

Review Report to the Members

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Ibrahim Fibres Limited to comply with the Listing Regulation No. 37, Chapter No. XIII and Chapter No. XI of the Karachi, Lahore and Islamabad Stock Exchanges respectively 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.

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 effective for the year ended June 30, 2007.

Faisalabad
September 28, 2007

M. Yousuf Adil Saleem & Co.,
Chartered Accountants

Auditors' Report

to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited as at June 30, 2007 and the related profit and loss account, 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.

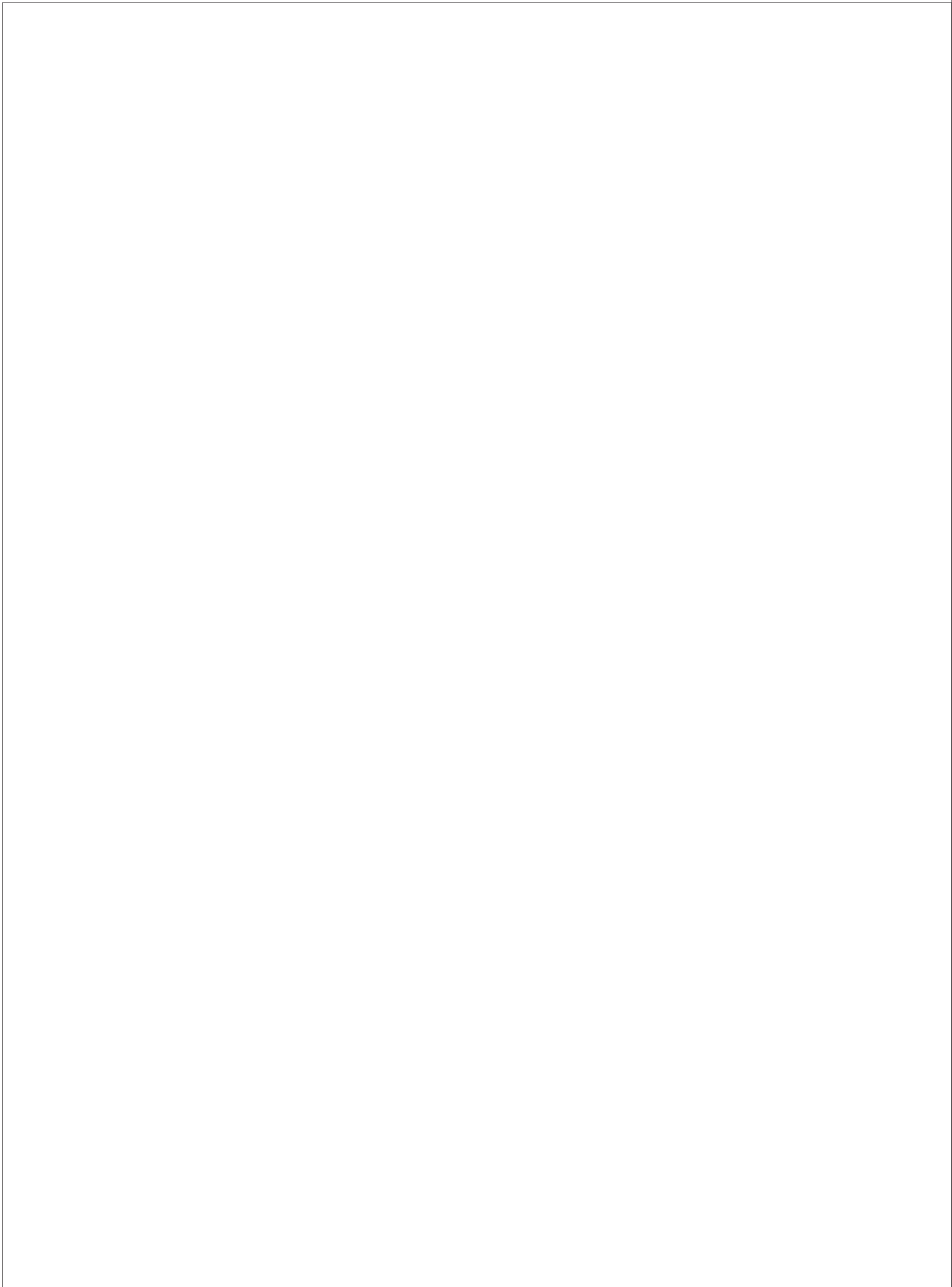
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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, 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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Faisalabad
September 28, 2007

M. Yousuf Adil Saleem & Co.,
Chartered Accountants



Financial Statements

for the year ended June 30, 2007

Balance Sheet

as at June 30, 2007

| | Note | 2007 Rupees | 2006 Rupees |
|--------------------------------------|------|-----------------------|-----------------------|
| NON - CURRENT ASSETS | | | |
| Tangible assets | | | |
| Property, plant and equipment | 3 | 7,494,543,268 | 7,786,968,170 |
| Intangible asset | 4 | 17,763,548 | 19,290,920 |
| Investment in associate | 5 | 8,535,576,315 | 7,300,128,065 |
| Long term deposits | | 3,270,100 | 2,929,500 |
| | | 16,051,153,231 | 15,109,316,655 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | 6 | 492,927,990 | 356,899,553 |
| Stock in trade | 7 | 2,495,261,283 | 1,629,916,009 |
| Trade debts | 8 | 119,187,620 | 156,698,992 |
| Loans and advances | 9 | 675,992,269 | 607,169,229 |
| Prepayments | | 5,763,626 | 4,040,764 |
| Other receivables | 10 | 530,018,970 | 345,344,438 |
| Cash and bank balances | 11 | 297,479,839 | 268,091,741 |
| | | 4,616,631,597 | 3,368,160,726 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 1,962,366,263 | 1,776,042,409 |
| Markup / interest payable | | 194,407,205 | 228,829,517 |
| Short term bank borrowings | 13 | 1,800,909,997 | 675,053,490 |
| Current portion of : | | | |
| Long term financing | 14 | 977,750,000 | 1,189,375,000 |
| Long term morabaha | 15 | 300,000,000 | 150,000,000 |
| Provision for taxation - income tax | | 132,484,377 | 262,165,886 |
| | | 5,367,917,842 | 4,281,466,302 |
| Working capital | | (751,286,245) | (913,305,576) |
| Total capital employed | | 15,299,866,986 | 14,196,011,079 |
| NON - CURRENT LIABILITIES | | | |
| Long term financing | 14 | 3,933,375,000 | 4,461,125,000 |
| Long term morabaha | 15 | 750,000,000 | 1,050,000,000 |
| Deferred liabilities | | | |
| Deferred taxation | 16 | 1,272,554,972 | 987,601,055 |
| Staff retirement gratuity | 17 | 228,174,174 | 201,229,200 |
| | | 6,184,104,146 | 6,699,955,255 |
| CONTINGENCIES AND COMMITMENTS | 18 | - | - |
| Net worth | | 9,115,762,840 | 7,496,055,824 |
| Represented by : | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | 19 | 3,105,069,950 | 3,105,069,950 |
| Capital reserves | 20 | 1,137,615,450 | 1,032,875,100 |
| Revenue reserves | 21 | 4,873,077,440 | 3,358,110,774 |
| | | 9,115,762,840 | 7,496,055,824 |

