



Ibrahim

Building a better tomorrow



Ibrahim Fibres Limited  
Annual Report 2013



# Contents



2	Company Information
4	Financial Highlights
6	Vision and Mission Statement
8	Chairman's Review
14	Notice of Meeting
16	Directors' Report
20	Statement of Compliance
22	Review Report to the Members
23	Auditors' Report to the Members

## **Financial Statements**

26	Balance Sheet
27	Profit and Loss Account
28	Statement of Comprehensive Income
29	Cash Flow Statement
30	Statement of Changes in Equity
31	Notes to the Financial Statements
58	Pattern of Shareholding
59	Categories of Shareholders
61	Form of Proxy

# Company Information



## Board of Directors

Sheikh Mukhtar Ahmed  
*Chairman*

Mohammad Naeem Mukhtar  
*Chief Executive Officer*

Muhammad Waseem Mukhtar

Anwarul Haque

Mohammad Waqar

Jawaid Ashraf

Abdul Hameed Bhutta

## Secretary

Anwarul Haque - FCA

## Audit Committee

Jawaid Ashraf

*Chairman*

Mohammad Waqar

*Member*

Abdul Hameed Bhutta

*Member*

Anwarul Haque - FCA

*Secretary*

## Auditors

Avais Hyder Liaquat Nauman

Chartered Accountants

Faisalabad, Pakistan.

## Bankers

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

BankIslami Pakistan Limited

Barclays Bank PLC

Citibank, N.A.

Deutsche Bank AG

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

HSBC Bank Middle East Limited

JS Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Standard Chartered Bank (Pakistan) Limited

United Bank Limited



#### Registered Office

Ibrahim Centre,  
1 - Ahmed Block,  
New Garden Town,  
Lahore - 54600, Pakistan.

#### Head Office

Ibrahim Centre,  
15 - Club Road,  
Faisalabad - 38000, Pakistan.

#### Registrar's & Shares Registration Office

M/s Technology Trade (Pvt) Ltd.  
Dagia House,  
241 - C, Block - 2,  
P.E.C.H.S.,  
Off: Shahrah-e-Quaideen,  
Karachi, Pakistan.

#### Projects Location

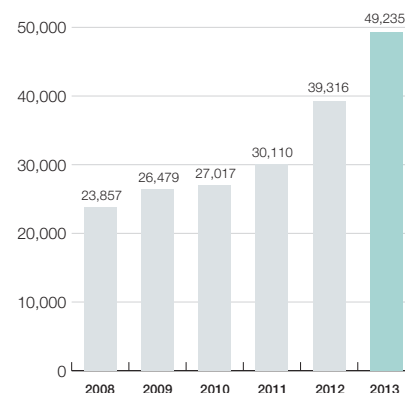
38 - 40 Kilometres,  
Faisalabad - Sheikhpura Road,  
Faisalabad, Pakistan.

# Financial Highlights

## Sales - Net (Rupees in Million)



## Total Assets (Rupees in Million)



### For the Year Ended June 30,

	2013	2012	2011	2010	2009	2008
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(Rupees in million)

### Operating performance

Sales - net	38,839	35,853	37,301	27,124	22,060	21,550
Inter - project consumption	3,974	3,877	3,658	2,748	2,372	2,014
	42,813	39,730	40,959	29,872	24,432	23,564
Gross profit	2,725	2,622	3,123	2,749	2,311	2,187
Operating profit	1,958	1,920	2,449	2,126	1,838	1,748
Profit before taxation	4,375	4,452	4,875	3,894	1,926	2,110
Profit after taxation	5,534	4,114	4,152	3,360	1,625	1,583

### As at June 30,

	2013	2012	2011	2010	2009	2008
--	------	------	------	------	------	------

(Rupees in million)

### Financial position

Property, plant and equipment - net (excluding capital work in progress)	27,175	7,054	7,109	7,190	7,685	7,289
Intangible assets	60	10	11	9	14	15
Capital work in progress	58	13,385	1,720	-	132	212
Fixed assets	27,293	20,449	8,840	7,199	7,831	7,516
Total assets	49,235	39,316	30,110	27,017	26,479	23,857

### Current assets

Stores, spare parts and stock in trade	9,970	5,686	3,509	3,078	3,607	4,913
Other current assets	2,569	1,563	3,813	2,319	1,294	1,853
Cash and cash equivalents	205	52	155	73	170	245
	12,744	7,301	7,477	5,470	5,071	7,011

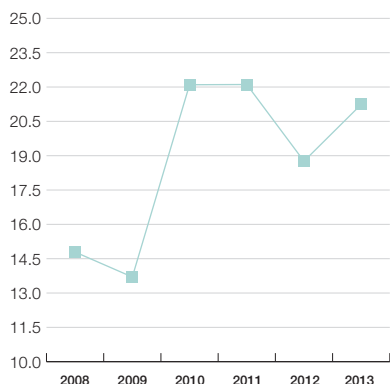
### Current liabilities

Short term bank borrowings	5,509	2,319	704	1,569	1,498	2,302
Current portion of long term financing / murabaha	2,313	1,229	1,783	1,836	1,782	1,540
Other current liabilities	1,677	2,108	3,800	1,832	3,113	3,729
	9,499	5,656	6,287	5,237	6,393	7,571

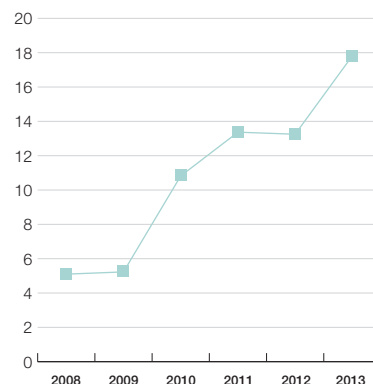
### Net working capital

Net working capital	3,245	1,645	1,190	232	(1,322)	(560)
Long term financing / murabaha	12,250	9,262	2,542	4,325	6,161	3,793
Share capital and reserves	26,055	21,933	18,776	15,238	11,871	10,704

### Return on Equity (Percentage)



### Earnings Per Share (Rupees)



	For the Year Ended June 30,					
	2013	2012	2011	2010	2009	2008

#### Profitability analysis

Gross profit to sales	(%)	7.0	7.3	8.4	10.1	10.5	10.1
Profit before tax to sales	(%)	11.3	12.4	13.1	14.4	8.7	9.8
Profit after tax to sales	(%)	14.2	11.5	11.1	12.4	7.4	7.3
Return on capital employed	(%)	4.9	5.7	10.3	9.8	9.2	10.7
Return on equity	(%)	21.2	18.8	22.1	22.1	13.7	14.8
Earnings per share	(Rupees)	17.8	13.2	13.4	10.8	5.2	5.1

#### Dividend

Interim cash dividend	(%)	15	-	-	-	-	-
Final cash dividend - Proposed	(%)	20	30	30	20	-	15

	As at June 30,					
	2013	2012	2011	2010	2009	2008

#### Financial analysis

Current ratio	(times)	1.3	1.3	1.2	1.0	0.8	0.9
Debt to equity	(times)	0.6	0.5	0.2	0.4	0.7	0.5
Leverage ratio	(times)	0.9	0.8	0.6	0.8	1.2	1.2
Debt service coverage	(times)	2.5	1.9	1.7	1.4	1.1	1.4
Breakup value per share	(Rupees)	83.9	70.6	60.5	49.1	38.2	34.5
Inventory turnover ratio	(times)	5.6	9.4	13.6	9.3	5.6	5.8
Debtors turnover ratio	(times)	156.0	188.9	253.3	179.8	151.0	173.6
Fixed assets turnover ratio	(times)	1.6	2.4	4.7	3.6	2.9	2.9



## Vision

To be a sustainable, growth oriented Company and achieve scale to remain competitive in the barrier free global economy.





## Mission

To build the Company on sound financial footings with better productivity, excellence in quality and improved efficiency at lower operating costs by utilizing blend of state of the art technologies.

To accomplish excellent results through increased earnings which can benefit all the stakeholders.

To be a responsible employer and to take care of the employees in their career planning and reward them according to their abilities and performance.

To fulfill general obligations towards the society, being a good corporate citizen.



“I am pleased to present the review on the performance and financial statements of your Company for the year ended June 30, 2013.”

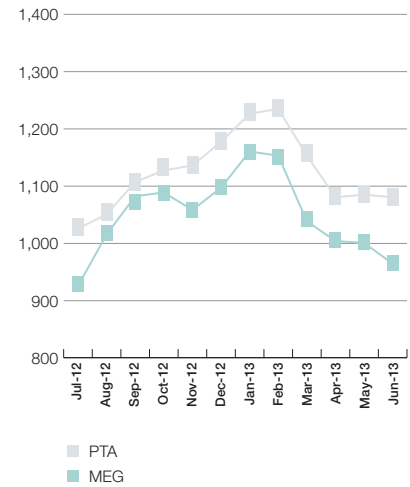
## Industry Overview

During the year under review, the extensive load shedding of power and limited supply of gas, especially to the textile spinning industry badly affected the production and its capacity utilization, which in turn resulted in shrinkage of demand of Polyester Staple Fibre (PSF).

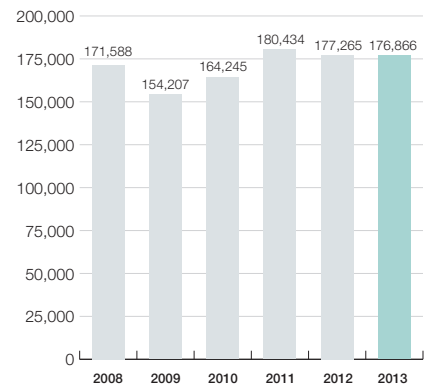
Moreover, the demand of locally produced PSF remained depressed due to import of PSF from China which touched its peak during the year under review as was available at excessively dumping prices. After hectic efforts of domestic manufacturers, National Tariff Commission imposed provisional anti-dumping duty on some of the suppliers of China on December 21, 2012; whereas rest of the suppliers kept on dumping their product in the country.



**PTA & MEG Prices**  
(US Dollar / Ton)



**PSF / Polyester Chips Sales**  
(Quantity in M. Ton)



This provisionally levied anti-dumping duty has again been withdrawn from all PSF imported from China from July 31, 2013 and the whole of the anti-dumping duty collected during this period is being reimbursed. This action will once again encourage the import of PSF at dumping prices which will adversely affect the domestic PSF industry.

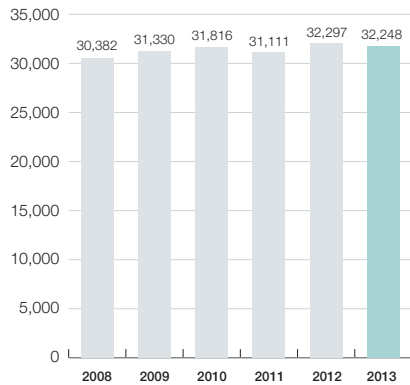
PSF feedstock prices witnessed a reducing trend in the international market, during second half of the year, resulting in inventory losses which adversely affected the margins of PSF during this period.

## Marketing Activities

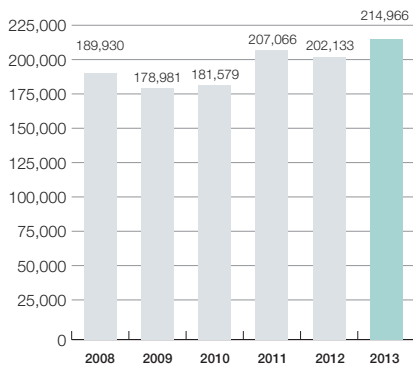
The polyester plant of your Company achieved sales volume of 176,866 tons of PSF/ Polyester chips during the year under review as against sales of 177,265 tons of PSF during the previous year.

