
Accumulated deferred notional income	8.7	-	1,189,908,326
Return on investment in TFCs	34.1	33,373,470	39,192,996
Gain on sale of investment in AGL		4,298,527,869	-
Foreign exchange loss		(49,741,822)	(59,445,803)
Long term deposits written off		(5,560,261)	-
Advances written off		(3,784,771)	-
Impairment of long term investment	20.1	(38,767,662)	(1,125,597,650)
Return on bank deposits		2,704,598	22,106,895
		4,236,751,421	66,164,764
Other (expense) / income			
Loss on disposal of property, plant and equipment	18.1.2	(877,702)	(709,228)
Miscellaneous		21,527,746	39,025,073
		20,650,044	38,315,845
		4,257,401,465	104,480,609

34.1 This represents return on investment in TFCs of AGL.

	Note	2013 Rupees	2012 Rupees
35 Finance cost			
Interest / mark-up on:			
Redeemable capital		382,304,700	850,745,432
Long term finances		262,988,125	399,313,448
Liabilities against assets subject to finance lease		5,286,028	9,444,085
Short term borrowings		652,425,562	1,685,509,158
Borrowings from Agritech Limited		19,240,742	61,896,928
Interest on payable to Provident Fund Trust		18,689,139	20,193,978
Interest on Workers' Profit Participation Fund		8,227,689	7,002,288
		1,349,161,985	3,034,105,317
Amortization of transaction costs and deferred notional income	8.7, 8.8 & 9.7	291,297,994	92,803,085
Foreign exchange loss / (gain)		156,581,182	(79,485,627)
Bank charges and commission		304,709,043	376,955,296
		2,101,750,204	3,424,378,071
36 Taxation			
Current taxation	36.1	137,539,517	115,954,408
Deferred taxation	36.8	-	-
		137,539,517	115,954,408

36.1 Provision for current tax has been made in accordance with section 154 of the Income Tax Ordinance, 2001 ("the Ordinance").

Notes to the Financial Statements

for the year ended 30 June 2013

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

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

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

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

36.6 Income Tax Return for the tax year 2011 and 2012 has been filed which deemed to have been assessed under section 120 of the Ordinance.

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

36.8 Export sales, including proposed claims for indirect exports of the Company are expected to achieve the threshold for the Company, with the option to be taxed under the Final Tax Regime. This trend is expected to continue in foreseeable future. Accordingly, no provision for deferred tax has been made.

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

	Unit	**2013**	2012
37 Earnings / (loss) per share - *basic and diluted*			
Earnings / (loss) attributable to ordinary shareholders	*Rupees*	**963,944,545**	(6,076,575,125)
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**454,871,870**	454,871,870
Earnings / (loss) per share	*Rupees*	**2.119**	(13.359)

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

38 Government grant

During the year, the Company lodged claims amounting to Rs. 43.606 million (2012: Rs. 63.225 million) as export rebate respectively which have been accounted for as government grant in accordance with IAS 20 'Government Grants'. Rebates have been recognized as income and added to sales.

Notes to the Financial Statements

for the year ended 30 June 2013

		2013	2012
		Rupees	Rupees
39	**Cash generated from operations**		
	Profit / (loss) after tax	**963,944,545**	(6,076,575,125)
	Adjustments for non-cash and other items		
	Interest / mark-up expense	**1,297,718,387**	2,630,414,701
	Borrowings from Agritech Limited	**19,240,742**	61,896,928
	Loss on disposal of fixed assets	**877,702**	709,228
	Gain on sale of investment	**(4,298,527,869)**	-
	Foreign exchange loss / (gain) - *net*	**206,323,004**	(20,039,824)
	Return on investment in term finance certificates	**(33,373,470)**	(39,192,996)
	Long term deposits written off	**5,560,261**	-
	Advances written off	**3,784,771**	-
	Taxation	**137,539,517**	115,954,408
	Depreciation	**514,001,319**	537,370,649
	Amortization of transaction costs and deferred notional income	**291,297,994**	92,803,085
	Amortization of intangible assets	**2,604,817**	4,382,265
	Provision for impairment of receivables	**309,816,228**	174,666,838
	Deferred notional income	**-**	(1,189,908,326)
	Loss on cash flow hedge	**-**	7,424,080
	Provision for impairment of investment	**38,767,662**	1,125,597,650
		(1,504,368,935)	3,502,078,686
	Operating loss before changes in working capital	**(540,424,390)**	(2,574,496,439)
	Changes in working capital		
	Decrease / (increase) in current assets:		
	Stores, spares and loose tools	**42,349,172**	299,709,439
	Stock in trade	**816,659,329**	735,358,945
	Trade receivables	**(115,619,646)**	558,475,017
	Advances, deposits, prepayments and other receivables	**198,179,237**	75,115,447
		941,568,092	1,668,658,848
	(Decrease) / increase in current liabilities:		
	Trade and other payables	**(265,869,405)**	1,294,798,439
	Cash generated from operations	**135,274,297**	388,960,848
40	**Cash and cash equivalents**		
	Short term borrowings - *running finance - secured*	**(1,076,169,156)**	(1,832,049,760)
	Cash and bank balances	**132,259,604**	289,721,743
		(943,909,552)	(1,542,328,017)

41 Transactions and balances with related parties

Related parties from the Company's perspective comprise subsidiary, associated undertakings, key management personnel (including chief executive and directors), post employment benefit plan and other related parties. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis.

Notes to the Financial Statements

for the year ended 30 June 2013

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

	Note	**2013 Rupees**	2012 Rupees
41.1 Transactions with related parties			
41.1.1 *Subsidiary*			
Montebello s.r.l.			
Sales	*30*	**295,894,009**	480,576,672
41.1.2 *Other related parties*			
Agritech Limited			
Temporary loan received - *net*	*14*	**302,996,036**	30,763,444
Mark-up income on redeemable capital	*34*	**(33,373,470)**	(39,192,996)
Mark-up expense on short term loan	*35*	**19,240,742**	61,896,928
JS Bank Limited			
Redeemable capital repaid	*8.2*	**84,848,231**	-
Mark-up expense	*35*	**35,417,034**	71,479,009
Remuneration of Trustee	*8.5 & 8.6*	**3,000,000**	-
JS Value Fund Limited			
Redeemable capital - TFC II repayment	*8.1*	**(25,415,775)**	-
Redeemable capital - TFC VI disbursement	*8.4*	**-**	12,900,000
Mark-up expense	*35*	**3,366,593**	6,371,916
Unit Trust of Pakistan			
Redeemable capital - TFC V repayments	*8.3*	**(18,019,234)**	-
Redeemable capital - TFC VI disbursement	*8.4*	**-**	19,265,000
Mark-up expense	*35*	**4,352,918**	6,803,260
JS Large Cap Fund			
Redeemable capital - PPTFC disbursement	*8.6*	**83,160,000**	-
Mark-up expense	*35*	**8,122,353**	5,828,806
JS Global Capital Limited			
Redeemable capital - PPTFC disbursement	*8.5*	**326,456,184**	-
Mark-up expense	*35*	**31,895,072**	22,913,777
JS Principal Secure Fund			
Redeemable capital - TFC VI disbursement	*8.4*	**-**	19,265,000
Redeemable capital - PPTFC disbursement	*8.6*	**33,480,000**	-
Mark-up expense	*35*	**3,270,991**	2,349,823
JS Pension Savings Fund			
Redeemable capital - TFC V repayments	*8.3*	**(5,405,770)**	-
Redeemable capital - TFC VI disbursement	*8.4*	**-**	3,850,000
Mark-up expense	*35*	**-**	2,040,978

Notes to the Financial Statements
for the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
	JS Income Fund			
	Redeemable capital - TFC II repayments	*8.2*	**(9,594,455)**	-
	Redeemable capital - TFC V repayments	*8.3*	**(27,028,851)**	-
	Redeemable capital - TFC VI disbursement	*8.4*	**-**	24,135,000
	Mark-up expense	*35*	**7,800,266**	12,610,289
	JS Growth Fund			
	Redeemable capital - TFC II repayments	*8.2*	**(21,179,813)**	-
	Redeemable capital - TFC VI disbursement	*8.4*	**-**	10,750,000
	Redeemable capital - PPTFC disbursement	*8.6*	**64,200,000**	-
	Mark-up expense	*35*	**9,076,595**	9,811,780
41.1.3	**Post employment benefit plans**			
	Contribution to employees Provident Fund Trust	*31, 32 & 33*	**110,692,736**	100,072,478
	Interest payable on employees Provident Fund Trust	*35*	**18,689,139**	20,193,978

41.1.4 Key management personnel

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

		Note	2013 Rupees	2012 Rupees
41.2	**Balances with related parties**			
41.2.1	***Subsidiary***			
	Montebello s.r.l.			
	Trade receivables		**768,584,853**	943,574,911
41.2.2	***Other related parties***			
	Agritech Limited			
	Investment in ordinary shares	*27*	**700,000,000**	10,969,811,440
	Redeemable capital	*20.1*	**266,074,508**	266,074,508
	Mark-up receivable	*26*	**16,600,910**	(68,579,206)
	Short term loan received	*14*	**-**	(286,395,126)
	JS Bank Limited			
	Redeemable capital - TFC IV	*8.2*	**65,033,776**	149,880,000
	Short term borrowing	*12*	**336,026,713**	339,209,038
	Mark-up payable	*15*	**16,806,556**	104,428,510
	Cash and bank - *current account*	*29*	**7,491,793**	12,502
	JS Value Fund Limited			
	Redeemable capital - TFC II	*8.1*	**19,523,025**	44,938,800
	Redeemable capital - TFC VI	*8.4*	**12,900,000**	12,900,000
	Mark-up payable	*15*	**4,846,631**	1,480,038

Notes to the Financial Statements

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Unit Trust of Pakistan			
Redeemable capital - TFC V	*8.3*	**31,980,766**	75,000,000
Redeemable capital - TFC VI	*8.4*	**19,265,000**	19,265,000
Mark-up payable	*15*	**5,993,891**	1,640,973
JS Large Cap Fund			
Redeemable capital - PPTFCs	*8.6*	**83,160,000**	-
Preference shares	*11.1*	**-**	65,126,320
Mark-up / preference dividend payable		**1,829,520**	16,277,054
JS Global Capital Limited			
Redeemable capital - PPTFCs	*8.5*	**326,456,184**	-
Mark-up / preference dividend payable		**7,182,036**	63,530,802
Preference shares	*11.1*	**-**	256,019,860
Advisory fee payable	*13*	**4,000,000**	4,000,000
JS Principal Secure Fund			
Redeemable capital - TFC VI	*8.4*	**-**	19,265,000
Redeemable capital - PPTFC	*8.6*	**33,480,000**	-
Preference shares	*11.1*	**-**	26,255,000
Mark-up / preference dividend payable		**736,560**	6,516,834
JS Pension Savings Fund			
Redeemable capital - TFC V	*8.3*	**-**	15,000,000
Redeemable capital - TFC VI	*8.4*	**3,850,000**	3,850,000
Mark-up payable	*15*	**-**	492,292
JS Income Fund			
Redeemable capital - TFC II	*8.2*	**7,369,942**	16,964,397
Redeemable capital - TFC V	*8.3*	**47,971,149**	75,000,000
Redeemable capital - TFC VI	*8.4*	**24,135,000**	24,135,000
Mark-up payable	*15*	**10,820,439**	3,020,173
JS Growth Fund			
Redeemable capital - TFC II	*8.2*	**16,269,187**	37,449,000
Redeemable capital - TFC VI	*8.4*	**10,750,000**	10,750,000
Redeemable capital - PPTFC disbursement	*8.6*	**64,200,000**	-
Preference shares	*11.1*	**-**	50,300,000
Mark-up / preference dividend payable		**5,451,260**	13,776,643

41.2.3 Post employment benefit plans

Payable to employees Provident Fund Trust	*13*	**83,897,625**	96,248,979

41.2.4 Key management personnel

Short term employee benefits payable		**22,868,033**	20,093,705

Notes to the Financial Statements

for the year ended 30 June 2013

42 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities.

42.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in debt securities.

42.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the end of the reporting period was as follows:

	Note	**2013** **Rupees**	2012 Rupees
Available for sale financial assets			
Long term investments	*20*	**266,074,508**	266,074,508
Loans and receivables			
Long term deposit - *utility companies and regulatory authorities*	*21*	**17,484,247**	23,506,497
Long term deposit - *financial institutions*	*21*	**6,993,740**	6,523,996
Trade receivables	*24*	**2,105,260,970**	2,307,359,321
Advance to employees - *against salaries*	*25*	**14,561,020**	13,614,858
Security deposits	*25*	**5,967,336**	5,435,136
Margin deposits	*25*	**34,238,755**	34,238,755
Insurance claims	*25*	**10,105,655**	1,160,685
Cash at banks	*29*	**130,178,043**	288,424,883
		2,324,789,766	2,680,264,131
		2,590,864,274	2,946,338,639

42.1.2 Concentration of credit risk

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

Notes to the Financial Statements
for the year ended 30 June 2013

	2013	2012
	Rupees	Rupees
Customers	**2,105,260,970**	2,307,359,321
Banking companies and financial institutions	**177,377,874**	334,622,770
Others	**308,225,430**	308,356,548
	2,590,864,274	2,946,338,639

42.1.3 Credit quality and impairment

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

42.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits, security deposits, margin deposits, insurance claims and cash flow hedges, and issuers of debt securities which are counterparties to investment in debt securities and accrued return thereon. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

	Rating	Rating	Rating agency	2013	2012
	Short term	**Long term**		**Rupees**	Rupees
Bank					
Allied Bank Limited	A1+	AA+	PACRA	**25,288**	25,288
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	**1,093,207**	11,801,400
Askari Bank Limited	A1+	AA	PACRA	**40,478**	133,619,886
Barclays Bank Pakistan	P-1	A2	Moody's	**-**	1,435,825
Bank Al-Habib Limited	A1+	AA+	PACRA	**88,637,193**	57,442,072
Bank Alfalah Limited	A1+	AA	PACRA	**519,002**	43,613
Bank Islami Pakistan Limited	A1	A	PACRA	**478,771**	478,772
Faysal Bank Limited	A1+	AA	PACRA	**17,885,645**	36,375,070
Habib Bank Limited	A-1+	AA+	JCR-VIS	**416,303**	249,516
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**2,243**	3,251
HSBC Bank Middle East Limited	F1+	AA-	Fitch	**22,343**	855
JS Bank Limited	A1	A+	PACRA	**7,491,793**	12,502
KASB Bank Limited	A3	BBB	PACRA	**595,206**	1,188,958
MCB Bank Limited	A1+	AA+	PACRA	**731,491**	34,227,800
Meezan Bank Limited	A-1+	AA	JCR-VIS	**5,568**	13,042
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**18,829**	2,583,827
NIB Bank Limited	A1+	AA-	PACRA	**1,064,159**	557,347
Silk Bank Limited	A-2	A-	JCR-VIS	**1,019,524**	1,252
Soneri Bank Limited	A1+	AA-	PACRA	**14,825**	14,825
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	**18,492**	3,019,632
Summit Bank Limited	A-2	A-	JCR-VIS	**1,158,441**	3,539,224
The Bank of Punjab	A1+	AA-	PACRA	**424,097**	426,260
United Bank Limited	A-1+	AA+	JCR-VIS	**731,514**	1,364,666
Bank of Khyber	A2	A-	PACRA	**7,783,631**	-
				130,178,043	288,424,883

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42.1.3(b) Counterparties without external credit ratings

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

	2013		2012	
	Gross carrying amount	**Accumulated impairment**	Gross carrying amount	Accumulated impairment
	Rupees	**Rupees**	Rupees	Rupees
Not yet due	**520,654,263**	**-**	400,069,403	-
Past due by 0 to 6 months	**366,651,777**	**-**	467,036,689	-
Past due by 6 to 12 months	**280,825,661**	**-**	1,293,128,743	-
Past due by more than one year	**1,435,962,391**	**454,256,837**	376,954,211	152,887,383
	2,604,094,092	**454,256,837**	2,537,189,046	152,887,383

The analysis of trade receivables from Montebello s.r.l., subsidiary of the Company as at the reporting date is as follows:

	2013	2012
	Gross carrying amount	Gross carrying amount
	Rupees	Rupees
Not yet due	**181,680,481**	214,906,590
Past due by 0 to 6 months	**28,661,912**	701,125
Past due by 6 to 12 months	**182,750,979**	727,967,196
Past due by more than one year	**375,491,481**	-
	768,584,853	943,574,911

The Company's five significant customers account for Rs. 976 million (2012: Rs. 1,343 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 2% (2012: 3%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 499 million (2012: Rs. 230 million) secured through confirmed letters of credit and thus do not carry any significant credit risk.

The Board has formulated a policy to create provision allowance for trade receivables on a time based criteria. Provision allowance on closing trade receivable balances has adequately been created in accordance with the approved policy. Further, based on historical default rates, the Company believes that no impairment allowance other than already provided is necessary in respect of trade receivables not past due or those past due by less than one year, since these relate to customers who have had good payment record with the Company.

42.1.4 Collateral held

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

42.1.5 Credit risk management

As mentioned in note 42.1.3(b) to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade receivables, which are exposed to losses arising from any non-performance by counterparties. In respect of trade receivables, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

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42.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset and the Company will not be able to meet its financial obligations as they fall due.

42.2.1 Exposure to liquidity risk

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

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

		2013				
		Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
	Note	Rupees	Rupees	Rupees	Rupees	Rupees
Non-derivative financial liabilities						
Redeemable capital	8	6,024,844,185	7,072,708,474	853,664,443	5,450,941,948	768,102,083
Long term finances	9	1,773,447,469	2,076,669,730	207,207,807	1,117,082,011	752,379,912
Liabilities against assets subject to finance lease	10	32,586,801	39,047,657	27,223,579	11,824,078	-
Preference shares	11	148,367,255	148,367,255	148,367,255	-	-
Short term borrowings	12	4,819,186,842	5,083,898,848	5,083,898,848	-	-
Trade creditors	13	1,615,111,688	1,615,111,688	1,615,111,688	-	-
Accrued liabilities	13	303,875,359	303,875,359	303,875,359	-	-
Payable to Provident Fund Trust	13	83,897,625	83,897,625	83,897,625	-	-
Workers' Profit Participation Fund	13	55,243,056	55,243,056	55,243,056	-	-
Other payables	13	7,384,370	7,384,370	7,384,370	-	-
Bills payable	13	385,516,037	385,516,037	385,516,037	-	-
Mark-up accrued on borrowings	15	1,501,702,254	1,501,702,254	1,501,702,254	-	-
Dividend payable	16	13,415,572	13,415,572	13,415,572	-	-
		16,764,578,513	18,386,837,925	10,286,507,893	6,579,848,037	1,520,481,995
Derivative financial liabilities						
Cross currency swaps	13	-	-	-	-	-
		16,764,578,513	18,386,837,925	10,286,507,893	6,579,848,037	1,520,481,995

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		2012				
		Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
		Rupees	Rupees	Rupees	Rupees	Rupees
Non-derivative financial liabilities						
Redeemable capital	8	8,038,939,061	9,228,296,765	2,844,243,569	2,136,201,971	4,247,851,225
Long term finances	9	3,436,652,874	3,921,163,422	2,058,623,610	528,022,039	1,334,517,773
Liabilities against assets subject to finance lease	10	36,436,705	44,819,982	17,050,310	27,769,672	-
Preference shares	11	574,518,935	574,518,935	574,518,935	-	-
Short term borrowings	12	8,156,743,175	8,515,251,826	8,515,251,826	-	-
Trade creditors	13	1,499,989,313	1,499,989,313	1,499,989,313	-	-
Accrued liabilities	13	519,327,523	519,327,523	519,327,523	-	-
Payable to Provident Fund Trust	13	96,248,979	96,248,979	96,248,979	-	-
Workers' Profit Participation Fund	13	47,015,366	47,015,366	47,015,366	-	-
Other payables	13	10,152,164	10,152,164	10,152,164	-	-
Bills payable	13	1,755,448,679	1,755,448,679	1,755,448,679	-	-
Due to Agritech Limited	14	286,395,126	286,395,126	286,395,126	-	-
Mark-up accrued on borrowings	15	1,425,935,847	1,425,935,847	1,425,935,847	-	-
Dividend payable	16	32,729,078	32,729,078	32,729,078	-	-
		25,916,532,825	27,957,293,005	19,682,930,325	2,691,993,682	5,582,368,998
Derivative financial liabilities						
Cross currency swaps	13	7,424,080	7,623,558	7,623,558	-	-
		25,923,956,905	27,964,916,563	19,690,553,883	2,691,993,682	5,582,368,998

The gross cash flows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash flow amounts for derivatives that have simultaneous gross cash settlement.