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, 2007

| | Note | 2007 Rupees | 2006 Rupees |
|------------------------------------|------|----------------|----------------|
| Sales - net | 22 | 16,322,916,242 | 17,208,471,339 |
| Cost of goods sold | 23 | 14,692,404,768 | 15,262,460,767 |
| Gross profit | | 1,630,511,474 | 1,946,010,572 |
| Selling and distribution expenses | 24 | 115,794,913 | 89,017,485 |
| Administrative expenses | 25 | 294,520,539 | 246,655,777 |
| Other operating expenses | 26 | 35,351,327 | 49,888,985 |
| Finance cost | 27 | 925,670,501 | 931,896,655 |
| | | 1,371,337,280 | 1,317,458,902 |
| Other operating income | 28 | 259,174,194 | 628,551,670 |
| | | 29,309,620 | 33,136,506 |
| Share of profit of associate - net | | 288,483,814 | 661,688,176 |
| Profit before taxation | | 1,480,152,000 | 1,180,354,000 |
| Provision for taxation | 29 | 1,768,635,814 | 1,842,042,176 |
| Profit for the year | | 253,669,148 | 359,488,997 |
| | | 1,514,966,666 | 1,482,553,179 |
| Earnings per share - Basic | 30 | 4.88 | 4.77 |

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

Chief Executive Officer

Director

Cash Flow Statement

for the year ended June 30, 2007

| | 2007 Rupees | 2006 Rupees |
|--|-----------------|-----------------|
| a) Cash flow from operating activities | | |
| Profit before taxation | 1,768,635,814 | 1,842,042,176 |
| Adjustments for : | | |
| Depreciation / amortisation of property, plant and equipment | 767,223,034 | 817,915,334 |
| Amortisation of intangible asset | 5,428,131 | 4,822,729 |
| Provision for staff retirement gratuity | 52,992,401 | 52,412,050 |
| Loss / (gain) on disposal of property, plant and equipment | 1,515,886 | (1,424,005) |
| Profit on deposits | (483,425) | (614,941) |
| Balances written back - net | (613,645) | (2,679) |
| Share of profit of associate - net | (1,480,152,000) | (1,180,354,000) |
| Finance cost | 925,670,501 | 931,896,655 |
| Operating cash flows before working capital changes | 2,040,216,697 | 2,466,693,319 |
| Changes in working capital | | |
| (Increase) / decrease in current assets | | |
| Stores, spare parts and loose tools | (136,028,437) | (26,174,455) |
| Stock in trade | (865,345,274) | 1,463,955,636 |
| Trade debts | 37,511,372 | (56,811,707) |
| Loans and advances | 65,755,789 | (121,738,084) |
| Prepayments | (1,722,862) | 20,095,352 |
| Other receivables | (184,674,532) | (52,903,253) |
| Increase in current liabilities | | |
| Trade and other payables | 192,000,281 | 134,071,400 |
| | (892,503,663) | 1,360,494,889 |
| Cash generated from operations | 1,147,713,034 | 3,827,188,208 |
| Finance cost paid | (956,792,813) | (940,356,435) |
| Income tax paid | (238,488,219) | (54,107,541) |
| Staff retirement gratuity paid | (25,465,427) | (28,261,039) |
| Net cash (used in) / generated from operating activities | (73,033,425) | 2,804,463,193 |
| b) Cash flow from investing activities | | |
| Additions in : | | |
| Property, plant and equipment | (518,687,097) | (194,094,513) |
| Intangible asset | (3,900,759) | (2,593,606) |
| Proceeds from disposal of property, plant and equipment | 36,861,820 | 8,859,221 |
| Dividend received | 354,956,750 | 354,956,750 |
| Long term deposits | (340,600) | (378,200) |
| Profit on deposits | 483,425 | 614,941 |
| Net cash (used in) / from investing activities | (130,626,461) | 167,364,593 |
| c) Cash flow from financing activities | | |
| Long term financing obtained | 450,000,000 | 1,250,000,000 |
| Repayment of : | | |
| Long term financing | (1,192,675,000) | (754,100,000) |
| Long term morabaha | (150,000,000) | (1,250,000,000) |
| Increase / (decrease) in short term bank borrowings - net | 1,125,856,507 | (2,067,013,744) |
| Dividend paid | (133,523) | (865,823) |
| Net cash from / (used in) financing activities | 233,047,984 | (2,821,979,567) |
| Net increase in cash and cash equivalents (a+b+c) | 29,388,098 | 149,848,219 |
| Cash and cash equivalents at the beginning of the year | 268,091,741 | 118,243,522 |
| Cash and cash equivalents at the end of the year | 297,479,839 | 268,091,741 |

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, 2007

| | 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 June 30, 2005 as reported | 3,105,069,950 | 1,000,000,000 | 72,017,550 | (17,366,300) | 1,452,773,099 | 422,784,496 | 6,035,278,795 |
| Effect of error relating to investment in associate (Note 5.1) | - | - | - | 20,229,300 | - | - | 20,229,300 |
| Balance as at June 30, 2005 as restated | 3,105,069,950 | 1,000,000,000 | 72,017,550 | 2,863,000 | 1,452,773,099 | 422,784,496 | 6,055,508,095 |
| Transfer to general reserve | - | - | - | - | 132,300,000 | (132,300,000) | - |
| Share of changes in equity of associate - net | - | - | - | 247,672,350 | - | - | 247,672,350 |
| Profit for the year | - | - | - | - | - | 1,488,643,629 | 1,488,643,629 |
| Effect of error relating to investment in associate (Note 5.1) | - | - | - | (289,677,800) | - | (6,090,450) | (295,768,250) |
| Balance as at June 30, 2006 as restated | 3,105,069,950 | 1,000,000,000 | 72,017,550 | (39,142,450) | 1,585,073,099 | 1,773,037,675 | 7,496,055,824 |
| Transfer to general reserve | - | - | - | - | 301,800,000 | (301,800,000) | - |
| Share of changes in equity of associate - net | - | - | - | 104,740,350 | - | - | 104,740,350 |
| Profit for the year | - | - | - | - | - | 1,514,966,666 | 1,514,966,666 |
| Balance as at June 30, 2007 | 3,105,069,950 | 1,000,000,000 | 72,017,550 | 65,597,900 | 1,886,873,099 | 2,986,204,341 | 9,115,762,840 |

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, 2007

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, and is listed on the 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 Company with effect from October 01, 2000.
- 1.3** 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 (the Ordinance) and directives issued by the Securities and Exchange Commission of Pakistan, 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 Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

Standards and amendments to published approved accounting standards

Amendments to published standards effective in 2006

IAS 19 (Amendment) - Employee Benefits, is mandatory for the Company's accounting periods beginning on or after July 01, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. The Company does not intend to adopt the alternative approach for recognition of actuarial gains and losses. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 17 to the financial statements.

Standards not yet effective

The following new standards and amendments to approved accounting standards are applicable in Pakistan for the accounting periods beginning on or after the dates mentioned below against the respective standard or amendment. These standards are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| IAS / IFRS | | Effective date |
|------------|--|---|
| IAS-1 | Presentation of Financial Statements - Capital disclosures | January 01, 2007 |
| IAS-23 | Borrowing costs - Revised | Effective for qualifying assets for which commencement date of capitalisation is on or after January 01, 2009 |
| IFRS-7 | Financial Instruments: Disclosures | January 01, 2007 |

2.2 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except staff retirement gratuity carried at present value and investment in associate accounted for using the equity method.

2.3 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.

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.

Notes to the Financial Statements

for the year ended June 30, 2007

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.

2.4 Intangible asset

It is stated at cost less accumulated amortisation and impairment in value, if any. Intangible asset is amortised using straight line method over a period of five years.

2.5 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 or loss.

2.6 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 or loss in the period in which these are incurred.

2.7 Investment in associate

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

2.8 Stores, spare parts and loose tools

These are valued at moving average cost. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

2.9 Stock in trade

These are 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

Comprises of cost of direct materials, labour and appropriate manufacturing overheads. Cost is determined on weighted average method.

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.

Notes to the Financial Statements

for the year ended June 30, 2007

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

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.

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 in the income statement, except in case of items charged or credited to equity in which case it is included in equity.

2.16 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.

