2009

Ibrahim Fibres Limited

Annual Report

Bringing forward the traditions of innovation...

Ibrahim

Contents

Company Information

Board of Directors

Mohammad Naeem Mukhtar
Chairman
Mohammad Waseem Mukhtar
Chief Executive Officer
Sheikh Mukhtar Ahmed
Iqbal Begum
Ghazala Naeem
Bina Sheikh
Shahid Amin

Secretary

Anwarul Haque - FCA

Audit Committee

Sheikh Mukhtar Ahmed
Chairman
Bina Sheikh
Member
Ghazala Naeem
Member
Anwarul Haque - FCA
Secretary

Auditors

Avais Hyder Liaquat Nauman,
Chartered Accountants,
Faisalabad, Pakistan.

Bankers

Bank Alfalah Limited
Bank Al Habib 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
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
The Royal Bank of Scotland
United Bank Limited

Registered Office

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

Head Office

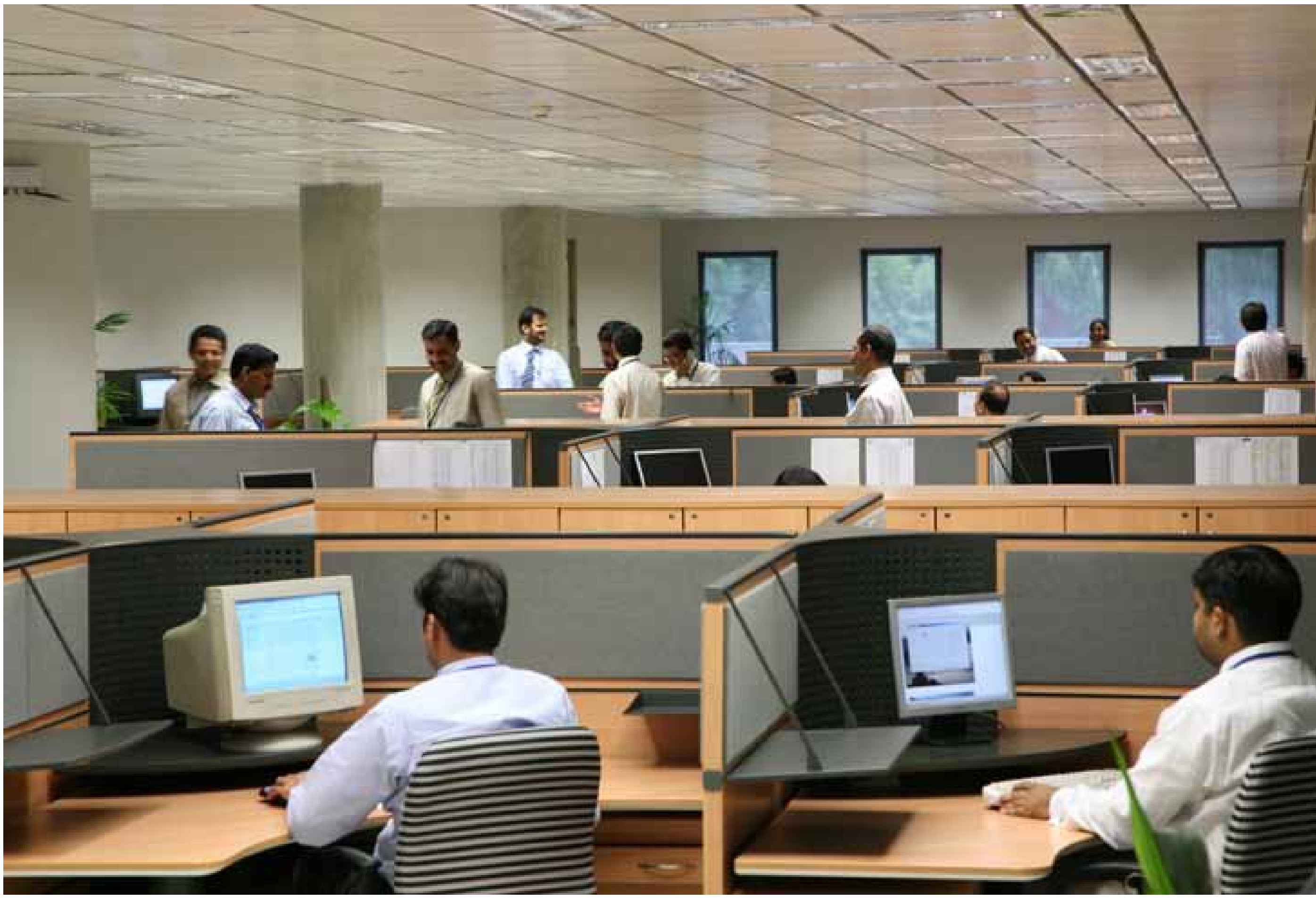
Ibrahim Centre,
15 - Club Road,
Faisalabad - 38000, Pakistan.

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 - Sheikhupura Road,
Faisalabad, Pakistan.