42.2.2 Liquidity risk management

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

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

	Principal	Preference dividend / interest / mark-up	Total
	Rupees	Rupees	Rupees
Nature of liability			
Preference shares	148,367,255	-	**148,367,255**
Dividend on preference shares	-	9,413,535	**9,413,535**
Long term finances	6,000,000	217,527,738	**223,527,738**
Redeemable capital	-	542,153,515	**542,153,515**
Short term borrowings	232,601,716	473,529,475	**706,131,191**
Bills payables	274,461,757	41,309,367	**315,771,124**
	661,430,728	**1,283,933,630**	**1,945,364,358**

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As explained in note 2.2, the Company, is discussing with the providers of debt for a second round of restructuring and debt re-profiling. For the said purpose, the management is considering to negotiate with the debt financiers for waiver of over due interest / mark-up accured, and disposal of its low performing assets for settlement of overdue principal of its long term debts.

42.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

42.3.1 Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are Emirate Dirham, Euro, US dollars, Pound sterling, and Swiss franc.

42.3.1(a) Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	2013					
	AED	EUR	USD	GBP	CHF	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Investments	-	1,460,660,737	-	-	-	1,460,660,737
Trade receivables	-	1,380,856,891	946,027,770	92,069,029	-	2,418,953,690
Cash and bank balances	-	341,466	117,581	-	-	459,047
	-	2,841,859,094	946,145,351	92,069,029	-	3,880,073,474
Liabilities						
Long term finances	-	(907,054,269)	-	-	-	(907,054,269)
Short term borrowings	-	-	(466,448,835)	-	-	(466,448,835)
Mark-up accrued on borrowings	-	(27,000,774)	(3,549,761)	-	-	(30,550,535)
Trade creditors	-	(38,980,495)	(33,894,448)	-	-	(72,874,943)
Bills payable	-	(5,695,688)	(124,275,580)	-	-	(129,971,268)
	-	(978,731,226)	(628,168,624)	-	-	(1,606,899,850)
Gross balance sheet exposure	-	1,863,127,868	317,976,727	92,069,029	-	2,273,173,624
Fair value of hedging instruments						-
Net balance sheet exposure						2,273,173,624

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

42.3.1(b) Exchange rates applied during the year

The following significant exchange rates have been applied during the year:

	2013			2012		
	Reporting date spot rate		**Average rate**	Reporting date spot rate		Average rate
	Buying	**Selling**	**for the year**	Buying	Selling	for the year
		Rupees	**Rupees**	Rupees	Rupees	Rupees
EUR	**128.85**	**129.11**	**125.18**	118.25	118.50	119.56
USD	**98.60**	**98.80**	**96.75**	94.00	94.20	89.35
GBP	**150.57**	**150.87**	**151.76**	146.76	147.07	141.53
CHF	**104.49**	**104.71**	**102.80**	98.41	98.62	99.20
AED	**26.85**	**26.90**	**26.34**	25.59	25.65	24.35

42.3.1(c) Sensitivity analysis

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2013	2012
	Profit	Profit
	Rupees	Rupees
AED	**-**	(3,279)
EUR	**186,312,787**	102,668,596
USD	**31,797,673**	17,245,811
GBP	**9,206,903**	17,538,841
CHF	**-**	(72,237)
	227,317,363	137,377,732

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42.3.1(d) *Currency risk management*

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

42.3.2 Interest rate risk

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

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

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

	2013		2012	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	Rupees	**Rupees**	Rupees	Rupees
Non-derivative financial instruments				
Fixed rate instruments	**12,148,811**	**139,140,681**	134,304,708	717,783,280
Variable rate instruments	**266,074,508**	**9,273,255,150**	266,074,508	18,205,550,494
Derivative financial instruments				
Cash flow hedges	**-**	**-**	-	7,424,080

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

The Company does not account for fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not effect profit or loss.

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

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

	2013		2012	
	Equity	**Profit**	Equity	Profit
	Rupees	**Rupees**	Rupees	Rupees
Increase of 100 basis points				
Variable rate instruments	**-**	**(90,071,806)**	-	(179,394,760)
Cash flow hedges	**-**	**-**	(74,241)	-
Cash flow sensitivity - *net*	**-**	**(90,071,806)**	(74,241)	(179,394,760)

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	2013		2012	
	Equity	**Profit**	Equity	Profit
	Rupees	**Rupees**	Rupees	Rupees
Decrease of 100 basis points				
Variable rate instruments	**-**	**90,071,806**	-	179,394,760
Cash flow hedges	**-**	**-**	74,241	-
Cash flow sensitivity - *net*	**-**	**90,071,806**	74,241	179,394,760

42.3.2(d) Interest rate risk management

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

42.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company's exposure to price risk is insignificant.

42.4 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		2013		2012	
		Carrying values	**Fair values**	Carrying values	Fair values
	Note	**Rupees**	**Rupees**	Rupees	Rupees
Available for sale					
Long term investments	*20*	**1,460,691,958**	**1,460,691,958**	1,499,443,230	1,499,443,230
Short term investments	*27*	**700,000,000**	**700,000,000**	10,969,811,440	10,969,811,440
		2,160,691,958	**2,160,691,958**	12,469,254,670	12,469,254,670

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	Note	2013 Carrying values Rupees	2013 Fair values Rupees	2012 Carrying values Rupees	2012 Fair values Rupees
Loans and receivables					
Long term deposits	21	**24,477,987**	**24,477,987**	30,030,493	30,030,493
Trade receivables	24	**2,149,837,255**	**2,149,837,255**	2,384,301,663	2,384,301,663
Advances to employees	25	**34,028,925**	**34,028,925**	33,673,181	33,673,181
Security deposits	25	**5,967,336**	**5,967,336**	5,435,136	5,435,136
Margin deposits	25	**34,238,755**	**34,238,755**	34,238,755	34,238,755
Letters of credit	25	**25,964,274**	**25,964,274**	48,712,485	48,712,485
Insurance claims	25	**10,105,655**	**10,105,655**	1,160,685	1,160,685
Other receivables	25	**7,745,175**	**7,745,175**	6,609,646	6,609,646
Due from Agritech Limited	26	**16,600,910**	**16,600,910**	-	-
Cash and bank balances	29	**132,259,604**	**132,259,604**	289,721,743	289,721,743
		2,441,225,876	**2,441,225,876**	2,833,883,787	2,833,883,787

	Note	2013 Carrying values Rupees	2013 Fair values Rupees	2012 Carrying values Rupees	2012 Fair values Rupees
Financial liabilities at amortized cost					
Redeemable capital	8	**6,024,844,185**	**6,024,844,185**	8,038,939,061	8,038,939,061
Long term finances	9	**1,773,447,469**	**1,773,447,469**	3,436,652,874	3,436,652,874
Liabilities against assets subject to finance lease	10	**32,586,801**	**32,586,801**	36,436,705	36,436,705
Preference shares	11	**148,367,255**	**148,367,255**	574,518,935	574,518,935
Short term borrowings	12	**4,819,186,842**	**4,819,186,842**	8,156,743,175	8,156,743,175
Trade creditors	13	**1,615,111,688**	**1,615,111,688**	1,499,989,313	1,499,989,313
Accrued liabilities	13	**303,875,359**	**303,875,359**	519,327,523	519,327,523
Bills payable	13	**385,516,037**	**385,516,037**	1,755,448,679	1,755,448,679
Payable to Provident Fund Trust	13	**83,897,625**	**83,897,625**	96,248,979	96,248,979
Workers' Profit Participation Fund	13	**55,243,056**	**55,243,056**	47,015,366	47,015,366
Other payables	13	**7,384,370**	**7,384,370**	10,152,164	10,152,164
Due to related party	14	-	-	286,395,126	286,395,126
Mark-up accrued on borrowings	15	**1,501,702,254**	**1,501,702,254**	1,425,935,847	1,425,935,847
Dividend payable	16	**13,415,572**	**13,415,572**	32,729,078	32,729,078
		16,764,578,513	**16,764,578,513**	25,916,532,825	25,916,532,825
Derivatives					
Cross currency swaps	13	-	-	7,424,080	7,424,080

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

Notes to the Financial Statements

for the year ended 30 June 2013

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees
30 June 2013			
Available for sale investments			
Long term investments	**31,221**	**-**	**1,460,660,737**
Short term investment - *Agritech Limited*	**-**	**-**	**700,000,000**
	31,221	**-**	**2,160,660,737**
30 June 2012			
Available for sale investments			
Long term investments	14,831	-	-
Short term investment - *Agritech Limited*	-	-	10,969,811,440
	14,831	-	10,969,811,440

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

42.4.1 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non–financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Long term investments - level 1

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date.

Long term investments - level 3 - Montebello s.r.l.

The Company involved an independent Chartered Accountancy firm to review the financial projections of its subsidiary prepared by the management to determine the fair value of its investment in the subsidiary. In determining the fair values of investments in subsidiary, discount factor adjusted for country and other risks of 11.89% (2012: 12.00%) per annum has been used. If discount factor was 1% higher or lower, the carrying amount of investment would decrease or increase by Rs. 152.739 million or Rs. 189.702 million (2012: Rs. 125.76 million or Rs. 149.86 million) respectively. The management also makes various other assumptions based on historical trends and future plans of the management. There are normal risks associated with these assumptions and may include effects of regulatory and legislative changes, increased competition, technological changes, pricing pressures, changes in labour and material costs and the prevalent general business and economic conditions. However, there are no other sources of estimation uncertainty that may have a significant risk of causing any material adjustment to the carrying amounts of investments.

Notes to the Financial Statements
for the year ended 30 June 2013

Short term investment - level 3 - Agritech Limited

Investment in AGL is valued at Rs. 35.00 per share on the basis of price agreed in the Agreement.

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

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

43 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders.

The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises, redeemable capital, long term finances and liabilities against assets subject to finances leases, including current maturity. Total capital employed includes total equity as shown in the balance sheet plus debt.

The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2013**	2012
Total debt	*Rupees*	**7,830,878,455**	11,512,028,640
Total equity	*Rupees*	**4,732,873,180**	8,067,440,114
Total capital employed		**12,563,751,635**	19,579,468,754
Gearing	*% age*	**62.33%**	58.80%

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

	2013 **Rupees**	2012 Rupees
44 Restriction on title and assets pledged as security		
Mortgages and charges		
Hypothecation of all present and future assets and properties	**27,000,000,000**	27,000,000,000
Mortgage over land and building	**27,000,000,000**	27,000,000,000
Pledge		
Raw material	**757,541,963**	1,441,543,177
Finished goods	**175,804,000**	205,141,000
Investments in equity securities	**700,000,000**	6,249,311,083
Investments in debt securities	**126,080,519**	126,080,519

Notes to the Financial Statements

for the year ended 30 June 2013

Pledge of equity securities amounting to Rs. 700.000 million (2012: Rs. 1,322.777 million) relates to facilities availed by AGL.

45 Remuneration of chief executive, directors and executives

The aggregate amount charged in the financial statements for the year in respect of remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company is as follows:

	2013			
		Directors		
	Chief Executive	**Executive**	**Non-executive**	**Executives**
	Rupees	**Rupees**	**Rupees**	**Rupees**
Managerial remuneration	**15,999,996**	**14,347,273**	**-**	**133,763,462**
Medical	**1,599,996**	**1,434,723**	**-**	**13,139,967**
Utilities and house rent	**6,400,008**	**7,681,662**	**-**	**66,702,102**
Post employment benefits	**1,359,996**	**1,219,518**	**-**	**10,767,689**
	25,359,996	**24,683,176**	**-**	**224,373,220**
Number of persons	**1**	**3**	**3**	**118**

	2012			
		Directors		
	Chief Executive	Executive	Non-executive	Executives
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	15,999,996	14,458,860	-	118,836,832
Medical	1,599,996	1,445,880	-	11,883,701
Utilities and house rent	6,400,008	5,990,564	-	52,515,932
Post employment benefits	1,359,996	1,229,004	-	9,403,689
	25,359,996	23,124,308	-	192,640,154
Number of persons	1	4	2	102

45.1 The chief executive is provided with free use of Company maintained car.

46 Plant capacity and actual production

	Unit	**2013**	2012
Spinning			
Number of rotors installed	*No.*	**2,416**	2,416
Plant capacity on the basis of utilization converted into 6.5s count	*Kgs*	**10,257,997**	8,722,579
Actual production converted into 6.5s count	*Kgs*	**9,805,510**	6,844,047
Number of spindles installed	*No.*	**54,888**	54,408
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**7,583,141**	7,085,211
Actual production converted into 20s count	*Kgs*	**7,214,238**	6,444,272

Notes to the Financial Statements
for the year ended 30 June 2013

	Unit	2013	2012
Weaving			
Number of looms installed	*No.*	**230**	230
Annual capacity on the basis of utilization converted into 38 picks	*Mtrs.*	**49,022,637**	41,382,945
Actual production converted into 38 picks	*Mtrs.*	**26,880,801**	21,018,374
Garments			
Number of stitching machines installed	*No.*	**2,229**	2,229
Annual capacity on the basis of utilization	*Pcs.*	**7,650,000**	7,046,464
Actual production	*Pcs.*	**4,293,374**	5,903,315

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

47 Provident Fund Trust

The following information is based on latest audited financial statements of Provident Fund Trust:

	Unit	2013	2012
Size of fund - *total assets*	*Rupees*	**175,369,701**	183,254,928
Cost of investments made	*Rupees*	**29,952,497**	29,952,497
Percentage of investments made	*Percentage*	**17.08%**	16.34%
Fair value of investment	*Rupees*	**22,027,864**	21,166,818

The breakup of fair value of investments is as follows:

	2013		2012	
	Rupees	**Percentage**	Rupees	Percentage
Shares in listed companies	**1,691,784**	**7.68%**	1,127,661	5.33%
Debt securities	**9,534,049**	**43.28%**	9,534,049	45.04%
Mutual funds	**10,802,031**	**49.04%**	10,505,108	49.63%
	22,027,864	**100.00%**	21,166,818	100.00%

The investments of the Provident Fund Trust are not in compliance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

48 Number of employees

The average and total number of employees are as follows:

	2013	2012
Average number of employees during the year	**8,719**	10,006
Total number of employees as at 30 June	**7,914**	10,792

Notes to the Financial Statements

for the year ended 30 June 2013

49 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassification for better presentation includes provision against trade receivables amounting to Rs. 174.67 million previously included in net other income now presented in selling and distribution expenses.

50 Date of authorization for issue

These financial statements were authorized for issue on 30 September 2013 by the Board of Directors of the Company.

51 General

Figures have been rounded off to the nearest rupee.

Lahore | Chief Executive | Director

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Consolidated Financial Statements

Auditors' Report to the Members

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

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We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Azgard Nine Limited** ("the Holding Company") and its foreign subsidiary company Montebello s.r.l. (here-in-after collectively referred as "the Group") as at 30 June 2013 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. The financial statements of the foreign subsidiary company, Montebello s.r.l., were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on report of such other auditor. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

(a) As stated in note 2.3 and 43.2.2 to the consolidated financial statements, the Group could not make timely repayments of principal and interest / mark-up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard on Presentation of financial statements (IAS-1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current. In these consolidated financial statements the long term debts have been classified as long term according to the individual loan repayment schedules. Had these liabilities been classified as per IAS-1, current liabilities of the Group would have increased by Rs. 7,146.25 million as at the reporting date;

(b) As stated in note 37.1 to the consolidated financial statements, the results for four months period of Agritech Limited ("AGL") till date of disposal are pro-rated results of six months reviewed financial information of AGL. A change in the results of AGL, which is impracticable to identify, will alter non-controlling interest, the gain on disposal of AGL and related cash flows. However, such change will not have an impact on the loss for the year attributable to ordinary equity holders of the Holding Company.

In our opinion, except for the effects on the consolidated financial statements of the matters referred in paragraph (a) and (b) above, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at 30 June 2013 and the results of their operations for the year then ended.

We draw attention to the matter that the Group has reported negative cash flows of Rs. 930.01 million from its operations during the year ended 30 June 2013 and, as of that date, its current liabilities exceeded its current assets by Rs. 3,338.67 million, including Rs. 1,945.36 million relating to overdue principal and mark-up thereon, and its accumulated loss stood at Rs. 6,726.95 million. The difference between current liabilities and current assets would be Rs. 10,484.93 million, had the

KPMG Taseer Hadi & Co.

Group classified its long term debts as current for reasons more fully explained in the note 2.3 to the consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. These consolidated financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2.2 to the consolidated financial statements. Our opinion is not qualified in respect of this matter.

KPMG Taseer Hadi & Co.