Notes to the Financial Statements

for the year ended June 30, 2007

2.17 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 rate and the foreign currency account maintained for payments in foreign currency which are translated at the rates in effect at the date of transactions. Transactions in foreign currencies are translated into Pak Rupee at exchange rates prevailing at the date of transactions.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transactions.

2.18 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.

2.19 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.

2.20 Related party transactions

Transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method.

2.21 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.

2.22 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, 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 judgments 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 judgments 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, 2007

3. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2007 Rupees | 2006 Rupees |
|--------------------------|------|----------------------|----------------------|
| Operating assets | 3.1 | 7,109,146,264 | 7,775,453,421 |
| Capital work in progress | 3.4 | 385,397,004 | 11,514,749 |
| | | 7,494,543,268 | 7,786,968,170 |

3.1 Operating assets

| Description | Cost as at July 01, 2006 | Additions/ (disposals) | Cost as at June 30, 2007 | Accumulated depreciation/ amortisation as at July 01, 2006 | Adjustments of accumulated depreciation on disposals | Depreciation / amortisation for the year | Accumulated depreciation / amortisation as at June 30, 2007 | Written down value as at June 30, 2007 | Rate % |
|-----------------------|-----------------------------|--------------------------------------|-----------------------------|---|---|---|--|--|-----------|
| Freehold land | 249,491,779 | – | 249,491,779 | – | – | – | – | 249,491,779 | |
| Leasehold land | 408,500 | – | 408,500 | 76,594 | – | 4,085 | 80,679 | 327,821 | 01 |
| Building on : | | | | | | | | | |
| Freehold land | 1,465,304,972 | 71,109,601 | 1,536,414,573 | 702,884,891 | – | 81,120,011 | 784,004,902 | 752,409,671 | 10 |
| Leasehold land | 63,897,537 | – | 63,897,537 | 18,963,853 | – | 4,493,369 | 23,457,222 | 40,440,315 | 10 |
| Plant and machinery | 12,030,800,988 | 28,653,572 (158,455,244) | 11,900,999,316 | 5,490,705,074 | (128,645,015) | 654,785,684 | 6,016,845,743 | 5,884,153,573 | 10 |
| Furniture and fixture | 50,975,475 | 4,349,463 | 55,324,938 | 19,017,366 | – | 3,459,586 | 22,476,952 | 32,847,986 | 10 |
| Office equipment | 122,498,227 | 9,128,776 (3,954,560) | 127,672,443 | 51,530,996 | (2,266,272) | 7,452,162 | 56,716,886 | 70,955,557 | 10 |
| Vehicles | 137,783,899 | 26,052,171 (24,991,441) | 138,844,629 | 62,529,182 | (18,112,252) | 15,908,137 | 60,325,067 | 78,519,562 | 20 |
| 2007 Rupees | 14,121,161,377 | 139,293,583 (187,401,245) | 14,073,053,715 | 6,345,707,956 | (149,023,539) | 767,223,034 | 6,963,907,451 | 7,109,146,264 | |
| 2006 Rupees | 13,773,893,404 | 365,252,189 (17,984,216) | 14,121,161,377 | 5,538,341,622 | (10,549,000) | 817,915,334 | 6,345,707,956 | 7,775,453,421 | |

| 3.2 | Depreciation / amortisation for the year has been allocated as under : | Note | 2007 Rupees | 2006 Rupees |
|-----|---|------|--------------------|--------------------|
| | Cost of goods sold | 23 | 746,492,216 | 802,326,601 |
| | Administrative expenses | 25 | 20,730,818 | 15,588,733 |
| | | | 767,223,034 | 817,915,334 |

Notes to the Financial Statements

for the year ended June 30, 2007

3.3 Detail of disposal of property, plant and equipment

| Description | Cost | Accumulated depreciation | Written down value | Sale proceeds | Particulars |
|--|--------------------|--------------------------|--------------------|-------------------|---|
| Plant and Machinery (Sold by negotiation) | 777,286 | 692,986 | 84,300 | 600,000 | Alliance Textile Mills Limited, G.T.Road, Jehlum. |
| | 64,510,422 | 53,493,812 | 11,016,610 | 10,000,000 | Al-Qadir Textile Mills Limited, 6-K.M., Jehlum Road, Chakwal. |
| | 25,804,169 | 21,457,975 | 4,346,194 | 4,000,000 | Star Textile Mills Limited, A-41, Site Area, Karachi. |
| | 63,067,414 | 50,623,377 | 12,444,037 | 12,000,000 | Margala Textile Mills Limited, Monnoo Nagar, Hassanabdal, Attock. |
| | 2,200,000 | 1,830,834 | 369,166 | 400,000 | H.A.Haq Spinning Mills (Pvt) Limited, P-9/2, Montgomery Bazar, Faisalabad. |
| Plant and machinery (Insurance claim) | 2,095,953 | 546,031 | 1,549,922 | 1,800,000 | Adamjee Insurance Company Limited, P-834, 1st Floor, Liaqat Road, Faisalabad. |
| | 158,455,244 | 128,645,015 | 29,810,229 | 28,800,000 | |
| Office equipment (Sold by negotiation) | 508,808 | 92,285 | 416,523 | 170,984 | Liberty Electronics, Shop No.11, National Hospital Market, Gurunanak Pura Road, Faisalabad. |
| | 85,622 | 11,089 | 74,533 | 1,000 | Muhammad Zikria (Ex employee) |
| | 3,333,190 | 2,155,638 | 1,177,552 | 30,000 | S.I.S.Engineering Services, 402 Mehd Tower, 115-A Main Shahrah-e-Faisal, Karachi. |
| | 26,940 | 7,260 | 19,680 | 12,435 | Particulars of purchasers are not required to be mentioned as book value is less than Rs. 50,000/- |
| | 3,954,560 | 2,266,272 | 1,688,288 | 214,419 | |
| Vehicles (Sold by negotiation) | 1,050,959 | 836,296 | 214,663 | 224,662 | Ali Munawar, 301- D Kot Khan Muhammad, Peoples colony, Faisalabad. |
| | 1,177,819 | 801,922 | 375,897 | 385,897 | Khurram Amin, Rehmat manzal, street No. 1, Kot Khan Muhammad, Peoples colony, Faisalabad. |
| | 5,583,669 | 4,674,459 | 909,210 | 972,860 | Yasir Enterprises, 16-Club Road, Faisalabad. |
| | 830,794 | 630,248 | 200,546 | 207,546 | Muhammad Sami, 17/2, Club Road, Faisalabad. |
| | 523,500 | 416,573 | 106,927 | 112,000 | Nasir Mehmood, H.No. 25-E Gulshan-e-Iqbal, Karachi. |
| | 1,158,000 | 976,364 | 181,636 | 250,000 | Mohammad Abrar Aleem, House No.P-160, Lasani Town, Faisalabad. |
| | 474,530 | 288,187 | 186,343 | 185,864 | Muhammad Furqan (Employee) |
| | 371,150 | 131,387 | 239,763 | 243,969 | Muhammad Hanif Awan (Employee) |
| | 72,949 | 54,324 | 18,625 | 24,396 | Particulars of purchasers are not required to be mentioned as book value is less than Rs. 50,000/- |
| Vehicles (Insurance claim) | 630,512 | 549,668 | 80,844 | 325,000 | The Premier Insurance Company of Pakistan Limited, 23 Shahrah-e-Quaid-e-Azam, Lahore. |
| Vehicles (Sold under Company policy) | 617,265 | 456,224 | 161,041 | 215,680 | Masood Ali (Employee) |
| | 616,923 | 416,455 | 200,468 | 214,787 | Sajid Hussain (Employee) |
| | 832,950 | 616,417 | 216,533 | 290,001 | Mujahid Ali (Employee) |
| | 620,115 | 433,002 | 187,113 | 215,899 | Nadeem Khan (Employee) |
| | 619,090 | 432,286 | 186,804 | 215,542 | Khalid Faruq (Employee) |
| | 1,279,780 | 676,406 | 603,374 | 603,374 | Jalees Ahmed (Employee) |
| | 486,930 | 340,004 | 146,926 | 169,530 | Khalid Islam Khan (Employee) |
| | 1,130,444 | 802,465 | 327,979 | 393,575 | Muhammad Akram (Employee) |
| | 622,031 | 445,168 | 176,863 | 216,566 | Shahid Hussain (Employee) |
| | 481,653 | 344,704 | 136,949 | 167,692 | Azhar Rasheed (Employee) |
| | 359,440 | 257,240 | 102,200 | 125,143 | Raza Ullah (Employee) |
| | 757,644 | 444,403 | 313,241 | 329,727 | Jawaid Ashraf (Employee) |
| | 577,040 | 392,880 | 184,160 | 187,508 | Muhammad Naeem Asghar (Employee) |
| | 1,135,106 | 799,178 | 335,928 | 395,209 | Arshad Rafique (Employee) |
| | 582,055 | 396,294 | 185,761 | 202,648 | Muhammad Zikria (Ex employee) |
| | 581,838 | 425,130 | 156,708 | 202,640 | Sohail Aziz Awan (Ex employee) |
| | 629,990 | 315,836 | 314,154 | 319,868 | Khawaja Shahid Javed (Ex employee) |
| Aggregate of vehicles having book value of less than Rs. 50,000/- each | 1,187,265 | 758,732 | 428,533 | 449,818 | Particulars of purchasers are not required to be mentioned. |
| | 24,991,441 | 18,112,252 | 6,879,189 | 7,847,401 | |
| 2007 Rupees | 187,401,245 | 149,023,539 | 38,377,706 | 36,861,820 | |
| 2006 Rupees | 17,984,216 | 10,549,000 | 7,435,216 | 8,859,221 | |