# Chairman's Review

**Yarn Sales**  
(Quantity in M. Ton)



**PSF / Polyester Chips Production**  
(Quantity in M. Ton)



The textile plants of your Company achieved sales of 32,248 tons of different counts of blended yarns during the year, as against sales of 32,297 tons of yarns during previous year.

## Production Operations

The polyester plant of your Company achieved an average capacity utilization of 86% during the year under review as against 97% during previous year by producing 214,966 tons of PSF/Polyester chips as against 202,133 tons during the previous year. Out of the above production, 22,963 tons of PSF were consumed by the textile plants of your Company during the year, for production of blended yarns as against 22,649 tons consumed during previous year.

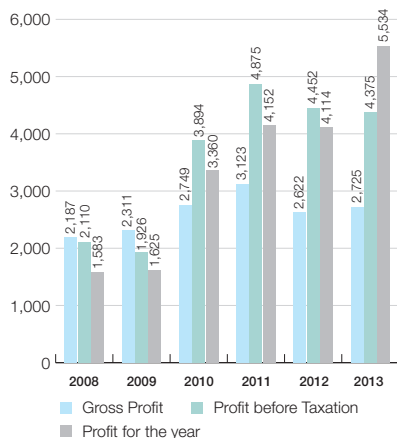
At the textile plants of your Company, 136,440 spindles remained operational during the year and manufactured 33,188 tons of different counts of blended yarns as against 136,390 spindles manufacturing 32,145 tons of yarns during previous year.

## Financial Performance

Your Company achieved net sales of Rs. 38,839 million during the year under review as compared to Rs. 35,853 million during the previous year. The gross profit earned during the year was Rs. 2,725 million as against Rs. 2,622 million earned during previous year. Despite lesser availability of gas and inventory losses as mentioned above, your Company performed better with reference to the gross profit before taking into account the depreciation of the expansion projects.

Your Company earned profit before tax amounting to Rs. 4,375 million during the year as compared to Rs. 4,452 million during the previous year, after taking into account the proportionate share in profits of Allied Bank Limited, an associated company, amounting to Rs. 2,386 million for the year under review as against Rs. 2,744 million for previous year. Profit after tax for the year comes to Rs. 5,534 million as compared to Rs. 4,114 million during previous year.

**Earning Performance**  
(Rupees in Million)



## Balancing, Modernisation and Expansion

### Polyester Staple Fibre Plant

The installation of polyester plant expansion project of your Company has been completed and after successful test runs, it became operative for commercial production in the second week of April 2013.

The expansion project has also been imported from the supplier of existing polyester plants, now known as Lurgi, GMBH, Germany.

After installation of the expansion plant, the overall PSF production capacity of the polyester plant has been increased to 390,600 tons per annum based on 350 working days.

### Power Generation Plant

The installation of power generation expansion project has been completed and it became operative during the first week of May 2013.

Under this project, 5 power generating sets fueled by heavy fuel oil having a generation capacity of 5.3 MW each have been imported from NIIGATA, Japan who is the supplier of existing power generating plants of the Company.

After installation of these power generating sets, overall generation capacity of the power generation plant has been increased to 73.3 MW.



# Chairman's Review



## Professionalism and Human Resources

Your Company is following the policy of providing suitable working environment to the employees and making arrangements for training of appropriate personnel relevant to their areas of expertise. During the year under review, 150 employees were nominated to participate in training courses, workshops, seminars and conferences on taxation, internal auditing, financial modeling, stress management, industrial management, team work and financial reporting organized by well-known institutions and organizations in the country and abroad.

## Future Outlook

In the current scenario, the revival of domestic textile industry is largely dependent on the continuous availability of power and gas in the country. There is huge demand for locally manufactured textile products in the regional market but, due to continuous load shedding, the domestic textile industry is not able to fully utilize its production capacities. As a result, the PSF demand situation in the country remains highly unstable. Now, due to withdrawal of anti-dumping duty on import of PSF from China, the reliance of textile spinning industry on imported PSF will increase thus adversely affecting the demand of locally produced PSF.



Increased usage of heavy fuel oil due to limited supply of gas is resulting in increased cost of production of PSF and yarns. Furthermore, due to lifting of anti-dumping duty as mentioned above, domestic manufacturers of PSF will have to adjust PSF price downwards to compete with the imported underpriced product. In this scenario, the margins are expected to remain under pressure.

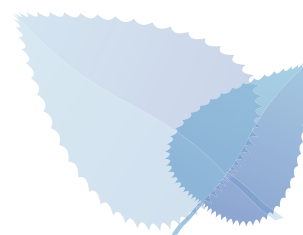
However, the management of your Company is making best efforts to increase its capacity utilization and to achieve better results in the next financial year.

## Acknowledgement

I am thankful to the members of the Board of Directors of the Company, shareholders, bankers, financial institutions, our valued customers and suppliers for their support and assistance. I also thank the executives and other employees of the Company for their dedication and hard work and look forward to getting the same cooperation in future.

**Sheikh Mukhtar Ahmed**  
Chairman

Lahore  
August 26, 2013



# Notice of Meeting

Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of the shareholders of the Company will be held on September 26, 2013 at 11:00 A.M. at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business :

## ORDINARY BUSINESS

1. To confirm the minutes of the preceding meeting of the shareholders of the Company.
2. To consider and approve the Annual Audited Accounts of the Company for the year ended June 30, 2013 together with Directors' and Auditors' Report thereon.
3. To consider and approve payment of Final Cash Dividend @ Rs. 2 per share (20%) as recommended by the Board of Directors.
4. To appoint Auditors for the year 2013-2014 and fix their remuneration. The retiring auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants being eligible offer themselves for reappointment.
5. To transact any other business with the permission of the chair.

By order of the Board

**Anwarul Haque**  
Company Secretary

Lahore

August 26, 2013

## NOTES

- i) The share transfer books of the Company shall remain closed from September 19, 2013 to September 26, 2013 (both days inclusive) to determine the names of members entitled to receive Cash Dividend and to attend the meeting. Transfers received in order at M/s Technology Trade (Pvt) Ltd., Dagia House, 241 - C, Block - 2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi, the Registrar's and Shares Registration Office of the Company at the close of business on September 18, 2013 will be treated in time.
- ii) A member entitled to attend and vote at the Meeting may appoint another member as his / her proxy to attend and vote for him / her. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
- iii) Members are requested to notify immediately changes, if any, in their registered address.
- iv) CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

## For Attending the Meeting :

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) or original 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.

## For Appointing Proxies :

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- 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 owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.
- v) 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) alongwith proxy form to the Company.

## REQUEST TO PHYSICAL SHAREHOLDERS :

SHAREHOLDERS HAVING PHYSICAL SHARES ARE REQUESTED TO PROVIDE COPIES OF THEIR VALID COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) AS SOON AS POSSIBLE AT THE SHARE REGISTRAR OFFICE OF THE COMPANY FOR PRINTING OF CNIC NUMBER ON DIVIDEND WARRANTS AS REQUIRED BY SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN NOTIFICATION NO. SRO 831(1) / 2012 DATED 05-07-2012 AND EARLIER NOTIFICATION SRO. 779 (1) / 2011 DATED 18-08-2011 UNDER SECTION 506B OF THE COMPANIES ORDINANCE, 1984.

PLEASE IGNORE THE REQUEST IF A COPY OF THE VALID CNIC HAS ALREADY BEEN PROVIDED.





# Directors' Report to the Shareholders

The Directors of your Company are pleased to present before you the audited Financial Statements for the year ended June 30, 2013 alongwith Auditors' report thereon.

## Financial Results

The financial results for the year under review with corresponding figures of previous year are presented for having a quick look on the performance of the Company.

	2013 Rupees	2012 Rupees
Gross Profit	2,725,185,455	2,622,165,623
Selling and distribution expenses	(191,244,782)	(158,541,465)
Administrative expenses	(629,690,689)	(591,731,463)
Other operating expenses	(53,600,005)	(83,530,305)
Finance cost	(951,427,015)	(780,322,044)
	(1,825,962,491)	(1,614,125,277)
Other operating income	899,222,964	1,008,040,346
	1,089,434,248	700,636,731
Share of profit of associate - net	1,988,657,212	1,708,677,077
	2,385,950,000	2,743,648,000
Profit before taxation	4,374,607,212	4,452,325,077
Reversal of / (provision for) taxation	1,159,559,352	(338,414,235)
Profit for the year	5,534,166,564	4,113,910,842
Un-appropriated profit brought forward	15,058,034,938	12,394,645,081
Profit available for appropriation	20,592,201,502	16,508,555,923
Less:		
Final cash dividend @ 30% (2012 : 30%)	931,520,985	931,520,985
Interim cash dividend @ 15% (2012 : Nil)	465,760,492	-
Transfer to general reserve during the year	459,000,000	519,000,000
	1,856,281,477	1,450,520,985
Un-appropriated profit carried forward	18,735,920,025	15,058,034,938
Earnings per share - Basic and Diluted	17.82	13.25

## Final Cash Dividend – Proposed

The Board has recommended payment of Final Cash Dividend for the year ended June 30, 2013 @ Rs. 2 per share (20%) to all the shareholders of the Company.

	2013 Rupees	2012 Rupees
<b>Proposed Appropriation of Profit</b>		
Final cash dividend		
Rs. 2 per share @ 20% (2012 : Rs. 3 per share @ 30%)	621,013,990	931,520,985
Transfer to general reserve	1,000,000,000	459,000,000
	1,621,013,990	1,390,520,985

## Chairman's Review

The Directors of your Company fully endorse the Chairman's review on the performance of the Company for the year ended June 30, 2013.

## Auditors

The external auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, retire and offer themselves for their reappointment. The Audit Committee recommends the reappointment of M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, as external auditors for the financial year ending June 30, 2014.

## Pattern of Shareholding

Pattern of shareholding as on June 30, 2013 is annexed.

## Number of Board Meetings Held

Six meetings of the Board of Directors were held during the year ended June 30, 2013 and the attendance of the Directors is as follows :

		Attendance
Sheikh Mukhtar Ahmed	Chairman	05
Mohammad Naeem Mukhtar	Chief Executive Officer	06
Muhammad Waseem Mukhtar	Director	03
Anwarul Haque	Director	06
Mohammad Waqar	Director	05
Jawaid Ashraf	Director	03
Shahid Amin	Director	05
Mohammad Pervaiz Aslam Rana	Director	02

Mohammad Pervaiz Aslam Rana and Shahid Amin resigned during the financial year and the casual vacancies have been filled by Jawaid Ashraf and Abdul Hameed Bhutta.

The members of the Board appreciated the services rendered to the Company by the out-going Directors during the tenure of their office.

## Audit Committee

The Audit Committee of the Company is in place and comprises of the following members as required under the Code of Corporate Governance. It has been reconstituted after filling the casual vacancies arisen during the year.

Jawaid Ashraf (Non-Executive Director)	Chairman
Mohammad Waqar (Non-Executive Director)	Member
Abdul Hameed Bhutta (Non-Executive Director)	Member

Meetings of Audit Committee were held during the year ended June 30, 2013 as required by the Code of Corporate Governance for review of quarterly and annual financial statements and other related matters. The meetings were also attended by the CFO, Head of Internal Audit and External Auditors as and when required.