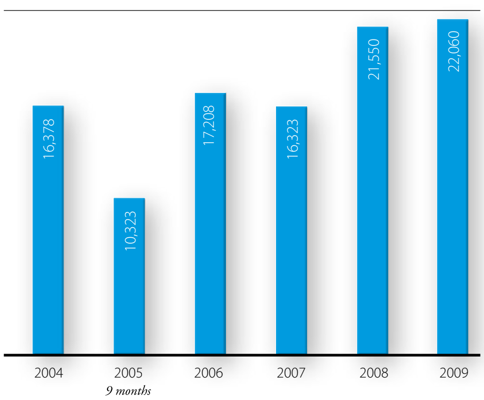


Financial Highlights

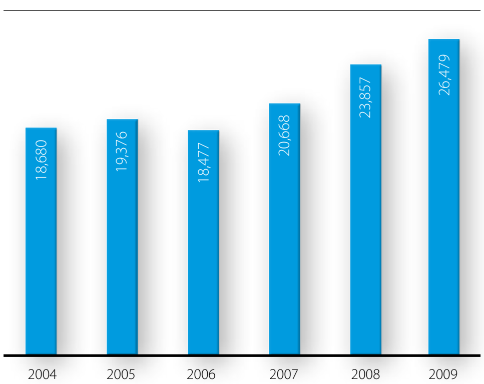
	YEAR ENDED JUNE 30,				NINE MONTHS ENDED JUNE 30,	YEAR ENDED SEPTEMBER 30,
	2009	2008	2007	2006	2005	2004
						(Rupees in million)
Operating performance						
Sales - net	22,060	21,550	16,323	17,208	10,323	16,378
Inter - project consumption	2,372	2,014	1,649	1,699	1,194	1,077
	24,432	23,564	17,972	18,907	11,517	17,455
Gross profit	2,311	2,187	1,631	1,946	939	1,803
Operating profit	1,838	1,748	1,250	1,643	757	1,565
Profit before taxation	1,926	2,110	1,769	1,842	591	1,250
Profit after taxation	1,625	1,583	1,515	1,483	423	872

	AS AT JUNE 30,					AS AT SEPTEMBER 30,
	2009	2008	2007	2006	2005	2004
						(Rupees in million)
Financial position						
Property, plant and equipment - net (excl. capital work in progress)	7,685	7,289	7,109	7,775	8,236	8,011
Intangible assets	14	15	18	19	–	–
Capital work in progress	132	212	385	12	202	628
Fixed assets	7,831	7,516	7,512	7,806	8,438	8,639
Total assets	26,479	23,857	20,668	18,477	19,376	18,680
Current assets						
Stores, spare parts, loose tools and stock in trade	3,607	4,913	2,988	1,987	3,425	2,855
Other current assets	1,294	1,853	1,332	1,113	894	839
Cash and cash equivalents	170	245	297	268	118	135
	5,071	7,011	4,617	3,368	4,437	3,829
Current liabilities						
Short term bank borrowings	1,498	2,302	1,801	675	2,742	1,654
Current portion of long term financing / murabaha	1,782	1,540	1,278	1,339	753	768
Other current liabilities	3,113	3,729	2,289	2,267	1,927	2,175
	6,393	7,571	5,368	4,281	5,422	4,597
Net working capital	(1,322)	(560)	(751)	(913)	(985)	(768)
Long term financing / murabaha	6,161	3,793	4,683	5,511	6,846	7,050
Share capital and reserves	11,871	10,704	9,116	7,496	6,035	6,096

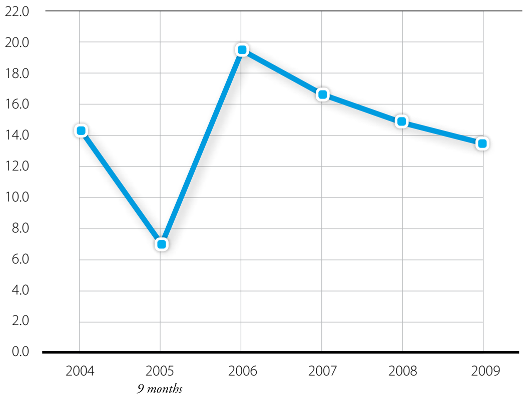
Sales-Net
(Rupees in Million)



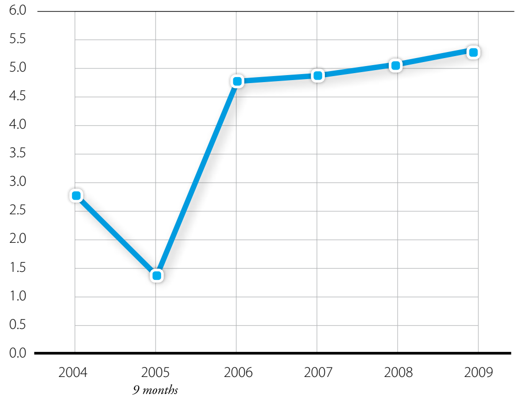
Total Assets
(Rupees in Million)



Return on Equity
(Percentage)



Earnings Per Share
(Rupees)



		YEAR ENDED JUNE 30,				NINE MONTHS ENDED JUNE 30,	YEAR ENDED SEPTEMBER 30,
		2009	2008	2007	2006	2005	2004
Profitability analysis							
Gross profit to sales	(%)	10.5	10.1	10.0	11.3	9.1	11.0
Profit before tax to sales	(%)	8.7	9.8	10.8	10.7	5.7	7.6
Profit after tax to sales	(%)	7.4	7.3	9.3	8.6	4.1	5.3
Return on capital employed	(%)	9.2	10.7	8.2	11.6	5.4	11.1
Return on equity	(%)	13.7	14.8	16.6	19.8	7.0	14.3
Earnings per share	(Rupees)	5.2	5.1	4.9	4.8	1.4	2.8
Dividends							
Cash dividend - Proposed	(%)	–	15	–	–	–	15

		AS AT JUNE 30,					AS AT SEPTEMBER 30,
		2009	2008	2007	2006	2005	2004
Financial analysis							
Current ratio	(times)	0.8	0.9	0.9	0.8	0.8	0.8
Debt to equity	(times)	0.7	0.5	0.7	0.7	1.1	1.2
Leverage ratio	(times)	1.2	1.2	1.3	1.5	2.2	2.1
Debt service coverage	(times)	1.1	1.4	1.1	1.7	1.3	2.7
Breakup value per share	(Rupees)	38.2	34.5	29.4	24.1	19.4	19.6
Inventory turnover ratio	(times)	5.6	5.8	7.1	6.5	3.3	6.6
Debtors turnover ratio	(times)	151.0	173.6	118.3	134.1	66.7	81.5
Fixed assets turnover ratio	(times)	2.9	2.9	2.1	2.1	1.2	1.9

Vision and Mission Statement

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.