Notes to the Financial Statements

for the year ended June 30, 2007

| | 2007 Rupees | 2006 Rupees |
|--|--------------------|----------------|
| 3.4 Capital work in progress | | |
| Building on freehold land | 92,249,476 | 3,982,581 |
| Plant and machinery | 2,750,000 | - |
| Advances against property, plant and equipment | | |
| Building on freehold land | 29,404,881 | 7,000,319 |
| Plant and machinery | 238,466,404 | - |
| Furniture and fixture | 21,459,634 | 531,849 |
| Office equipment | 1,066,609 | - |
| | 290,397,528 | 7,532,168 |
| | 385,397,004 | 11,514,749 |

4. INTANGIBLE ASSET

| Description | Cost as at July 01, 2006 | Additions | Cost as at June 30, 2007 | Accumulated amortisation as at July 01, 2006 | Amortisation for the year | Accumulated amortisation as at June 30, 2007 | Written down value as at June 30, 2007 |
|--------------------------|--------------------------|------------------|--------------------------|--|---------------------------|--|--|
| | Rupees | | | | | | |
| Computer software | 24,113,649 | 3,900,759 | 28,014,408 | 4,822,729 | 5,428,131 | 10,250,860 | 17,763,548 |
| 2006 | - | 24,113,649 | 24,113,649 | - | 4,822,729 | 4,822,729 | 19,290,920 |

| | 2007 Rupees | 2006 Rupees |
|---|----------------------|----------------|
| 5. INVESTMENT IN ASSOCIATE | | |
| Allied Bank Limited (ABL) - Quoted 170,379,240 (2006 : 141,982,700) ordinary shares of Rs.10/-each. Ownership interest 31.63% (2006 : 32.23%) | 6,210,231,815 | 6,210,231,815 |
| Share of post acquisition changes in equity | 2,680,301,250 | 1,444,853,000 |
| Less : Dividend received during the year | (354,956,750) | (354,956,750) |
| | 8,535,576,315 | 7,300,128,065 |

5.1 The Company had recognised post acquisition changes in reserves as at June 30, 2006 in respect of its investment in associate resulting in overstatement of share of changes in equity of associate and investment in associate. The error has been corrected retrospectively in accordance with the requirements of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Had this error not been corrected, the profit for the year would have been higher by Rs. NIL (2006 : Rs. 6.090 million), deferred tax liability would have been higher by Rs. 11.290 million (2006 : Rs. 14.502 million), shareholders' equity would have been higher by Rs. 214.518 million (2006 : Rs. 275.539 million), investment in associate would have been higher by Rs. 225.809 million (2006 : Rs. 290.041million) and earnings per share would have been higher by Rs. NIL per share(2006 : Rs. 0.02 per share).

5.2 The fair value of investment in associate is Rs. 23,674 million (2006 : Rs. 12,495 million).

5.3 The financial year end of ABL is December 31. The latest available financial results of associate as of March 31, 2007 have been used for the purpose of application of equity method.

| | March 31, 2007 Rupees in million | March 31, 2006 Rupees in million |
|--|-------------------------------------|-------------------------------------|
| 5.4 Summarised financial information of associate | | |
| Aggregate amount of : | | |
| - Assets | 263,329 | 208,547 |
| - Liabilities | 245,371 | 194,376 |
| - Revenue (from April 01 to March 31) | 19,232 | 11,833 |
| - Profit (from April 01 to March 31) | 4,680 | 3,674 |

Notes to the Financial Statements

for the year ended June 30, 2007

| | 2007 Rupees | 2006 Rupees |
|---|----------------------|----------------------|
| 6. STORES, SPARE PARTS AND LOOSE TOOLS | | |
| Stores | 132,311,625 | 89,796,173 |
| Spare parts | | |
| In hand | 307,666,754 | 231,014,754 |
| In transit | 50,645,141 | 34,406,056 |
| | 358,311,895 | 265,420,810 |
| Loose tools | 2,304,470 | 1,682,570 |
| | 492,927,990 | 356,899,553 |
| 7. STOCK IN TRADE | | |
| Raw materials | | |
| In hand | 788,096,142 | 582,150,099 |
| In transit | 182,588,615 | 189,410,303 |
| | 970,684,757 | 771,560,402 |
| Work in process | 222,725,744 | 175,637,414 |
| Finished goods | 1,297,784,099 | 671,230,858 |
| Wastes | 4,066,683 | 11,487,335 |
| | 2,495,261,283 | 1,629,916,009 |
| 8. TRADE DEBTS | | |
| Considered good | | |
| Local – Secured | 28,476,198 | 49,757,700 |
| – Unsecured | 87,898,437 | 104,540,195 |
| Foreign – Secured | 2,812,985 | 2,401,097 |
| | 119,187,620 | 156,698,992 |
| 9. LOANS AND ADVANCES | | |
| Considered good | | |
| Loans | | |
| Employees | | |
| Executives | 7,960,998 | 9,096,440 |
| Others | 9,307,766 | 7,621,180 |
| | 17,268,764 | 16,717,620 |
| Advances | | |
| Suppliers and contractors | 89,753,352 | 158,119,988 |
| Income tax | 565,081,016 | 430,502,187 |
| Letters of credit fee, margin and expenses | 3,889,137 | 1,829,434 |
| | 675,992,269 | 607,169,229 |
| 10. OTHER RECEIVABLES | | |
| Custom duty refundable | 324,972,560 | 159,594,717 |
| Sales tax refundable | 57,461,494 | 89,831,412 |
| Claims | 144,299,739 | 95,201,553 |
| Other | 3,285,177 | 716,756 |
| | 530,018,970 | 345,344,438 |

