

A-1

Step # 1: Ranking in order of dilution

	Increase in earnings	Increase in no. of ordinary shares	Earnings per incremental shares	Rank
	Rs.		Rs.	
Convertible Debentures Increase in earnings (Rs. 7.5m x 70%) Increase in shares	5,250,000	3,000,000	1.75	3
Convertible Preference Shares Increase in earnings Increase in shares	2,450,000	4,000,000	0.61	2
Options Increase in earnings Increase in shares (1.5m x 1.1 / 11)	-	150,000	-	1

Step # 2: Testing for dilutive effect

	Profit from operations attributable to ordinary shareholders	Ordinary Shares	EPS	Effect
	Rs.		Rs.	
Basic Earnings per share Options (Rank 1)	*125,380,000	85,220,000	1.471	-
	-	150,000		
	125,380,000	85,370,000	1.469	Dilutive
Convertible preference shares (Rank 2)	2,450,000	4,000,000		
	127,830,000	89,370,000	1.430	Dilutive
Convertible debentures (Rank 3)	5,250,000	3,000,000		
	133,080,000	92,370,000	1.44	Anti-Dilutive

*Rs. 127,830,000 – Rs. 2,450,000 = Rs. 125,380,000

(b)

AAZ Limited

Notes to the financial statements

For the year ended December 31, 2007

EARNINGS PER SHARE

2007

Basic alternative to ordinary share holders

Profit (Rupees)	125,380,000
Weighted average number of ordinary shares outstanding during the year	85,220,000
Earnings per share - basic (Rupees)	1.47

Diluted

Profit after taxation (Rupees)	127,830,000
Weighted average number of ordinary shares, options and convertible preference shares outstanding during the year	89,370,000
Earnings per share - diluted (Rupees)	1.430

Because diluted earnings per share is increased when taking the convertible preference shares into account (from Rs. 1.430 to Rs. 1.44), the convertible debentures are anti-dilutive and are ignored in the calculation of diluted earnings per share.

A-2 Afridi Industries Limited

Extracts from the Statement of Comprehensive Income For the year ended December 31, 2008	Rupees in million
Profit before tax	120.0
Tax @ 35%	42.0
	78.0
Other comprehensive income	-
Total comprehensive income	78
Earnings per share	
Basic	
Continued operations (91 [W-1] - 49 [W-2])	1.86
Discontinued operations ((133) [W-1] - 49 [W-2])	(0.27)
	1.59
Diluted	
Continued operations (108.33 [W-1] - 60.67 [W-2])	1.78
Discontinued operations ((13) [W-1] - 60.67 [W-2])	(0.21)
	1.57

Afridi Industries Limited

Extracts from the Notes to the Financial Statements

For the year ended December 31, 2009

Basic earnings per share	
Profit attributable to ordinary shareholders (Rs. in millions)	78.00
Weighted average number of ordinary shares (numbers in millions) (W-2)	(W-1) 49.00
Diluted earnings per share	
Profit attributable to ordinary shareholders	78.00
After tax effect of finance cost on convertible TFCs (4x100x8 / 65%)x10/12	17.33
Profit after tax attributable to ordinary shareholders (diluted)	95.33
	Numbers in million
Weighted average number of ordinary shares (W-2)	49.00
Effect of convertible TFCs on number of shares (W-2)	11.67
Weighted average number of ordinary shares (diluted)	60.67

WORKINGS**W-1: Basic and diluted earnings**

	Rs. in million		
Profit before tax	140.00	(20.00)	120
Tax	(49.00)	7.00	(42)
Profit attributable to ordinary shareholders - basic earnings	91.00	(13.00)	78
Finance cost on convertible TFCs (4 x 100 x 8% x 65%) x 10/12	17.33		17.33
Profit attributable to ordinary shareholders - diluted earnings	108.33	(13.00)	95.33

W-2: No of ordinary shares outstanding for basic and diluted EPS computation

	Numbers in million
Ordinary shares outstanding as of Jan 1, 2008	40.00
Right issued during the year (40 x 30% x 9/12)	9.00
No of ordinary shares outstanding for Basic Earnings per Share	49.00
10 TFCs convertible into 35 ordinary shares (4,000,000 x 35/10) x 10/12	11.67
No of ordinary shares outstanding for Diluted Earnings per Share	60.67