Lahore

Date : 30 September 2013

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

Consolidated Balance Sheet
as at 30 June 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	5	**15,000,000,000**	15,000,000,000
Issued, subscribed and paid-up capital	5	**4,548,718,700**	4,548,718,700
Reserves	6	**3,120,841,351**	3,107,198,909
Accumulated loss		**(6,726,946,203)**	(7,904,229,485)
		942,613,848	(248,311,876)
Non-controlling interest	7	**-**	3,917,588,149
		942,613,848	3,669,276,273
Surplus on revaluation of fixed assets	8	**3,470,587,281**	6,746,439,428
Non-current liabilities			
Redeemable capital - *secured*	9	**4,563,334,050**	2,729,435,196
Long term finances - *secured*	10	**1,646,718,198**	-
Liabilities against assets subject to finance lease - *secured*	11	**-**	24,020,739
		6,210,052,248	2,753,455,935
Current liabilities			
Current portion of non-current liabilities	12	**832,991,069**	8,105,591,253
Short term borrowings	13	**5,024,533,069**	8,433,954,491
Trade and other payables	14	**2,957,118,822**	4,277,177,878
Interest / mark-up accrued on borrowings	15	**1,501,702,254**	1,357,356,641
Dividend payable	16	**13,415,572**	32,729,078
Liabilities of subsidiary classified as held for sale	37	**-**	30,828,943,270
		10,329,760,786	53,035,752,611
Contingencies and commitments	17		
		20,953,014,163	66,204,924,247
ASSETS			
Non-current assets			
Property, plant and equipment	18	**12,973,010,523**	13,416,311,530
Intangible assets	19	**693,644,333**	696,249,150
Long term investments	20	**266,105,729**	14,831
Long term deposits - *unsecured, considered good*	21	**29,169,416**	39,488,956
		13,961,930,001	14,152,064,467
Current assets			
Stores, spares and loose tools	22	**130,970,353**	173,319,525
Stock in trade	23	**2,339,039,126**	3,131,907,430
Trade receivables	24	**2,757,283,943**	2,826,169,806
Advances, deposits, prepayments and other receivables	25	**830,239,233**	892,886,051
Due from Agritech Limited - *unsecured, considered good*	26	**16,600,910**	-
Short term investments	27	**700,000,000**	-
Current taxation	28	**73,909,984**	110,270,269
Cash and bank balances	29	**143,040,613**	310,989,124
Assets of subsidiary classified as held for sale	37	**-**	44,607,317,575
		6,991,084,162	52,052,859,780
		20,953,014,163	66,204,924,247

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

Lahore | Chief Executive | Director

Consolidated Profit and Loss Account

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Continuing operations			
Sales - *net*	30	**14,439,185,602**	11,907,437,305
Cost of sales	31	**(13,694,668,313)**	(12,949,887,639)
Gross profit / (loss)		**744,517,289**	(1,042,450,334)
Selling and distribution expenses	32	**(986,163,524)**	(1,116,950,678)
Administrative and general expenses	33	**(597,635,433)**	(630,202,550)
Operating loss		**(839,281,668)**	(2,789,603,562)
Net other expenses	34	**(14,588,343)**	(15,951,065)
Finance cost	35	**(2,095,622,067)**	(3,387,282,464)
Loss before taxation		**(2,949,492,078)**	(6,192,837,091)
Taxation	36	**(137,539,517)**	(115,954,408)
Loss after taxation from continuing operations		**(3,087,031,595)**	(6,308,791,499)
Discontinued operations			
Gain / (loss) after taxation from discontinued operations	37	**741,578,839**	(1,646,592,181)
Total loss for the year		**(2,345,452,756)**	(7,955,383,680)
Loss attributable to:			
Ordinary equity holders of the Holding Company		**(2,098,568,865)**	(7,697,521,401)
Non-controlling interest - *discontinued operations*		**(246,883,891)**	(257,862,279)
		(2,345,452,756)	(7,955,383,680)
(Loss) / earning per share -*basic and diluted*			
- continuing operations	38.1	**(6.787)**	(13.869)
- discontinued operations	38.2	**2.173**	(3.053)

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

Lahore | Chief Executive | Director

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013

	2013	2012
	Rupees	Rupees
Loss after taxation	**(2,345,452,756)**	(7,955,383,680)
Other comprehensive loss:		
Items that are or may be subsequently reclassified to profit or loss:		
Changes in fair value of cash flow hedges	**-**	(48,894,931)
Changes in fair value of available for sale financial assets	**16,390**	1,967
Foreign exchange differences on translation of foreign subsidiary	**13,626,052**	(2,961,496)
	13,642,442	(51,854,460)
Total comprehensive loss for the year	**(2,331,810,314)**	(8,007,238,140)
Total comprehensive loss attributable to:		
Ordinary equity holders of the Holding Company	**(2,084,926,423)**	(7,749,375,861)
Non-controlling interest	**(246,883,891)**	(257,862,279)
	(2,331,810,314)	(8,007,238,140)

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

Lahore

Chief Executive

Director

Consolidated Cash Flow Statement

for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Cash flow from operating activities			
Cash generated from operations	*40*	**222,428,993**	301,226,935
Interest / mark-up paid		**(1,064,842,220)**	(244,885,706)
Taxes paid		**(91,869,771)**	(40,285,387)
Long term deposits		**4,271,014**	(5,108,883)
Net cash (used in) / generated from operating activities		**(930,011,984)**	10,946,959
Net cash generated from / (used in) operating activities of discontinued operations		**26,561,331**	(860,194,286)
		(903,450,653)	(849,247,327)
Cash flow from investing activities			
Capital expenditure		**(75,789,208)**	(114,908,812)
Proceeds from disposal of property, plant and equipment		**3,110,329**	16,350,533
Proceeds from disposal of Agritech Limited - *net*		**3,128,926,166**	-
Net cash generated from / (used in) investing activities		**3,056,247,287**	(98,558,279)
Net cash generated from / (used in) from investing activities of discontinued operations		**232,023,953**	(1,104,107,044)
		3,288,271,240	(1,202,665,323)
Cash flow from financing activities			
Receivable from AGL		**5,221,794**	-
Redemption of redeemable capital		**(199,997)**	-
Repayment of long term finances		**(990,663,587)**	-
Repayment of liabilities against assets subject to finance lease		**(2,673,704)**	(7,097,855)
Net increase in short term borrowings		**(550,294,789)**	(556,317,088)
Net cash (used in) / generated from financing activities		**(1,538,610,283)**	(563,141,943)
Net cash (used in) / generated from financing activities of discontinued operations		**(258,585,284)**	1,737,607,035
Net increase / (decrease) in cash and cash equivalents		**587,625,020**	(877,720,558)
Cash and cash equivalents at beginning of the year		**(1,521,060,636)**	(643,584,064)
Unrealized exchange gain on cash and cash equivalents		**307,073**	243,986
Cash and cash equivalents at end of the year	*41*	**(933,128,543)**	(1,521,060,636)

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

Lahore

Chief Executive

Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

			Capital reserve						Revenue reserve			
	Note	Issued, subscribed and paid-up capital	Share premium	Cash flow hedges	Reserve on merger	Translation reserve	Preference shares redemption reserve	Available for sale financial assets	Accumulated loss	Total reserves	Non-controlling interest	Total equity
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2011		4,548,718,700	2,358,246,761	48,894,931	105,152,005	(14,485,358)	661,250,830	(5,800)	(464,226,537)	2,694,826,832	2,582,107,738	9,825,653,270
Total comprehensive income for the year												
Loss for the year ended 30 June 2012		-	-	-	-	-	-	-	(7,697,521,401)	(7,697,521,401)	(257,862,279)	(7,955,383,680)
Other comprehensive (loss) / income for year ended 30 June 2012		-	-	(48,894,931)	-	(2,961,496)	-	1,967	-	(51,854,460)	-	(51,854,460)
Total comprehensive (loss) / income for the year		-	-	(48,894,931)	-	(2,961,496)	-	1,967	(7,697,521,401)	(7,749,375,861)	(257,862,279)	(8,007,238,140)
Preference shares issued to non-controlling interest during the year		-	-	-	-	-	-	-	-	-	1,593,342,690	1,593,342,690
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment		-	-	-	-	-	-	-	257,518,453	257,518,453	-	257,518,453
As at 30 June 2012		4,548,718,700	2,358,246,761	-	105,152,005	(17,446,854)	661,250,830	(3,833)	(7,904,229,485)	(4,797,030,576)	3,917,588,149	3,669,276,273
As at 01 July 2012		**4,548,718,700**	**2,358,246,761**	**-**	**105,152,005**	**(17,446,854)**	**661,250,830**	**(3,833)**	**(7,904,229,485)**	**(4,797,030,576)**	**3,917,588,149**	**3,669,276,273**
Total comprehensive income for the year												
Loss for the year ended 30 June 2013		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,098,568,865)**	**(2,098,568,865)**	**(246,883,891)**	**(2,345,452,756)**
Other comprehensive income for the year ended 30 June 2013		**-**	**-**	**-**	**-**	**13,626,052**	**-**	**16,390**	**-**	**13,642,442**	**-**	**13,642,442**
Total comprehensive income / (loss) for the year		**-**	**-**	**-**	**-**	**13,626,052**	**-**	**16,390**	**(2,098,568,865)**	**(2,084,926,423)**	**(246,883,891)**	**(2,331,810,314)**
Effect of disposal of subsidiary												
Surplus on revaluation of fixed assets of subsidiary	*37.4*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,150,163,545**	**3,150,163,545**	**-**	**3,150,163,545**
Non-controlling interest	*37.2*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,670,704,258)**	**(3,670,704,258)**
		-	**-**	**-**	**-**	**-**	**-**	**-**	**3,150,163,545**	**3,150,163,545**	**(3,670,704,258)**	**(520,540,713)**
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**125,688,602**	**125,688,602**	**-**	**125,688,602**
As at 30 June 2013		**4,548,718,700**	**2,358,246,761**	**-**	**105,152,005**	**(3,820,802)**	**661,250,830**	**12,557**	**(6,726,946,203)**	**(3,606,104,852)**	**-**	**942,613,848**

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

Lahore

Chief Executive

Director

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

1 Reporting entity

The Group comprises of the following Companies:

1.1 Azgard Nine Limited ("ANL") - *Holding Company*

ANL was incorporated in Pakistan as a Public Limited Company and is listed on Karachi Stock Exchange (Guarantee) Limited. The Company is a composite spinning, weaving, dyeing and stitching unit engaged in the manufacturing of yarn, denim and denim products. The registered office of the Company is situated at Ismail Aiwan-e-Science, off Shahrah-e-Roomi, Lahore. The Company has three production units with Unit I located at 2.5 km off Manga, Raiwind Road, District Kasur, Unit II at Alipur Road, Muzaffargarh and Unit III at 20 km off Ferozpur Road, 6 km Badian Road on Ruhi Nala, Der Khurd, Lahore.

1.2 Montebello s.r.l. ("MSRL") - *Subsidiary Company*

During the year, 100% owned subsidiary of ANL, Farital AB ("FAB") has been dissolved. FAB was incorporated in order to acquire 100% interest in MSRL, owner of an Italian fabric and jeans brand based in Italy. Consequent to dissolution of FAB, 100% interest in MSRL has been transferred to ANL. MSRL is engaged in sale of denim and denim products.

1.3 Agritech Limited ("AGL")

AGL was the Subsidiary of ANL as at beginning of the year, however, during the year, ANL has divested major part of its shareholding resulting in loss of control in AGL as referred in note 37. Accordingly, these financial statements include results of AGL only upto 31 October 2012 being the date on which ANL's control ceases. Consequently, the remaining investment in AGL became an ordinary investment of the Group as against the subsidiary as at beginning of the year.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Going concern assumption

The Group in line with the worldwide and nationwide recessionary trends and other economic conditions is facing liquidity crisis. During the year, the Group has divested majority of its shareholding in AGL and as a result of the said divestment, the Group has settled its long term loans, certain interest / mark-up, redeemable capital, short term borrowings, bills payable and other charges amounting to Rs. 10,042.991 million. However, the Group could only manage to make available Rs. 226.819 million to meets its working capital requirements from the divestment of AGL as opposed to the Rs. 926.819 million surplus anticipated by the Group as explained in note 37. Further, because of constraints in the availability of funds, installed operational capacities could not be achieved due to unavailability of sufficient working capital. Had the Group been able to make timely purchases of raw materials the cost of sales would have been lower.

Due to the above mentioned reasons, the Group has reported negative cash flows of Rs. 930.012 million from its continuing operations during the year ended 30 June 2013 and, as of that date, its current liabilities exceeded its current assets by Rs. 3,338.677 million, including Rs. 1,945.364 million relating to overdue principal and interest / mark-up thereon, and its accumulated loss stood at Rs. 6,726.946 million. These conditions cast a significant doubt about the Group's ability to continue as a going concern. These financial statements have however, been prepared on a going concern basis. The assumption that the Group would continue as a going concern is based on the measures as explained in the succeeding paragraph and expectation of future profitability and positive cash flows from operating activities.

As a part of the second restructuring, the management of the Group intends to sell certain low performing assets, debt restructuring and divestment of its remaining shareholding of Rs. 700.000 million in AGL to achieve better liquidity. With these proposed measures, management of the Group envisages that sufficient financial resources will be available for continuing operations of the Group. With repayment of long term debt there will be a positive impact on reduction of finance costs and with more effective management of resources and raw material procurement, the Group is expected to operate profitably, subject to impact, if any, of uncontrollable external circumstances including power crises and global market conditions.

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for the year ended 30 June 2013

2.3 Financial liabilities

The Group could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in note 43.2.2. Further, as at the reporting date, the Group could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 7,146.255 million as detailed below have been classified as long term as per the repayment schedules in the financial statements as the management considers that event of default has not been declared by the lenders and also because of the fact that during the year the Group has commenced discussions with its lenders for reprofiling of its long term debts:

	Principal net of current maturity Rupees
Redeemable capital	
Term Finance Certificates - II	613,440,233
Term Finance Certificates - IV	1,021,683,477
Term Finance Certificates - V	402,008,983
Privately Placed Term Finance Certificates - VI	2,896,803,000
Privately Placed Term Finance Certificates	326,456,184
Privately Placed Term Finance Certificates	217,200,000
	5,477,591,877
Long term finances	
Deutsche Investitions - Und MBH (Germany)	907,054,268
Saudi Pak Industrial and Agricultural Company Limited	41,040,190
HSBC Bank (Middle East) Limited	209,782,786
Citi Bank N.A (Pakistan)	510,785,519
	1,668,662,763
	7,146,254,640

2.4 Basis of measurement

These consolidated 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 consolidated financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.5 Judgments, estimates and assumptions

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

2.5.1 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 up to which such benefits are expected to be available.

2.5.2 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.

2.5.3 Fair values based on inputs from other than active market

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

2.5.4 Taxation

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

2.5.5 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.

2.5.6 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.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

2.6 Functional currency

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

3 Significant accounting polices

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

3.1 Basis of consolidation

a) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

i) the fair value of the consideration transferred; plus

Notes to the Consolidated Financial Statements
for the year ended 30 June 2013

ii) the recognized amount of any non-controlling interests in the acquiree; plus

iii) if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

iv) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

b) Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

i) at fair value; or

ii) at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

d) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. The Group transfers the revaluation surplus directly to retained earnings when it loses control of the subsidiary. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

3.2 Property, plant and equipment

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

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

The Group recognizes depreciation in profit and loss on property, plant and equipment using depreciation methods and useful lives / depreciation rates specified below. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal. Depreciation is charged on reducing balance method at the following rates:

Textile and apparel segment	Depreciation rates per year
Buildings on freehold land	2.50%
Plant and machinery	2% - 15%
Furniture, fixtures and office equipment	10% - 20%
Vehicles	20%
Tools and other equipment	10%
Electrical and other installations	10% - 12.5%

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

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

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

Further the surplus on revaluation of property, plant and equipment shall be utilized in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

3.4 Intangible assets

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

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

3.5 Software

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

3.6 Research and development expenditure

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

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

3.7 Goodwill acquired in business combination

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

The goodwill is tested for impairment at each balance sheet date. The identified amount of impairment, if any, is allocated to goodwill in accordance with the requirement of IFRS.

3.8 Stores, spares and loose tools

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

3.9 Stock in trade

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

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

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

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

3.10 Employee benefits

Short-term employee benefits

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

Notes to the Consolidated Financial Statements

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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.

3.11 Investments

The Group classifies its investments into following classes depending on the purpose for which the investments are made. Investments are either classified as investment in equity securites, investment in debt security or financial instruments as follows:

3.11.1 Investment in equity securities

Investments in equity securities 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 are measured at fair value. Investments in other equity securities, where prices are available from active market, are measured at fair value subsequent to initial recognition, however in absence of active market, these are measured at cost less accumulated impairment losses. Changes in fair value are recognized in other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit or loss.

3.11.2 Investments in debt securities

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

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

3.11.3 Financial instruments

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

3.11.3(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.

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3.11.3(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 not have any investment classified as held-to-maturity investment as at the reporting date.

3.11.3(c) ***Loans and receivables***

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

3.11.3(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.

3.11.3(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.

3.11.3(f) ***Derivative financial instruments***

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

Fair value hedges

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

Cash flow hedges

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

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3.11.4 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.

3.11.5 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.

3.11.6 Regular way purchases and sales of financial assets

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

3.12 Discontinued operation

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

3.13 Ordinary share capital

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

3.14 Preference share capital

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

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

3.15 Redeemable capital

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

3.16 Loans and borrowings

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

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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 and loss on a straight line basis over the lease term.

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 and 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 and loss.

3.21.2 Non-financial assets

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

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3.22 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.

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

Interest income is recognized using effective interest method.

3.23 Borrowing costs

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

3.24 Government grants

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

3.25 Income tax

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

Current taxation

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

Deferred taxation

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

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3.26 Earnings per share (EPS)

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

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

3.27 Cash and cash equivalents

Cash and cash equivalents comprise running finances, cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.28 Foreign currency transactions and balances

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

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

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

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

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

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

3.29 Impairment

3.29.1 Financial assets

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

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

3.29.2 Non-financial assets

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

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

3.30 Dividend to ordinary shareholders

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

3.31 Dividend distribution to preference shareholders

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

4 New and revised approved accounting standards, interpretations and amendments thereto

New standards, amendments to approved accounting standards and interpretations which became effective during the year ended 30 June 2013

There were certain new standards and amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these financial statements except for the amendment to IAS 1 'Presentation of financial statements' regarding 'other comprehensive income'.

The primary change resulting from this amendment is that the Group has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustment).

Had there been no change in the aforementioned, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

New standards, amendments to approved accounting standards and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

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

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

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

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

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

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

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

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

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Notes to the Consolidated Financial Statements

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	2013 Rupees	2012 Rupees
5 Share capital		
Authorized share capital		
Ordinary shares of Rs. 10 each		
900,000,000 (2012: 900,000,000) voting shares	**9,000,000,000**	9,000,000,000
300,000,000 (2012: 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 (2012: 300,000,000) non-voting shares	**3,000,000,000**	3,000,000,000
	15,000,000,000	15,000,000,000
Issued, subscribed and paid-up capital		
Voting ordinary shares of Rs. 10 each		
323,712,733 (2012: 323,712,733) shares fully paid in cash	**3,237,127,330**	3,237,127,330
62,548,641 (2012: 62,548,641) shares issued as fully paid bonus shares	**625,486,410**	625,486,410
12,276,073 (2012: 12,276,073) shares issued as consideration for machinery	**122,760,730**	122,760,730
50,811,992 (2012: 50,811,992) shares issued as consideration on merger	**508,119,920**	508,119,920
	4,493,494,390	4,493,494,390
Non-voting ordinary shares of Rs. 10 each		
4,753,719 (2012: 4,753,719) shares fully paid in cash	**47,537,190**	47,537,190
768,712 (2012: 768,712) shares issued as fully paid bonus shares	**7,687,120**	7,687,120
	55,224,310	55,224,310
	4,548,718,700	4,548,718,700

As at 30 June 2013, Jahangir Siddiqui & Co. Limited, an associated undertaking, holds 112,157,863 (2012: 112,157,863) ordinary shares of ANL.

	Note	2013 Rupees	2012 Rupees
6 Reserves			
Share premium	*6.1*	**2,358,246,761**	2,358,246,761
Merger reserve	*6.2*	**105,152,005**	105,152,005
Translation reserve	*6.3*	**(3,820,802)**	(17,446,854)
Preference shares redemption reserve	*6.4*	**661,250,830**	661,250,830
Available for sale financial assets	*6.5*	**12,557**	(3,833)
		3,120,841,351	3,107,198,909

6.1 Share premium

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

6.2 Reserve on merger

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

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6.3 Translation reserve

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

6.4 Preference shares redemption reserve

This reserve has been created for redemption of preference shares issued by ANL as required to be created and maintained under the terms of issue and section 85 of the Companies Ordinance, 1984.

6.5 Available for sale financial assets

This represents surplus / (deficit) on revaluation of investments classified as available for sale financial assets.