Chairman's Review

I am pleased to present the review on the performance and financial statements of your Company for the year ended June 30, 2009.

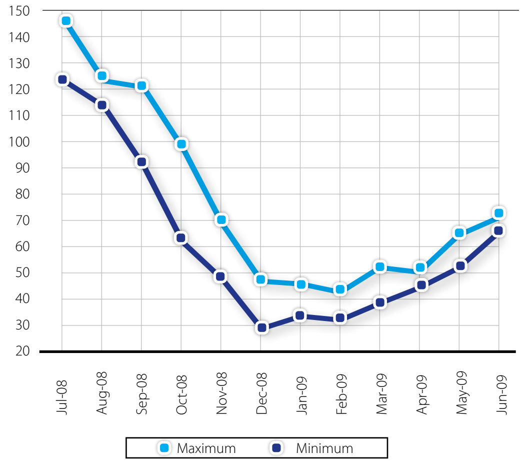
Industry Overview

The world economy was hit by the worst financial crisis since 1930s during the calendar year 2008. In the international market, the financial year under review started with the trend of unrealistically high prices of commodities which was carried over from last quarter of previous year. The prices started sliding down during first quarter of the year and dropped drastically during second quarter when the impact of meltdown of international markets became more pronounced. However, the situation started recovering from the beginning of second half of the year and prices settled down considerably by the end of the year. Prices of PSF and its feedstock, PTA and MEG were no exception and hence followed suit.

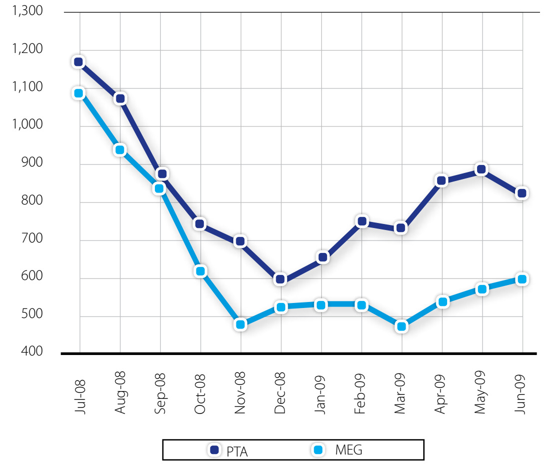
In the domestic market, power crisis badly hit the manufacturing sector during second quarter of the year under review. The Pak Rupee devalued sharply against the US Dollar and law and order problem was faced through out the year. These factors coupled with international financial crisis resulted in a decline of 6% in overall economic growth of the country for the year.
In spite of continuing decline in the value of Pak Rupee against US Dollar, prices of PSF in domestic market followed the trend of its feedstock prices and dropped by 4% by the end of first quarter of the year and then by another 26% by the end of second quarter. This steep fall in the prices of PSF feedstock and PSF resulted in inventory losses of PSF as well as blended yarns during second quarter of the year which had an adverse impact on the annual profitability.

Chairman's Review

Crude Oil (WTI) prices
(US Dollar / Barrel)



PTA & MEG prices
(US Dollar / Ton)



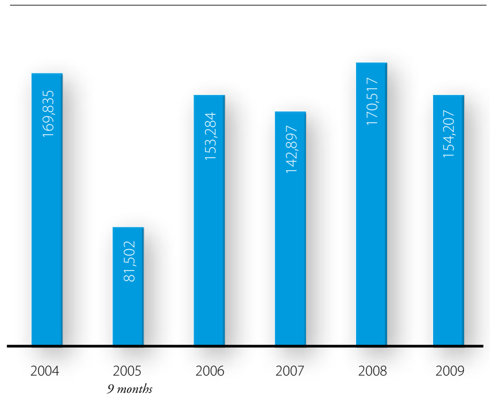
Marketing Activities

During first half of the year under review, demand of PSF and yarns remained depressed especially during second quarter of the year as the downstream textile industry faced a reduction in export orders due to international financial crisis and could not utilize its production capacities due to power shortages in the country. However, the situation recovered during second half of the year where the demand of PSF and yarns improved.

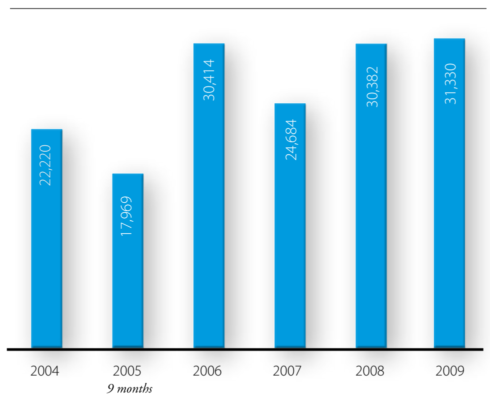
On the other hand, demand of locally manufactured PSF declined due to continued inflow of PSF imported from China, Korea and Malaysia during the year under review. Though anti-dumping duty was imposed during the year on import of PSF from China, one of the major Chinese PSF exporters was exempted and it captured a substantial share of domestic demand of PSF.

In this market scenario, the polyester plant of your Company achieved sales volume of 154,207 tons of PSF during the year under review as against sales of 170,517 tons during previous year. The textile plants of your Company achieved sales of 31,330 tons of different counts of blended yarns during the year, as against sales of 30,382 tons of yarns during previous year.