A-3**ABC Limited****Notes to Consolidated Financial Statements****For the year ended March 31, 2010**

	2010
	Rs. in '000
Earnings per share basic	
Profit after tax and minority interest (15,000-2,000)	13,000
Dividend paid during the year to ordinary shareholders (Rs. 4,000)	-
10% Cumulative preference dividend for 2009 (Rs. 2,000)	-
10% Cumulative preference dividend for 2010	(2,000)
Dividend declared on 12% non cumulative preference shares for 2010	(2,400)
Profit available for distribution to ordinary share holders	<u>8,600</u>
	No. in '000
Weighted average number of ordinary shares	W1 13,146
Earnings per share - Basic and diluted	Rs. <u>0.65</u>
Diluted earnings per share	
Profit available for distribution to ordinary share holders	8,600
Effect of dividend declared on 12% non cumulative preference shares convertible into ordinary shares on or before December 31, 2011	2,400
	<u>11,000</u>
Weighted average number of ordinary shares	W1 13,146
12% Non cumulative preference shares convertible to ordinary shares on or before December 31, 2011	W2 1,771
	<u>14,917</u>
<u>Antidiluted</u> earning per share	<u>0.74</u>

W1: Weighted average ordinary shares outstanding for "Basic EPS"

Time lines		Actual shares	Bonus Adjustment factor (W3)	Period Adjustment	2010 (Weighted shares)
01-04-09 to 30-06-09	Outstanding on April 1,	10,000	1.008333X1.2	3/12	3,025
01-07-09 to 30-09-09	Outstanding on July 1,				

	Opening Conversion of 500,000 12% Cumulative preference shares into ordinary shares at a premium of Rs. 2 per share (500/12*10)	10,000 417			
		10,417	1.008333X1.2	3/12	3,151
01-10-09 to 31-03-10	Outstanding on Oct.1, 2009				
	Opening 1,200,000 shares of Rs. 10 each were issued at Rs. 11.5 per share against the market price of 12.5	10,417 1,200			
		11,617	1.2	6/12	6,970
					13,146

Weighted average ordinary shares resulting from conversion for "Diluted EPS"

Time lines		Actual shares		Period Adjustment	2010 (Weighted shares)
01-04-09 to 30-06-09	Outstanding on April 01,	3,025			
	Share converted on July 1, 2009	417			
	Shares to be converted	1,667			
		2,084		3/12	521
01-07-09 to 31-03-10	Outstanding on July 1,	1,667		9/12	1,250
					1,771

W3: Calculation of bonus adjustment factor

No. of shares @ Rs. Rs. in '000

Bonus element with right issue

Outstanding shares before the exercise of rights at fair value	10,417	12.50	130,213
Rights issued at a premium of Rs. 1.5	1,200	11.50	13,800
	11,617		144,013
Theoretical ex-right value per share (144,013/11,617)		Rs.	12.3967
Adjusting factor (Fair value 12.5 / Theoretical ex-right value 12.3967)			<u>1.00833</u>

Bonus issued on January 01, 2010 (20%)

Adjusting factor			<u>1.2</u>
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A-4

Rahat Limited

Notes to and forming part of the financial statements For the year ended March 31, 2011

			2011	2012
			Rs./share in '000	
1 Earnings per share:				
1.1 Basic earnings per share				
Profit after taxation			150,000	110,000
Dividend on 15% convertible preference shares (19,000*15%)			(2,850)	(3,000)
/ (20,000*15%)				
Profit attributable to ordinary shareholders			147,150	107,000
				Restated
Weighted average number of ordinary shares in issue	W1		5,638.28	5,170.36
Basic earnings per share	Rs.		26.10	20.69
1.2 Diluted earnings per share				
Profit after taxation			150,000	110,000
Weighted average number of shares in issue	W1		5,638.28	5,170.36
Conversion of 10,000 cumulative preference shares on July 1, 2010 (10*7)/12*3			17.50	-
Adjustment for potential ordinary shares on conversion of 15% cumulative preference shares (190*7)/(200*7)			1,330.00	1,400.00
				Restated
Weighted average number of shares for diluted earnings			6,985.78	6,570.36
Diluted earnings per share			21.47	16.74