	Note	**2013 Rupees**	2012 Rupees
7 Non-controlling interest			
Ordinary shareholders	*7.1*	-	2,236,611,611
Preference shareholders	*7.2*	-	1,680,976,538
		-	3,917,588,149
7.1 Ordinary shareholders			
As at beginning of the year		**2,236,611,611**	2,582,107,738
Share of total comprehensive loss for the period / year		**(253,588,120)**	(345,496,127)
Derecognized on disposal of AGL	*37.2*	**(1,983,023,491)**	
As at end of the year		-	2,236,611,611
7.2 Preference shareholders			
As at beginning of the year		**1,680,976,538**	-
Preference shares issued during the year		-	1,593,342,690
Share of total comprehensive income for the period / year		**6,704,229**	87,633,848
Derecognized on disposal of AGL	*37.2*	**(1,687,680,767)**	
As at end of the year		-	1,680,976,538
8 Surplus on revaluation of fixed assets			
As at beginning of the year		**6,746,439,428**	7,003,957,881
Transferred to accumulated loss on disposal of AGL		**(3,150,163,545)**	-
Incremental depreciation transferred to accumulated loss		**(125,688,602)**	(257,518,453)
As at end of the year		**3,470,587,281**	6,746,439,428

Notes to the Consolidated Financial Statements
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		Note	2013 Rupees	2012 Rupees
9	**Redeemable capital - *secured***			
	Term Finance Certificates - II	9.1	**651,066,836**	1,498,649,061
	Term Finance Certificates - IV	9.2	**1,083,768,528**	2,498,000,000
	Term Finance Certificates - V	9.3	**527,682,637**	823,620,000
	Privately Placed Term Finance Certificates - VI	9.4	**3,218,670,000**	3,218,670,000
	Privately Placed Term Finance Certificates	9.5	**326,456,184**	-
	Privately Placed Term Finance Certificates	9.6	**217,200,000**	-
			6,024,844,185	8,038,939,061
	Deferred notional income	9.7	**(856,485,545)**	(1,124,890,714)
	Transaction cost	9.8	**(57,772,282)**	(74,354,806)
			5,110,586,358	6,839,693,541
	Less: Amount shown as current liability			
	Amount payable within next twelve months		**(547,252,308)**	(2,559,131,063)
	Amount due after 30 June 2013	9.9	**-**	(1,551,127,282)
			(547,252,308)	(4,110,258,345)
			4,563,334,050	2,729,435,196

9.1 These Term Finance Certificates - II ("TFC - II") have been issued by way of private placements and public subscription and are listed on Karachi Stock Exchange (Guarantee) Limited. The total issue comprises of 428,734 certificates of Rs. 5,000 each. The terms and conditions of the issue as per Amendment No. 1 to Master Restructuring and Intercreditor Agreement ("MRA-1") dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of TFC - II is structured to be in ten un-equal installments. During the year, first installement amounting to Rs. 847.582 million was settled by ANL, also refer to note 37.6. Remaining nine installments are to be paid semi-annually starting from 20 September 2013 and ending on 20 September 2017.

Return on TFCs

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

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

Trustee

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

Security

For detail of securities refer to note 9.10.

At the reporting date interest / mark-up amounting to Rs. 139.614 million was overdue. Refer to note 43.2.2 for details.

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9.2 These Term Finance Certificates - IV ("TFC - IV") have been issued by way of private placements. The total issue comprises of 500,000 certificates of Rs. 5,000 each. The terms and conditions of the issue as per MRA-1 dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of TFC - IV is structured to be in ten un-equal installments. During the year, first installment amounting to Rs. 1,414.231 million was settled by ANL, also refer to note 37.6. Remaining nine installments are to be paid semi-annually starting from 04 December 2013 and ending on 04 December 2017.

Return on TFCs

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

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

Trustee

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

Security

For detail of securities refer to note 9.10.

At the reporting date interest / mark-up amounting to Rs. 258.577 million was overdue. Refer to note 43.2.2 for details.

9.3 These Term Finance Certificates - V ("TFC - V") represent restructuring of various short term facilities amounting to Rs. 825.000 million. The total issue comprised of 165,000 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue as per MRA-1 dated 11 April 2012 are as follows:

Principal redemption

The principal redemption of TFC - V is structured to be in nine un-equal installments. During the year, first installement amounting to Rs. 295.937 million was settled by ANL, also refer to note 37.6. Remaining eight installments are to be paid quarterly starting from 18 February 2014 and ending on 18 November 2015.

Return on TFCs

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

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

Trustee

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

Security

For detail of securities refer to note 9.10.

At the reporting date interest / mark-up amounting to Rs. 91.921 million was overdue. Refer to note 43.2.2 for details.

Notes to the Consolidated Financial Statements

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9.4 This represent restructuring of outstanding mark-up amounting to Rs. 3,218.670 million related to long term debts and short term borrowings till 31 March 2012. The total issue comprises of 643,734 TFCs having face value of Rs. 5,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in seven unequal semi annual installments starting from 31 March 2014 and ending on 31 March 2017.

Call option

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

Return on PPTFCs

The issue carries nil return (also refer to note 9.7).

Trustee

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

Security

The issue is secured by:

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

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

9.5 These represent restructuring of outstanding principal amounting to Rs. 256.020 million and outstanding mark-up along with preference dividend amounting to Rs. 70.436 million related to preference shares into fresh issue of Privately Placed Term Finance Certificates ("PPTFCs") by way of Settlement Agreement ("the Agreement") between ANL and JS Global Capital Limited dated 22 October 2012 effective from 19 October 2012. The total issue comprised of 12 PPTFCs having face value of Rs. 27.205 million each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of PPTFCs is structured to be in twelve equal installments amounting to Rs. 27.205 million each. Installments are to be paid semi-annually starting from 19 April 2015 and ending on 19 October 2020.

Return on PPTFCs

The issue carries a fixed mark-up rate at 11% per annum.

Trustee

In order to protect the interests of PPTFC holders, JS Bank Limited has been appointed as Trustee under a Trust Deed for the issue of PPTFCs entered on 23 October 2012, with power to enforce ANL's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Trust Deed.

Security

The issue is secured by personal Guarantee of Sponsor Director.

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for the year ended 30 June 2013

9.6 These represent restructuring of outstanding principal amounting to Rs. 170.132 million and outstanding mark-up along with preference dividend amounting to Rs. 47.068 million related to preference shares into fresh issue of Privately Placed Term Finance Certificates ("PPTFCs") by way of Settlement Agreement ("the Agreement") between ANL and Lenders dated 22 October 2012 effective from 19 October 2012. The total issue comprised of 21,720 PPTFCs having face value of Rs. 10,000 each. The terms and conditions of the issue are as follows:

Principal redemption

The principal redemption of PPTFCs is structured to be in twelve equal installments amounting to Rs. 18.100 million each. Installments are to be paid semi-annually starting from 19 April 2015 and ending on 19 October 2020.

Return on PPTFCs

The issue carries a fixed mark-up rate at 11% per annum.

Trustee

In order to protect the interests of PPTFC holders, JS Bank Limited has been appointed as Trustee under a Trust Deed for the issue of PPTFCs entered on 23 October 2012, with power to enforce ANL's obligations, in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Trust Deed.

Security

The issue is secured by personal Guarantee of Sponsor Director.

9.7 This represents the difference between amortized cost and face value of zero-coupon Privately Placed Term Finance Certificates - VI, with five year maturity (refer to note 9.4). Amortized cost has been determined using effective interest rate of 13.23% per annum being the weighted average rate of return on redeemable capital. Movement is as follows:

	Note	**2013** **Rupees**	2012 Rupees
Deferred notional income			
As at beginning of the year		**1,124,890,714**	-
Occurred during the year		**-**	1,189,908,326
Amortized during the year		**(268,405,169)**	(65,017,612)
As at end of the year		**856,485,545**	1,124,890,714

9.8 **Transaction costs**

	Note	**2013** **Rupees**	2012 Rupees
As at beginning of the year		**74,354,806**	323,091,516
Classified as held for sale		**-**	(236,126,979)
Amortized during the year	35	**(16,582,524)**	(12,609,731)
As at end of the year		**57,772,282**	74,354,806

9.9 ANL during the year, as well as in previous year could not make certain interest / mark-up payments on due dates and further remained non-compliant with certain financial and other covenants imposed by the lenders as a result of which the entire redeemable capital was classified as current in the year ended 30 June 2012. However, as at the reporting date, ANL has classified redeemable capital in accordance with the repayment schedule for reasons fully explained in note 2.3.

9.10 **Common security**

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

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

- Personal Guarantee of Sponsor Director.

	Note	2013 Rupees	2012 Rupees
10 Long term finances - *secured*			
United Bank Limited	10.1	**-**	75,000,000
National Bank of Pakistan	10.2	**-**	1,000,000,000
Deutsche Investitions - Und MBH (Germany)	10.3	**907,054,269**	1,422,000,000
Saudi Pak Industrial and Agricultural Company Limited	10.4	**43,251,155**	100,000,000
HSBC Bank (Middle East) Limited	10.5	**255,602,579**	272,113,408
Citi Bank N.A (Pakistan)	10.6	**567,539,466**	567,539,466
		1,773,447,469	3,436,652,874
Transaction costs	10.7	**(21,944,566)**	(28,254,867)
		1,751,502,903	3,408,398,007
Less: Amount shown as current liability			
Amount payable within next twelve months		**(104,784,705)**	(1,936,345,512)
Amount due after 30 June 2013	10.8	**-**	(1,472,052,495)
		(104,784,705)	(3,408,398,007)
		1,646,718,198	-

10.1 The finance has been settled during the year by ANL. Also refer to note 37.6.

At the reporting date interest / mark-up amounting to Rs. 5.683 million was overdue. Refer to note 43.2.2 for details.

10.2 The finance has been settled during the year by ANL. Also refer to note 37.6.

At the reporting date interest / mark-up amounting to Rs. 77.94 million was overdue. Refer to note 43.2.2 for details.

10.3 This represents Euros 15 million obtained from Deutsche Investitions - Und MBH (Germany) ("DEG") to finance the setup of new textile and apparel project. In context of the overall debt restructuring of ANL, the finance was rescheduled in the previous year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms, the loan is payable in twenty-one un-equal installments. During the year, first installment amounting to Rs. 641.221 million was settled by ANL. Also refer to note 37.6. Remaining twenty installments are to be paid quarterly starting from 15 July 2015. For detail of securities refer to note 9.10.

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

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

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

At the reporting date interest amounting to Rs. 15.963 million was overdue. Refer to note 43.2.2 for details.

10.4 The finance has been obtained from Saudi Pak Industrial and Agricultural Company Limited for long term working capital requirements. As per MRA - 1 dated 11 April 2012, loan is payable in eighteen un-equal installments. During the year, first installment amounting to Rs. 56.749 million was settled by ANL. Also refer to note 37.6. Remaining seventeen installments are to be paid quarterly starting from 13 November 2013 and ending on 13 November 2017. For detail of securities refer to note 9.10.

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

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

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

At the reporting date interest amounting to Rs. 10.361 million was overdue. Refer to note 43.2.2 for details.

10.5 The finance has been obtained from HSBC Bank Middle East Limited for long term working capital requirements. As per MRA-1 dated 11 April 2012, the loan is payable in nine un-equal installments. During the year, first installment amounting to Rs. 7.511 million was settled by ANL. Also refer to note 37.6. Remaining eight installments are to be paid semi-annually starting from 01May 2013 and ending on 01 November 2016. For detail of securities refer to note 9.10.

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

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

At the reporting date principal amounting to Rs. 6.000 million and interest / mark-up amounting to Rs. 34.758 million was overdue. Refer to note 43.2.2 for details.

10.6 As part of the overall debt restructuring of ANL, the finance was converted from various short term borrowings. This issue has also been rescheduled during the year by way of MRA-1 dated 11 April 2012. As per the rescheduling terms, the loan is payable in six un-equal installments. Installment are to be paid semi-annually starting from 01 May 2014. For detail of securities refer to note 9.10.

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

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

At the reporting date interest / mark-up amounting to Rs. 6.022 million was overdue. Refer to note 43.2.2 for details.

	Note	**2013**	2012
		Rupees	Rupees
10.7 Transaction costs			
As at beginning of the year		**28,254,867**	128,761,126
Classified as held for sale	*37*	**-**	(85,330,517)
Amortized during the year	*35*	**(6,310,301)**	(15,175,742)
As at end of the year		**21,944,566**	28,254,867

10.8 ANL during the year, as well as in previous year could not make certain principal and interest / mark-up payments on due dates and further remained non-compliant with certain financial and other covenants imposed by the lenders as a result of which the entire long term finance was classified as current liability in the year ended 30 June 2012. However, as at the reporting date, ANL has classified long term loans in accordance with the repayment schedule for reasons fully explained in note 2.3.

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11 Liabilities against assets subject to finance lease -*secured*

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

	Note	2013 Rupees	2012 Rupees
Present value of minimum lease payments	*11.1 & 11.2*	**32,586,801**	36,436,705
Current maturity presented under current liabilities	*12*	**(32,586,801)**	(12,415,966)
		-	24,020,739

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 twelve months KIBOR plus 2.00% to 4.00% (2012: three months to twelve months KIBOR plus 2.00% to 4.00%) per annum. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by ANL. ANL also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option. ANL during the current year remained unable to make repayments in respect of lease liabilities as a result of which the Lessor has demanded immediate repayment of outstanding lease installments and return of the leased assets. Consequently, all liability in respect of lease has been classified as current liability.

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

	Note	2013 Rupees	2012 Rupees
Not later than one year		**40,918,058**	17,050,310
Later than one year but not later than five years		**-**	27,769,672
Total future minimum lease payments		**40,918,058**	44,819,982
Finance charge allocated to future periods		**(8,331,257)**	(8,383,277)
Present value of future minimum lease payments		**32,586,801**	36,436,705
Not later than one year	*12*	**(32,586,801)**	(12,415,966)
Later than one year but not later than five years		**-**	24,020,739

12 Current portion of non-current liabilities

	Note	2013 Rupees	2012 Rupees
Preference shares of Rs. 10 each (2012: Rs. 10 each)	*12.1*	**148,367,255**	574,518,935
Redeemable capital	*9*	**547,252,308**	4,110,258,345
Long term finances	*10*	**104,784,705**	3,408,398,007
Liabilities against assets subject to finance lease	*11.2*	**32,586,801**	12,415,966
		832,991,069	8,105,591,253

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

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

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

ANL during the year, has settled its liability towards preference shares through conversion into a fresh issue of PPTFCs amounting to Rs. 426.152 million. Refer to note 9.5 and note 9.6.

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ANL intends to settle its remaining liability towards preference shares through conversion into a fresh issue of Financial Instruments, the terms of which are being negotiated with the majority of the investors and the process is expected to materialize in due course.

At the reporting date, entire outstanding amount of preference shares was overdue. Refer to note 43.2.2 for details.

13 Short term borrowings

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

	Note	**2013** **Rupees**	2012 Rupees
Secured			
Running finance	*13.1*	**1,076,169,156**	1,832,049,760
Term loan	*13.1*	**3,550,598,236**	5,006,610,401
Morabaha / LPO	*13.1*	**192,419,450**	198,626,000
Bridge finance	*13.2*	**-**	1,119,457,014
		4,819,186,842	8,156,743,175
Secured			
Finance against foreign bills	*13.4*	**205,346,227**	277,211,316
		5,024,533,069	8,433,954,491

13.1 These facilities have been obtained from various banking companies and financial institutions for working capital requirements and are secured by Common Security (refer to note 9.10), lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, pledge of stocks, ranking charge amounting to Rs. 750 million on current and future assets of ANL.

Mark-up on these finances is payable quarterly / semi-annually. Local currency finances carry mark-up at rates ranging from one to twelve months KIBOR plus 1% per annum (2012: one to six months KIBOR plus 1% per annum). Foreign currency finances carry mark up at rates ranging from LIBOR / EURIBOR of matching tenor plus 2% to 6.5% per annum (2012: LIBOR of matching tenor plus 2% to 6.5% per annum). Mark-up on pre / post shipment finances refinanced by the State Bank of Pakistan is payable at SBP refinance rate of 8.20% to 10.00% per annum plus banks' spread of 1% per annum (2012: 10% per annum plus banks' spread of 1% per annum). Morabaha / LPO carry mark-up at rates ranging from six to twelve months KIBOR plus 1% to 3% per annum (2012: six to twelve months KIBOR plus 1% to 3% per annum). Letters of credit / guarantee carry commission at rates ranging from 0.10% to 0.15% per quarter (2012: 0.1% to 0.15% per quarter). Certain finances also carry a penalty interest / mark-up.

During the year, an amount of Rs. 748.351 million and Rs. 1,153.117 million in respect of running finance and term loan respectively was settled by ANL. Also refer to note 37.6.

At the reporting date interest / mark-up amounting to Rs. 93.158 million was overdue in respect of running finance. Further, principal amounting to Rs. 232.602 million and interest / mark-up amounting to Rs. 311.618 million was overdue in respect of term loan. Refer to note 43.2.2 for details.

13.2 The finance has been settled during the year by ANL. Also refer to note 37.6.

At the reporting date interest / mark-up amounting to Rs. 68.753 million was overdue. Refer to note 43.2.2 for details.

Notes to the Consolidated Financial Statements

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13.3 The aggregate available short term funded facilities amounts to Rs. 7,149 million (2012: Rs. 10,308 million) out of which Rs. 2,338 million (2012: Rs. 1,474 million) remained unavailed as at the reporting date. Limits available for opening of letters of credit amounts to Rs. 521 million (2012: Rs. 2,107 million) of which the limits remaining unutilized as at the reporting date amounts to Rs. 128 million (2012: Rs. 144 million).

13.4 These carry interest at rates ranging from 2.50% to 7.00% per annum (2012: 2.50% to 7.00% per annum). The aggregate available facilities amount to Euros 2.500 million (2012: Euros 2.500 million) out of which Euros 0.900 million (2012: Euros 0.160 million) remained unavailed as at reporting date.

	Note	**2013**	2012
		Rupees	Rupees
14 Trade and other payables			
Trade creditors		**1,865,832,652**	1,590,268,928
Bills payable	*14.1 & 14.2*	**385,516,037**	1,755,448,679
Accrued liabilities		**420,242,718**	568,729,225
Advances from customers		**64,724,636**	102,516,590
Payable to Provident Fund Trust	*14.3*	**83,897,625**	96,248,979
Workers' Profit Participation Fund	*14.4*	**55,243,056**	47,015,366
Tax deducted at source		**10,492,869**	10,941,701
Derivative financial liability		**-**	7,424,080
Other payables		**71,169,229**	98,584,330
		2,957,118,822	4,277,177,878

14.1 During the year, an amount of to Rs. 1,560.869 million was settled by ANL in respect of bills payable. Also refer to note 37.6.

14.2 At the reporting date bills amounting to Rs. 274.462 million and interest / mark-up amounting to Rs. 41.309 million were overdue. Refer to note 43.2.2 for details.

14.3 Interest on outstanding liability towards Provident Fund Trust is charged at 16.10% (2012: 16.10%) per annum.

14.4 Interest on outstanding liability towards Workers' Profit Participation Fund is charged at 17.50% (2012: 17.50%) per annum.

	Note	**2013**	2012
		Rupees	Rupees
15 Interest / mark-up accrued on borrowings			
Redeemable capital		**587,769,949**	388,702,771
Long term finances		**243,861,238**	304,019,043
Short term borrowings		**670,071,067**	664,634,827
		1,501,702,254	1,357,356,641
16 Dividend payable			
Unclaimed dividend on ordinary shares		**4,002,037**	4,002,037
Dividend payable on preference shares	*16.1*	**9,413,535**	28,727,041
		13,415,572	32,729,078

16.1 Preference dividend was due for payment on 21 November 2010, however no payments have been made up to the reporting date. During the year ANL has partially adjusted the preference dividend against the new issue of PPTFCs. The management intends to settle this amount along with the settlement of outstanding overdue preference shares.

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17 Contingencies and commitments

17.1 Contingencies

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

17.1.2 ANL has issued indemnity bonds amounting to Rs. 212.437 million (2012: Rs. 641.000 million) in favour of Collector of Customs and Sales Tax department in lieu of levies under various statutory notifications and these are likely to be released after the fulfillment of the terms of related notifications.

17.1.3 Counter guarantees given by ANL to its bankers as at the reporting date amount to Rs. 167.605 million (2012: Rs. 169.730 million).

17.1.4 No redemption of preference shares has been made up to the reporting date in respect of second and final redemption, whereas, only partial redemption has been carried out in respect of first redemption. During the year ANL has partially converted preference shares and preference dividend payable into PPTFCs, as referred to in note 9.5 and note 9.6.