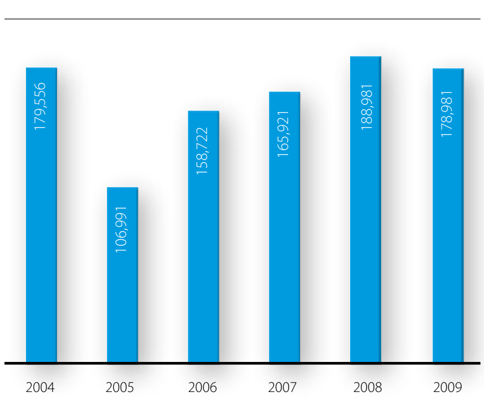
PSF Sales
(Quantity in M.Ton)



Yarn Sales
(Quantity in M.Ton)



PSF Production
(Quantity in M. Ton)



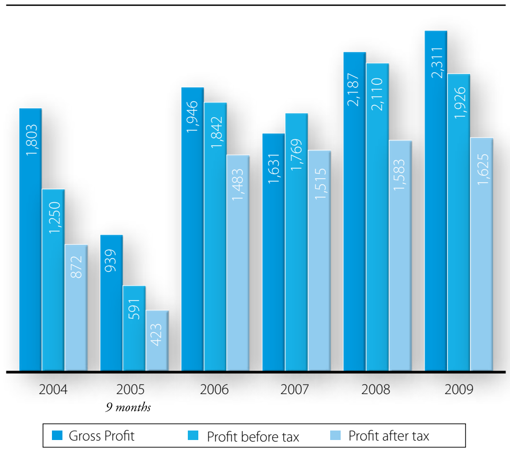
Production Operations

During the year under review, the polyester plant of your Company produced 178,981 tons of PSF as against 188,981 tons during previous year, thereby achieving an average capacity utilization of 86% as against 91% during previous year. The production of PSF was adjusted keeping in view the depressed market demand especially during second quarter of the year. Out of the above production, 21,955 tons of PSF were consumed by the textile plants of your Company during the year for the production of blended yarns as against 20,124 tons consumed during previous year.

At IFL textile plants, 135,728 spindles remained operational during the year and manufactured 31,134 tons of different counts of blended yarns as against 132,296 spindles manufacturing 28,483 tons of yarns during previous year.

Chairman's Review

Earning Performance
(Rupees in Million)



Financial Performance

Your Company achieved sales of Rs. 22,060 million during the year under review as against Rs. 21,550 million during the previous year. The gross profit earned during the year amounted to Rs. 2,311 million showing an increase of 6% as against Rs. 2,187 million earned during previous year thereby improving gross profit to sales ratio to 10.48% as against 10.15% for previous year through better inventory management.

After accounting for the proportionate share in profits of Allied Bank Limited, an associated company, amounting to Rs. 1,501 million for the year under review as against Rs. 1,291 million for previous year, your Company earned profit before tax amounting to Rs. 1,926 million during the year as compared to Rs. 2,110 million during previous year. Profit after tax for the year comes to Rs. 1,625 million as compared to Rs. 1,583 million during previous year.

Professionalism and Human Resources

Your Company has always made efforts to provide its human capital with better workplace, work environment, health facilities, and professional and technical training in order to enhance their skills, utilize their potential to the fullest and keep their knowledge base updated.

During the year, nominated employees attended seminars, workshops and training courses on Finance & Taxation, ISO standards, System Administration, Database Management, and System Development organized by the country's prominent institutions.

Long Term Investment

During the year under review, your Company has acquired shares of its associated company, Allied Bank Limited, valuing Rs. 3,307 million thereby increasing its shareholding from 31.63% to 40.46%.

Chairman's Review

Installation of Gas Power Generation Plant

The gas power generation plant imported from Turbomach, Switzerland, having generation capacity of 15 MW along with steam production capacity of 25 tons/hour started its operation during last quarter of the year under review.

With the start-up of this gas power generation plant, power consumption of the plants of your Company, to the extent of capacity of this plant, has been shifted to natural gas generated power which was previously based on 60% furnace oil and 40% natural gas. This plant is also fulfilling the entire steam requirement of the polyester plant of your Company thereby resulting in considerable savings of fuel and power cost including saving of gas that was being consumed for steam production.

Future Outlook

The capacity utilization by downstream textile industry has improved due to increased export orders with the revival of international market after the financial crisis, more availability of power and favourable law and order situation, thus improving the demand of PSF and yarns. Furthermore, the prices of PTA and MEG have stabilized to a certain extent. Your management is hopeful that in these conditions, your Company will be able to achieve higher sales volume and better margins 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 get the same cooperation in future.

Mohammad Naeem Mukhtar
Chairman

Faisalabad
October 03, 2009

Notice of Meeting

Notice is hereby given that the 23rd Annual General Meeting of the shareholders of the Company will be held on October 31, 2009 at 11:00 A.M. at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following 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, 2009 together with Directors' and Auditors' Report thereon.

3. To appoint Auditors for the year 2009-2010 and fix their remuneration. The retiring auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants being eligible offer themselves for reappointment.

4. To transact any other business with the permission of the chair.

By order of the Board

Faisalabad
October 03, 2009

Anwarul Haque
Company Secretary

NOTES

i) The share transfer books of the Company shall remain closed from October 23, 2009 to October 31, 2009 (both days inclusive) to determine the names of members entitled to attend the Meeting. Transfers received in order at the Shares Registrar Office of the Company at the close of business on October 22, 2009 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 the holding of 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 identity by showing his 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 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.

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, 2009.