Notes to the Financial Statements

for the year ended June 30, 2007

| | Note | 2007 Rupees | 2006 Rupees |
|---|------|----------------------|----------------------|
| 11. CASH AND BANK BALANCES | | | |
| Cash in hand | | 28,753,652 | 31,595,564 |
| Cash at banks | | | |
| In current accounts | | 161,620,444 | 94,384,371 |
| In deposit accounts | | 107,105,743 | 142,111,806 |
| | | 268,726,187 | 236,496,177 |
| | | 297,479,839 | 268,091,741 |
| 12. TRADE AND OTHER PAYABLES | | | |
| Creditors | 12.1 | 85,276,386 | 70,287,284 |
| Accrued liabilities | 12.1 | 176,736,224 | 170,813,984 |
| Advances from customers | 12.1 | 12,805,526 | 131,720,074 |
| Capital expenditure payable | | 5,306,504 | 10,817,763 |
| Bills payable | | 1,627,566,782 | 1,313,789,997 |
| Workers' profit participation fund | 12.2 | 16,203,542 | 35,637,204 |
| Workers' welfare fund | | 9,745,517 | 14,251,781 |
| Unclaimed dividend | | 12,970,022 | 13,103,545 |
| Other | | 15,755,760 | 15,620,777 |
| | | 1,962,366,263 | 1,776,042,409 |
| 12.1 These include following amounts due to associated undertakings of the Company : | | | |
| Creditors | | 129,800 | 3,326,546 |
| Accrued liabilities | | 180,000 | 180,000 |
| Advances from customers | | – | 98,900,167 |
| | | 309,800 | 102,406,713 |
| 12.2 Workers' profit participation fund | | | |
| Opening balance | | 35,637,204 | 15,211,618 |
| Interest on funds utilised in the Company's business | | 1,751,593 | 1,166,919 |
| | | 37,388,797 | 16,378,537 |
| Paid to the fund | | (37,388,797) | (16,378,537) |
| | | – | – |
| Allocation for the year | | 16,203,542 | 35,637,204 |
| | | 16,203,542 | 35,637,204 |
| 13. SHORT TERM BANK BORROWINGS - SECURED | | | |
| Running finances | | 515,635,537 | 575,053,490 |
| Term finances | | 1,285,274,460 | 100,000,000 |
| | | 1,800,909,997 | 675,053,490 |

13.1 These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from 9.43% to 10.20% per annum (2006 : 9.38% to 9.90% per annum). The aggregate un-availed short term borrowing facilities amount to Rs. 2,797 million (2006 : Rs. 3,300 million).

Notes to the Financial Statements

for the year ended June 30, 2007

| | Note | 2007 Rupees | 2006 Rupees |
|--|------|----------------------|----------------------|
| 14. LONG TERM FINANCING – SECURED | | | |
| From banking companies | | | |
| In foreign currency | | | |
| Long term finance | | – | 602,000,000 |
| In local currency | | | |
| Demand finance | 14.1 | 403,500,000 | 538,000,000 |
| Term finance - I | 14.2 | 225,000,000 | 337,500,000 |
| Term finance - II | 14.3 | 1,250,000,000 | 1,250,000,000 |
| Term finance - III | 14.4 | 450,000,000 | – |
| Syndicated term finance | 14.5 | 2,382,625,000 | 2,723,000,000 |
| From financial institution | | | |
| In local currency | | | |
| Term finance | 14.6 | 200,000,000 | 200,000,000 |
| | | 4,911,125,000 | 5,650,500,000 |
| Less : Current portion | | 977,750,000 | 1,189,375,000 |
| | | 3,933,375,000 | 4,461,125,000 |

Demand finance

14.1 It is repayable in 8 equal half yearly installments commenced from December 29, 2006 and ending on June 29, 2010. 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 115 basis points payable half yearly in arrears.

Term finance - I

14.2 It is repayable in 8 equal half yearly installments commenced from November 27, 2005 and ending on May 27, 2009. It is secured by way of specific charge over fixed assets of Textile Plant-II of the Company. It carries markup at six months KIBOR plus 100 basis points payable half yearly in arrears.

Term finance - II

14.3 It is repayable in 8 equal half yearly installments commencing from December 26, 2008 and ending on June 26, 2012. 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 14.5) and long term morabaha (Refer Note 15.1). It carries markup at six months KIBOR plus 175 basis points payable half yearly in arrears.

Term finance - III

14.4 It is repayable in 8 equal half yearly installments commencing from December 28, 2009 and ending on June 28, 2013. It is secured by way of first pari passu charge over the fixed assets of Textile Plant-III of the Company. It carries markup at three months KIBOR plus 110 basis points payable quarterly in arrears.

Syndicated term finance

14.5 The finance is obtained from a consortium of banks and is repayable in 8 equal half yearly installments commenced from February 10, 2007 and ending on August 10, 2010. It is secured by way of first charge over fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of term finance II (Refer Note 14.3) and long term morabaha (Refer Note 15.1). It carries markup at six months KIBOR plus 100 basis points payable half yearly in arrears.

Term finance

14.6 It is repayable in 8 equal half yearly installments commencing from September 24, 2007 and ending on March 24, 2011. It is secured by way of first pari passu charge over present and future fixed assets of the Power Generation Plant of the Company. It carries markup at six months KIBOR plus 175 basis points payable half yearly in arrears.

Notes to the Financial Statements

for the year ended June 30, 2007

| | Note | 2007 Rupees | 2006 Rupees |
|---|--|----------------------|----------------|
| 15. LONG TERM MORABAHA - SECURED | | | |
| From banking company | | | |
| Morabaha term finance | 15.1 | 1,050,000,000 | 1,200,000,000 |
| Less : Current portion | | 300,000,000 | 150,000,000 |
| | | 750,000,000 | 1,050,000,000 |
| | | | |
| 15.1 | It is repayable in 8 equal half yearly installments commenced from February 07, 2007 and ending on August 07, 2010. 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-II (Refer Note 14.3) and syndicated term finance (Refer Note 14.5). It carries markup at six months KIBOR plus 175 basis points payable half yearly in arrears. | | |
| | Note | 2007 Rupees | 2006 Rupees |
| 16. DEFERRED TAXATION | | | |
| 16.1 | Opening balance | 987,601,055 | 889,235,244 |
| | Provided during the year | 284,953,917 | 98,365,811 |
| | | 1,272,554,972 | 987,601,055 |
| | | | |
| 16.2 | This comprises of the following : | | |
| | Deferred tax liabilities | | |
| | Difference in tax and accounting bases of | | |
| | property, plant and equipment | 16.2.1 | 1,236,148,708 |
| | Investment in associate | | 116,267,225 |
| | Deferred tax asset | | |
| | Staff retirement gratuity | 16.2.1 | (79,860,961) |
| | | 1,272,554,972 | 987,601,055 |
| | | | |
| 16.2.1 | These are adjusted in view of intended changes in claims of tax depreciation and staff retirement gratuity. | | |

Notes to the Financial Statements

for the year ended June 30, 2007

17. STAFF RETIREMENT GRATUITY

17.1 General description

The scheme provides terminal benefits for all permanent employees of the Company who attain the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at June 30, 2007 using Projected Unit Credit Method.