## Corporate And Financial Reporting Framework

The Directors of the Company are pleased to confirm that the Company has made compliance of the provisions of the Code of Corporate Governance set out in the regulation No. 35 of Karachi, Lahore and Islamabad listing regulations issued by the Securities and Exchange Commission of Pakistan and there is no material departure from the best practices as detailed in the listing regulations. Our statements on corporate and financial reporting are as follows :

1. The financial statements, prepared by the management of the Company present a fair state of affairs of the Company, results of its operations, cash flows and changes in equity;
2. Proper books of accounts of the Company have been maintained as required under the Companies Ordinance, 1984;
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;
4. International Accounting / Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there is no departure therefrom;
5. The system of internal control is sound and has been effectively implemented and monitored;

# Directors' Report to the Shareholders



6. There is no significant doubt upon the Company's ability to continue as a going concern;
7. Financial highlights for the last 6 years are annexed.

## Corporate Social Responsibility

Your Company understands its corporate responsibility towards the society and fulfills its obligation by providing financial support to under privileged members of the society and its deserving employees as well as doing philanthropy work. The Company is also contributing considerable amounts to the National Exchequer, applying solutions for energy conservation and environment protection, providing best quality products and after-sales technical services to its valued customers.

Your Company regularly donates substantial amounts to renowned hospitals, trusts and to various institutions

constituted for dealing with natural calamities as part of its philanthropic activities.

Your Company is providing healthy, safe and learning work environment to its employees and sends them to attend training courses, seminars, workshops and conferences both within country and abroad. It lends regular support to the special persons by offering them jobs in departments that suit them best. It also offers apprenticeship to fresh graduates, post graduates and engineers, on regular basis, to elevate their professional and technical skills.

Your Company has also installed an environment friendly gas based power plant with a view to reduce power



cost. Moreover, it produces steam as a by-product which is adequate to meet the entire steam requirements of Polyester plant of the Company thereby resulting in energy conservation.

During the year, your Company has contributed a huge amount to the National Exchequer by way of payment of various duties, levies and taxes.

#### Acknowledgement

The Directors of your Company would like to place on record their deep appreciation for the support of the customers, banks, financial institutions, regulators and shareholders for achieving good results and hope that this cooperation and support will also continue in future.

The Directors of your Company would also like to express their appreciation for the services, loyalty and efforts

being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue to do so in future.

On behalf of the Board

**Mohammad Naeem Mukhtar**  
Chief Executive Officer

Lahore  
August 26, 2013

# Statement of Compliance

## with Best Practices of the Code of Corporate Governance

This statement is being presented in compliance with the Code of Corporate Governance (CCG) contained in the Listing Regulations of the Stock Exchanges in Pakistan for the purpose of establishing a framework whereby a listed company is managed with best practices for good Corporate Governance.

The Board has applied the principles required by CCG in the following manner :-

1. The Company encourages representation of independent Non-Executive Directors and the Directors representing minority interests on the Board of the Company. However, at present, the Board includes :

Category	Names
Independent Directors	–
Executive Directors	Sheikh Mukhtar Ahmed Mohammad Naeem Mukhtar Muhammad Waseem Mukhtar
Non-Executive Directors	Anwarul Haque Mohammad Waqar Jawaid Ashraf Abdul Hameed Bhutta

The condition of clause i (b) of CCG in relation to independent Director will be applicable after next election of Directors in January 2015.

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 Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIL.
4. Two casual vacancies occurred in the Board during the year under review were filled within the prescribed time period.

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 alongwith 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 and other Executive Directors, have been approved by the Board.
8. The meetings of the Board of Directors were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, are circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated. The Company Secretary and CFO attended the meetings of the Board of Directors.
9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the corporate and other laws, if any. Three out of seven Directors have acquired certification under the “Corporate Governance Leadership Skills programme” conducted by the “Pakistan Institute of Corporate Governance.”
10. The appointment of Company Secretary, CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO was approved by the Board.

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 the CEO and CFO before approval by 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 of three Non-Executive Directors. The condition of clause xxiv of the CCG in relation to independent Director will be applicable after next election of Directors in January 2015.
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 defined and communicated to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three Non-Executive Directors.
18. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are 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 programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The related party transactions and pricing methods have been placed before the audit committee for recommendation to the Board of Directors for their approval. The transactions were made on terms equivalent to those that prevail in arm's length transactions.
22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's shares was determined and intimated to Directors, employees and stock exchanges.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of  
Board of Directors

**Mohammad Naeem Mukhtar**  
Chief Executive Officer

Lahore  
August 26, 2013

# Review Report to the Members

## on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of Ibrahim Fibres Limited (the company) to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (x) of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval of 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 as applicable to the company for the year ended June 30, 2013.

**AVAIS HYDER LIAQUAT NAUMAN**  
**CHARTERED ACCOUNTANTS**

Date: August 26, 2013

Place: Faisalabad



# Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited as at June 30, 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 conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the company's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**AVAIS HYDER LIAQUAT NAUMAN**  
**CHARTERED ACCOUNTANTS**  
**Engagement Partner:- Hamid Masood**

Date: August 26, 2013  
Place: Faisalabad



Ibrahim Fibres Limited

# Financial Statements

for the year ended June 30, 2013

# Balance Sheet

as at June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>NON – CURRENT ASSETS</b>			
Property, plant and equipment	3	27,233,565,225	20,438,885,097
Intangible assets	4	60,040,537	10,386,084
Investment in associate	5	9,182,026,116	11,542,753,873
Long term loans	6	11,973,594	18,762,514
Long term deposits		3,910,543	3,710,742
		36,491,516,015	32,014,498,310
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	7	1,458,348,008	1,307,470,270
Stock in trade	8	8,511,617,752	4,378,138,270
Trade debts	9	280,700,067	217,278,906
Loans and advances	10	767,967,004	775,242,828
Prepayments		16,320,549	5,907,223
Other receivables	11	1,503,926,992	565,046,606
Cash and bank balances	12	204,836,749	52,409,353
		12,743,717,121	7,301,493,456
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	1,510,341,011	1,449,639,466
Mark up / interest payable		166,844,778	126,972,120
Short term bank borrowings	14	5,509,120,577	2,319,267,416
Current portion of long term financing	15	2,312,500,000	1,229,166,668
Provision for taxation – income tax		–	531,391,817
		9,498,806,366	5,656,437,487
<b>Working capital</b>		3,244,910,755	1,645,055,969
<b>Total capital employed</b>		39,736,426,770	33,659,554,279
<b>NON – CURRENT LIABILITIES</b>			
Long term financing	15	12,249,999,998	9,262,499,998
Deferred liabilities :			
Deferred taxation	16	632,317,162	1,783,075,007
Staff retirement gratuity	17	799,464,228	681,222,845
		13,681,781,388	11,726,797,850
<b>CONTINGENCIES AND COMMITMENTS</b>	18	–	–
<b>Net worth</b>		26,054,645,382	21,932,756,429
<b>Represented by :</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	19	3,105,069,950	3,105,069,950
Capital reserves	20	1,123,982,308	1,138,978,442
Revenue reserves	21	21,825,593,124	17,688,708,037
		26,054,645,382	21,932,756,429

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

Chief Executive Officer

Director

# Profit and Loss Account

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales – net	22	38,839,262,069	35,852,566,227
Cost of goods sold	23	(36,114,076,614)	(33,230,400,604)
Gross profit		2,725,185,455	2,622,165,623
Selling and distribution expenses	24	(191,244,782)	(158,541,465)
Administrative expenses	25	(629,690,689)	(591,731,463)
Other operating expenses	26	(53,600,005)	(83,530,305)
Finance cost	27	(951,427,015)	(780,322,044)
		(1,825,962,491)	(1,614,125,277)
Other operating income	28	899,222,964	1,008,040,346
		1,089,434,248	700,636,731
Share of profit of associate – net		1,988,657,212	1,708,677,077
		2,385,950,000	2,743,648,000
Profit before taxation		4,374,607,212	4,452,325,077
Reversal of / (provision for) taxation	29	1,159,559,352	(338,414,235)
Profit for the year		5,534,166,564	4,113,910,842
Earnings per share – Basic and Diluted	30	17.82	13.25

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

Chief Executive Officer

Director

# Statement of Comprehensive Income

for the year ended June 30, 2013

	2013 Rupees	2012 Rupees
Profit for the year	5,534,166,564	4,113,910,842
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss :		
Share of changes in equity of associate	6,112,000	7,647,000
Items that will not be reclassified subsequently to profit or loss :		
Deferred tax relating to share of changes in equity of associate	(611,200)	(764,700)
Other items :		
Share of changes in equity of associate reclassified to profit or loss on disposal of related investment	(22,774,371)	(36,196,890)
Reversal of deferred tax on share of changes in equity of associate on disposal of related investment	2,277,437	3,619,689
	(20,496,934)	(32,577,201)
	(14,996,134)	(25,694,901)
Total comprehensive income for the year	5,519,170,430	4,088,215,941

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

Chief Executive Officer

Director

# Cash Flow Statement

for the year ended June 30, 2013

	2013 Rupees	2012 Rupees
<b>a) Cash flows from operating activities</b>		
Profit before taxation	4,374,607,212	4,452,325,077
Adjustments for :		
Depreciation / amortisation of property, plant and equipment	1,206,119,005	710,378,837
Amortisation of intangible assets	3,763,141	2,686,185
Provision for staff retirement gratuity	208,258,755	194,213,896
Balances written back – net	(12,694,538)	(2,190,270)
Loss / (gain) on disposal of :		
Property, plant and equipment	2,958,664	2,291,796
Non-current assets held for sale	(1,035,272,436)	(652,662,036)
Profit on deposits	(128,147)	(10,091,193)
Share of profit of associate – net	(2,385,950,000)	(2,743,648,000)
Finance cost	951,427,015	780,322,044
Operating cash flows before working capital changes	3,313,088,671	2,733,626,336
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(150,877,738)	(474,944,919)
Stock in trade	(4,133,479,482)	(1,702,056,833)
Trade debts	(63,421,161)	(55,042,419)
Loans and advances	(117,302,319)	219,977,984
Prepayments	(10,413,326)	2,145,086
Other receivables	(801,132,443)	(109,153,408)
(Decrease) in current liabilities		
Trade and other payables	(98,262,768)	(377,447,087)
	(5,374,889,237)	(2,496,521,596)
Cash (used in) / generated from operations	(2,061,800,566)	237,104,740
Long term loans recovered – net	6,788,920	1,778,294
Finance cost paid	(927,279,709)	(822,486,715)
Income tax paid	(558,934,542)	(727,040,557)
Staff retirement gratuity paid	(86,198,522)	(39,529,486)
Net cash (used in) operating activities	(3,627,424,419)	(1,350,173,724)
<b>b) Cash flows from investing activities</b>		
Additions in :		
Property, plant and equipment	(7,813,796,410)	(12,257,793,498)
Intangible assets	(53,417,594)	(1,979,300)
Proceeds from disposal of :		
Property, plant and equipment	15,489,466	3,731,176
Non-current assets held for sale	4,658,142,154	4,996,267,437
Dividend received	1,107,145,668	1,644,163,260
Long term deposits	(199,801)	(137,679)
Profit on deposits	128,147	10,091,193
Net cash (used in) investing activities	(2,086,508,370)	(5,605,657,411)
<b>c) Cash flows from financing activities</b>		
Long term financing obtained	5,300,000,000	8,000,000,000
Repayment of long term financing	(1,229,166,668)	(1,833,333,334)
Increase in short term bank borrowings – net	3,189,853,161	1,615,618,062
Dividend paid	(1,394,326,308)	(929,432,015)
Net cash generated from financing activities	5,866,360,185	6,852,852,713
<b>Net increase / (decrease) in cash and cash equivalents (a+b+c)</b>	152,427,396	(102,978,422)
<b>Cash and cash equivalents at the beginning of the year</b>	52,409,353	155,387,775
<b>Cash and cash equivalents at the end of the year</b>	204,836,749	52,409,353