Financial Results

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

	2009 Rupees	2008 Rupees
Gross Profit	2,311,056,000	2,186,707,754
Selling and distribution expenses	126,674,952	144,357,038
Administrative expenses	423,594,936	350,467,938
Other operating expenses	24,977,054	58,775,438
Finance cost	1,387,287,978	870,922,610
	1,962,534,920	1,424,523,024
	348,521,080	762,184,730
Other operating income	77,089,140	56,012,842
	425,610,220	818,197,572
Share of profit of associate - net	1,500,542,000	1,291,307,000
Profit before taxation	1,926,152,220	2,109,504,572
Provision for taxation	300,773,643	526,800,327
Profit for the year	1,625,378,577	1,582,704,245
Un-appropriated profit brought forward	4,534,108,586	2,986,204,341
Profit available for appropriation	6,159,487,163	4,568,908,586
Less:		
Transfer to General reserve during the year	60,000,000	34,800,000
Dividend	465,760,493	–
	525,760,493	34,800,000
Un-appropriated profit carried forward	5,633,726,670	4,534,108,586
Earnings per share - Basic and Diluted	5.23	5.10

Cash Dividend

The Board has not recommended payment of dividend for the year ended June 30, 2009 as the funds are required for working capital, balancing and modernization of existing manufacturing plants of your Company.

	2009 Rupees	2008 Rupees
Proposed Appropriation of Profit		
Cash Dividend - Nil		
(2008: Rs. 1.50 per share @ 15%)	–	465,760,493
Transfer to General reserve	100,000,000	60,000,000
	100,000,000	525,760,493

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, 2009.

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, 2010.

Pattern of Shareholding

Pattern of shareholding as at June 30, 2009 is annexed.

Number of Board Meetings held

Ten meetings of the Board of Directors were held during the year ended June 30, 2009 and the attendance of the Directors is as follows:

		Attendance
Mohammad Naeem Mukhtar	Chairman	10
Mohammad Waseem Mukhtar	Chief Executive Officer	10
Sheikh Mukhtar Ahmed	Director	10
Iqbal Begum	Director	10
Ghazala Naeem	Director	10
Bina Sheikh	Director	10
Shahid Amin	Director	10

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:

Sheikh Mukhtar Ahmed	Chairman	(Executive Director)
Ghazala Naeem	Member	(Non Executive Director)
Bina Sheikh	Member	(Non Executive Director)

Meetings of Audit Committee were held during the year ended June 30, 2009 as required by the Code of Corporate Governance for review of quarterly accounts, annual accounts and other related matters. The meeting was also attended by the CFO, Head of Internal Audit and External Auditors as and when it was required.

Code of Corporate Governance

The Directors of the Company are pleased to confirm that the Company has made compliance of the provisions set out by the Securities and Exchange Commission of Pakistan through the listing regulations Nos. 37, 43 and 36 of Karachi, Lahore and Islamabad Stock Exchanges as prescribed in the Code of Corporate Governance and there is no material departure from the best practices as detailed in the listing regulations:

1. The financial statements have been prepared by the management in accordance with the requirements of Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan.

2. Proper books of account of the Company have been maintained as required under the Companies Ordinance, 1984.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates, which are based on reasonable and prudent judgment.

4. Approved Accounting / Financial Reporting Standards have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed in the Notes to the financial statements.

5. The system of internal control and internal audit function is sound in design and has been effectively implemented and monitored.

6. There is no significant doubt upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Financial highlights for the last 6 years are annexed.

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 Waseem Mukhtar
Chief Executive Officer

Faisalabad
October 03, 2009

Statement of Compliance

with Best Practices of the Code of Corporate Governance

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

The Company has applied the principles contained in the Code 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 3 Executive and 4 Non-executive Directors and no Director representing minority interest.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

3. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI.

4. During the year, no casual vacancy occurred in the Board of Directors.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

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 taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated

at least seven days before the 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. In-house presentations were arranged for directors to apprise them regarding the amendments in the corporate and other laws. The Directors are aware of their duties and responsibilities under the relevant laws and regulations.

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 is approved by the Board.

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

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

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the categories of shareholders.

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

15. The Board has formed an audit committee. It comprises of two non-executive Directors and one executive Director.

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

17. 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 and they are involved in the internal audit function on a full time basis. The Internal Audit Department reports to the Audit Committee.

18. 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.

19. 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.

20. The related party transactions and pricing methods have been placed before the Audit Committee and approved by the Board of Directors. The transactions were made on terms equivalent to those that prevail in arm's length transactions.

21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Mohammad Waseem Mukhtar
Chief Executive Officer

Faisalabad
October 03, 2009

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 prepared by the Board of Directors of Ibrahim Fibres Limited to comply with the Listing Regulations of the Karachi, Lahore and Islamabad 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 (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular No. KSE/N-269 dated January 19, 2009 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 effective for the year ended June 30, 2009.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Dated: October 03, 2009
Place: Faisalabad

Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited as at June 30, 2009 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, 2009 and of the profit, its 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:- Syed Ali Adnan Tirmizey

Dated: October 03, 2009
Place: Faisalabad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Financial Statements