| | Note | 2007 Rupees | 2006 Rupees |
|---------------|---|---------------------|----------------|
| 17.2 | The amount recognised in the balance sheet is as follows : | | |
| | | 256,986,645 | 207,838,685 |
| | | (28,812,471) | (6,609,485) |
| | | 228,174,174 | 201,229,200 |
| 17.3 | Movement in net liability recognised | | |
| | | 201,229,200 | 183,514,534 |
| | | (582,000) | (2,909,645) |
| | | – | (3,526,700) |
| | 17.3.1 | 52,992,401 | 52,412,050 |
| | | (25,465,427) | (28,261,039) |
| | | 228,174,174 | 201,229,200 |
| 17.3.1 | Expenses recognised | | |
| | | 34,286,919 | 31,118,669 |
| | | 18,705,482 | 19,454,676 |
| | | – | 1,838,705 |
| | | 52,992,401 | 52,412,050 |

| | 2007 | 2006 |
|-------------|---|---------------|
| 17.4 | Principal actuarial assumptions used | |
| | Discount rate | 10% per annum |
| | Expected rate of increase in salary | 9% per annum |
| | Expected average remaining working life time of participating employees | 7 years |
| | | 6 years |

| 17.5 | Trend information | 2007 | 2006 | 2005 | 2004 | 2003 |
|------|---|-------------|--------------|-------------|--------------|-------------|
| | | Rupees | | | | |
| | Present value of defined benefit obligation | 256,986,645 | 207,838,685 | 216,163,071 | 161,307,999 | 148,740,129 |
| | Experience adjustment on obligation | 22,202,986 | (24,200,347) | 38,444,699 | (12,787,908) | 6,991,746 |

Notes to the Financial Statements

for the year ended June 30, 2007

| | 2007 Rupees in million | 2006 Rupees in million |
|---|------------------------------|------------------------------|
| 18. CONTINGENCIES AND COMMITMENTS | | |
| 18.1 Contingencies | | |
| 18.1.1 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 expansion project of Polyester Plant and obtained a stay order from the Honourable Sindh High Court, Karachi against submission of bank guarantees in favour of Collector of Customs. | 195.330 | 195.330 |
| (ii) Guarantee given to Collector of Customs against differential of custom duty on import of raw material. The matter is under adjudication before the Collector of Customs, Karachi. | 4.698 | 4.698 |
| (iii) Guarantee given to Chief Controller of Imports and Exports against difference of Import License Fee. The matter is pending in the Honourable Sindh High Court, Karachi. | 2.806 | 2.806 |
| (iv) Guarantee given to Market Committee against claim of market committee fee on cotton purchase. The case was remanded back to District Co-ordination Officer (DCO) by the Honourable Lahore High Court, Lahore. | 0.589 | 0.589 |
| 18.1.2 Demand of Collector of Customs against differential of duty on import of acrylic fibre. Permanent injunction granted by the Honourable Sindh High Court, Karachi till the decision of the suit. | 7.409 | 7.409 |
| 18.1.3 Demand of Collector of Customs against custom duty on import of machinery. Matter is pending in the Honourable Sindh High Court, Karachi. | 6.567 | 6.567 |
| 18.2 Commitments | | |
| 18.2.1 Under contracts for capital expenditure | 181.313 | 90.565 |
| 18.2.2 Under letters of credit for : | | |
| Capital expenditure | 572.072 | - |
| Raw materials and spare parts | 646.684 | 720.030 |

Notes to the Financial Statements

for the year ended June 30, 2007

| | Note | 2007 Rupees | 2006 Rupees |
|---|------|-----------------|----------------|
| 22. SALES | | | |
| Local | | 16,267,891,001 | 17,161,466,444 |
| Export | | 62,470,549 | 54,997,682 |
| | | 16,330,361,550 | 17,216,464,126 |
| Less : Commission and brokerage | | 7,445,308 | 7,992,787 |
| | | 16,322,916,242 | 17,208,471,339 |
| 23. COST OF GOODS SOLD | | | |
| Raw materials consumed | | 12,664,473,334 | 11,184,184,788 |
| Packing materials | | 157,402,473 | 140,204,506 |
| Salaries, wages and benefits | | 392,017,291 | 368,423,271 |
| Staff retirement benefits | | 36,886,924 | 37,991,844 |
| Stores and spare parts | | 224,254,953 | 214,918,306 |
| Fuel and power | | 1,055,880,439 | 1,053,331,632 |
| Insurance | | 24,713,072 | 23,081,950 |
| Depreciation of property, plant and equipment | 3.2 | 746,492,216 | 802,326,601 |
| Other | | 56,504,985 | 50,992,584 |
| | | 15,358,625,687 | 13,875,455,482 |
| Work in process | | | |
| Opening stock | | 175,637,414 | 174,977,340 |
| Closing stock | | (222,725,744) | (175,637,414) |
| | | (47,088,330) | (660,074) |
| Cost of goods manufactured | | 15,311,537,357 | 13,874,795,408 |
| Finished goods | | | |
| Opening stock | | 682,718,193 | 2,070,383,552 |
| Closing stock | | (1,301,850,782) | (682,718,193) |
| | | (619,132,589) | 1,387,665,359 |
| | | 14,692,404,768 | 15,262,460,767 |
| 24. SELLING AND DISTRIBUTION EXPENSES | | | |
| Salaries and benefits | | 34,504,352 | 28,231,358 |
| Staff retirement benefits | | 4,686,078 | 3,842,948 |
| Freight and forwarding | | 63,575,939 | 44,564,330 |
| Travelling and conveyance | | 2,013,538 | 3,270,055 |
| Vehicles running and maintenance | | 4,252,776 | 4,087,918 |
| Postage and telecommunication | | 938,303 | 755,882 |
| Other | | 5,823,927 | 4,264,994 |
| | | 115,794,913 | 89,017,485 |

Notes to the Financial Statements

for the year ended June 30, 2007

| | Note | 2007 Rupees | 2006 Rupees |
|---|------|--------------------|--------------------|
| 25. ADMINISTRATIVE EXPENSES | | | |
| Directors' remuneration | | 18,000,000 | 18,000,000 |
| Salaries and benefits | | 127,345,200 | 89,050,216 |
| Staff retirement benefits | | 11,419,399 | 10,577,258 |
| Travelling and conveyance | | 31,252,871 | 24,226,046 |
| Vehicles running and maintenance | | 10,799,730 | 11,473,773 |
| Fuel and power | | 7,342,726 | 6,929,299 |
| Postage and telecommunication | | 11,549,897 | 12,145,136 |
| Printing and stationery | | 4,735,126 | 5,192,315 |
| Repairs and maintenance | | 19,329,207 | 14,857,034 |
| Fees, subscription and periodicals | | 4,843,813 | 6,090,251 |
| Rent, rates and taxes | | 3,818,467 | 4,254,695 |
| Legal and professional | | 942,688 | 4,071,500 |
| Entertainment | | 4,370,246 | 5,364,770 |
| Auditors' remuneration | 25.1 | 1,225,000 | 1,250,000 |
| Advertisement | | 1,478,729 | 1,486,115 |
| Insurance | | 470,006 | 424,244 |
| Donations | 25.2 | 181,758 | 4,212,598 |
| Depreciation / amortisation of property, plant and equipment | 3.2 | 20,730,818 | 15,588,733 |
| Amortisation of intangible asset | 4 | 5,428,131 | 4,822,729 |
| Other | | 9,256,727 | 6,639,065 |
| | | 294,520,539 | 246,655,777 |
| 25.1 Auditors' remuneration | | | |
| Audit fee | | 1,000,000 | 1,000,000 |
| Other services | | 225,000 | 250,000 |
| | | 1,225,000 | 1,250,000 |
| 25.2 No director or his / her spouse had any interest in the donees' fund. | | | |
| 26. OTHER OPERATING EXPENSES | | | |
| Workers' profit participation fund | | 16,203,542 | 35,637,204 |
| Loss on disposal of property, plant and equipment | | 1,515,886 | — |
| Workers' welfare fund | | 17,631,899 | 14,251,781 |
| | | 35,351,327 | 49,888,985 |
| 27. FINANCE COST | | | |
| Markup / interest on : | | | |
| Long term financing | | 574,997,062 | 437,246,820 |
| Long term morabaha | | 138,955,014 | 258,490,123 |
| Short term bank borrowings | | 204,139,117 | 201,504,061 |
| Workers' profit participation fund | | 1,751,593 | 1,166,919 |
| Bank charges and commission | | 2,555,835 | 27,625,414 |
| Exchange differences | | 3,271,880 | 5,863,318 |
| | | 925,670,501 | 931,896,655 |
| 28. OTHER OPERATING INCOME | | | |
| Scrap sales | | 27,810,042 | 30,659,466 |
| Profit on deposits | | 483,425 | 614,941 |
| Balances written back - net | | 613,645 | 2,679 |
| Gain on disposal of property, plant and equipment | | — | 1,424,005 |
| Other | | 402,508 | 435,415 |
| | | 29,309,620 | 33,136,506 |