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

Chief Executive Officer

Director

# Statement of Changes in Equity

for the year ended June 30, 2013

	ISSUED, SUBSCRIBED AND PAID UP CAPITAL	CAPITAL RESERVES			REVENUE RESERVES		TOTAL
		Share premium	Merger reserve	Share of changes in equity of associate	General reserve	Unappropriated profit	
Rupees							
Balance as at July 01, 2011	3,105,069,950	1,000,000,000	72,017,550	92,655,793	2,111,673,099	12,394,645,081	18,776,061,473
Transaction with owners							
Dividend for the year ended							
June 30, 2011 : Rs. 3 per share	-	-	-	-	-	(931,520,985)	(931,520,985)
Transferred to general reserve	-	-	-	-	519,000,000	(519,000,000)	-
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	4,113,910,842	4,113,910,842
Other comprehensive income for the year							
Items that may be reclassified							
subsequently to profit or loss :							
Share of changes in equity of associate	-	-	-	7,647,000	-	-	7,647,000
Items that will not be reclassified							
subsequently to profit or loss :							
Deferred tax relating to share of							
changes in equity of associate	-	-	-	(764,700)	-	-	(764,700)
Other items :							
Share of changes in equity of associate							
reclassified to profit or loss on							
disposal of related investment	-	-	-	(36,196,890)	-	-	(36,196,890)
Reversal of deferred tax on share of							
changes in equity of associate on							
disposal of related investment	-	-	-	3,619,689	-	-	3,619,689
				(32,577,201)			(32,577,201)
	-	-	-	(25,694,901)	-	4,113,910,842	4,088,215,941
Balance as at June 30, 2012	3,105,069,950	1,000,000,000	72,017,550	66,960,892	2,630,673,099	15,058,034,938	21,932,756,429
Transaction with owners							
Dividend for the year ended							
June 30, 2012 : Rs. 3 per share	-	-	-	-	-	(931,520,985)	(931,520,985)
Interim dividend for the half year ended							
December 31, 2012 : Rs. 1.5 per share	-	-	-	-	-	(465,760,492)	(465,760,492)
Transferred to general reserve	-	-	-	-	459,000,000	(459,000,000)	-
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	5,534,166,564	5,534,166,564
Other comprehensive income for the year							
Items that may be reclassified							
subsequently to profit or loss :							
Share of changes in equity of associate	-	-	-	6,112,000	-	-	6,112,000
Items that will not be reclassified							
subsequently to profit or loss :							
Deferred tax relating to share of							
changes in equity of associate	-	-	-	(611,200)	-	-	(611,200)
Other items :							
Share of changes in equity of associate							
reclassified to profit or loss on							
disposal of related investment	-	-	-	(22,774,371)	-	-	(22,774,371)
Reversal of deferred tax on share of							
changes in equity of associate on							
disposal of related investment	-	-	-	2,277,437	-	-	2,277,437
				(20,496,934)			(20,496,934)
	-	-	-	(14,996,134)	-	5,534,166,564	5,519,170,430
Balance as at June 30, 2013	3,105,069,950	1,000,000,000	72,017,550	51,964,758	3,089,673,099	18,735,920,025	26,054,645,382

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

Chief Executive Officer

Director



# Notes to the Financial Statements

for the year ended June 30, 2013

## 1. STATUS AND ACTIVITIES

- 1.1 Ibrahim Fibres Limited (the Company) is incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 (the Ordinance) and is listed on Karachi and Lahore Stock Exchanges in Pakistan. The principal business of the Company is manufacture and sale of polyester staple fibre and yarn. The registered office of the Company is located at 1 – Ahmad Block, New Garden Town, Lahore. The manufacturing units are located at Faisalabad – Sheikhpura Road, in the Province of Punjab.
- 1.2 Pursuant to scheme of arrangement approved by the Honourable Lahore High Court, Lahore, assets, liabilities and reserves of Ibrahim Textile Mills Limited, A. A. Textiles Limited, Zainab Textile Mills Limited and Ibrahim Energy Limited were merged with the assets, liabilities and reserves of the Company with effect from October 01, 2000.
- 1.3 The Company has successfully implemented the balancing, modernization and expansion of Polyester plant with additional production capacity of 520 tons per day. The commercial production of this plant has been started in the month of April 2013.
- 1.4 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, directives issued by the Securities and Exchange Commission of Pakistan (the Commission) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Commission differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

### 2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

#### 2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2012 and therefore, have been applied in preparing these financial statements :

- IAS 1 “Presentation of Financial Statements”. The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the ‘statement of comprehensive income’ is renamed the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed the ‘statement of profit or loss’ whose use is not mandatory. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section : (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Company is continuing use of existing terminology. The presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit and loss, other comprehensive income and total comprehensive income.
- IFRS 7 “Financial Instruments Disclosures”. The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments do not have any material impact on the Company's financial statements.
- IAS 12 “Income Taxes”. The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities

# Notes to the Financial Statements

for the year ended June 30, 2013

should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. These amendments do not have any material impact on the Company's financial statements.

## **2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant**

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2012 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

## **2.2.3 Standards, amendments to standards and interpretations becoming effective in future periods**

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates :

- IFRS 7 (Amendments) "Financial Instruments Disclosures" on offsetting financial assets and financial liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013. The Company does not have any offsetting arrangements in place. The amendments will have no material impact on the disclosures.
- IFRS 9 "Financial Instruments". IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for the accounting periods beginning on or after July 01, 2015. IFRS 9 contains a number of transitional provisions.

The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments : Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt instruments must be measured at fair value through profit or loss. All equity investments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income, with only dividend income generally recognised in profit or loss. The standard requires that changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of that liability, presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The IASB has issued exposure drafts to propose new category of debt instruments, more forward looking impairment model and new hedge accounting.

It is not practicable to provide a reasonable estimate of impact until a final standard is issued and detailed review has been completed.

- A package of five standards on consolidation, Joint arrangements, associates and disclosures was issued comprising IFRS 10, 11, 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Subsequent to the issue of these standards, amendments to IFRS 10, 11 and 12 were issued to clarify certain transitional guidance on the first time application of the standards.

# Notes to the Financial Statements

for the year ended June 30, 2013

The standards are effective for accounting periods of the Company beginning on or after July 01, 2013.

The impact of these standards is set out below :

- IFRS 10 “Consolidated Financial Statements” replaces the part of IAS 27 “Consolidated and Separate Financial Statements” that deals with consolidated financial statements and SIC-12 “Consolidation – Special Purpose Entities”. A more robust definition of control has been developed in IFRS 10 in order to capture unintentional weaknesses of the definition of control set out in the previous version of IAS 27. A new definition of control contains three elements : a) power over an investee, b) exposure or rights to variable returns from its involvement with the investee and c) ability to use its power over the investee to affect the amount of the investor’s returns. The standard adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios. The application of the standard is not expected to have any material impact on the Company’s financial statements.

- IFRS 11 “Joint Arrangements” replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”.

IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. There are two types of joint arrangements under IFRS 11 : joint operations and joint ventures. These two types of joint arrangements are distinguished by parties’ rights and obligations under the arrangements. Joint ventures have rights to the net assets of the arrangement. Equity method of accounting is used and proportionate consolidation is not allowed. Joint operators have rights to the assets and obligations of the arrangement. Each joint operator recognises its share of the assets, liabilities, revenues and expenses. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

The application of the standard is not expected to have any material impact on the Company’s financial statements.

- IFRS 12 “Disclosures of interest in other entities”. This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The application of the standard may result in additional disclosures.

- IAS 27 (as revised in 2011) “Separate Financial Statements”. The revised standard sets out the requirements regarding separate financial statements only. Requirements of consolidated financial statements are covered in IFRS 10. The application of the standard is not expected to have any material impact on the Company’s financial statements.

- IAS 28 (as revised in 2011) “Associates and Joint Ventures”. The revised standard deals with how to apply the equity method of accounting for investment in joint ventures, as well as associates, following the issue of IFRS 11 which requires investments in Joint ventures to be accounted for using the equity method of accounting. The application of the standard is not expected to have any material impact on the Company’s financial statements.

- IFRS 13 “Fair Value Measurement” establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on

# Notes to the Financial Statements

for the year ended June 30, 2013

the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial Instruments: Disclosures" are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard may result in more extensive disclosures in financial statements.

- IAS 19 "Employee Benefits". The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Net interest : recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013. The amendments to IAS 19 require retrospective application. Based on the preliminary assessment, the application of the amendments will not have material impact on the retained earnings of the Company due to recognition of current cumulative un-recognised actuarial losses next year.
- IAS 32 (Amendment) "Financial Instruments : Presentation". This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company's financial statements.

## **2.2.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant**

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

## **2.3 Basis of preparation**

These financial statements have been prepared under the "historical cost convention" except staff retirement gratuity carried at present value, investment in associate accounted for using the equity method and non-current assets held for sale stated at the lower of carrying amount and fair value less costs to sell.

## **2.4 Property, plant and equipment**

Property, plant and equipment, except freehold land and capital work in progress are stated at cost less accumulated depreciation / amortisation and impairment in value, if any. Freehold land and capital work in progress are stated at cost less impairment in value, if any.

Depreciation is charged to income applying the reducing balance method and amortisation is charged on straight line basis over the unexpired period of lease hold rights of land at the rates specified in the property, plant and equipment note.

Depreciation on additions during the year is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of property, plant and equipment are included in current income.

All costs / expenditure connected with specific assets are collected under capital work in progress. These are transferred to specific assets as and when assets are available for intended use.

# Notes to the Financial Statements

for the year ended June 30, 2013

## 2.5 Intangible assets

Intangible assets except those under implementation are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets under implementation are carried at cost less impairment in value, if any.

Intangible assets are amortised over a period of five years using straight line method. Amortisation on additions during the year is charged from the month in which an asset is acquired or capitalised.

All costs / expenditure connected with implementation of Intangible assets are collected in Intangible assets under implementation. These are transferred to specific assets as and when assets are available for intended use.

## 2.6 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their respective recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amounts of the assets are increased to the revised recoverable amounts but limited to the carrying amounts that would have been determined, had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is recognised immediately in profit and loss account.

## 2.7 Borrowing costs

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

All other borrowing costs are recognised in profit and loss account in the period in which these are incurred.

## 2.8 Investment in associate

It is accounted for using the equity method and is initially recognised at cost.

## 2.9 Stores, spare parts and loose tools

These are valued at moving average cost less allowances for obsolete or slow moving items, if any. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

## 2.10 Stock in trade

Stock in trade except wastes is valued at lower of cost and net realisable value. Cost is determined as follows :

Raw materials	
In hand	Weighted average cost
In transit	Cost comprising invoice value and other charges incurred thereon
Work in process and Finished goods	Cost is determined on weighted average method and it comprises of cost of direct materials, labour and appropriate manufacturing overheads.

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sales.

## 2.11 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

# Notes to the Financial Statements

for the year ended June 30, 2013

## 2.12 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition.

Non-current assets held for sale are measured at the lower of their previous carrying amounts and fair value less costs to sell.

Non-current assets held for sale that no longer meet the criteria of classification as held for sale are transferred to non-current assets at the lower of :

- Their carrying amounts before the assets were classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had the assets not been classified as held for sale, and
- Their recoverable amounts at the date of the subsequent decision not to sell.

Gains and losses on disposal of non-current assets held for sale are included in current income.

## 2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and highly liquid short term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value.