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

17.1.6 Foreign bills discounted as at reporting date aggregated to Rs. 1,937.219 million (2012: 1,999.142 million).

		Note	**2013 Rupees**	2012 Rupees
17.2	**Commitments**			
17.2.1	Commitments under irrevocable letters of credit for:			
	- purchase of stores, spare and loose tools		**-**	30,507,298
	- purchase of machinery		**-**	14,639,280
	- purchase of raw material		**43,889,430**	76,726,497
			43,889,430	121,873,075
17.2.2	Commitments for capital expenditure		**705,600**	3,236,108

18 Property, plant and equipment

	Note	**2013 Rupees**	2012 Rupees
Operating fixed assets	*18.1*	**12,972,803,631**	13,408,775,980
Capital work in progress	*18.5*	**206,892**	7,535,550
		12,973,010,523	13,416,311,530

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18.1 Operating fixed assets

	30 June 2013											
	COST / REVALUED AMOUNT						DEPRECIATION					
	As at 01 July 2012	Additions	Exchange difference	Disposals	Transfers	As at 30 June 2013	As at 01 July 2012	For the year	Exchange difference	Adjustments / (disposals) / transfers	As at 30 June 2013	Net book value as at 30 June 2013
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets owned by the Group												
Freehold land												
- cost	558,010,025	-	-	-	-	**558,010,025**	-	-	-	-	**-**	**558,010,025**
- revaluation	719,724,975	-	-	-	-	**719,724,975**	-	-	-	-	**-**	**719,724,975**
	1,277,735,000	-	-	-	-	**1,277,735,000**	-	-	-	-	**-**	**1,277,735,000**
Buildings on freehold land												
- cost	2,680,259,983	7,655,166	-	-	-	**2,687,915,149**	523,423,391	53,615,649	-	-	**577,039,040**	**2,110,876,109**
- revaluation	703,539,295	-	-	-	-	**703,539,295**	160,466,029	13,955,474	-	-	**174,421,503**	**529,117,792**
	3,383,799,278	7,655,166	-	-	-	**3,391,454,444**	683,889,420	67,571,123	-	-	**751,460,543**	**2,639,993,901**
Plant and machinery												
- cost	9,616,132,509	51,844,039	436,709	-	2,578,500	**9,670,991,757**	3,153,660,316	277,008,660	218,505	654,544	**3,431,542,025**	**6,239,449,732**
- revaluation	3,733,396,598	-	-	-	-	**3,733,396,598**	1,399,918,957	111,733,125	-	-	**1,511,652,082**	**2,221,744,516**
	13,349,529,107	51,844,039	436,709	-	2,578,500	**13,404,388,355**	4,553,579,273	388,741,785	218,505	654,544	**4,943,194,107**	**8,461,194,248**
Furniture, fixtures and office equipment	202,642,324	1,971,955	500,691	(103,000)	-	**205,011,970**	99,317,415	10,638,835	260,210	(36,671)	**110,179,789**	**94,832,181**
Vehicles and rail transport	82,763,949	1,125,800	263,272	(7,912,025)	9,314,277	**85,555,273**	56,606,938	5,344,211	98,795	265,420	**62,315,364**	**23,239,909**
Tools and equipment	400,285,772	12,471,593	837,877	-	-	**413,595,242**	129,515,285	27,562,712	289,356	-	**157,367,353**	**256,227,889**
Electrical and other installations	184,580,726	8,049,265	1,094,991	-	-	**193,724,982**	83,612,722	10,791,961	460,986	-	**94,865,669**	**98,859,313**
	18,881,336,156	**83,117,818**	**3,133,540**	**(8,015,025)**	**11,892,777**	**18,971,465,266**	**5,606,521,053**	**510,650,627**	**1,327,852**	**883,293**	**6,119,382,825**	**12,852,082,441**
Assets subject to finance lease												
Plant and machinery	218,023,444	-	-	-	(2,578,500)	**215,444,944**	89,880,536	5,716,439	-	(654,544)	**94,942,431**	**120,502,513**
Vehicles	10,813,167	-	-	(816,200)	(9,314,277)	**682,690**	4,995,198	540,757	-	(5,071,942)	**464,013**	**218,677**
	228,836,611	**-**	**-**	**(816,200)**	**(11,892,777)**	**216,127,634**	**94,875,734**	**6,257,196**	**-**	**(5,726,486)**	**95,406,444**	**120,721,190**
2013	**19,110,172,767**	**83,117,818**	**3,133,540**	**(8,831,225)**	**-**	**19,187,592,900**	**5,701,396,787**	**516,907,823**	**1,327,852**	**(4,843,193)**	**6,214,789,269**	**12,972,803,631**

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18.1.1

	30 June 2012																	
	COST / REVALUED AMOUNT									DEPRECIATION								
	As at 01 July 2011	Additions	Exchange difference	Adjustments	Disposals	Reclassified from assets held for disposal (note 37)	Transfers	Reclassified to assets held for sale (note 37)	As at 30 June 2012	As at 01 July 2011	For the period	Exchange difference	Reclassified from assets held for disposal (note 37)	Adjustment	Reclassified to assets held for sale (note 37)	As at 30 June 2012	Net book value as at 30 June 2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets owned by the Group																	
Freehold land																	
- cost	640,796,398	-	-	-	-	-	-	(82,786,373)	558,010,025	-	-	-	-	-	-	-	558,010,025
- revaluation	3,042,092,652	-	-	-	-	-	-	(2,322,367,677)	719,724,975	-	-	-	-	-	-	-	719,724,975
	3,682,889,050	-	-	-	-	-	-	(2,405,154,050)	1,277,735,000	-	-	-	-	-	-	-	1,277,735,000
Buildings on freehold land																	
- cost	3,910,642,234	120,781,099	-	-	-	-	-	(1,351,163,350)	2,680,259,983	884,526,427	79,599,388	-	-	-	(440,702,424)	523,423,391	2,156,836,592
- revaluation	1,921,515,487	-	-	-	-	-	-	(1,217,976,192)	703,539,295	224,647,425	40,263,620	-	-	-	(104,445,016)	160,466,029	543,073,266
	5,832,157,721	120,781,099	-	-	-	-	-	(2,569,139,542)	3,383,799,278	1,109,173,852	119,863,008	-	-	-	(545,147,440)	683,889,420	2,699,909,858
Plant and machinery																	
- cost	21,574,714,313	12,607,473,758	(261,613)	-	(15,641,073)	674,473,491	-	(25,224,626,367)	9,616,132,509	7,145,416,291	719,550,384	(104,422)	382,310,849	(11,046,452)	(5,082,466,334)	3,153,660,316	6,462,472,193
- revaluation	15,384,630,553	-	-	-	(9,890,357)	646,727,759	-	(12,288,071,357)	3,733,396,598	1,833,734,819	378,772,788	-	225,797,843	(6,985,029)	(1,031,401,464)	1,399,918,957	2,333,477,641
	36,959,344,866	12,607,473,758	(261,613)	-	(25,531,430)	1,321,201,250	-	(37,512,697,724)	13,349,529,107	8,979,151,110	1,098,323,172	(104,422)	608,108,692	(18,031,481)	(6,113,867,798)	4,553,579,273	8,795,949,834
Residential colony assets																	
- cost	14,649,316	4,603	-	-	-	-	-	(14,653,919)	-	10,010,075	534,882	-	-	-	(10,544,957)	-	-
- revaluation	226,043,586	-	-	-	-	-	-	(226,043,586)	-	11,721,237	4,520,872	-	-	-	(16,242,109)	-	-
	240,692,902	4,603	-	-	-	-	-	(240,697,505)	-	21,731,312	5,055,754	-	-	-	(26,787,066)	-	-
Roads, bridges and culverts	88,857,450	-	-	-	-	-	-	(88,857,450)	-	9,218,028	1,752,281	-	-	-	(10,970,309)	-	-
Furniture, fixtures and office equipment	267,006,667	21,252,140	(299,942)	-	(60,000)	-	-	(85,256,541)	202,642,324	140,179,117	17,229,357	(123,677)	-	(17,248)	(57,950,134)	99,317,415	103,324,909
Vehicles and rail transport	165,695,449	4,995,003	(141,083)	-	(21,184,941)	-	41,249,731	(107,850,210)	82,763,949	138,111,441	5,189,964	(31,225)	-	14,026,036	(100,689,278)	56,606,938	26,157,011
Tools and equipment	578,818,852	13,989,099	(501,936)	-	-	-	-	(192,020,243)	400,285,772	283,468,609	30,953,432	(131,538)	-	-	(184,775,218)	129,515,285	270,770,487
Electrical and other installations	1,500,612,351	26,271,795	(655,962)	-	-	-	-	(1,341,647,458)	184,580,726	819,492,547	37,320,197	(215,012)	-	-	(772,985,010)	83,612,722	100,968,004
Plantation	296,476	-	-	-	-	-	-	-	296,476	296,476	-	-	-	-	-	296,476	-
Books and literature	926,479	-	-	-	-	-	-	(926,479)	-	626,023	66,801	-	-	-	(692,824)	-	-
Catalysts	111,144,268	16,694,624	-	-	-	-	-	(127,838,892)	-	111,144,268	927,480	-	-	-	(112,071,748)	-	-
	49,428,442,531	12,811,462,121	(1,860,536)	-	(46,776,371)	1,321,201,250	41,249,731	(44,672,086,094)	18,881,632,632	11,612,592,783	1,316,681,446	(605,874)	608,108,692	(4,022,693)	(7,925,936,825)	5,606,817,529	13,274,815,103
Assets subject to finance lease																	
Plant and machinery	561,484,184	137,816,930	-	(68,692,148)	-	-	-	(412,585,522)	218,023,444	107,101,856	16,068,181	-	-	(5,332,698)	(27,956,803)	89,880,536	128,142,908
Vehicles	131,580,201	70,000	-	-	(11,116,349)	-	(41,249,731)	(68,470,954)	10,813,167	62,118,124	19,290,723	-	-	(33,433,992)	(42,979,657)	4,995,198	5,817,969
	693,064,385	137,886,930	-	(68,692,148)	(11,116,349)	-	(41,249,731)	(481,056,476)	228,836,611	169,219,980	35,358,904	-	-	(38,766,690)	(70,936,460)	94,875,734	133,960,877
2012	50,121,506,916	12,949,349,051	(1,860,536)	(68,692,148)	(57,892,720)	1,321,201,250	-	(45,153,142,570)	19,110,469,243	11,781,812,763	1,352,040,350	(605,874)	608,108,692	(42,789,383)	(7,996,873,285)	5,701,693,263	13,408,775,980

Notes to the Consolidated Financial Statements
for the year ended 30 June 2013

18.2 Disposal of property, plant and equipment

	2013						
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Sale proceeds Rupees	Gain / (loss) on disposal Rupees	Mode of disposal	Particulars of buyer
Vehicles - owned							
Suzuki Mehran (LEC-09-6098)	556,250	(267,890)	288,360	222,900	(65,460)	Company policy	Employee
Suzuki Mehran (LEC-09-6449)	558,678	(289,570)	269,108	227,471	(41,637)	Company policy	Employee
Honda City (LEB-09-6904)	1,432,000	(804,761)	627,239	592,400	(34,839)	Company policy	Employee
Suzuki Mehran (LEC-09-6103)	552,000	(280,151)	271,849	222,250	(49,599)	Company policy	Employee
Honda City (LEA-10-1394)	1,282,768	(603,309)	679,459	513,507	(165,952)	Company policy	Employee
Suzuki Mehran (LEA-08-9392)	414,783	(274,242)	140,541	106,000	(34,541)	Company policy	Employee
Suzuki Cultus (LED-08-7720)	652,000	(404,303)	247,697	170,105	(77,592)	Company policy	Employee
Suzuki Cultus (LEE-08-8430)	682,000	(408,327)	273,673	178,922	(94,751)	Company policy	Employee
Suzuki Mehran (LEC-09-6096)	557,250	(297,259)	259,991	222,250	(37,741)	Company policy	Employee
Suzuki Mehran (LEC-09-6097)	554,625	(319,819)	234,806	139,156	(95,650)	Company policy	Employee
Suzuki Cultus (LEE-08-1207)	669,671	(428,669)	241,002	164,168	(76,834)	Company policy	Employee
	7,912,025	(4,378,300)	3,533,725	2,759,129	(774,596)		
Vehicles - leased							
Suzuki Cultus (LEC-09-4567)	816,200	(428,223)	387,977	330,400	(57,577)	Company policy	Employee
Office equipment							
Lenovo laptop	54,000	(19,360)	34,640	11,000	(23,640)	Company policy	Employee
Lenovo laptop	49,000	(17,311)	31,689	9,800	(21,889)	Company policy	Employee
	103,000	(36,671)	66,329	20,800	(45,529)		
Rupees	8,831,225	(4,843,194)	3,988,031	3,110,329	(877,702)		
2012	46,776,372	(29,716,611)	17,059,761	16,350,533	(709,228)		

	Note	2013 Rupees	2012 Rupees
18.3 The depreciation charge for the year has been allocated as follows:			
Continued operations:			
Cost of sales	*31*	**498,380,814**	521,196,274
Administrative and general expenses	*33*	**18,527,058**	19,460,720
Discontinued operations	*37.1*	**-**	811,383,356
		516,907,872	1,352,040,350

18.4 Revaluation of fixed assets

Land, building, and plant & machinery of ANL was revalued as at 28 December 2009 by a firm of independent valuers, Consultancy Support & Services (Private) Limited.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

18.5 Capital work in progress

	2013				
	As at 01 July 2012	**Additions**	**Transfers**	**Classified to assets held for sale (note 37)**	**As at 30 June 2013**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Building	**262,172**	**2,593,061**	**(2,786,005)**	**-**	**69,228**
Plant and machinery	**7,273,378**	**8,652,192**	**(15,787,906)**	**-**	**137,664**
	7,535,550	**11,245,253**	**(18,573,911)**	**-**	**206,892**

	2012				
	As at 01 July 2011	Additions	Transfers	Classified to assets held for sale (note 37)	As at 30 June 2012
	Rupees	Rupees	Rupees	Rupees	Rupees
Building	96,544,221	15,645,811	(111,760,875)	(166,985)	262,172
Plant and machinery	11,707,555,829	896,457,303	(12,555,230,904)	(41,508,850)	7,273,378
	11,804,100,050	912,103,114	(12,666,991,779)	(41,675,835)	7,535,550

	Note	**2013 Rupees**	2012 Rupees
19 Intangible assets			
Goodwill acquired in business combination			
Farital AB	*19.1*	**-**	692,341,926
Montebello s.r.l.	*19.2 & 19.2.2*	**692,341,926**	-
Development costs	*19.3*	**-**	-
Software	*19.4*	**1,302,407**	3,907,224
		693,644,333	696,249,150

19.1 Goodwill in Farital AB

	Note	2013	2012
Goodwill			
Acquired in business combination		**1,917,699,426**	1,917,699,426
Transferred	*19.2*	**(1,917,699,426)**	-
		-	1,917,699,426
Accumulated impairment			
As at beginning of the year		**(1,225,357,500)**	-
Transferred	*19.2 & 19.2.2*	**1,225,357,500**	(1,225,357,500)
		-	(1,225,357,500)
As at end of the year	*19.2.1*	**-**	692,341,926

Notes to the Consolidated Financial Statements
for the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
19.2	**Goodwill in Montebello s.r.l.**			
	Goodwill			
	Transferred on liquidation of Farital AB	*19.1*	**1,917,699,426**	-
	Accumulated impairment			
	Transferred on liquidation of Farital AB	*19.1 & 19.2.2*	**(1,225,357,500)**	-
	As at end of the year	*19.2.1*	**692,341,926**	-

19.2.1 During the year, 100% owned subsidiary of ANL, FAB has been dissolved. FAB was incorporated in order to acquire 100% interest in MSRL, owner of an Italian fabric and jeans brand. Consequent to dissolution of FAB, 100% interest in MSRL has been transferred to the Group.

19.2.2 This goodwill represents goodwill arising on acquisition of MSRL and represents the excess of cost of investment over its fair value. The Group assessed the recoverable amount at 30 June 2013 for impairment test of goodwill. The recoverable amount was determined using the discounted cash flow method by using a discount factor adjusted for country and other risks of 11.89% per annum.

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

	2013 Rupees	2012 Rupees
Cost		
As at beginning of the year	**87,853,404**	87,853,404
Accumulated amortization		
As at beginning of the year	**(87,853,404)**	(86,075,956)
Amortization for the year	**-**	(1,777,448)
	(87,853,404)	(87,853,404)
As at end of the year	-	-
	20%	20%

This represents expenditure incurred on implementation of Oracle Financials Suite.

		2013 Rupees	2012 Rupees
	Cost		
19.4	As at beginning of the year	**15,097,477**	15,208,817
	Exchange difference	**185,860**	(111,340)
		15,283,337	15,097,477
	Accumulated amortization		
	As at beginning of the year	**(11,190,253)**	(8,615,911)
	Amortization for the year	**(2,604,817)**	(2,682,411)
	Exchange difference	**(185,860)**	108,069
		(13,980,930)	(11,190,253)
	As at end of the year	**1,302,407**	3,907,224
	Rate of amortization	**20%**	20%

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

20 Long term investments

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

	Note	2013 Rupees	2012 Rupees
Equity securities			
Cost	*20.1*	**18,664**	18,664
Fair value adjustment	*20.1*	**12,557**	(3,833)
		31,221	14,831
Debt securities			
Cost	*20.2*	**266,074,508**	-
		266,105,729	14,831

20.1 Particulars of investments in equity securities are as follows:

Colony Mills Limited
4,332 (2012: 4,332) ordinary shares of Rs. 10 each
Market value Rs. 4.43 per share (2012: Rs. 1.72 per share)

	2013	2012
Cost	**8,664**	8,664
Fair value adjustment	**10,527**	(1,213)
	19,191	7,451

JS Value Fund Limited
1,000 (2012: 1,000) ordinary shares of Rs. 10 each
Market value Rs. 12.03 per share (2012: Rs. 7.38 per share)

	2013	2012
Cost	**10,000**	10,000
Fair value adjustment	**2,030**	(2,620)
	12,030	7,380
	31,221	14,831

20.2 Particulars of investments in debt security are as follows:

Agritech Limited

	Note	2013	2012
53,259 Term Finance Certificates of Rs. 5,000 each (2012: 53,259 Term Finance Certificates of Rs. 5,000 each)	*20.1.1*	**266,074,508**	-

20.1.1 These represent Term Finance Certificates ("TFCs") of Rs. 5,000 each issued by AGL and carry return at six months KIBOR plus 1.75% and are redeemable in thirteen unequal semi-annual installments after a grace period of three years starting from 14 July 2013. Since 25,237 (2012: 25,237) number of TFCs out of total number of TFCs are pledged as security with providers of debt finance, therefore these have been presented as long term investment.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
21	**Long term deposits - *unsecured, considered good***			
	Utility companies and regulatory authorities	21.1	**22,175,676**	36,442,356
	Financial institutions	21.2	**6,993,740**	3,046,600
			29,169,416	39,488,956

21.1 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.