Notes to the Financial Statements

for the year ended June 30, 2007

| | 2007 Rupees | 2006 Rupees |
|-----------------------------------|--------------------|--------------------|
| 29. PROVISION FOR TAXATION | | |
| Current | | |
| For the year | 132,484,377 | 262,165,886 |
| Prior years' | (158,256,496) | (2,188,550) |
| Deferred | 279,441,267 | 99,511,661 |
| | 253,669,148 | 359,488,997 |

29.1 Reconciliation between accounting profit and tax expense

| | 2007 | 2006 |
|--|--------------------|--------------------|
| Profit before taxation | 1,768,635,814 | 1,842,042,176 |
| Tax on accounting profit at the applicable tax rate of 35% | 619,022,535 | 644,714,762 |
| Tax effect of : | | |
| Share of profit of associate not chargeable to tax | (518,053,200) | (413,123,900) |
| Income chargeable to tax at special rate | 18,684,896 | 17,747,838 |
| Expenses that are inadmissible in determining taxable profit | 345,607,547 | 112,338,847 |
| Adjustments of prior years in respect of current tax | (158,256,496) | (2,188,550) |
| Minimum tax brought forward | (53,336,134) | - |
| | 253,669,148 | 359,488,997 |

30. EARNINGS PER SHARE - BASIC

| | 2007 | 2006 |
|--|---------------|---------------|
| Profit for the year (Rupees) | 1,514,966,666 | 1,482,553,179 |
| Weighted average number of ordinary shares | 310,506,995 | 310,506,995 |
| Earnings per share - Basic (Rupees) | 4.88 | 4.77 |

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

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

| | Chief Executive Officer | Directors | Executives | Chief Executive Officer | Directors | Executives |
|---|----------------------------|-------------------|--------------------|----------------------------|-------------------|-------------------|
| | 2007 Rupees | | | 2006 Rupees | | |
| Remuneration | 4,775,004 | 9,550,008 | 72,801,890 | 4,775,004 | 9,550,008 | 45,890,945 |
| House rent allowance | 270,000 | 540,000 | 13,814,383 | 270,000 | 540,000 | 12,324,322 |
| Utilities allowance | 477,504 | 955,008 | 1,955,264 | 477,504 | 955,008 | 4,588,714 |
| Medical allowance | 477,492 | 954,984 | 7,280,159 | 477,492 | 954,984 | 3,779,995 |
| Reimbursable expenses for vehicles running | - | - | 9,153,081 | - | - | 8,681,356 |
| | 6,000,000 | 12,000,000 | 105,004,777 | 6,000,000 | 12,000,000 | 75,265,332 |
| Number of persons | 1 | 2 | 53 | 1 | 2 | 49 |

The Chief Executive Officer and Directors are entitled to free use of Company maintained vehicles. The monetary value of the benefit is Rs. 1,311,448/- (2006 : Rs. 1,970,818/-). The Directors have waived off their meeting fee.

Notes to the Financial Statements

for the year ended June 30, 2007

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 are shown under receivables and payables, if any. Remuneration of Chief Executive Officer, Directors and Executives is disclosed in Note 31. Other significant transactions with related parties are as under :

| Relationship | Nature of transaction | 2007 Rupees | 2006 Rupees |
|--------------------------|---|----------------|----------------|
| Associated undertakings | Rent | 2,040,000 | 2,040,000 |
| | Insurance premium | – | 10,251,821 |
| | Insurance claims received | – | 5,481,793 |
| | Sale of goods | 485,572,152 | 206,173,849 |
| | Purchase of goods | 9,649,745 | 56,135,352 |
| | Purchase of property, plant and equipment | – | 57,000 |
| | Dividend received | 354,956,750 | 354,956,750 |
| | Staff retirement gratuity | 582,000 | 2,909,645 |
| | Expenses incurred | 388,163 | 76,322 |
| Key management personnel | Expenses reimbursed | 835,450 | – |
| | Rent | 120,000 | 120,000 |
| | Staff retirement gratuity | 2,450,000 | 5,120,000 |
| | Sale of vehicle under Company car policy | 603,374 | 374,244 |

33. PLANT CAPACITY AND ACTUAL PRODUCTION

| | 2007 M. Tons | 2006 M. Tons |
|--|-----------------|-----------------|
| Annual production capacity (350 days - 3 shifts) | | |
| Polyester Staple Fibre / Polyester Chips | 208,600 | 208,600 |
| Yarn converted into 20/s count (Spindles installed 132,301 (2006 : 137,088)) | 40,978 | 41,696 |
| Actual production | | |
| Polyester Staple Fibre / Polyester Chips | 169,461 | 162,380 |
| Yarn converted into 20/s count (Spindles worked 130,839 (2006 : 135,792)) | 42,818 | 47,686 |

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

Notes to the Financial Statements

for the year ended June 30, 2007

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Interest / markup rate risk management

Interest / markup rate risk arises from the possibility that changes in interest / markup rates will affect the value of financial instruments.

| | Effective interest rate | Interest / markup bearing | | Non-interest / markup bearing | | Total | Total |
|-----------------------------------|-------------------------|---------------------------|-------------------------|-------------------------------|-------------------------|---------------|---------------|
| | | Maturity within one year | Maturity after one year | Maturity within one year | Maturity after one year | 2007 | 2006 |
| | | | | | | Rupees | Rupees |
| Financial assets | | | | | | | |
| Long term deposits | | - | - | - | 3,270,100 | 3,270,100 | 2,929,500 |
| Trade debts | | - | - | 119,187,620 | - | 119,187,620 | 156,698,992 |
| Loans and advances | | - | - | 17,268,764 | - | 17,268,764 | 16,717,620 |
| Other receivables | | - | - | 144,624,291 | - | 144,624,291 | 95,394,185 |
| Cash and bank balances | 2.12 | 107,105,743 | - | 190,374,096 | - | 297,479,839 | 268,091,741 |
| | | 107,105,743 | - | 471,454,771 | 3,270,100 | 581,830,614 | 539,832,038 |
| Financial liabilities | | | | | | | |
| Long term financing | 10.67 to 12.18 | 977,750,000 | 3,933,375,000 | - | - | 4,911,125,000 | 5,650,500,000 |
| Long term morabaha | 12.25 | 300,000,000 | 750,000,000 | - | - | 1,050,000,000 | 1,200,000,000 |
| Trade and other payables | | - | - | 1,923,611,678 | - | 1,923,611,678 | 1,495,533,183 |
| Markup / interest payable | | - | - | 194,407,205 | - | 194,407,205 | 228,829,517 |
| Short term bank borrowings | 9.24 | 1,800,909,997 | - | - | - | 1,800,909,997 | 675,053,490 |
| | | 3,078,659,997 | 4,683,375,000 | 2,118,018,883 | - | 9,880,053,880 | 9,249,916,190 |
| Off balance sheet items | | | | | | | |
| Contracts for capital expenditure | | - | - | 181,313,000 | - | 181,313,000 | 90,565,000 |
| Letters of credit for : | | | | | | | |
| Capital expenditure | | - | - | - | 572,072,000 | 572,072,000 | - |
| Raw materials and spare parts | | - | - | 646,684,000 | - | 646,684,000 | 720,030,000 |
| Bank guarantees | | - | - | - | 203,423,000 | 203,423,000 | 203,423,000 |
| | | - | - | 827,997,000 | 775,495,000 | 1,603,492,000 | 1,014,018,000 |

34.2 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. Out of the total financial assets of Rs. 581.831 million (2006 : Rs. 539.832 million), the financial assets which are subject to credit risk amounted to Rs. 87.898 million (2006 : Rs. 104.540 million). The management monitors and limits Company's exposure of credit risk through monitoring and review of customers credit exposure and conservative estimates of provisions for doubtful receivables. The Company is not exposed to significant concentration of credit risk.