## 2.14 Staff retirement gratuity

The Company operates a defined benefit plan – unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognised net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.

The amount recognised in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

## 2.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

## 2.16 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## 2.17 Provision for taxation

### Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits and tax rebates available under the law.

### Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

# Notes to the Financial Statements

for the year ended June 30, 2013

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited to the profit and loss account, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

## 2.18 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

## 2.19 Foreign currency translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date, except those covered under forward exchange contracts which are translated at the contracted rates. Transactions in foreign currencies are translated into Pak Rupee at exchange rates prevailing on the date of transaction.

Exchange differences are included in current profit and loss account. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transaction.

## 2.20 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and, in case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expired.

Recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

## 2.21 Off-setting of financial asset and financial liability

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

## 2.22 Related party transactions

Transactions with related parties are carried out at arm's length. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

## 2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales are recorded on dispatch of goods.
- Profit on deposits is recognised on time proportionate basis.
- Dividend income on equity investments is recognised when right of receipt is established.

## 2.24 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory, staff retirement gratuity and deferred taxation. However, assumptions and judgements made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

# Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	3.1	27,175,451,003	7,054,229,219
Capital work in progress	3.4	58,114,222	13,384,655,878
		<b>27,233,565,225</b>	<b>20,438,885,097</b>

## 3.1 Operating assets

	Land		Building on		Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land					
	Rupees								
<b>At July 01, 2011</b>									
Cost	255,904,779	408,500	2,127,012,219	63,897,537	13,875,456,410	112,444,321	141,344,046	214,097,336	16,790,565,148
Accumulated depreciation / amortisation	-	(97,019)	(1,170,454,000)	(37,364,647)	(8,282,492,232)	(42,167,038)	(50,750,050)	(98,071,987)	(9,681,396,973)
Written down value	255,904,779	311,481	956,558,219	26,532,890	5,592,964,178	70,277,283	90,593,996	116,025,349	7,109,168,175
<b>Reconciliation of written down value at June 30, 2012</b>									
Written down value as at July 01, 2011	255,904,779	311,481	956,558,219	26,532,890	5,592,964,178	70,277,283	90,593,996	116,025,349	7,109,168,175
Additions	2,269,610	-	29,992,693	-	549,941,216	19,133,176	24,484,764	35,641,394	661,462,853
Less : Disposals									
Cost	-	-	-	-	633,979	996,657	5,346,194	8,813,319	15,790,149
Accumulated depreciation	-	-	-	-	(370,520)	(724,868)	(2,328,312)	(6,343,477)	(9,767,177)
Less : Depreciation / amortisation	-	4,085	95,905,760	2,653,289	567,415,183	7,836,347	10,349,726	26,214,447	710,378,837
Written down value as at June 30, 2012	258,174,389	307,396	890,645,152	23,879,601	5,575,226,752	81,302,323	101,711,152	122,982,454	7,054,229,219
<b>At July 01, 2012</b>									
Cost	258,174,389	408,500	2,157,004,912	63,897,537	14,424,763,647	130,580,840	160,482,616	240,925,411	17,436,237,852
Accumulated depreciation / amortisation	-	(101,104)	(1,266,359,760)	(40,017,936)	(8,849,536,895)	(49,278,517)	(58,771,464)	(117,942,957)	(10,382,008,633)
Written down value	258,174,389	307,396	890,645,152	23,879,601	5,575,226,752	81,302,323	101,711,152	122,982,454	7,054,229,219
<b>Reconciliation of written down value at June 30, 2013</b>									
Written down value as at July 01, 2012	258,174,389	307,396	890,645,152	23,879,601	5,575,226,752	81,302,323	101,711,152	122,982,454	7,054,229,219
Additions	23,041,110	-	2,036,827,002	-	19,189,313,261	31,426,260	26,148,495	39,032,791	21,345,788,919
Less : Disposals									
Cost	-	-	-	-	4,241,300	1,004,705	4,927,884	31,226,580	41,400,469
Accumulated depreciation	-	-	-	-	(3,468,466)	(503,553)	(2,336,098)	(16,644,222)	(22,952,339)
Less : Depreciation / amortisation	-	4,085	137,794,112	2,387,960	772,834	501,152	2,591,786	14,582,358	18,448,130
Written down value as at June 30, 2013	281,215,499	303,311	2,789,678,042	21,491,641	23,746,611,476	102,684,486	113,859,188	119,607,360	27,175,451,003
<b>At June 30, 2013</b>									
Cost	281,215,499	408,500	4,193,831,914	63,897,537	33,609,835,608	161,002,395	181,703,227	248,731,622	38,740,626,302
Accumulated depreciation / amortisation	-	(105,189)	(1,404,153,872)	(42,405,896)	(9,863,224,132)	(58,317,909)	(67,844,039)	(129,124,262)	(11,565,175,299)
Written down value	281,215,499	303,311	2,789,678,042	21,491,641	23,746,611,476	102,684,486	113,859,188	119,607,360	27,175,451,003
Rate (%)	-	01	10	10	10	10	10	20	

	Note	2013 Rupees	2012 Rupees
<b>3.2 Depreciation / amortisation for the year has been allocated as under :</b>			
Cost of goods sold	23	1,143,731,731	661,319,439
Administrative expenses	25	62,387,274	49,059,398
		<b>1,206,119,005</b>	<b>710,378,837</b>



# Notes to the Financial Statements

for the year ended June 30, 2013

## 3.3 Detail of disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	Rupees				
<b>Plant &amp; machinery</b> (Sold by negotiation)	339,786	41,199	298,587	56,034	Teknica Power Systems, 213 – N, Model Town Extension, Lahore.
(Scrapped and written off under Company policy)	3,901,514	3,427,267	474,247	–	
	4,241,300	3,468,466	772,834	56,034	
<b>Office Equipment</b> (Sold by negotiation)	315,100	202,179	112,921	5,000	House of Business Machines (Pvt) Limited, 40 – Abbott Road, Opp. T. V. Station, Lahore.
	104,415	62,928	41,487	15,350	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Sold under Company policy)	1,521,275	370,853	1,150,422	237,203	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Scrapped and written off under Company policy)	2,987,094	1,700,138	1,286,956	–	
	4,927,884	2,336,098	2,591,786	257,553	
<b>Furniture &amp; Fixture</b> (Sold by negotiation)	872,589	416,588	456,001	90,000	Rehman Brothers, Plot 293, Super General Godown Shershah, Karachi.
	104,411	72,893	31,518	13,415	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Scrapped and written off under Company policy)	27,705	14,072	13,633	–	
	1,004,705	503,553	501,152	103,415	
<b>Vehicles</b> (Insurance claim)	1,428,125	571,250	856,875	1,325,000	IGI Insurance Limited, Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad.
(Sold by negotiation)	1,540,364	1,084,830	455,534	600,000	Asif Shahzad S/O Muhammad Siddiq, House # 13–Y–106, Madina Town, Faisalabad.
(Sold under Company policy)	650,750	448,174	202,576	202,576	Abdul Waheed (Employee)
	487,520	333,094	154,426	159,751	Zafar Iqbal (Employee)
	912,630	628,366	284,264	284,264	Sajid Hussain (Employee)
	1,553,614	1,040,991	512,623	512,623	Muhammad Akram (Employee)
	938,486	639,505	298,981	298,981	Manzoor Zaheer (Employee)
	656,451	443,138	213,313	213,313	Muhammad Aamir Anwer (Employee)
	698,255	479,302	218,953	218,953	Waqar Salim Mirza (Employee)
	902,360	548,667	353,693	353,693	Muhammad Saleem Khan (Employee)
	931,871	634,467	297,404	297,404	Nadeem Ahmad Shah (Employee)
	1,387,316	945,348	441,968	441,968	Muhammad Zafar Iqbal Rana (Employee)
	917,880	651,364	266,516	266,516	Masood Ali (Ex–Employee)
	1,027,094	654,309	372,785	372,785	Saqib Hanif (Ex–Employee)
	1,016,910	700,350	316,560	316,560	Nadeem Ahmad Khan (Ex–Employee)
	1,928,530	834,153	1,094,377	1,094,377	Muhammad Pervaiz Aslam Rana (Ex–Employee)
	1,426,422	953,819	472,603	472,603	Syed Asif Hassan (Ex–Employee)
	659,544	453,180	206,364	206,364	Azhar Rasheed (Ex–Employee)
	1,469,560	623,093	846,467	846,467	Muhammad Anwar–ul–Hassan (Ex–Employee)
	407,200	289,113	118,087	118,087	Muhammad Ramzan Nasir (Ex–Employee)
	653,372	436,673	216,699	216,699	Muhammad Farhan Niaz (Ex–Employee)
	1,742,240	203,261	1,538,979	1,538,979	Masood Ali (Ex–Employee)
	1,033,975	68,932	965,043	837,233	Azhar Rasheed (Ex–Employee)
	1,838,240	1,021,571	816,669	816,669	Shahid Amin (Ex–Employee)
	1,743,340	203,390	1,539,950	1,539,950	Nadeem Ahmad Khan (Ex–Employee)
	1,938,490	904,629	1,033,861	1,033,861	Qazi Shahid Manzoor (Ex–Employee)
	854,625	527,057	327,568	327,568	Muhammad Naeem Khan (Ex–Employee)
	481,416	322,196	159,220	159,220	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	28,258,091	14,988,142	13,269,949	13,147,464	
	31,226,580	16,644,222	14,582,358	15,072,464	
<b>2013</b>	41,400,469	22,952,339	18,448,130	15,489,466	
<b>2012</b>	15,790,149	9,767,177	6,022,972	3,731,176	

# Notes to the Financial Statements

for the year ended June 30, 2013

	2013 Rupees	2012 Rupees
<b>3.4 Capital work in progress</b>		
Building on freehold land		
Polyester plant – Unit III and Power generation plant	–	1,227,528,346
Civil works at other plants	14,169,942	10,122
	14,169,942	1,227,538,468
Plant and machinery		
Polyester plant – Unit III and Power generation plant	–	10,833,262,241
Auxiliary equipment – other plants	2,450,000	–
	2,450,000	10,833,262,241
Advances against property, plant and equipment		
Freehold land	–	19,500,000
Building on freehold land		
Polyester plant – Unit III and Power generation plant	–	187,776,320
Civil works at other plants	1,444,375	2,169,800
	1,444,375	189,946,120
Plant and machinery		
Polyester plant – Unit III and Power generation plant	–	788,743,738
Auxiliary equipment – other plants	28,365,402	–
	28,365,402	788,743,738
Office equipment	–	2,865,251
Furniture and fixture	513,548	1,546,880
Vehicles	11,170,955	7,470,500
	41,494,280	1,010,072,489
Finance cost	–	313,782,680
	58,114,222	13,384,655,878
<b>4. INTANGIBLE ASSETS</b>		
<b>Computer softwares</b>		
Cost	96,852,820	43,435,226
Accumulated amortisation	(36,812,283)	(33,049,142)
Written down value	60,040,537	10,386,084
<b>4.1 Reconciliation of written down value :</b>		
Opening balance	10,386,084	1,925,817
Additions	53,417,594	11,146,452
Amortisation	(3,763,141)	(2,686,185)
Closing balance	60,040,537	10,386,084
<b>5. INVESTMENT IN ASSOCIATE</b>		
Allied Bank Limited (ABL) – Quoted		
176,401,742 (2012 : 226,365,220) ordinary shares of Rs. 10/- each	3,975,325,052	5,611,412,063
Ownership interest 16.95% (2012 : 23.92%)		
Share of post acquisition changes in equity	6,313,846,732	7,575,505,070
Less : Dividend received during the year	1,107,145,668	1,644,163,260
	9,182,026,116	11,542,753,873

# Notes to the Financial Statements

for the year ended June 30, 2013

- 5.1** The Company's shareholding in associate has decreased below 20% during the year, however, the Company exercises significant influence by virtue of common directorship.
- 5.2** The market value of investment in associate as at June 30, 2013 was Rs. 12,091 million (2012 : Rs. 14,528 million).
- 5.3** The financial year end of ABL is 31<sup>st</sup> December. The latest available financial results of associate as of March 31, 2013 have been used for the purpose of application of equity method.