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

		2013 Rupees	2012 Rupees
22	**Stores, spares and loose tools**		
	Stores, spares and loose tools	**130,970,353**	335,048,870
	Less: provision for slow moving and obsolete items	**-**	(161,729,345)
		130,970,353	173,319,525

22.1 Provision for slow moving and obsolete items

	2013 Rupees	2012 Rupees
As at beginning of the year	**161,729,345**	-
Provision recognized during the year	**-**	161,729,345
Less: provision written off	**(161,729,345)**	-
As at end of the year	**-**	161,729,345

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

		Note	2013 Rupees	2012 Rupees
23	**Stock in trade**			
	Raw material		**1,132,636,448**	1,602,140,598
	Work in process		**706,429,440**	1,126,493,487
	Finished goods		**529,860,677**	481,079,302
	Less: diminution in value of stock due to net realizable value	23.1	**(29,887,439)**	(77,805,957)
			2,339,039,126	3,131,907,430

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

23.2 Details of stock in trade pledged as security are referred to in note 45 to the financial statement.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
24 Trade receivables			
Local			
- secured	24.1	**57,628,161**	7,427,983
- unsecured, considered good		**169,936,071**	156,800,352
- unsecured, considered doubtful		**128,867,635**	12,240,583
		356,431,867	176,468,918
Foreign			
- secured	24.1	**441,204,961**	222,401,742
- unsecured, considered good		**2,088,514,749**	2,439,539,729
- unsecured, considered doubtful		**304,495,257**	266,805,715
		2,834,214,967	2,928,747,186
		3,190,646,834	3,105,216,104
Less: provision against trade receivables	24.2	**(433,362,891)**	(279,046,298)
		2,757,283,943	2,826,169,806

24.1 These are secured against letters of credit.

24.2 Movement in provision of trade receivables

	2013 Rupees	2012 Rupees
As at beginning of the year	**279,046,298**	360,360,084
Classified as held for sale	**-**	(47,325,078)
Provision recognized during the year	**184,652,401**	178,851,438
Less: provision written off	**(40,699,198)**	(205,510,797)
Exchange difference	**10,363,390**	(7,329,349)
As at end of the year	**433,362,891**	279,046,298

	Note	2013 Rupees	2012 Rupees
25 Advances, deposits, prepayments and other receivables			
Advances to suppliers - *unsecured, considered good*		**241,451,652**	406,305,075
Advances to employees - *unsecured, considered good*			
- against salaries	25.1	**14,561,020**	13,614,858
- against expenses		**19,467,905**	20,058,323
Security deposits		**5,967,336**	5,435,136
Margin deposits	25.2	**34,238,755**	34,238,755
Prepayments		**169,695**	3,881,911
Rebate receivable		**153,249,493**	187,929,559
Sales tax / FED recoverable		**317,318,273**	161,260,746
Letters of credit		**25,964,274**	48,712,485
Insurance claims		**10,105,655**	1,160,685
Other receivables - *unsecured, considered good*		**7,745,175**	10,288,518
		830,239,233	892,886,051

25.1 These represent advances to employees against future salaries and post employment benefits in accordance with ANL's policy and include advances to executives amounting to Rs. 27.647 million (2012: Rs. 25.400 million).

Notes to the Consolidated Financial Statements
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25.2 These represent deposits against letters of credit / guarantee and other working capital lines utilized.

26 Due from Agritech Limited - *unsecured, considered good*

It mainly represents mark-up related to investment in TFC's of AGL as referred to in note 20.2.

	Note	2013 Rupees	2012 Rupees
27 Short term investment			
Agritech Limited			
20,000,000 ordinary shares of Rs. 10 each			
Value of investment Rs. 35.00 per share			
Proportion of share capital held 5.10% (2012: 79.87%)			
Cost	*27.1*	**700,000,000**	-

27.1 All shares held by the Company are pledged with DIB. Also refer to note 37.

	Note	2013 Rupees	2012 Rupees
28 Current taxation			
As at beginning of the year		**110,270,269**	298,819,762
Paid during the year		**91,869,771**	45,862,281
Classified as held for sale	*37*	**-**	(112,625,780)
Provision for the year		**(137,539,517)**	(115,954,408)
Exchange difference		**9,309,461**	(5,831,586)
As at end of the year		**73,909,984**	110,270,269
29 Cash and bank balances			
Cash in hand		**2,223,554**	1,506,281
Cash at banks			
- current accounts in local currency		**118,029,232**	154,120,175
- current accounts in foreign currency		**-**	21,057,960
- deposit accounts in local currency	*29.1*	**11,689,764**	133,879,196
- deposit accounts in foreign currency	*29.2*	**11,098,063**	425,512
		140,817,059	309,482,843
		143,040,613	310,989,124

29.1 These carry return at 6.00% to 8.50% per annum (2012: 5.00% to 13.34% per annum).

29.2 These carry return at prevailing LIBOR per annum (2012: prevailing LIBOR per annum).

Notes to the Consolidated Financial Statements
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		Note	2013 Rupees	2012 Rupees
30	**Sales - *net***			
	Local		**2,038,185,223**	1,771,497,625
	Export	*30.1*	**12,439,501,654**	10,237,604,355
			14,477,686,877	12,009,101,980
	Rebate on exports		**39,188,075**	46,963,486
	Sales tax		**(32,362,624)**	(7,162,598)
	Discount		**(45,326,726)**	(141,465,563)
			14,439,185,602	11,907,437,305

30.1 These include indirect exports of ANL, taxable under Section 154 (3b) of the Income Tax Ordinance, 2001, amounting to Rs. 537.911 million (2012: Rs. 101.644 million).

		Note	2013 Rupees	2012 Rupees
31	**Cost of sales**			
	Raw materials consumed		**9,105,344,851**	8,950,265,870
	Salaries, wages and benefits	*31.1*	**1,414,082,564**	1,519,645,224
	Fuel and power		**1,235,045,634**	897,713,749
	Store and spares consumed		**222,806,919**	494,836,797
	Traveling, conveyance and entertainment		**132,398,171**	138,103,555
	Rent, rates and taxes		**16,016,051**	13,387,780
	Insurance		**53,119,066**	66,818,393
	Repair and maintenance		**43,375,915**	38,497,321
	Processing charges		**71,254,467**	91,079,093
	Depreciation	*18.3*	**498,380,814**	521,196,274
	Amortization	*19.4*	**-**	1,777,448
	Printing & stationery		**7,367,988**	9,148,588
	Communications		**5,622,675**	5,272,985
	Others		**60,752,375**	59,504,308
			12,865,567,490	12,807,247,385
	Work in process			
	As at beginning of the year		**1,126,493,487**	678,642,704
	As at end of the year		**(706,429,440)**	(1,126,493,487)
			420,064,047	(447,850,783)
	Cost of goods manufactured		**13,285,631,537**	12,359,396,602
	Finished goods			
	As at beginning of the year		**481,079,302**	1,071,570,339
	Purchased during the year		**457,818,151**	-
	As at end of the year		**(529,860,677)**	(481,079,302)
			409,036,776	590,491,037
			13,694,668,313	12,949,887,639

31.1 These include charge in respect of ANL employees retirement benefits amounting to Rs. 42.851 million (2012: Rs. 38.095 million).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

		Note	2013 Rupees	2012 Rupees
32	**Selling and distribution expenses**			
	Salaries and benefits	*32.1*	**100,633,888**	124,686,047
	Traveling, conveyance and entertainment		**43,508,319**	38,457,947
	Fuel and power		**26,031**	24,965
	Repair and maintenance		**873,601**	981,578
	Rent, rates and taxes		**767,809**	622,721
	Insurance		**11,195,921**	4,464,768
	Freight and other expenses		**358,452,459**	380,069,911
	Provision against trade receivables	*24.2*	**184,652,401**	178,851,438
	Printing and stationery		**652,104**	222,767
	Communication		**43,490,080**	29,100,990
	Advertisement and marketing		**17,909,582**	8,857,019
	Legal and professional charges		**30,000**	75,000
	Fee and subscription		**475,659**	435,588
	Commission		**222,331,933**	348,397,024
	Miscellaneous		**1,163,737**	1,702,915
			986,163,524	1,116,950,678

32.1 These include charge in respect of ANL employees retirement benefits amounting to Rs. 2.253 million (2012: Rs. 2.473 million).

		Note	2013 Rupees	2012 Rupees
33	**Administrative and general expenses**			
	Salaries and benefits	*33.1*	**345,242,942**	319,762,209
	Traveling, conveyance and entertainment		**39,974,275**	67,831,458
	Fuel and power		**29,717,576**	24,636,687
	Repair and maintenance		**19,825,728**	25,020,577
	Rent, rates and taxes		**16,967,157**	20,469,658
	Insurance		**1,137,367**	3,064,947
	Printing and stationery		**6,007,050**	6,715,202
	Communication		**21,083,718**	30,309,366
	Donations	*33.2*	**1,115,258**	1,401,810
	Legal and professional charges	*33.3*	**35,449,500**	29,141,218
	Depreciation	*18.3*	**18,527,058**	19,460,720
	Amortization	*19.4*	**2,604,817**	2,682,411
	Fee and subscription		**32,505,025**	32,898,641
	Others		**27,477,962**	46,807,646
			597,635,433	630,202,550

33.1 These include charge in respect of ANL employees retirement benefits amounting to Rs. 9.468 million (2012: Rs. 9.468 million).

33.2 This represents donation to different associations and trusts. None of the Directors have any intrust in the donee.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

33.2 These include following in respect of auditors' remuneration

	2013			2012
	Holding Company	**Subsidiary Company**	**Total**	
	Rupees	**Rupees**	**Rupees**	Rupees
Annual statutory audit	**1,660,000**	**2,496,000**	**4,156,000**	3,510,458
Report on consolidated financial statements	**800,000**	**-**	**800,000**	750,000
Half yearly review	**575,000**	**-**	**575,000**	500,000
Review report under Code of Corporate Governance	**170,000**	**-**	**170,000**	150,000
Certification and other services	**100,000**	**-**	**100,000**	360,000
Out of pocket expenses	**200,000**	**-**	**200,000**	269,675
	3,505,000	**2,496,000**	**6,001,000**	5,540,133

	Note	2013 Rupees	2012 Rupees
34 Net other expenses			
Net loss on financial instruments			
Accumulated deferred notional income	*9.7*	**-**	1,189,908,326
Return on investment in TFCs		**21,143,869**	-
Foreign exchange loss		**(49,741,822)**	(59,445,803)
Long term deposits written off		**(5,560,261)**	-
Advances written off		**(3,784,771)**	-
Impairment of goodwill arose on acquisition of Montebello s.r.l.	*19.1*	**-**	(1,225,357,500)
Return on bank deposits		**2,704,598**	22,106,895
		(35,238,387)	(72,788,082)
Net other income			
Loss on disposal of property, plant and equipment	*18.2*	**(877,702)**	(709,228)
Miscellaneous		**21,527,746**	57,546,245
		20,650,044	56,837,017
		(14,588,343)	(15,951,065)
35 Finance cost			
Interest / mark-up on:			
Redeemable capital		**382,304,700**	850,745,432
Long term finances		**262,988,125**	399,313,448
Liabilities against assets subject to finance lease		**5,286,028**	9,444,085
Short term borrowings		**662,086,203**	1,707,117,151
Interest on payable to Provident Fund Trust		**18,689,139**	20,193,978
Interest on payable Workers' Profit Participation Fund		**8,227,689**	7,002,288
		1,339,581,884	2,993,816,382
Amortization of transaction costs and deferred notional income	*9.7, 9.8 & 10.7*	**291,297,994**	92,803,085
Foreign exchange loss / (gain)		**156,581,182**	(79,485,627)
Bank charges and commission		**308,161,007**	380,148,624
		2,095,622,067	3,387,282,464

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	Note	2013 Rupees	2012 Rupees
36 Taxation			
Current taxation	*36.1.1*	**(137,539,517)**	(115,954,408)
Deferred taxation	*36.1.8*	**-**	-
		(137,539,517)	(115,954,408)

36.1 Following are the matters related to ANL;

36.1.1 Provision for current tax of ANL has been made in accordance with section 154 of the Income Tax Ordinance, 2001 ("the Ordinance").

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

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

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

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

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

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

36.1.8 Export sales, including proposed claims for indirect exports of ANL are expected to achieve the threshold for ANL, with the option to be taxed under the Final Tax Regime. This trend is expected to continue in foreseeable future. Accordingly, no provision for deferred tax has been made.

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

36.2 Income tax provision in respect of Subsidiary Company has not been made on the basis that it had unused tax losses as at reporting date.

37 Discontinued operations

In previous year, AGL was classified as part of disposal group / subsidiary held for disposal on the basis that a Share Transfer and Debt Swap Agreement and First Supplemental Agreement ("the Agreement") was signed between ANL and the purchasers to dispose off its entire shareholding in AGL.

During the year, pursuant to the Agreement, ANL has divested major part of its shareholding in AGL. As a result, out of 313,423,184 number of shares held by ANL at the start of the year, 293,423,184 number of shares were sold on 31 October 2012 at Rs. 35.00 per share and remaining 20,000,000 number of shares are still under pledge whose divestment would complete once these shares are released. ANL has filed a legal suit against Dubai Islamic Bank Limited ("DIB") for release of pledged shares.

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The remaining investment of 20,000,000 number of shares in AGL has become an ordinary investment of ANL as against the investment in subsidiary as at beginning of the year.

	Note	2013 Rupees	2012 Rupees
Results of discontinued operations - *subsidiary*	*37.1*	**(1,260,288,978)**	(1,646,592,181)
Gain on sale of discontinued operations - subsidiary	*37.2*	**2,001,867,817**	-
		741,578,839	(1,646,592,181)

37.1 Results of discontinued operations

The results for four months period of AGL till date of disposal are pro-rated results of six months reviewed financial information and hence the same figures were used in the gain on sale of discontinued operation working in note 37.2 and for calculation of the share of non-controlling interest for the current year related to discontinued operations and related cash flows.

	01 July 2012 to 31 October 2012 Un-audited Rupees	01 July 2011 to 30 June 2012 Audited Rupees
Revenue	**953,905,398**	5,697,064,161
Expenses - *net*	**(2,297,534,541)**	(7,550,857,571)
Loss before tax	**(1,343,629,143)**	(1,853,793,410)
Taxation	**83,340,165**	207,201,229
Loss after tax	**(1,260,288,978)**	(1,646,592,181)

	Note	2013 Rupees
37.2 Gain on sale of discontinued operations - *subsidiary*		
Consideration received / adjusted		**10,269,811,440**
Fair value of remaining investment		**700,000,000**
Non-controlling interest as at 31 October 2012		**3,670,704,258**
		14,640,515,698
Net assets including goodwill of subsidiary as at 31 October 2012		**(12,638,647,881)**
	37.3	**2,001,867,817**

37.3 It includes an amount of Rs. 293.003 million related to remaining investment in the former subsidiary.

37.4 Revaluation surplus of subsidiary amounting to Rs. 3,150.164 million has directly been transferred to retained earnings.

37.5 Assets and liabilities of subsidiary classified as held for sale

	2013 Rupees	2012 Rupees
Assets of subsidiary classified as held for sale		
Non-current assets	**-**	40,779,451,388
Current assets	**-**	3,827,866,187
	-	44,607,317,575

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	2013	2012
	Rupees	Rupees
Liabilities of subsidiary classified as held for sale		
Non-current liabilities	-	21,968,808,298
Current liabilities	-	8,860,134,972
	-	30,828,943,270

37.6 As a result of the divestment, ANL has adjusted to the extent of Rs. 6,778.221 million and paid Rs. 3,264.770 million to settle its long term loans, certain interest / mark-up, redeemable capital, short term borrowings, bills payable and other charges amounting to Rs. 10,042.991 million and injected the remaining amount of Rs. 226.82 million in its working capital.

38 (Loss) / earning per share - *basic and diluted*

		Unit	**2013**	2012
38.1	**From continuing operations**			
	Loss attributable to ordinary shareholders	*Rupees*	**(3,087,031,595)**	(6,308,791,499)
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**454,871,870**	454,871,870
	Loss per share	*Rupees*	**(6.79)**	(13.87)
38.2	**From discontinued operations**			
	Earning / (loss) attributable to ordinary shareholders	*Rupees*	**988,462,730**	(1,388,729,902)
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**454,871,870**	454,871,870
	Earning / (loss) per share	*Rupees*	**2.17**	(3.05)

There is no dilution effect on the basic loss per share as the Group has no such commitments.

39 Government grant

During the year, ANL lodged claims amounting to Rs. 43.606 million (2012: Rs. 63.225 million) as export rebate / duty draw-back respectively which have been accounted for as government grant in accordance with IAS 20 'Government Grants'. Rebates have been recognized as income and added to sales.

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		Note	2013 Rupees	2012 Rupees
40	**Cash generated from continuing operations**			
	Loss after taxation from continuing operations		**(3,087,031,595)**	(6,308,791,499)
	Gain on disposal of discontinued operations	*37.2*	**2,001,867,817**	-
			(1,085,163,778)	(6,308,791,499)
	Adjustments for non-cash and other items			
	Interest / mark-up expense		**1,307,379,028**	2,751,779,755
	Loss on disposal of fixed assets		**877,702**	709,228
	Foreign exchange loss / (gain)		**206,323,004**	(20,039,824)
	Gain on disposal of discontinued operations	*37.2*	**(2,001,867,817)**	-
	Return on investment in TFCs		**(21,143,869)**	-
	Long term deposits written off		**5,560,261**	-
	Advances written off		**3,784,771**	-
	Taxation		**137,539,517**	115,954,408
	Translation reserve		**-**	(1,947,547)
	Depreciation		**516,907,872**	540,656,994
	Amortization of transaction costs and deferred notional income		**291,297,994**	92,803,085
	Amortization of intangible assets		**2,604,817**	4,459,859
	Provision for impairment of receivables		**184,652,401**	178,851,438
	Changes in fair value of fair value hedges		**-**	7,424,080
	Deferred notional income		**-**	(1,189,908,326)
	Impairment of goodwill arose on acquisition of Farital AB		**-**	1,225,357,500
			633,915,681	3,706,100,650
	Operating loss before changes in working capital		**(451,248,097)**	(2,602,690,849)
	Changes in working capital			
	Decrease in current assets:			
	Stores, spares and loose tools		**42,349,172**	299,709,439
	Stock in trade		**804,039,018**	926,216,410
	Trade receivables		**68,316,039**	1,338,165,231
	Advances, deposits, prepayments and other receivables		**68,192,826**	114,169,649
			982,897,055	2,678,260,729
	(Decrease) / increase in current liabilities:			
	Trade and other payables		**(309,219,965)**	225,657,055
	Cash generated from operations		**222,428,993**	301,226,935
41	**Cash and cash equivalents**			
	Short term borrowings - *running finance - secured*	*13*	**(1,076,169,156)**	(1,832,049,760)
	Cash and bank balances	*29*	**143,040,613**	310,989,124
			(933,128,543)	(1,521,060,636)

42 Transactions and balances with related parties

Related parties from the Group's perspective comprise, associated undertakings, key management personnel (including chief executive and directors) and post employment benefit plan. The Group in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis.