for the year ended June 30, 2009

Balance Sheet

as at June 30, 2009

	Note	2009 Rupees	2008 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	3	7,817,013,285	7,501,107,266
Intangible assets	4	14,005,376	14,558,117
Investment in associate	5	13,572,873,559	9,326,015,595
Long term deposits		3,735,923	3,485,600
		21,407,628,143	16,845,166,578
CURRENT ASSETS			
Stores, spare parts and loose tools	6	696,901,126	739,326,932
Stock in trade	7	2,909,687,606	4,173,311,287
Trade debts	8	162,983,366	129,138,714
Loans and advances	9	692,073,405	911,417,993
Prepayments		6,835,414	4,838,149
Other receivables	10	433,033,358	808,832,524
Cash and bank balances	11	169,514,922	244,559,829
		5,071,029,197	7,011,425,428
CURRENT LIABILITIES			
Trade and other payables	12	2,765,133,372	3,310,171,136
Markup / interest payable		253,542,922	151,581,167
Short term bank borrowings	13	1,497,561,488	2,302,165,939
Current portion of :			
Long term financing	14	1,481,916,666	1,240,250,000
Long term murabaha	15	300,000,000	300,000,000
Provision for taxation - income tax		94,430,371	267,323,789
		6,392,584,819	7,571,492,031
Working capital		(1,321,555,622)	(560,066,603)
Total capital employed		20,086,072,521	16,285,099,975
NON - CURRENT LIABILITIES			
Long term financing	14	6,011,208,334	3,343,125,000
Long term murabaha	15	150,000,000	450,000,000
Deferred liabilities:			
Deferred taxation	16	1,741,441,544	1,535,453,137
Staff retirement gratuity	17	312,579,574	252,263,753
		8,215,229,452	5,580,841,890
CONTINGENCIES AND COMMITMENTS	18	–	–
Net worth		11,870,843,069	10,704,258,085
Represented by :			
SHARE CAPITAL AND RESERVES			
Share capital	19	3,105,069,950	3,105,069,950
Capital reserves	20	1,150,373,350	1,143,406,450
Revenue reserves	21	7,615,399,769	6,455,781,685
		11,870,843,069	10,704,258,085

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, 2009

	Note	2009 Rupees	2008 Rupees
Sales - net	22	22,059,606,789	21,549,911,937
Cost of goods sold	23	19,748,550,789	19,363,204,183
Gross profit		2,311,056,000	2,186,707,754
Selling and distribution expenses	24	126,674,952	144,357,038
Administrative expenses	25	423,594,936	350,467,938
Other operating expenses	26	24,977,054	58,775,438
Finance cost	27	1,387,287,978	870,922,610
		1,962,534,920	1,424,523,024
		348,521,080	762,184,730
Other operating income	28	77,089,140	56,012,842
		425,610,220	818,197,572
Share of profit of associate - net		1,500,542,000	1,291,307,000
Profit before taxation		1,926,152,220	2,109,504,572
Provision for taxation	29	300,773,643	526,800,327
Profit for the year		1,625,378,577	1,582,704,245
Earnings per share - Basic and Diluted	30	5.23	5.10

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

Chief Executive Officer *Director*

Cash Flow Statement

for the year ended June 30, 2009

		2009 Rupees	2008 Rupees
a)	**Cash flows from operating activities**		
	Profit before taxation	1,926,152,220	2,109,504,572
	Adjustments for :		
	Depreciation / amortisation of property, plant and equipment	723,283,512	743,027,491
	Amortisation of intangible assets	6,197,893	5,883,872
	Provision for staff retirement gratuity	83,157,025	66,601,868
	(Gain) / loss on disposal of property, plant and equipment	(2,229,593)	500,366
	Profit on deposits	(1,264,484)	(965,600)
	Balances (written back) / written off - net	(5,089,587)	1,910,364
	Share of profit of associate - net	(1,500,542,000)	(1,291,307,000)
	Finance cost	1,387,287,978	870,922,610
	Operating cash flows before working capital changes	2,616,952,964	2,506,078,543
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores, spare parts and loose tools	42,425,806	(246,398,942)
	Stock in trade	1,263,623,681	(1,678,050,004)
	Trade debts	(33,848,183)	(11,861,458)
	Loans and advances	259,979,388	(183,408,983)
	Prepayments	(1,997,265)	925,477
	Other receivables	375,799,166	(278,813,554)
	(Decrease) / Increase in current liabilities		
	Trade and other payables	(531,585,764)	1,311,711,843
		1,374,396,829	(1,085,895,621)
	Cash generated from operations	3,991,349,793	1,420,182,922
	Finance cost paid	(1,285,326,223)	(913,748,648)
	Income tax paid	(309,087,555)	(185,558,491)
	Staff retirement gratuity paid	(22,455,954)	(38,215,789)
	Net cash generated from operating activities	2,374,480,061	282,659,994
b)	**Cash flows from investing activities**		
	Additions in :		
	Property, plant and equipment	(1,059,454,318)	(730,592,319)
	Intangible assets	(5,645,152)	(2,678,441)
	Proceeds from disposal of property, plant and equipment	12,730,937	12,310,617
	Investment in associate	(3,306,783,684)	–
	Dividend received	568,208,720	511,137,720
	Long term deposits	(250,323)	(215,500)
	Profit on deposits	1,264,484	965,600
	Net cash used in investing activities	(3,789,929,336)	(209,072,323)
c)	**Cash flows from financing activities**		
	Long term financing obtained	4,150,000,000	800,000,000
	Repayment of :		
	Long term financing	(1,240,250,000)	(1,127,750,000)
	Long term murabaha	(300,000,000)	(300,000,000)
	(Decrease) / Increase in short term bank borrowings - net	(804,604,451)	501,255,942
	Dividend paid	(464,741,181)	(13,623)
	Net cash generated from / (used in) financing activities	1,340,404,368	(126,507,681)
	Net decrease in cash and cash equivalents (a+b+c)	(75,044,907)	(52,920,010)
	Cash and cash equivalents at the beginning of the year	244,559,829	297,479,839
	Cash and cash equivalents at the end of the year	169,514,922	244,559,829

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, 2009

	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, 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
Transfer to general reserve	–	–	–	–	34,800,000	(34,800,000)	–
Share of changes in equity of associate - net	–	–	–	5,791,000	–	–	5,791,000
Profit for the year	–	–	–	–	–	1,582,704,245	1,582,704,245
Balance as at June 30, 2008	3,105,069,950	1,000,000,000	72,017,550	71,388,900	1,921,673,099	4,534,108,586	10,704,258,085
Transfer to general reserve	–	–	–	–	60,000,000	(60,000,000)	–
Dividend	–	–	–	–	–	(465,760,493)	(465,760,493)
Share of changes in equity of associate - net	–	–	–	6,966,900	–	–	6,966,900
Profit for the year	–	–	–	–	–	1,625,378,577	1,625,378,577
Balance as at June 30, 2009	3,105,069,950	1,000,000,000	72,017,550	78,355,800	1,981,673,099	5,633,726,670	11,870,843,069

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

Chief Executive Officer *Director*

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 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 - Sheikhupura 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 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.