34.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2007, the total foreign currency risk exposure was Rs. 137.940 million (2006 : Rs. 602.000 million) in respect of financing.

34.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

34.5 Fair values of financial assets and financial liabilities

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.

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

Notes to the Financial Statements

for the year ended June 30, 2007

35. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue as at September 28, 2007 by the Board of Directors of the Company.

36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has recommended the transfer of Rs. 34.800 million (2006 : Rs. 301.800 million) from unappropriated profit to general reserve at their meeting held on September 28, 2007 for approval of the members at the Annual General Meeting to be held on October 31, 2007. These financial statements do not reflect this appropriation.

37. GENERAL

37.1 Reclassification

Following corresponding figures have been reclassified to reflect more appropriate presentation.

| Previous classification | Current classification | Rupees |
|----------------------------|----------------------------|-------------|
| Short term bank borrowings | Short term bank borrowings | |
| | Running finances | 575,053,490 |
| | Term finances | 100,000,000 |

37.2 Figures have been rounded off to the nearest Rupee.

Chief Executive Officer

Director

Pattern of Shareholding

as at June 30, 2007

| Number of Shareholders | Having Shares | | Shares Held |
|------------------------|---------------|----------|--------------------|
| | From | To | |
| 338 | 1 | 100 | 17,113 |
| 1,265 | 101 | 500 | 308,465 |
| 611 | 501 | 1000 | 444,103 |
| 565 | 1001 | 5000 | 1,293,114 |
| 118 | 5001 | 10000 | 864,508 |
| 39 | 10001 | 15000 | 479,453 |
| 28 | 15001 | 20000 | 518,930 |
| 16 | 20001 | 25000 | 374,761 |
| 15 | 25001 | 30000 | 421,856 |
| 18 | 30001 | 35000 | 581,605 |
| 9 | 35001 | 40000 | 340,125 |
| 1 | 40001 | 45000 | 44,500 |
| 2 | 45001 | 50000 | 97,625 |
| 1 | 50001 | 55000 | 52,500 |
| 2 | 55001 | 60000 | 115,600 |
| 6 | 60001 | 65000 | 379,000 |
| 1 | 65001 | 70000 | 68,375 |
| 2 | 70001 | 75000 | 148,500 |
| 2 | 75001 | 80000 | 160,000 |
| 1 | 90001 | 95000 | 94,100 |
| 1 | 95001 | 100000 | 100,000 |
| 1 | 100001 | 105000 | 103,000 |
| 1 | 110001 | 115000 | 112,375 |
| 3 | 120001 | 125000 | 372,000 |
| 1 | 130001 | 135000 | 135,000 |
| 1 | 150001 | 155000 | 152,375 |
| 1 | 155001 | 160000 | 157,000 |
| 1 | 195001 | 200000 | 196,500 |
| 1 | 210001 | 215000 | 210,250 |
| 1 | 245001 | 250000 | 250,000 |
| 1 | 305001 | 310000 | 307,000 |
| 1 | 335001 | 340000 | 337,000 |
| 1 | 345001 | 350000 | 347,125 |
| 1 | 435001 | 440000 | 438,250 |
| 1 | 560001 | 565000 | 561,125 |
| 1 | 670001 | 675000 | 674,000 |
| 1 | 1815001 | 1820000 | 1,818,530 |
| 1 | 1870001 | 1875000 | 1,873,237 |
| 1 | 2140001 | 2145000 | 2,141,300 |
| 4 | 2185001 | 2190000 | 8,748,568 |
| 1 | 4490001 | 4495000 | 4,494,000 |
| 1 | 5725001 | 5730000 | 5,729,875 |
| 1 | 8570001 | 8575000 | 8,572,337 |
| 2 | 8575001 | 8580000 | 17,150,166 |
| 1 | 10580001 | 10585000 | 10,582,500 |
| 1 | 11750001 | 11755000 | 11,753,434 |
| 1 | 14770001 | 14775000 | 14,773,861 |
| 1 | 17070001 | 17075000 | 17,071,958 |
| 1 | 18975001 | 18980000 | 18,975,817 |
| 1 | 56015001 | 56020000 | 56,015,283 |
| 1 | 58975001 | 58980000 | 58,978,061 |
| 1 | 60570001 | 60575000 | 60,570,835 |
| 3,078 | | | 310,506,995 |

Categories of Shareholders

as at June 30, 2007

| Categories of Shareholders | Number | Shares held | Percentage | |
|---|--------------|--------------------|-----------------|---------|
| Associated Companies, Undertakings and Related Parties | | | | |
| Ibrahim Agencies (Pvt.) Ltd. | 1 | 60,570,835 | 19.5071 | |
| NIT & ICP | | | | |
| National Bank of Pakistan Trustee Deptt. | 1 | 3,691,767 | 1.1889 | |
| Investment Corporation of Pakistan | 1 | 1,413 | 0.0005 | |
| Directors, Chief Executive Officer, their spouse and minor children | | | | |
| Sheikh Mukhtar Ahmed | Director | 1 | 18,975,817 | 6.1112 |
| Mrs. Iqbal Begum | Director | 1 | 17,071,958 | 5.4981 |
| Mr. Mohammad Naeem Mukhtar | C.E.O | 1 | 56,015,283 | 18.0399 |
| Mrs. Ghazala Naeem | Director | 1 | 14,773,861 | 4.7580 |
| Mr. Mohammad Waseem Mukhtar | Director | 1 | 58,978,061 | 18.9941 |
| Mrs. Bina Sheikh | Director | 1 | 11,753,434 | 3.7852 |
| Mr. Shahid Amin | Director | 1 | 500 | 0.0002 |
| Banks, DFIs, NBFIs & Leasing Companies | 24 | 709,583 | 0.2285 | |
| Insurance Companies | 7 | 2,310,304 | 0.7441 | |
| Modarabas and Mutual Funds | 17 | 631,568 | 0.2034 | |
| Joint Stock Companies | 56 | 1,327,130 | 0.4274 | |
| Genral Public | | | | |
| a. Local | 2,949 | 52,460,606 | 16.8952 | |
| b. Foreign | 15 | 11,234,875 | 3.6182 | |
| Shareholders holdings ten percent or more voting interest of the Company | — | — | — | |
| | <u>3,078</u> | <u>310,506,995</u> | <u>100.0000</u> | |

Form of Proxy

Ibrahim Fibres Limited

I/We _____
of _____ a member / members of the Company / merged Companies,
and holder of _____ shares as per Registered Folio / CDC A/c No. _____ do hereby appoint
Mr./Ms. _____ of _____
a member of the Company, vide Registered Folio / CDC A/c No. _____ or failing him/her
Mr./ Ms. _____ of _____
who is also a member of the Company, vide Registered Folio / CDC A/c No. _____ as
my / our proxy to attend, speak and vote for me/us and on my / our behalf at the 21st Annual General Meeting of the Company to be
held on October 31, 2007 at 10:00 AM at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2007.

1. Witness _____

2. Witness _____

Please affix
here revenue stamp
of Rupees five
and sign across

Date: _____

Place: _____

Signature of member(s)

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 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,
GK-7/59, Bagh-e-Zehra Street, Kharadar,
Karachi-74000, Pakistan.