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

42.1 Transactions with related parties

42.1.1 Other related parties

	2013 Rupees	2012 Rupees
Agritech Limited		
Mark-up income on redeemable capital and other charges	**16,600,910**	-
JS Bank Limited		
Redeemable capital repaid	**84,848,231**	-
Mark-up expense	**35,417,034**	71,479,009
Remuneration of Trustee	**3,000,000**	-
JS Value Fund Limited		
Redeemable capital - TFC II repayment	**(25,415,775)**	-
Redeemable capital - TFC VI disbursement	**-**	12,900,000
Mark-up expense	**3,366,593**	6,371,916
Unit Trust of Pakistan		
Redeemable capital - TFC V repayments	**(18,019,234)**	-
Redeemable capital - TFC VI disbursement	**-**	19,265,000
Mark-up expense	**4,352,918**	6,803,260
JS Large Cap Fund		
Redeemable capital - PPTFC disbursement	**83,160,000**	-
Mark-up expense	**8,122,353**	5,828,806
JS Global Capital Limited		
Redeemable capital - PPTFC disbursement	**326,456,184**	-
Mark-up expense	**31,895,072**	22,913,777
JS Principal Secure Fund		
Redeemable capital - TFC VI disbursement	**-**	19,265,000
Redeemable capital - PPTFC disbursement	**33,480,000**	-
Mark-up expense	**3,270,991**	2,349,823
JS Pension Savings Fund		
Redeemable capital - TFC V repayments	**(5,405,770)**	-
Redeemable capital - TFC VI disbursement	**-**	3,850,000
Mark-up expense	**-**	2,040,978
JS Income Fund		
Redeemable capital - TFC II repayments	**(9,594,455)**	-
Redeemable capital - TFC V repayments	**(27,028,851)**	-
Redeemable capital - TFC VI disbursement	**-**	24,135,000
Mark-up expense	**7,800,266**	12,610,289
JS Growth Fund		
Redeemable capital - TFC II repayments	**(21,179,813)**	-
Redeemable capital - TFC VI disbursement	**-**	10,750,000
Redeemable capital - PPTFC disbursement	**64,200,000**	-
Mark-up expense	**9,076,595**	9,811,780

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		2013 Rupees	2012 Rupees
42.1.2	**Post employment benefit plans**		
	Contribution to employees Provident Fund Trust	**110,692,736**	100,072,478
	Interest payable on employees Provident Fund Trust	**18,689,139**	20,193,978

42.1.3 Key management personnel

The remuneration paid to chief executive, directors, executives and key management personnel in terms of their employment is disclosed in note 47 to the financial statements.

		2013 Rupees	2012 Rupees
42.2	**Balances with related parties**		
42.2.1	**Other related parties**		
	Agritech Limited		
	Investment in ordinary shares	**700,000,000**	-
	Redeemable capital	**266,074,508**	-
	Mark-up receivable	**16,600,910**	-
	JS Bank Limited		
	Redeemable capital - TFC IV	**65,033,776**	149,880,000
	Short term borrowing	**336,026,713**	339,209,038
	Mark-up payable	**16,806,556**	104,428,510
	Cash and bank - current account	**7,491,793**	12,502
	JS Value Fund Limited		
	Redeemable capital - TFC II	**19,523,025**	44,938,800
	Redeemable capital - TFC VI	**12,900,000**	12,900,000
	Mark-up payable	**4,846,631**	1,480,038
	Unit Trust of Pakistan		
	Redeemable capital - TFC V	**31,980,766**	75,000,000
	Redeemable capital - TFC VI	**19,265,000**	19,265,000
	Mark-up payable	**5,993,891**	1,640,973
	JS Large Cap Fund		
	Redeemable capital - PPTFCs	**83,160,000**	-
	Preference shares	**-**	65,126,320
	Mark-up / preference dividend payable	**1,829,520**	16,277,054
	JS Global Capital Limited		
	Redeemable capital - PPTFCs	**326,456,184**	-
	Mark-up / preference dividend payable	**7,182,036**	63,530,802
	Preference shares	**-**	256,019,860
	Advisory fee payable	**4,000,000**	4,000,000
	JS Principal Secure Fund		
	Redeemable capital - TFC VI	**-**	19,265,000
	Redeemable capital - PPTFC	**33,480,000**	-
	Preference shares	**-**	26,255,000
	Mark-up / preference dividend payable	**736,560**	6,516,834

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	2013 Rupees	2012 Rupees
JS Pension Savings Fund		
Redeemable capital - TFC V	**-**	15,000,000
Redeemable capital - TFC VI	**3,850,000**	3,850,000
Mark-up payable	**-**	492,292
JS Income Fund		
Redeemable capital - TFC II	**7,369,942**	16,964,397
Redeemable capital - TFC V	**47,971,149**	75,000,000
Redeemable capital - TFC VI	**24,135,000**	24,135,000
Mark-up payable	**10,820,439**	3,020,173
JS Growth Fund		
Redeemable capital - TFC II	**16,269,187**	37,449,000
Redeemable capital - TFC VI	**10,750,000**	10,750,000
Redeemable capital - PPTFC disbursement	**64,200,000**	-
Preference shares	**-**	50,300,000
Mark-up / preference dividend payable	**5,451,260**	13,776,643

42.2.3 Post employment benefit plans

Payable to employees Provident Fund Trust	**83,897,625**	96,248,979

42.2.4 Key management personnel

Short term employee benefits payable	**22,868,033**	20,093,705

43 Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Group's risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities.

43.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment in debt securities.

43.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the end of the reporting period was as follows:

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	Note	2013 Rupees	2012 Rupees
Available for sale financial assets			
Long term investments	*20*	**266,074,508**	-
Loans and receivables			
Long term deposit - *utility companies and regulatory authorities*	*21*	**22,175,676**	36,442,356
Long term deposit - *financial institutions*	*21*	**6,993,740**	3,046,600
Trade receivables	*24*	**2,691,813,712**	2,875,386,379
Advance to employees - *against salaries*	*25*	**14,561,020**	13,614,858
Security deposits	*25*	**5,967,336**	5,435,136
Margin deposits	*25*	**34,238,755**	34,238,755
Insurance claims	*25*	**10,105,655**	1,160,685
Cash at banks	*29*	**140,817,059**	309,482,843
		1,617,662,997	3,278,807,612
		1,883,737,505	3,278,807,612

43.1.2 Concentration of credit risk

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

	2013 Rupees	2012 Rupees
Customers	**1,382,803,756**	2,875,386,379
Banking companies and financial institutions	**188,016,890**	352,203,334
Others	**312,916,859**	51,217,899
	1,883,737,505	3,278,807,612

43.1.3 Credit quality and impairment

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

43.1.3(a) Counterparties with external credit ratings

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

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Bank	Rating Short term	Rating Long term	Rating agency	2013 Rupees	2012 Rupees
Allied Bank Limited	A1	AA+	PACRA	**25,288**	25,288
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	**1,093,207**	11,801,400
Askari Bank Limited	A1	AA	PACRA	**40,478**	133,619,886
Barclays Bank Pakistan	P-1	A2	Moody's	**-**	1,435,825
Bank Al-Habib Limited	A1	AA+	PACRA	**88,637,193**	57,442,072
Bank Alfalah Limited	A1	AA	PACRA	**519,002**	43,613
Bank Islami Pakistan Limited	A1	A	PACRA	**478,771**	478,772
Faysal Bank Limited	A1	AA	PACRA	**17,885,645**	36,375,070
Habib Bank Limited	A-1	AA+	JCR-VIS	**416,303**	249,516
Habib Metropolitan Bank Limited	A1	AA+	PACRA	**2,243**	3,251
HSBC Bank Middle East Limited	F1	AA-	Fitch	**22,343**	855
JS Bank Limited	A1	A+	PACRA	**7,491,793**	12,502
KASB Bank Limited	A3	BBB	PACRA	**595,206**	1,188,958
MCB Bank Limited	A1	AA+	PACRA	**731,491**	34,227,800
Meezan Bank Limited	A-1	AA	JCR-VIS	**5,568**	13,042
National Bank of Pakistan	A-1	AAA	JCR-VIS	**18,829**	2,583,827
NIB Bank Limited	A1	AA-	PACRA	**1,064,159**	557,347
Silk Bank Limited	A-2	A-	JCR-VIS	**1,019,524**	1,252
Soneri Bank Limited	A1	AA-	PACRA	**14,825**	14,825
Standard Chartered Bank (Pakistan) Limited	A1	AAA	PACRA	**18,492**	3,019,632
Summit Bank Limited	A-2	A-	JCR-VIS	**1,158,441**	3,539,224
The Bank of Punjab	A1	AA-	PACRA	**424,097**	426,260
United Bank Limited	A-1	AA+	JCR-VIS	**731,514**	1,364,666
Bank of Khyber	A2	A-	PACRA	**7,783,631**	-
				130,178,043	288,424,883

43.1.3(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 of the Group as at the reporting date is as follows:

	2013		2012	
	Gross carrying amount	**Accumulated impairment**	Gross carrying amount	Accumulated impairment
	Rupees	**Rupees**	Rupees	Rupees
Continuing operations				
Not yet due	**647,197,809**	**-**	1,217,711,630	-
Past due by 0 to 6 months	**616,498,291**	**-**	467,036,689	-
Past due by 6 to 12 months	**386,718,511**	**-**	870,360,808	-
Past due by more than one year	**1,540,232,223**	**433,362,891**	550,106,977	279,046,298
	3,190,646,834	**433,362,891**	3,105,216,104	279,046,298
Discontinued operations	**-**	**-**	56,473,210	43,733,372
	3,190,646,834	**433,362,891**	3,161,689,314	322,779,670

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The Group's five significant customers account for Rs. 607 million (2012: Rs. 459 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 3% (2012: 3%) of trade receivables as at the reporting date. Further, trade receivables amounting to Rs. 1,808 million (2012: Rs. 230 million) secured through confirmed letters of credit and thus do not carry any significant credit risk.

The Board has formulated a policy to create provision allowance for trade receivables on a time based criteria. Provision allowance on closing trade receivable balances has adequately been created in accordance with the approved policy. Further, based on historical default rates, the Group believes that no impairment allowance other than already provided is necessary in respect of trade receivables not past due or those past due by less than one year, since these relate to customers who have had good payment record with the Group.

43.1.4 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.

43.1.5 Credit risk management

As mentioned in note 43.1.3(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.

43.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset and the Group will not be able to meet its financial obligations as they fall due.

43.2.1 Exposure to liquidity risk

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

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

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	Note	**2013** Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
		Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Non-derivative financial liabilities						
Redeemable capital	9	**6,024,844,185**	**7,072,708,474**	**853,664,443**	**5,450,941,948**	**768,102,083**
Long term finances	10	**1,773,447,469**	**2,076,669,730**	**207,207,807**	**1,117,082,011**	**752,379,912**
Liabilities against assets subject to finance lease	11	**32,586,801**	**39,047,657**	**27,223,579**	**11,824,078**	**-**
Preference shares	12	**148,367,255**	**148,367,255**	**148,367,255**	**-**	**-**
Short term borrowings	13	**5,024,533,069**	**5,494,591,302**	**5,494,591,302**	**-**	**-**
Trade creditors	14	**1,865,832,652**	**1,865,832,652**	**1,865,832,652**	**-**	**-**
Bills payable	14	**385,516,037**	**385,516,037**	**385,516,037**	**-**	**-**
Accrued liabilities	14	**420,242,718**	**420,242,718**	**420,242,718**	**-**	**-**
Payable to Provident Fund Trust	14	**83,897,625**	**83,897,625**	**83,897,625**	**-**	**-**
Workers' Profit Participation Fund	14	**55,243,056**	**55,243,056**	**55,243,056**	**-**	**-**
Other payables	14	**71,169,229**	**71,169,229**	**71,169,229**	**-**	**-**
Mark-up accrued on borrowings	15	**1,501,702,254**	**1,501,702,254**	**1,501,702,254**	**-**	**-**
Dividend payable	16	**13,415,572**	**13,415,572**	**13,415,572**	**-**	**-**
		17,400,797,922	**19,228,403,561**	**11,128,073,529**	**6,579,848,037**	**1,520,481,995**
Derivative financial liabilities						
Cross currency swaps	13	**-**	**-**	**-**	**-**	**-**
		17,400,797,922	**19,228,403,561**	**11,128,073,529**	**6,579,848,037**	**1,520,481,995**

	Note	2012 Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
		Rupees	Rupees	Rupees	Rupees	Rupees
Non-derivative financial liabilities						
Redeemable capital	9	8,038,939,061	9,228,296,765	2,844,243,569	2,136,201,971	4,247,851,225
Long term finances	10	3,436,652,874	3,921,163,422	2,058,623,610	528,022,039	1,334,517,773
Liabilities against assets subject to finance lease	11	36,436,705	44,819,982	17,050,310	27,769,672	-
Preference shares	12	574,518,935	574,518,935	574,518,935	-	-
Short term borrowings	13	8,433,954,491	8,515,251,826	8,515,251,826	-	-
Trade creditors	14	1,590,268,928	1,499,989,313	1,499,989,313	-	-
Bills payable	14	1,755,448,679	1,755,448,679	1,755,448,679	-	-
Accrued liabilities	14	568,729,225	519,327,523	519,327,523	-	-
Payable to Provident Fund Trust	14	96,248,979	96,248,979	96,248,979	-	-
Workers' Profit Participation Fund	14	47,015,366	47,015,366	47,015,366	-	-
Other payables	14	98,584,330	10,152,164	10,152,164	-	-
Mark-up accrued on borrowings	15	1,357,356,641	1,425,935,847	1,425,935,847	-	-
Dividend payable	16	32,729,078	32,729,078	32,729,078	-	-
		26,066,883,292	27,670,897,879	19,396,535,199	2,691,993,682	5,582,368,998
Derivative financial liabilities						
Cross currency swaps	13	7,424,080	7,623,558	7,623,558	-	-
		26,074,307,372	27,678,521,437	19,404,158,757	2,691,993,682	5,582,368,998

The gross cash flows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash flow amounts for derivatives that have simultaneous gross cash settlement.

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

	Principal	Preference dividend / interest / mark-up	Total
	Rupees	Rupees	Rupees
Nature of liability			
Preference shares	148,367,255	-	148,367,255
Dividend on preference shares	-	9,413,535	9,413,535
Long term finances	6,000,000	217,527,738	223,527,738
Redeemable capital	-	542,153,515	542,153,515
Short term borrowings	232,601,716	473,529,475	706,131,191
Bills payables	274,461,757	41,309,367	315,771,124
	661,430,728	**1,283,933,630**	**1,945,364,358**

As explained in note 2.2, ANL is discussing with the providers of debt for a second round of restructuring and debt re-profiling. For the said purpose, the management is considering to negotiate with the debt financiers for waiver of over due interest / mark-up accured, and disposal of its low performing assets for settlement of overdue principal of its long term debts.

43.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

43.3.1 Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Group. The functional currency of the Group is Pak Rupee. The currencies in which these transactions are primarily denominated are Emirate Dirham, Euros, US dollars, Sterling and Swiss franc.

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43.3.1(a) Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	2013					
	AED	**EUR**	**USD**	**GBP**	**CHF**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Assets						
Trade receivables	**-**	**1,380,856,891**	**946,027,770**	**92,069,029**	**-**	**2,418,953,690**
Cash and bank balances	**-**	**341,466**	**117,581**	**-**	**-**	**459,047**
	-	**1,381,198,357**	**946,145,351**	**92,069,029**	**-**	**2,419,412,737**
Liabilities						
Long term finances	**-**	**(907,054,269)**	**-**	**-**	**-**	**(907,054,269)**
Short term borrowings	**-**	**-**	**(466,448,835)**	**-**	**-**	**(466,448,835)**
Mark-up accrued on borrowings	**-**	**(27,000,774)**	**(3,549,761)**	**-**	**-**	**(30,550,535)**
Trade creditors	**-**	**(38,980,495)**	**(33,894,448)**	**-**	**-**	**(72,874,943)**
Bills payable	**-**	**(5,695,688)**	**(124,275,580)**	**-**	**-**	**(129,971,268)**
	-	**(978,731,226)**	**(628,168,624)**	**-**	**-**	**(1,606,899,850)**
Gross balance sheet exposure	**-**	**402,467,131**	**317,976,727**	**92,069,029**	**-**	**812,512,887**
Fair value of hedging instruments						**-**
Net balance sheet exposure						**812,512,887**

	2012					
	AED	EUR	USD	GBP	CHF	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Trade receivables	-	1,304,739,358	880,533,636	175,447,134	-	2,360,720,128
Cash and bank balances	-	313,405	112,107	-	-	425,512
	-	1,305,052,763	880,645,743	175,447,134	-	2,361,145,640
Liabilities						
Long term finances	-	(1,422,000,000)	-	-	-	(1,422,000,000)
Short term borrowings	-	(38,621,304)	(441,391,310)	-	-	(480,012,614)
Mark-up accrued on borrowings	-	(238,107,307)	(9,758,124)	-	-	(247,865,431)
Trade creditors	-	(39,293,136)	(53,194,399)	(58,728)	-	(92,546,263)
Bills payable	(32,786)	(39,773,458)	(203,843,804)	-	(722,367)	(244,372,415)
	(32,786)	(1,777,795,205)	(708,187,637)	(58,728)	(722,367)	(2,486,796,723)
Gross balance sheet exposure	(32,786)	(472,742,442)	172,458,106	175,388,406	(722,367)	(125,651,083)
Fair value of hedging instruments						(7,424,080)
Net balance sheet exposure						(133,075,163)

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

The following significant exchange rates have been applied during the year:

	2013			2012		
	Reporting date spot rate		**Average rate**	Reporting date spot rate		Average rate
	Buying	**Selling**	**for the year**	Buying	Selling	for the year
	Rupees	**Rupees**	**Rupees**	Rupees	Rupees	Rupees
EUR	**128.85**	**129.11**	**125.18**	118.25	118.50	119.56
USD	**98.60**	**98.80**	**96.75**	94.00	94.20	89.35
GBP	**150.57**	**150.87**	**151.76**	146.76	147.07	141.53
CHF	**104.49**	**104.71**	**102.80**	98.41	98.62	99.20
AED	**26.85**	**26.90**	**26.34**	25.59	25.65	24.35

43.3.1(c) ***Sensitivity analysis***

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2013	2012
	Profit	Profit
	Rupees	Rupees
AED	**-**	(3,279)
EUR	**40,246,713**	(47,274,244)
USD	**31,797,673**	17,245,811
GBP	**9,206,903**	17,538,841
CHF	**-**	(72,237)
	81,251,289	(12,565,108)

43.3.1(d) ***Currency risk management***

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

43.3.2 **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.

43.3.2(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:

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	2013		2012	
	Financial asset	**Financial liability**	Financial asset	Financial liability
	Rupees	**Rupees**	Rupees	Rupees
Non-derivative financial instruments				
Fixed rate instruments	**22,787,827**	**831,164,120**	134,304,708	717,783,280
Variable rate instruments	**266,074,508**	**9,478,601,377**	-	18,482,761,810
Derivative financial instruments				
Cash flow hedges	-	-	-	7,424,080

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

The Group does not account for fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not effect profit or loss.

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

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

	2013		2012	
	Equity	**Profit**	Equity	Profit
	Rupees	**Rupees**	Rupees	Rupees
Increase of 100 basis points				
Variable rate instruments	**-**	**(92,125,269)**	-	(184,827,618)
Cash flow hedges	**-**	**-**	(74,241)	-
Cash flow sensitivity - *net*	**-**	**(92,125,269)**	(74,241)	(184,827,618)
Decrease of 100 basis points				
Variable rate instruments	**-**	**92,125,269**	-	184,827,618
Cash flow hedges	**-**	**-**	74,241	-
Cash flow sensitivity - *net*	**-**	**92,125,269**	74,241	184,827,618

43.3.2(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.

43.3.3 **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's exposure to price risk is insignificant.