	March 31, 2013 Rupees in million	March 31, 2012 Rupees in million
<b>5.4 Summarised financial information of associate :</b>		
Aggregate amount of :		
– Assets	629,567	532,527
– Liabilities	575,689	486,514
– Revenue (from April 01 to March 31)	50,238	51,509
– Profit (from April 01 to March 31)	11,458	10,673

	Note	2013 Rupees	2012 Rupees
<b>6. LONG TERM LOANS</b>			
Considered good			
Executives	6.1	32,533,247	42,334,576
Other employees		5,245,178	6,170,540
		37,778,425	48,505,116
Less : Current portion	10	25,804,831	29,742,602
		11,973,594	18,762,514
<b>6.1 Reconciliation of carrying amount of loans to executives :</b>			
Opening balance		42,334,576	40,455,573
Disbursements		33,044,007	30,401,900
Recovered		(42,845,336)	(28,522,897)
Closing balance		32,533,247	42,334,576

- 6.2** These loans have been given to executives and other employees under Company policy for purchase of house or for personal use in accordance with their terms of employment. These loans are to be repaid over a period of two to five years in equal monthly installments. Any outstanding loan due from an employee at the time of leaving the services of the Company is adjustable against final settlement of staff retirement gratuity.
- 6.3** The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 50.750 million (2012 : Rs. 48.065 million).
- 6.4** These loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material.

# Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>7. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		333,851,731	472,725,911
Spare parts			
In hand		986,673,365	808,995,242
In transit		132,925,065	20,983,742
		1,119,598,430	829,978,984
Loose tools		4,897,847	4,765,375
		1,458,348,008	1,307,470,270
<b>8. STOCK IN TRADE</b>			
Raw materials			
In hand		2,741,153,163	2,165,894,118
In transit		10,777,392	–
		2,751,930,555	2,165,894,118
Work in process		607,357,831	339,153,648
Finished goods		5,139,226,272	1,849,515,754
Wastes		13,103,094	23,574,750
		8,511,617,752	4,378,138,270
<b>9. TRADE DEBTS</b>			
Considered good – Local			
Secured		52,533,338	25,623,530
Unsecured		228,166,729	191,655,376
		280,700,067	217,278,906
<b>10. LOANS AND ADVANCES</b>			
Considered good			
Loans			
Employees			
Executives		2,976,224	3,345,134
Others		14,585,950	12,178,246
Current portion of long term loans	6	25,804,831	29,742,602
		43,367,005	45,265,982
Advances			
Suppliers and contractors		166,505,735	45,728,987
Income tax		552,322,071	676,052,788
Letters of credit fee, margin and expenses		5,772,193	8,195,071
		724,599,999	729,976,846
		767,967,004	775,242,828
<b>11. OTHER RECEIVABLES</b>			
Custom duty refundable		99,216,391	99,134,508
Income tax refundable		137,747,943	–
Sales tax / Federal excise duty refundable		1,245,176,620	446,253,055
Claims		11,701,384	9,495,231
Other		10,084,654	10,163,812
		1,503,926,992	565,046,606

# Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>12. CASH AND BANK BALANCES</b>			
Cash in hand		17,554,449	9,409,997
Cash at banks			
In current accounts		186,691,210	42,910,683
In deposit accounts	12.1	591,090	88,673
		187,282,300	42,999,356
		204,836,749	52,409,353

**12.1** The rate of profit on deposit accounts is 6% per annum (2012 : ranging from 5% to 6% per annum).

	Note	2013 Rupees	2012 Rupees
<b>13. TRADE AND OTHER PAYABLES</b>			
Creditors		242,385,511	296,632,006
Accrued liabilities		249,673,985	522,367,445
Advances from customers		59,130,631	47,051,402
Capital expenditure payable		276,624,911	86,899,412
Bills payable		587,726,489	381,183,967
Workers' profit participation fund	13.1	50,599,478	57,208,781
Workers' welfare fund		–	23,951,380
Unclaimed dividend		20,172,505	17,217,335
Other		24,027,501	17,127,738
		1,510,341,011	1,449,639,466

#### 13.1 Workers' profit participation fund

Opening balance		57,208,781	81,116,030
Interest on funds utilised in the Company's business		8,005,311	7,000,425
		65,214,092	88,116,455
Paid to the fund		(65,214,092)	(88,116,455)
		–	–
Allocation for the year		50,599,478	57,208,781
		50,599,478	57,208,781

#### 14. SHORT TERM BANK BORROWINGS

Secured			
Running finances		2,775,120,577	404,267,416
Term finances		2,734,000,000	1,915,000,000
		5,509,120,577	2,319,267,416

**14.1** These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from 7.61% to 13.85% per annum (2012 : 11.22% to 14.04% per annum). The aggregate unavailed short term bank borrowing facilities available to the Company are Rs. 2,832 million (2012 : Rs. 3,392 million).

# Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>15. LONG TERM FINANCING</b>			
Secured			
From banking companies			
Syndicated term finance	15.1	11,500,000,000	8,000,000,000
Demand finance I		–	133,333,335
Demand finance II	15.2	168,750,000	281,250,000
Term finance II		–	112,500,000
Term finance III	15.3	281,250,000	468,750,000
Term finance IV		–	108,333,333
Term finance V	15.4	249,999,998	449,999,998
Term finance VI	15.5	562,500,000	937,500,000
Diminishing musharaka	15.6	1,800,000,000	–
		14,562,499,998	10,491,666,666
Less : Current portion		2,312,500,000	1,229,166,668
		12,249,999,998	9,262,499,998

## 15.1 Syndicated term finance

It is repayable in 8 equal half yearly installments commencing from June 26, 2014 and ending on December 26, 2017. It is secured by way of first charge over present and future fixed assets of Polyester plant of the Company ranking pari passu with the charges created in respect of term finance III (Refer Note 15.3) and term finance VI (Refer Note 15.5). It carries markup at six months KIBOR plus 125 basis points payable half yearly in arrears. The aggregate unavailed facility available to the Company is Nil (2012 : Rs. 4,905 million).

Effective markup rate charged during the year ranges from 10.36% to 13.28% per annum (2012 : from 13.25% to 13.28% per annum).

## 15.2 Demand finance II

It is repayable in 8 equal half yearly installments commenced from June 24, 2011 and ending on December 24, 2014. It is secured by way of first pari passu charge over present and future fixed assets of Textile plant – I of the Company. It carries markup at six months KIBOR plus 125 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 10.69% to 13.29% per annum (2012 : 13.24% to 15.04% per annum).

## 15.3 Term finance III

It is repayable in 8 equal half yearly installments commenced from March 18, 2011 and ending on September 18, 2014. It is secured by way of first charge over present and future fixed assets of Polyester plant of the Company ranking pari passu with the charges created in respect of syndicated term finance (Refer Note 15.1) and term finance VI (Refer Note 15.5). It carries markup at six months KIBOR plus 100 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 10.55% to 12.95% per annum (2012 : 12.95% to 14.73% per annum).

# Notes to the Financial Statements

for the year ended June 30, 2013

## 15.4 Term finance V

This loan was originally repayable in 8 equal half yearly installments commenced from March 25, 2011 and ending on September 25, 2014. Terms of repayment of the loan have been revised according to which it is repayable in equal quarterly installments while overall repayment period is same as before. It is secured by way of first charge over the fixed assets of Textile plant – II of the Company. It carries markup at three months KIBOR plus 125 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 10.36% to 13.22% per annum (2012 : 13.13% to 15.12% per annum).

## 15.5 Term finance VI

It is repayable in 8 equal half yearly installments commenced from March 28, 2011 and ending on September 28, 2014. It is secured by way of first charge over present and future fixed assets of Polyester plant of the Company ranking pari passu with the charges created in respect of syndicated term finance (Refer Note 15.1) and term finance III (Refer Note 15.3). It carries markup at six months KIBOR plus 100 basis points (2012 : six months KIBOR plus 125 basis points) payable half yearly in arrears.

Effective markup rate charged during the year ranges from 10.56% to 13.22% per annum (2012 : 13.22% to 14.96% per annum).

## 15.6 Diminishing musharaka

It is repayable in 8 equal half yearly installments commencing from February 28, 2015 and ending on August 29, 2018. It is secured by way of first exclusive charge on plant and machinery of new Power generation plant of the Company. It carries markup at six months KIBOR plus 40 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 9.89% to 10.91% per annum.

	2013 Rupees	2012 Rupees
<b>16. DEFERRED TAXATION</b>		
Opening balance	1,783,075,007	1,980,013,457
Reversed during the year	(1,150,757,845)	(196,938,450)
	632,317,162	1,783,075,007
<b>16.1 This comprises of the following :</b>		
Deferred tax liabilities :		
Difference in tax and accounting bases of property, plant and equipment	5,101,812,564	1,439,483,169
Investment in associate	520,670,106	593,134,181
Deferred tax assets :		
Staff retirement gratuity	(273,564,006)	(238,888,925)
Unadjusted tax losses	(3,332,022,782)	–
Unavailed tax credit on plant and machinery	(1,384,578,720)	–
Minimum tax	–	(10,653,418)
	632,317,162	1,783,075,007

# Notes to the Financial Statements

for the year ended June 30, 2013

## 17. STAFF RETIREMENT GRATUITY

The scheme provides terminal benefits for all the employees of the Company who attain the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at June 30, 2013 using Projected Unit Credit Method.

	Note	2013 Rupees	2012 Rupees
<b>17.1 The amount recognised in the balance sheet is as follows :</b>			
Present value of defined benefit obligation		824,378,456	756,184,452
Cumulative net unrecognised actuarial losses		(24,914,228)	(74,961,607)
		799,464,228	681,222,845
<b>17.2 Movement in net liability recognised</b>			
Opening liability		681,222,845	525,355,864
Liability transferred to accrued liabilities		(3,818,850)	(1,711,525)
Expenses recognised in profit and loss account	17.2.1	208,258,755	194,213,896
Paid during the year		(86,198,522)	(36,635,390)
		799,464,228	681,222,845
<b>17.2.1 Expenses recognised in profit and loss account</b>			
Current service cost		109,954,776	106,646,288
Interest cost		98,303,979	84,769,190
Actuarial losses		–	2,798,418
		208,258,755	194,213,896

		2013	2012
<b>17.3 Principal actuarial assumptions used</b>			
Discount rate		10.5% per annum	13% per annum
Expected rate of increase in salary		9.5% per annum	12% per annum
Expected average remaining working lives of participating employees		7 years	7 years

## 17.4 Trend information

	2013	2012	2011	2010	2009
	Rupees				
Present value of defined benefit obligation	824,378,456	756,184,452	605,494,212	454,669,780	345,966,413
Experience adjustment on obligation	(48,730,437)	(2,378,323)	28,400,863	19,395,731	32,133,652