Standard becoming effective in current year

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation.

The application of this standard does not have significant impact on the Company's financial statements other than certain additional disclosures.

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

There are certain new standards, amendments to standards and interpretations that are mandatory for accounting periods beginning on or after July 01, 2008 but are considered not to be relevant or have any significant effect on the Company's operations, therefore, not disclosed in the financial statements.

Standards, amendments to standards and interpretations adopted in Pakistan not yet effective

The following standards and amendment to standard will be effective for the Company's accounting periods beginning on or after July 01, 2009.

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after January 01, 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or in an income statement and a separate statement of comprehensive income.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after January 01, 2009) removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after January 01, 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

These standards and amendment to standard will affect the presentation of and disclosures in the Company's financial statements as discussed in the relevant standards and amendment.

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.

2.2 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 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 carried at cost less impairment in value, if any and are transferred to specific assets as and when assets are available for intended use.

2.4 Intangible assets

These are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are 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 cost 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.

2.6 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 and loss account 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 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.

2.9 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	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.

2.10 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.

Notes to the Financial Statements
for the year ended June 30, 2009

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.

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 rates. Transactions in foreign currencies are translated into Pak Rupee at exchange rates prevailing on 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. 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.

2.21 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.

	Note	2009 Rupees	2008 Rupees
3. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.1	7,684,718,062	7,288,730,491
Capital work in progress	3.5	132,295,223	212,376,775
		7,817,013,285	7,501,107,266

3.1 Operating assets

Description	Cost as at July 01, 2008	Additions / (disposals)	Cost as at June 30, 2009	Accumulated depreciation / amortisation as at July 01, 2008	Adjustments of accumulated depreciation on disposals	Depreciation / amortisation for the year	Accumulated depreciation / amortisation as at June 30, 2009	Written down value as at June 30, 2009	Rate %
2009	Rupees								
Freehold land	255,904,779	–	255,904,779	–	–	–	–	255,904,779	
Leasehold land	408,500	–	408,500	84,764	–	4,085	88,849	319,651	01
Building on :									
Freehold land	1,832,767,757	153,535,285	1,986,303,042	862,057,109	–	98,350,526	960,407,635	1,025,895,407	10
Leasehold land	63,897,537	–	63,897,537	27,501,253	–	3,639,629	31,140,882	32,756,655	10
Plant and machinery	12,408,235,883	939,881,725	13,341,829,749	6,628,351,550	(2,788,615)	586,629,371	7,212,192,306	6,129,637,443	10
		(6,287,859)							
Furniture and fixture	96,474,133	5,362,448	101,813,081	25,371,410	(15,710)	7,306,738	32,662,438	69,150,643	10
		(23,500)							
Office equipment	149,704,381	10,469,187	159,713,226	63,408,414	(181,747)	9,112,452	72,339,119	87,374,107	10
		(460,342)							
Vehicles	157,361,328	20,523,782	159,807,244	69,249,307	(11,362,151)	18,240,711	76,127,867	83,679,377	20
		(18,077,866)							
	14,964,754,298	1,129,772,427	16,069,677,158	7,676,023,807	(14,348,223)	723,283,512	8,384,959,096	7,684,718,062	
		(24,849,567)							

Description	Cost as at July 01, 2007	Additions / (disposals)	Cost as at June 30, 2008	Accumulated depreciation / amortisation as at July 01, 2007	Adjustments of accumulated depreciation on disposals	Depreciation / amortisation for the year	Accumulated depreciation / amortisation as at June 30, 2008	Written down value as at June 30, 2008	Rate %
2008	Rupees								
Freehold land	249,491,779	6,413,000	255,904,779	–	–	–	–	255,904,779	
Leasehold land	408,500	–	408,500	80,679	–	4,085	84,764	323,736	01
Building on :									
Freehold land	1,536,414,573	296,353,184	1,832,767,757	784,004,902	–	78,052,207	862,057,109	970,710,648	10
Leasehold land	63,897,537	–	63,897,537	23,457,222	–	4,044,031	27,501,253	36,396,284	10
Plant and machinery	11,900,999,316	528,044,392	12,408,235,883	6,016,845,743	(17,463,185)	628,968,992	6,628,351,550	5,779,884,333	10
		(20,807,825)							
Furniture and fixture	55,324,938	42,748,508	96,474,133	22,476,952	(944,290)	3,838,748	25,371,410	71,102,723	10
		(1,599,313)							
Office equipment	127,672,443	24,921,807	149,704,381	56,716,886	(1,540,227)	8,231,755	63,408,414	86,295,967	10
		(2,889,869)							
Vehicles	138,844,629	36,941,810	157,361,328	60,325,067	(10,963,433)	19,887,673	69,249,307	88,112,021	20
		(18,425,111)							
	14,073,053,715	935,422,701	14,964,754,298	6,963,907,451	(30,911,135)	743,027,491	7,676,023,807	7,288,730,491	
		(43,722,118)							

	Note	2009 Rupees	2008 Rupees
3.2 Depreciation / amortisation for the year has been allocated as under:			
Cost of goods sold	23	695,708,290	713,990,137
Administrative expenses	25	27,575,222	29,037,354
		723,283,512	743,027,491

3.3 Additions to building on freehold land and plant and machinery include Rs. 75,934,487/- (2008 : Nil) being the borrowing cost capitalised.