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43.4 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2013 Carrying values Rupees	2013 Fair values Rupees	2012 Carrying values Rupees	2012 Fair values Rupees
Available for sale					
Long term investments	20	**266,105,729**	**266,105,729**	-	-
Short term investments	27	**700,000,000**	**700,000,000**	-	-
		966,105,729	**966,105,729**	-	-

	Note	2013 Carrying values Rupees	2013 Fair values Rupees	2012 Carrying values Rupees	2012 Fair values Rupees
Loans and receivables					
Long term deposits	21	**29,169,416**	**29,169,416**	39,488,956	39,488,956
Trade receivables	24	**2,757,283,943**	**2,757,283,943**	2,826,169,806	2,826,169,806
Advances to employees	25	**34,028,925**	**34,028,925**	33,673,181	33,673,181
Security deposits	25	**5,967,336**	**5,967,336**	5,435,136	5,435,136
Margin deposits	25	**34,238,755**	**34,238,755**	34,238,755	34,238,755
Letters of credit	25	**25,964,274**	**25,964,274**	48,712,485	48,712,485
Insurance claims	25	**10,105,655**	**10,105,655**	1,160,685	1,160,685
Other receivables	25	**7,745,175**	**7,745,175**	10,288,518	10,288,518
Due from Agritech Limited	26	**16,600,910**	**16,600,910**	-	-
Cash and bank balances	29	**143,040,613**	**143,040,613**	310,989,124	310,989,124
		3,064,145,002	**3,064,145,002**	3,310,156,646	3,310,156,646

		2013 Carrying values Rupees	2013 Fair values Rupees	2012 Carrying values Rupees	2012 Fair values Rupees
Financial liabilities at amortized cost					
Redeemable capital	9	**6,024,844,185**	**6,024,844,185**	8,038,939,061	8,038,939,061
Long term finances	10	**1,773,447,469**	**1,773,447,469**	3,436,652,874	3,436,652,874
Liabilities against assets subject to finance lease	11	**32,586,801**	**32,586,801**	36,436,705	36,436,705
Preference shares	12	**148,367,255**	**148,367,255**	574,518,935	574,518,935
Short term borrowings	13	**5,024,533,069**	**5,024,533,069**	8,433,954,491	8,433,954,491
Trade creditors	14	**1,865,832,652**	**1,865,832,652**	1,590,268,928	1,590,268,928
Bills payable	14	**385,516,037**	**385,516,037**	1,755,448,679	1,755,448,679
Accrued liabilities	14	**420,242,718**	**420,242,718**	568,729,225	568,729,225
Payable to Provident Fund Trust	14	**83,897,625**	**83,897,625**	96,248,979	96,248,979
Workers' Profit Participation Fund	14	**55,243,056**	**55,243,056**	47,015,366	47,015,366
Other payables	14	**71,169,229**	**71,169,229**	98,584,330	98,584,330
Interest / mark-up accrued on borrowings	15	**1,501,702,254**	**1,501,702,254**	1,357,356,641	1,357,356,641
Dividend payable	16	**13,415,572**	**13,415,572**	32,729,078	32,729,078
		17,400,797,922	**17,400,797,922**	26,066,883,292	26,066,883,292
Derivatives					
Cross currency swaps	14	-	-	7,424,080	7,424,080

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The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**
	Rupees	**Rupees**	**Rupees**
30 June 2013			
Available for sale investments			
Long term investments	**31,221**	**-**	**-**
Short term investment - *Agritech Limited*	**-**	**-**	**700,000,000**
	31,221	**-**	**700,000,000**
30 June 2012			
Available for sale investments			
Long term investments	14,831	-	-

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

43.4.1 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non–financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Long term investments - level 1

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date.

Short term investment - level 3 - Agritech Limited

Investment in AGL is valued at Rs. 35.00 per share on the basis of price agreed in the Agreement.

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

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

44 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders.

The Group seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Group monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises, redeemable capital, long term finances and liabilities against assets subject to finances leases, including current maturity. Total capital employed includes total equity as shown in the balance sheet plus debt.

The Group's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Group as at the reporting date is as follows:

	Unit	**2013**	2012
Total debt	*Rupees*	**7,830,878,455**	11,512,028,640
Total equity	*Rupees*	**4,413,201,129**	10,415,715,701
Total capital employed		**12,244,079,584**	21,927,744,341
Gearing	*% age*	**63.96%**	52.50%

There were no changes in the Group's approach to capital management during the year. However, defaults / overdue relating to financial obligations of the Group, as referred to in note 43.2.2 to the financial statements, may cause changes in the Group's approach to capital management. The Group is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

	2013	2012
45 Restriction on title and assets pledged as security	**Rupees**	Rupees
Mortgages and charges		
Hypothecation of all present and future assets and properties	**27,000,000,000**	32,416,666,666
Mortgage over land and building	**27,000,000,000**	32,416,666,666
Pledge		
Raw material	**757,541,963**	1,181,795,027
Finished goods	**175,804,000**	464,889,150
Investments in equity securities	**700,000,000**	6,378,291,871
Investments in debt securities	**126,080,519**	126,080,519

Pledge of equity securities amounting to Rs. 700.000 million (2012: Rs. 1,322.777 million) relates to facilities availed by AGL.

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46 Segment information

46.1 The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on type of goods supplied. The Group's reportable segments are therefore as follows:

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

The Group during the year disposed off its fertilizer segment which has been presented as discontuned operations.

The inter-segment transactions related to other material items are insignificant.

46.2 Information about reportable segments

	Textile and apparel		Fertilizer		Total	
	2013	2012	**2013 Un-audited**	2012 Audited	**2013**	2012
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
46.2.1 Segment revenues and results						
External revenues	**14,439,185,602**	11,907,437,305	**953,905,398**	5,697,064,161	**15,393,091,000**	17,604,501,466
Inter-segment revenues	**-**	-	**-**	-	**-**	-
Reportable segment revenue	**14,439,185,602**	11,907,437,305	**953,905,398**	5,697,064,161	**15,393,091,000**	17,604,501,466
Reportable segment loss before tax	**(2,949,492,078)**	(6,192,837,091)	**(1,343,629,143)**	(1,853,793,410)	**(4,293,121,221)**	(8,046,630,501)
46.2.2 Other segment information						
Interest revenue	**23,848,467**	22,106,895	**22,953,184**	66,573,370	**46,801,651**	88,680,265
Interest expense	**(1,339,581,884)**	(2,993,816,382)	**(1,119,296,773)**	(3,501,085,623)	**(2,458,878,657)**	(6,494,902,005)
Depreciation	**(516,907,872)**	(540,656,994)	**(296,262,445)**	(811,383,356)	**(813,170,317)**	(1,352,040,350)
Amortization	**(2,604,817)**	(2,682,411)	**(4,069,196)**	(1,345,341)	**(6,674,013)**	(4,027,752)

	Textile and apparel		Fertilizer		Total	
	2013	2012	**2013 Un-audited**	2012 Audited	**2013**	2012
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
46.2.3 Segment assets and liabilities						
Reportable segment assets	**20,953,014,163**	21,597,606,672	**-**	44,607,317,575	**20,953,014,163**	66,204,924,247
Capital expenditure						
Property, plant and equipment	**83,117,818**	107,373,262	**-**	12,841,975,789	**83,117,818**	12,949,349,051
Intangible assets	**-**	-	**-**	32,288,176	**-**	32,288,176
	83,117,818	107,373,262	**-**	12,874,263,965	**83,117,818**	12,981,637,227
Reportable segment liabilities	**16,539,813,034**	24,960,265,276	**-**	30,828,943,270	**16,539,813,034**	55,789,208,546

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

46.3 Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other material items

		2013	2012
		Rupees	Rupees
46.3.1	**Revenues**		
	Total revenue for reportable segments	**15,393,091,000**	17,604,501,466
	Elimination of inter-segment revenue	**-**	-
	Elimination of discontinued operations - *un-audited / audited*	**(953,905,398)**	(5,697,064,161)
	Consolidated revenue	**14,439,185,602**	11,907,437,305
46.3.2	**Profit or loss**		
	Total loss for reportable segments	**(2,345,452,756)**	(7,955,383,680)
	Elimination of inter-segment profits	**-**	-
	Elimination of discontinued operations - *un-audited / audited*	**(741,578,839)**	1,646,592,181
	Consolidated loss	**(3,087,031,595)**	(6,308,791,499)
46.3.3	**Assets**		
	Total assets for reportable segments	**20,953,014,163**	66,204,924,247
	Elimination of inter-segment assets	**-**	-
	Elimination of discontinued operations - *un-audited / audited*	**-**	(44,607,317,575)
	Consolidated assets	**20,953,014,163**	21,597,606,672
46.3.4	**Liabilities**		
	Total liabilities for reportable segments	**16,539,813,034**	55,789,208,546
	Elimination of inter-segment liabilities	**-**	-
	Elimination of discontinued operations - *un-audited / audited*	**-**	(30,828,943,270)
	Consolidated liabilities	**16,539,813,034**	24,960,265,276

46.3.5 Other material items

The inter-segment transactions related to other material items are insignificant.

46.4 Geographical information

The textile and apparal segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Pakistan and Italy.

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

		2013	2012
		Rupees	Rupees
46.4.1	**Revenue**		
	Pakistan		
	Continuing operations	**13,423,731,576**	11,043,702,419
	Discontinued operation - un-audited / audited	**953,905,398**	5,697,064,161
	Europe		
	Italy - continuing operations	**1,015,454,026**	863,734,558
		15,393,091,000	17,604,501,138
46.4.2	**Non-current assets**		
	Pakistan		
	Continuing operations	**13,937,245,127**	15,194,672,724
	Discontinued operation - un-audited / audited	**-**	40,779,451,388
	Europe		
	Italy - continuing operations	**24,684,874**	722,894,650
		13,961,930,001	56,697,018,762

47 Remuneration of Chief Executive, Directors and Executives

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

	2013			
		Directors		
	Chief Executive	Executive	Non-executive	Executives
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	**15,999,996**	**14,347,273**	**-**	**178,249,855**
Medical	**1,599,996**	**1,434,723**	**-**	**27,968,765**
Utility and house rent	**6,400,008**	**7,681,662**	**-**	**89,769,121**
Post employment benefits	**1,359,996**	**1,219,518**	**-**	**10,767,689**
	25,359,996	**24,683,176**	**-**	**306,755,430**
Number of persons	**1**	**3**	**3**	**138**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

	2012			
	Directors			
	Chief Executive	Executive	Non-executive	Executives
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	15,999,996	14,458,860	-	328,107,038
Medical	1,599,996	1,445,880	-	39,973,109
Utility and house rent	6,400,008	5,990,564	-	77,118,185
Post employment benefits	1,359,996	1,229,004	-	181,374,753
	25,359,996	23,124,308	-	626,573,085
Number of persons	1	4	2	236

47.1 The chief executive is provided with free use of Company maintained car.

48 Plant capacity and actual production

	Unit	2013	2012
Spinning			
Number of rotors installed	*No.*	**2,416**	2,416
Plant capacity on the basis of utilization converted into 6.5s count	*Kgs*	**10,257,997**	8,722,579
Actual production converted into 6.5s count	*Kgs*	**9,805,510**	6,844,047
Number of spindles installed	*No.*	**54,888**	54,408
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**7,583,141**	7,085,211
Actual production converted into 20s count	*Kgs*	**7,214,238**	6,444,272
Weaving			
Number of looms installed	*No.*	**230**	230
Annual capacity on the basis of utilization converted into 38 picks	*Mtrs.*	**49,022,637**	41,382,945
Actual production converted into 38 picks	*Mtrs.*	**26,880,801**	21,018,374
Garments			
Number of stitching machines installed	*No.*	**2,229**	2,229
Annual capacity on the basis of utilization	*Pcs.*	**7,650,000**	7,046,464
Actual production	*Pcs.*	**4,293,374**	5,903,315

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.

49 Provident Fund Trust

The following information related to ANL is based on latest audited financial statements of Provident Fund Trust.

	Unit	2013	2012
Size of fund - *total assets*	*Rupees*	**175,369,701**	183,254,928
Cost of investments made	*Rupees*	**29,952,497**	29,952,497
Percentage of investments made	*Percentage*	**17.08%**	16.34%
Fair value of investment	*Rupees*	**22,027,864**	21,166,818

Notes to the Consolidated Financial Statements

for the year ended 30 June 2013

The breakup of fair value of investments is as follows:

	2013		2012	
	Rupees	**Percentage**	Rupees	Percentage
Shares in listed companies	**1,691,784**	**7.68%**	1,127,661	5.33%
Debt securities	**9,534,049**	**43.28%**	9,534,049	45.04%
Mutual funds	**10,802,031**	**49.04%**	10,505,108	49.63%
	22,027,864	**100.00%**	21,166,818	100.00%

The investments of the Provident Fund Trust are not in compliance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

50 Number of employees

The average and total number of employees of the Group are as follows:

	2013	2012
Average number of employees during the year	**8,744**	10,006
Total number of employees as at 30 June	**7,934**	10,792

51 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassification for better presentation includes provision against trade receivables amounting to Rs. 178.851 million previously included in net other income now presented in selling and distribution expenses.

52 Date of authorization for issue

These consolidated financial statements were authorized for issue on 30 September 2013 by the Board of Directors of the Group.

53 General

Figures have been rounded off to the nearest rupee.

Lahore | Chief Executive | Director

Pattern of Shareholding

Ordinary Shares as at June 30, 2013

Number of Shareholders	Shareholding From	To	Total Shares Held
425	1 -	100	18,308
908	101 -	500	344,129
1095	501 -	1000	984,364
2502	1001 -	5000	7,270,782
916	5001 -	10000	7,447,245
353	10001 -	15000	4,605,069
234	15001 -	20000	4,350,509
164	20001 -	25000	3,862,904
109	25001 -	30000	3,110,006
71	30001 -	35000	2,375,418
70	35001 -	40000	2,696,469
30	40001 -	45000	1,310,320
71	45001 -	50000	3,496,971
23	50001 -	55000	1,225,371
33	55001 -	60000	1,930,532
15	60001 -	65000	939,867
19	65001 -	70000	1,306,648
18	70001 -	75000	1,325,998
11	75001 -	80000	859,115
8	80001 -	85000	670,509
13	85001 -	90000	1,156,554
7	90001 -	95000	653,773
43	95001 -	100000	4,288,500
10	100001 -	105000	1,025,149
9	105001 -	110000	976,600
5	110001 -	115000	564,852
7	115001 -	120000	837,000
4	120001 -	125000	499,000
6	125001 -	130000	777,151
8	130001 -	135000	1,065,939
5	135001 -	140000	693,000
2	140001 -	145000	290,000
8	145001 -	150000	1,196,708
3	150001 -	155000	460,000
2	155001 -	160000	320,000
2	160001 -	165000	327,000
3	170001 -	175000	520,500
1	175001 -	180000	179,500
3	180001 -	185000	554,102
8	195001 -	200000	1,600,000
2	210001 -	215000	430,000
1	215001 -	220000	216,459
1	225001 -	230000	230,000
1	235001 -	240000	235,506
4	245001 -	250000	1,000,000
2	250001 -	255000	506,000
1	260001 -	265000	265,000
4	265001 -	270000	1,072,300
1	270001 -	275000	275,000
2	280001 -	285000	561,767

Pattern of Shareholding

Ordinary Shares as at June 30, 2013

Number of Shareholders	Shareholding From	To	Total Shares Held
1	285001 -	290000	289,354
1	290001 -	295000	290,176
1	295001 -	300000	300,000
1	305001 -	310000	306,126
1	315001 -	320000	319,500
2	320001 -	325000	649,500
1	345001 -	350000	350,000
1	375001 -	380000	380,000
3	385001 -	390000	1,160,500
2	395001 -	400000	800,000
1	440001 -	445000	441,500
1	445001 -	450000	445,500
2	475001 -	480000	958,523
4	495001 -	500000	1,995,500
2	500001 -	505000	1,003,055
3	645001 -	650000	1,945,064
1	995001 -	1000000	1,000,000
1	1000001 -	1005000	1,000,786
1	1005001 -	1010000	1,010,000
1	1020001 -	1025000	1,024,500
1	1075001 -	1080000	1,075,953
1	1110001 -	1115000	1,115,000
1	1195001 -	1200000	1,200,000
1	1205001 -	1210000	1,208,357
1	1250001 -	1255000	1,252,500
3	1495001 -	1500000	4,500,000
1	1950001 -	1955000	1,954,200
1	2155001 -	2160000	2,160,000
1	2220001 -	2225000	2,222,222
1	2380001 -	2385000	2,380,260
1	3265001 -	3270000	3,268,908
1	3345001 -	3350000	3,350,000
1	3895001 -	3900000	3,900,000
1	4150001 -	4155000	4,152,936
1	4585001 -	4590000	4,586,819
1	4645001 -	4650000	4,650,000
1	4795001 -	4800000	4,798,656
1	4995001 -	5000000	5,000,000
1	5030001 -	5035000	5,031,883
1	5195001 -	5200000	5,200,000
1	5275001 -	5280000	5,280,000
1	5365001 -	5370000	5,365,197
1	5450001 -	5455000	5,452,465
1	5595001 -	5600000	5,600,000
1	6200001 -	6205000	6,201,644
1	8150001 -	8155000	8,153,845
1	8845001 -	8850000	8,850,000
1	9495001 -	9500000	9,500,000
1	10515001 -	10520000	10,519,600
1	15005001 -	15010000	15,009,500

Pattern of Shareholding

Ordinary Shares as at June 30, 2013

Number of Shareholders	Shareholding From	To	Total Shares Held
1	21585001 -	21590000	21,587,054
1	22165001 -	22170000	22,169,691
1	23455001 -	23460000	23,457,408
1	38455001 -	38460000	38,460,000
1	112155001 -	112160000	112,157,863
7,311			**449,349,439**

Shareholder's Category	Number of Shares	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	41,355,009	9.20
Associated Companies, undertakings and related parties	112,157,863	24.96
NIT and ICP	11,703	0.00
Banks Development Financial Institutions, Non Banking Financial Institutions	39,917,912	8.88
Insurance Companies	7,121,477	1.58
Modarabas nad Mutual Funds	2,295,965	0.51
Share holders holding 10%	112,157,863	24.96
General Public		
a. Local	137,233,414	30.54
b. Foreign	11,379,818	2.53
Other		
Investment Companies	38,529,770	8.57
Joint Stock Companies	27,317,249	6.08
Provident / Pension Funds and Misc	32,029,259	7.13

Information as required under

Code of Corporate Governance

Categories of Shareholders	Number of Shares	Percentage %
Associated Companies, undertakings and related parties;		
Jahangir Siddiqui & Co. Limited.	112,157,863	24.96
Mutual Funds;		
CDC - Trustee KASB Asset Allocation Fund	480,000	0.11
CDC - Trustee Alfalah GHP Value Fund	501,500	0.11
CDC - Trustee AKD Index Tracker Fund	68,000	0.02
National Bank of Pakistan - Trustee Department NI (U) T Fund	1,208,357	0.27
Directors, Chief Executive Officer and their spouse and minor children;		
Mr. Ahmed H. Shaikh	30,622,000	6.81
Mr. Aehsun M. H. Shaikh	10,733,000	2.39
Mr. Nasir Ali Khan Bhatti	5	0.00
Mr. Usman Rasheed	1	0.00
Mr. Naseer Miyan	1	0.00
Mr. Imtiaz Ali Bhatti	1	0.00
Mr. Imran Maqbool	1	0.00
Executives;	Nil	
Public Sector Companies and Corporation, Banks, DFIs, Insurance Companies, Takaful, Modarabas & Pension Funds;	144,965,478	32.26
Individuals	148,613,232	33.07
	449,349,439	100.00
Shareholders holding five percent or more voting rights in the listed Company		
Mr. Ahmed H. Shaikh	30,622,000	6.81
SAJ Capital Management Ltd.	38,460,000	8.56
Jahangir Siddiqui & Co. Ltd.	112,157,863	24.96
Detail of trading in shares by the Directors, CEO, CFO, Company Secretary their Spouses and Minor Children.	Nil	

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Form of Proxy
Azgard Nine Limited

AZGARD-9

I/We ______________________________

son/daughter of ______________________________

a member of Azgard Nine Limited and holder of ______________________ ordinary 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 Thursday the 31 October 2013 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 ______________ 2013.

WITNESSES:

1. Signature: ______________________

   Name ______________________

   Address ______________________

   ____

   CNIC: ______________________

Affix Revenue Stamp

2. Signature: ______________________

   Name ______________________

   Address ______________________

   ____

   CNIC: ______________________

____
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 CNIC or Passport. Representatives of corporate members should bring the usual documents for such purpose.

AFFIX
CORRECT
POSTAGE

The Company Secretary

AZGARD NINE LIMITED

Ismail Aiwan-e-Science
Lahore - 54600