During the year the company has issued 1 million right ordinary shares at Rs. 12 per share against the prevailing market price of Rs. 15 per share. This has resulted in **restatement of basic and diluted earnings per share for the year ended March 31, 2010.**

W-1 Weighted average ordinary shares outstanding for 'Basic EPS'

Description	Date of issue	Actual No. of shares	2011			2010 (Restated)		
			Time	Bonus factor (W.2)	Weighted average shares	Actual No. of shares	Bonus factor (W-1)	Weighted average shares
Balance	01-04-10	5,000	3/12	1.034072	1,292.59	5,000	1.034072	5,170.36
Conversion of 10,000 cumulative preference shares	01-07-10	70						
		5,070	3/12	1.034072	1,310.69			
Right issue	01-10-10	1,000						
		6,070	6/12	-	3,035.00			
Weighted average shares					5,638.28			5,170.36

W-2 Calculation of theoretical ex-right value per share and bonus adjustment factor

Outstanding shares before the exercise of rights at fair value	5,070	15.0	76,050
Exercise of rights issued at Rs. 12 per share	1,000	12.0	12,000
	6,070		88,050
Theoretical ex-right value per share	88,050/6,070		14.50576
Bonus adjustment factor	15/14.50576		1.034072

A-7

Basic EPS	=	<u>Net profit attributable to ordinary share holders</u>
		Weighted average number of shares outstanding
Profit		Rs. 48,000,000
Weighted Average of shares		
Opening		10,000,000 x 4/12 x 6/5 x 33/31.4
		4,203,822 A
On first right issue		10,000,000 x 2/12 x 6/5 x 33/31.4
		2,101,911 B
		2,000,000 x 2/12 x 33/31.4
		350,318 C
Bonus issue		14,000,000 x 4/12 x 33/31.4
		4,904,459 D
2 nd Right issue		17,500,000 x 2/12
		2,916,667 E
Total shares		14,477,177
Basic EPS	=	<u>48,000,000</u>
		14,477,177
		3.31 per share

W-1

Calculation of theoretical ex-	5 x 40 = 200
right price first right issue	1 x 40 = 40
	240/6 = 40

W-2

Calculation of theoretical ex-	4 x 33 = 132
right price 2 nd right issue	1 x 25 = 25

W-l: Weighted average number of shares

Description	Date of issue	Actual no. of shares	Time	Bonus factor	W/Avg. shares
Balance	1-Jan-II	80,000,000	3/4	1.0204	61,224,000
Right issue	30-Sep-II	16,000,000	-	-	-
		96,000,000	1/4	1.0000	24,000,000
					<u>85,224,000</u>

W-1.1 : Calculation of theoretical ex-right price

	Shares Quantity	Market Rate	Value
Outstanding shares before the exercise of rights at fair value	80,000,000	12.50	1,000,000,000
Exercise of right issued	16,000,000	11.00	176,000,000
	<u>96,000,000</u>		<u>1,176,000,000</u>

Theoretical ex-right price per share (Rs. 1,176,000,000 - 96,000,000) 12.25

Bonus adjustment factor (12.50 - 12.25) 1.0204

W-2 : Ranking of dilutive instruments

Description	Increase in earnings	Increase in no. of ordinary shares	Earnings per incremental share	Rank
Convertible debentures	7,150,000	6,000,000	1.19	2
	(11,000,000 x 65%)			
Options- bonus element	-	500,000	-	1
		(25,0000x120x2/12)		
Preference shares	5,750,000	4,000,000	1.44	3

W-3 : Testing for dilutive effect

	Profit attributable to ordinary shareholders	Ordinary shares	EPS	Effect
Basic earnings per share	124,250,000	85,224,000	1.4579	
Options	-	500,000		
	124,250,000	85,724,000	1.4494	Dilutive
Convertible debentures	7,150,000	6,000,000		
	131,400,000	91,724,000	1.4326	Dilutive
Preference shares	5,750,000	4,000,000		
	137,150,000	95,724,000	1.4328	Anti dilutive