# Notes to the Financial Statements

for the year ended June 30, 2013

	2013 Rupees in million	2012 Rupees in million
<b>18. CONTINGENCIES AND COMMITMENTS</b>		
<b>18.1 Contingencies</b>		
<b>18.1.1</b> In respect of bank guarantees issued on behalf of the Company :		
(i) The Company has claimed exemption from levy of custom duty on import of plant and machinery for the project of Polyester plant and filed suit in the Honourable Sindh High Court, Karachi on furnishing of bank guarantees. The said suit has been decreed in favour of the Company and an application has been filed in the Court for execution of decree. The said bank guarantees have been deposited with the Court by the Customs Department. However, the Customs Department has filed an appeal in the Court and the same is decided subsequently in favour of the Customs Department. The Company has filed appeal before the Honourable Supreme Court of Pakistan.	116.594	116.594
(ii) Guarantees issued in favour of Sui Northern Gas Pipelines Limited against supply of gas.	194.543	193.923
(iii) Guarantees issued in favour of The Director, Excise and Taxation, Karachi against imposition of infrastructure cess.	245.000	145.000
(iv) Guarantees issued in favour of The Collector of Customs, Karachi to avail exemption from levy of custom duty, sales tax and income tax. The Company has filed suit in the Honourable Sindh High Court, Karachi for release of these guarantees.	66.257	66.257
(v) Guarantee issued in favour of Faisalabad Electric Supply Company Limited against supply of electricity.	–	8.940
<b>18.1.2</b> Custom duty of Rs. 8.9 million (2012 : Rs. 8.9 million) in respect of local purchase of PTA has not been acknowledged due to pending appeal. The Company's claim on account of custom duty refund amounting to Rs. 11.455 million (2012 : Rs. 11.455 million) is also pending before the Customs Department.	–	–
<b>18.1.3</b> Demand of market committee fee on cotton purchase not acknowledged as demand has already been deposited by cotton suppliers. The appeal has been filed by the Company against illegal demand. Stay has been granted by Assistant Commissioner / Collector, Jaranwala Division and also by the Honourable Lahore High Court, Lahore. The Company has given bank guarantees of Rs. 0.589 million (2012 : Rs. 0.589 million) to market committee.	10.039	10.039
<b>18.1.4</b> Income tax demand of Rs. 75.670 million in respect of tax years 2007, 2008 and 2012 has not been acknowledged due to pending appeals.	–	–

# Notes to the Financial Statements

for the year ended June 30, 2013

			2013 Rupees in million	2012 Rupees in million
<b>18.2 Commitments</b>				
<b>18.2.1 Under contracts for capital expenditure :</b>				
Building on freehold land			–	435,444
Polyester plant – Unit III and Power generation plant			17,227	–
Other plants				
Plant and machinery			–	731,650
Polyester plant – Unit III and Power generation plant			114,635	–
Auxiliary equipment – other plants				
<b>18.2.2 Under letters of credit for :</b>				
Polyester plant – Unit III and Power generation plant			–	4,461,849
Raw materials and spare parts			825,582	389,109
			<b>2013 Rupees</b>	<b>2012 Rupees</b>
<b>19. SHARE CAPITAL</b>				
<b>Authorised capital</b>				
	<b>2013</b>	<b>2012</b>		
	<b>Number of shares</b>			
	500,000,000	500,000,000	Ordinary shares of Rs. 10/- each	5,000,000,000
				5,000,000,000
<b>Issued, subscribed and paid up capital</b>				
	<b>2013</b>	<b>2012</b>		
	<b>Number of shares</b>			
	200,000,000	200,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	2,000,000,000
	50,000,000	50,000,000	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	500,000,000
	60,506,995	60,506,995	Ordinary shares of Rs. 10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Honourable Lahore High Court, Lahore	605,069,950
	310,506,995	310,506,995		3,105,069,950
				3,105,069,950
			<b>Note</b>	
<b>20. CAPITAL RESERVES</b>				
Premium on issue of shares			1,000,000,000	1,000,000,000
Merger reserve		20.1	72,017,550	72,017,550
Share of changes in equity of associate			51,964,758	66,960,892
			1,123,982,308	1,138,978,442

**20.1** It represents book difference of capital under scheme of arrangement for amalgamation.

# Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>21. REVENUE RESERVES</b>			
General reserve		3,089,673,099	2,630,673,099
Unappropriated profit		18,735,920,025	15,058,034,938
		21,825,593,124	17,688,708,037
<b>22. SALES</b>			
Local		39,663,615,501	36,608,215,653
Export		68,844,250	54,902,724
		39,732,459,751	36,663,118,377
Less :			
Commission and brokerage		852,406,154	810,552,150
Discount on sale		40,791,528	–
		38,839,262,069	35,852,566,227
<b>23. COST OF GOODS SOLD</b>			
Raw materials consumed		31,860,341,372	27,660,618,369
Packing materials		378,746,396	342,512,199
Salaries, wages and benefits		1,096,801,302	1,017,049,455
Staff retirement benefits		159,427,318	146,025,876
Stores and spare parts		522,579,391	621,524,086
Fuel and power		4,409,911,025	3,211,405,786
Insurance		31,049,333	29,246,028
Depreciation of property, plant and equipment	3.2	1,143,731,731	661,319,439
Other		58,931,791	287,004,143
		39,661,519,659	33,976,705,381
Work in process			
Opening stock		339,153,648	296,007,743
Closing stock		(607,357,831)	(339,153,648)
		(268,204,183)	(43,145,905)
Cost of goods manufactured		39,393,315,476	33,933,559,476
Finished goods			
Opening stock		1,873,090,504	1,169,931,632
Closing stock		(5,152,329,366)	(1,873,090,504)
		(3,279,238,862)	(703,158,872)
		36,114,076,614	33,230,400,604
<b>24. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and benefits		74,377,103	72,092,893
Staff retirement benefits		14,612,674	14,732,502
Freight and forwarding		75,980,360	51,389,430
Travelling and conveyance		6,287,036	6,437,111
Vehicles running and maintenance		4,935,876	4,530,539
Postage and telecommunication		945,956	1,019,848
Other		14,105,777	8,339,142
		191,244,782	158,541,465

# Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>25. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		36,000,000	30,750,000
Salaries and benefits		231,568,625	208,865,382
Staff retirement benefits		34,218,763	33,455,518
Travelling and conveyance		51,968,503	52,766,178
Vehicles running and maintenance		15,658,692	14,202,008
Fuel and power		37,007,072	33,755,995
Postage and telecommunication		14,613,602	12,920,890
Printing and stationery		5,322,329	4,366,798
Repairs and maintenance		37,100,940	58,193,196
Fees, subscription and periodicals		12,690,870	9,890,540
Rent, rates and taxes		52,064,788	47,235,370
Legal and professional		10,729,750	10,782,090
Entertainment		12,471,582	11,829,824
Auditors' remuneration	25.1	2,707,500	2,162,500
Advertisement		255,750	456,870
Insurance		1,523,385	1,537,681
Donations	25.2	4,217,158	2,017,950
Depreciation / amortisation of property, plant and equipment	3.2	62,387,274	49,059,398
Amortisation of intangible assets	4.1	3,763,141	2,686,185
Other		3,420,965	4,797,090
		629,690,689	591,731,463
<b>25.1 Auditors' remuneration</b>			
Audit fee		2,000,000	1,500,000
Other services		707,500	662,500
		2,707,500	2,162,500
<b>25.2</b>	Muhammad Waseem Mukhtar – Director of the Company is a member of Executive Committee of the Faisalabad Development Trust (FDT), Commissioner Office Complex, Faisalabad. The Company made payment of donation amounting to Rs. 652,158/- (2012 : Nil) to FDT during the year.		
		2013 Rupees	2012 Rupees
<b>26. OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund		50,599,478	57,208,781
Loss on disposal of property, plant and equipment		2,958,664	2,291,796
Workers' welfare fund		41,863	24,029,728
		53,600,005	83,530,305
<b>27. FINANCE COST</b>			
Mark up / interest on :			
Long term financing		519,171,441	507,574,097
Short term bank borrowings		422,810,255	263,831,683
Workers' profit participation fund		8,005,311	7,000,425
Bank charges and commission		1,440,008	1,915,839
		951,427,015	780,322,044

# Notes to the Financial Statements

for the year ended June 30, 2013

	2013 Rupees	2012 Rupees
<b>28. OTHER OPERATING INCOME</b>		
<b>Income from financial assets :</b>		
Profit on deposits	128,147	10,091,193
Exchange differences	125,247	70,715
	253,394	10,161,908
<b>Income from investment in related party :</b>		
Gain on disposal of non-current assets held for sale	1,035,272,436	652,662,036
<b>Income from assets other than financial assets :</b>		
Scrap sales	40,919,172	34,331,078
Balances written back – net	12,694,538	2,190,270
Other	294,708	1,291,439
	53,908,418	37,812,787
	1,089,434,248	700,636,731
<b>29. REVERSAL OF / (PROVISION FOR) TAXATION</b>		
Current		
For the year	–	(531,391,817)
For prior year	10,467,744	(1,105,879)
	10,467,744	(532,497,696)
Deferred		
For the year	1,159,745,026	194,083,461
For prior year	(10,653,418)	–
	1,149,091,608	194,083,461
	1,159,559,352	(338,414,235)

## 29.1 Reconciliation between accounting profit and tax expense

Reconciliation between accounting profit and tax expense has not been presented in these financial statements as no provision for current tax has been made due to tax credits available under the law. Provision for the preceding year represents minimum tax under section 113 and final tax paid under section 150 and 154 of the Income Tax Ordinance, 2001.

	2013	2012
<b>30. EARNINGS PER SHARE – BASIC AND DILUTED</b>		
Profit for the year (Rupees)	5,534,166,564	4,113,910,842
Weighted average number of ordinary shares	310,506,995	310,506,995
Earnings per share – Basic and Diluted (Rupees)	17.82	13.25

**30.1** There is no dilutive effect on the basic earnings per share of the Company.

# Notes to the Financial Statements

for the year ended June 30, 2013

## 31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	10,909,092	21,818,184	403,500,359	9,318,181	18,636,362	365,410,350
Medical allowance	1,090,908	2,181,816	39,842,145	931,819	1,863,638	36,046,985
Reimbursable expenses for vehicles running	–	–	20,187,315	–	–	18,675,060
	12,000,000	24,000,000	463,529,819	10,250,000	20,500,000	420,132,395
Number of persons	1	2	351	1	2	294

**31.1** The Chief Executive Officer and Directors are entitled to free use of the Company maintained vehicles. The monetary value of the benefit is Rs. 4,683,888/- (2012 : Rs. 4,152,801/-). The Directors have waived off their meeting fee.

## 32. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. Amounts due from and due to related parties, if any, are shown under receivables and payables respectively. Remuneration to Chief Executive Officer, Directors and Executives is disclosed in Note 31 and long term loans to Executives is disclosed in Note 6. Other significant transactions with related parties are as under :

Relationship	Nature of transaction	2013 Rupees	2012 Rupees
Associated undertakings	Rent	50,820,000	46,200,000
	Dividend received	1,107,145,668	1,644,163,260
	Commission	803,527,673	775,218,639
	Consultancy fee paid	18,000,000	6,000,000
Key management personnel	Proceeds from disposal of non-current assets held for sale	4,659,600,000	4,998,267,853
	Dividend paid	1,236,577,713	824,277,042
	Disposal of operating assets under Company policy	–	15,126

# Notes to the Financial Statements

for the year ended June 30, 2013

	2013 M. Tons	2012 M. Tons
<b>33. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
Annual production capacity (350 days – 3 shifts)		
Polyester Staple Fibre / Polyester Chips	390,600	208,600
Yarn converted into 20/s count (Spindles installed 137,856 (2012 : 137,856))	48,700	48,700
Actual production		
Polyester Staple Fibre / Polyester Chips	214,966	202,133
Yarn converted into 20/s count (Spindles worked 136,440 (2012 : 136,390))	49,021	48,160

#### Reason for shortfall :

The actual production of Polyester Staple Fibre and Polyester Chips is planned to meet the market demand.

The production of new Polyester plant is only for 80 days during the last quarter of the year.

#### 34. FINANCIAL RISK MANAGEMENT

The Company finances its operations through mix of equity, debt and working capital management with a view to maintaining an appropriate mix between various sources of finance to minimise risk. The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). The overall risk management is carried out by the finance department under oversight of the Board of Directors in line with the policies approved by the Board.

	2013 Rupees	2012 Rupees
<b>34.1 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets :</b>		
Investment in associate	9,182,026,116	11,542,753,873
Long term loans	37,778,425	48,505,116
Long term deposits	3,910,543	3,710,742
Trade debts	280,700,067	217,278,906
Loans and advances	17,562,174	15,523,380
Other receivables	11,784,384	9,678,231
Cash and bank balances	204,836,749	52,409,353
	9,738,598,458	11,889,859,601
<b>Financial liabilities :</b>		
Long term financing	14,562,499,998	10,491,666,666
Trade and other payables	1,400,610,902	1,321,427,903
Mark up / interest payable	166,844,778	126,972,120
Short term bank borrowings	5,509,120,577	2,319,267,416
	21,639,076,255	14,259,334,105

# Notes to the Financial Statements

for the year ended June 30, 2013

## 34.1.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows :

	2013 Rupees	2012 Rupees
Long term loans	37,778,425	48,505,116
Long term deposits	3,910,543	3,710,742
Trade debts	280,700,067	217,278,906
Loans and advances	17,562,174	15,523,380
Other receivables	11,784,384	9,678,231
Bank balances	187,282,300	42,999,356
	539,017,893	337,695,731

Due to Company's long standing relations with counter parties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company.

For trade debts, credit quality of customers is assessed taking into consideration their financial position and previous dealings and on that basis, individual credit limits are set. Moreover, the management regularly monitors and reviews customers' credit exposure. Accordingly, the Company is not exposed to any significant credit risk.

The Company's most significant customers are industrial users of polyester staple fibre and yarn. The break-up of amount due from customers is as follows :

	2013 Rupees	2012 Rupees
Industrial users	280,700,067	215,346,055
Wholesalers	–	1,932,851
	280,700,067	217,278,906
Aging of trade debts as at balance sheet date is as under :		
Not past due	260,449,214	200,673,686
Past due within one year	6,216,106	2,050,062
Past due more than one year	14,034,747	14,555,158
	280,700,067	217,278,906

Based on the past experience and taking into consideration the financial position and previous record of recoveries, the Company believes that trade debts past due do not require any impairment. The credit risk exposure is limited in respect of bank balances as these are placed with the banks having good credit rating from international and local credit rating agencies.



# Notes to the Financial Statements

for the year ended June 30, 2013

## 34.1.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. The management believes that the Company is not exposed to any significant liquidity risk. Following are the contractual maturities of financial liabilities including interest payment as at June 30, 2013 and June 30, 2012.

	2013				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
<b>Financial Liabilities :</b>					
Long term financing	14,562,499,998	18,518,600,757	1,183,358,740	2,571,288,192	14,763,953,825
Trade and other payables	1,400,610,902	1,400,610,902	1,400,610,902	–	–
Mark up / interest payable	166,844,778	166,844,778	166,844,778	–	–
Short term bank borrowings	5,509,120,577	5,632,930,913	5,632,930,913	–	–
	21,639,076,255	25,718,987,350	8,383,745,333	2,571,288,192	14,763,953,825

	2012				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
<b>Financial Liabilities :</b>					
Long term financing	10,491,666,666	14,840,794,085	1,420,503,252	1,123,220,880	12,297,069,953
Trade and other payables	1,321,427,903	1,321,427,903	1,321,427,903	–	–
Mark up / interest payable	126,972,120	126,972,120	126,972,120	–	–
Short term bank borrowings	2,319,267,416	2,383,992,748	2,383,992,748	–	–
	14,259,334,105	18,673,186,856	5,252,896,023	1,123,220,880	12,297,069,953

The contractual cash flows relating to mark up on long term financing and short term bank borrowings have been determined on the basis of markup rates as applicable at the year end. As at the year end, the Company has liquid assets of Rs. 2,575.151 million (2012 : Rs. 870.029 million) and unavailed long term financing and short term bank borrowing facilities of Rs. 2,832 million (2012: Rs. 10,097 million) (Refer Note 15.1 & 14.1) to manage the liquidity risk.

## 34.1.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange 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 optimising returns.

### i) Interest rate risk

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

Majority of interest rate risk arises from long term financing and short term borrowings from banks and deposit accounts with banks. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

# Notes to the Financial Statements

for the year ended June 30, 2013

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit and loss account.

Had the interest rate been increased / decreased by 100 basis points at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 85.738 million (2012 : Rs. 54.481 million).

## ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument, will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to foreign currency transactions. The Company is exposed to currency risk on debtor, other payables and claims receivable denominated in foreign currency. As at reporting date, the Company is not exposed to currency risk (2012 : currency risk exposure amounted to Rs. 6.843 million).

## iii) Equity price risk

Trading and investing in equity securities give rise to equity price risk. The Company is not directly exposed to equity price risk as the investment in associate is accounted for using the equity method.

### 34.2 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

### 34.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets, keeping in view future investment requirements and expectations of the shareholders. Debt comprises of long term financing and short term bank borrowings as shown in the balance sheet. Total equity comprises of shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

# Notes to the Financial Statements

for the year ended June 30, 2013

The salient information relating to capital risk management of the Company as at June 30, 2013 and June 30, 2012 was as follows :

	Note	2013 Rupees	2012 Rupees
Debt	14 & 15	20,071,620,575	12,810,934,082
Less : Cash and cash equivalents	12	204,836,749	52,409,353
Net Debt		19,866,783,826	12,758,524,729
Total equity		26,054,645,382	21,932,756,429
Total capital		45,921,429,208	34,691,281,158
Gearing ratio		43.26%	36.78%

### 35. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue as at August 26, 2013 by the Board of Directors of the Company.

### 36. NON – ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 26, 2013 proposed final cash dividend at the rate of Rs. 2 per share (2012 : Rs. 3 per share) amounting to Rs. 621.014 million (2012 : Rs. 931.521 million) for the year ended June 30, 2013 subject to the approval of the members at the forthcoming Annual General Meeting to be held on September 26, 2013 and approved transfer of an amount of Rs. 1,000 million (2012 : Rs. 459.000 million) to general reserve for the year ended June 30, 2013.

### 37. Figures have been rounded off to the nearest Rupee.

Chief Executive Officer

Director

# Pattern of Shareholding

as at June 30, 2013

Number of Shareholders	Having Shares		Shares Held
	From	To	
383	1	100	15,628
924	101	500	216,509
486	501	1000	354,217
385	1001	5000	869,219
96	5001	10000	689,088
29	10001	15000	364,629
23	15001	20000	407,082
16	20001	25000	381,293
8	25001	30000	225,124
15	30001	35000	488,142
6	35001	40000	221,425
3	40001	45000	125,666
3	45001	50000	146,500
2	55001	60000	115,600
2	60001	65000	125,000
3	65001	70000	204,875
1	70001	75000	74,500
1	75001	80000	78,000
1	80001	85000	83,791
1	100001	105000	103,000
1	105001	110000	105,890
1	110001	115000	112,375
1	115001	120000	120,000
3	120001	125000	375,000
1	145001	150000	145,804
1	165001	170000	166,257
1	195001	200000	200,000
1	335001	340000	337,000
1	345001	350000	347,125
1	400001	405000	400,750
1	560001	565000	561,125
1	670001	675000	674,000
1	1815001	1820000	1,818,530
1	2140001	2145000	2,141,300
1	2200001	2205000	2,204,562
1	4490001	4495000	4,494,000
1	5725001	5730000	5,729,875
1	10530001	10535000	10,532,600
1	90530001	90535000	90,531,495
1	90685001	90690000	90,689,144
1	93530001	93535000	93,530,875
<b>2,411</b>			<b>310,506,995</b>

# Categories of Shareholders

as at June 30, 2013

Categories of Shareholders	Number	Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties</b>	–	–	–
<b>NIT &amp; ICP</b>			
National Bank of Pakistan Trustee Deptt.	1	1,818,530	0.5857
Investment Corporation of Pakistan	1	1,413	0.0005
<b>Directors, Chief Executive Officer and their spouses</b>			
Sheikh Mukhtar Ahmed	1	93,530,875	30.1221
Mohammad Naeem Mukhtar	1	90,689,144	29.2068
Muhammad Waseem Mukhtar	1	90,531,495	29.1560
Anwarul Haque	1	5,200	0.0017
Mohammad Waqar	1	37,500	0.0121
Jawaid Ashraf	1	1,000	0.0003
Abdul Hameed Bhutta	1	1,000	0.0003
<b>Executives</b>	3	9,076	0.0029
<b>Banks, DFIs, NBFIs &amp; Leasing Companies</b>	6	2,207,858	0.7110
<b>Insurance Companies</b>	4	2,143,555	0.6903
<b>Modarabas and Mutual Funds</b>	5	3,463	0.0011
<b>Joint Stock Companies &amp; Others</b>	53	1,345,216	0.4332
<b>Genral Public</b>			
a. Local	2,328	16,385,295	5.2769
b. Foreign	3	11,796,375	3.7991
<b>Shareholders holdings 5% or more (Excluding Directors)</b>	–	–	–
	2,411	310,506,995	100.0000



# Form of Proxy

I / We \_\_\_\_\_ of \_\_\_\_\_ a member / members of the Company / merged Companies, do hereby appoint Mr. / Ms. \_\_\_\_\_ of \_\_\_\_\_ a member of the Company, or failing him / her Mr. / Ms. \_\_\_\_\_ of \_\_\_\_\_ who is also a member of the Company, as my / our proxy to attend, speak and vote for me / us and on my / our behalf at the 27th Annual General Meeting of the Company to be held on September 26, 2013 at 11:00 AM at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Witness: (1)

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

AFFIX  
REVENUE  
STAMP OF  
RS. 5/-

Signature : \_\_\_\_\_

(The signature should agree with the Specimen Registered with the Company)

Witness: (2)

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

Folio No. \_\_\_\_\_

CDC A/c No. \_\_\_\_\_

No. of shares held \_\_\_\_\_

Distinctive Numbers \_\_\_\_\_

## IMPORTANT :

1. The Proxy Form must be deposited at the registered office of the company at Ibrahim Centre, 1 – Ahmed Block, New Garden Town, Lahore, as soon as possible but not later than 48 hours before the time of holding the meeting and in default Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he / she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

## FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES :

In addition to the above, the following requirements have to be met :

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- 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) alongwith proxy form to the Company.

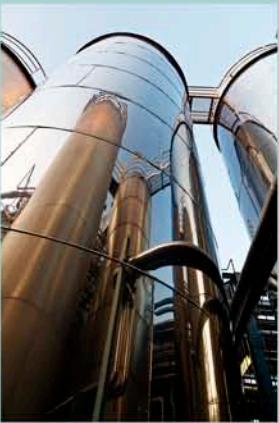
AFFIX  
CORRECT  
POSTAGE

The Company Secretary,  
**Ibrahim Fibres Limited**  
Ibrahim Centre, 1 – Ahmed Block,  
New Garden Town, Lahore, Pakistan.





igc.pk.com



**Ibrahim Fibres Limited**  
Ibrahim Centre,  
1 - Ahmed Block, New Garden Town,  
Lahore - 54600, Pakistan.