Notes to the Financial Statements
for the year ended June 30, 2009

3.4 Detail of disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	Rupees				
Plant and machinery					
(Insurance claim)	6,287,859	2,788,615	3,499,244	6,000,000	EFU General Insurance Limited, Ahmed Plaza, Bilal Road, Faisalabad.
Furniture and fixture					
(Sold by negotiation)	23,500	15,710	7,790	5,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
Office equipment					
(Sold by negotiation)	283,000	142,184	140,816	50,000	DWP Technologies (Pvt) Limited, 5-Zafar Ali Road, Gulberg-V, Lahore.
	90,000	11,656	78,344	50,000	Liberty Electronics, Shop # 41, National Hospital Market, Faisalabad.
	87,342	27,907	59,435	20,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	460,342	181,747	278,595	120,000	
Vehicles					
(Sold by negotiation)	1,110,994	724,190	386,804	382,000	Kamran Ghani, 4-H, Model Town, Lahore.
	7,461,551	4,322,526	3,139,025	3,000,000	Ch. Sarfraz Ahmad Bajwa, House P-30, Street 1, Nisar Colony, Samanabad, Faisalabad.
	61,495	42,583	18,912	31,500	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	8,634,040	5,089,299	3,544,741	3,413,500	
Vehicles					
(Insurance claim)	123,372	7,247	116,125	116,000	IGI Insurance Limited, Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad.
	109,995	15,879	94,116	98,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	233,367	23,126	210,241	214,000	
Vehicles					
(Sold under Company policy)	375,710	225,827	149,883	149,883	Mian Saleem Akhtar (Employee)
	317,696	186,348	131,348	138,261	Muhammad Anwar (Employee)
	361,873	248,482	113,391	119,690	Manzoor Zaheer (Employee)
	572,075	406,097	165,978	165,978	Irshad Ali Anjum (Employee)
	821,330	583,035	238,295	238,295	Javaid Akhtar Sheikh (Employee)
	615,770	437,115	178,655	178,655	Muhammad Arshid (Employee)
	363,565	258,083	105,482	105,482	Karim Nawaz (Employee)
	576,595	441,800	134,795	134,795	Imtiaz Ahmed (Employee)
	575,600	411,939	163,661	163,661	Shahood ul Hassan (Employee)
	1,158,244	822,199	336,045	336,045	Qurban Ali (Employee)
	866,444	584,894	281,550	281,550	Jamil Akhtar Baig (Ex–Employee)
	629,840	297,509	332,331	338,602	Amjad Ali Qureshi (Ex–Employee)
	962,794	649,935	312,859	294,482	Syed Israr Shah (Ex–Employee)
	1,012,923	696,463	316,460	333,058	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	9,210,459	6,249,726	2,960,733	2,978,437	
2009	24,849,567	14,348,223	10,501,344	12,730,937	
2008	43,722,118	30,911,135	12,810,983	12,310,617	

	Note	2009 Rupees	2008 Rupees
3.5 Capital work in progress			
Building on freehold land		99,891,252	99,204,208
Plant and machinery		285,864	1,000,000
Advances against property, plant and equipment			
Building on freehold land		14,439,404	48,762,638
Plant and machinery		300,000	61,779,433
Furniture and fixture		13,953,683	–
Office equipment		185,020	–
Vehicles		3,240,000	1,630,496
		32,118,107	112,172,567
		132,295,223	212,376,775

4. INTANGIBLE ASSETS

	Note	2009 Rupees	2008 Rupees
Computer softwares	4.1	9,117,288	14,558,117
Computer softwares under implementation			
Softwares licences		1,714,088	–
Advances against implementation		3,174,000	–
		4,888,088	–
		14,005,376	14,558,117

4.1 Computer softwares

Description	Cost as at July 01, 2008	Additions	Cost as at June 30, 2009	Accumulated amortisation as at July 01, 2008	Amortisation for the year	Accumulated amortisation as at June 30, 2009	Written down value as at June 30, 2009
	Rupees						
Computer softwares	30,692,849	757,064	31,449,913	16,134,732	6,197,893	22,332,625	9,117,288
2008	28,014,408	2,678,441	30,692,849	10,250,860	5,883,872	16,134,732	14,558,117

5. INVESTMENT IN ASSOCIATE

	2009 Rupees	2008 Rupees
Allied Bank Limited (ABL) - Quoted		
287,678,696 (2008 : 204,455,088) ordinary shares of Rs. 10/- each	9,517,015,499	6,210,231,815
Ownership interest 40.46% (2008 : 31.63%)		
Share of post acquisition changes in equity	4,624,066,780	3,626,921,500
Less : Dividend received during the year	(568,208,720)	(511,137,720)
	13,572,873,559	9,326,015,595

5.1 The market value of investment in associate as at June 30, 2009 is Rs. 10,817 million (2008: Rs. 17,434 million). This is a temporary decline in market value of investment because of rapid changes in capital market conditions due to suspension of share trading activities on all the stock exchanges during second quarter of the current year and then capping of upward and downward fluctuation of stock prices. The Company has worked out value in use of the investment on the basis of estimated future cash flows from dividend and ending value discounted at 18%. The value in use is higher than the fair value and carrying value as at June 30, 2009.

5.2 The financial year end of ABL is 31st December. The latest available financial results of associate as of March 31, 2009 have been used for the purpose of application of equity method.

Notes to the Financial Statements

for the year ended June 30, 2009

		March 31, 2009 Rupees in million	March 31, 2008 Rupees in million
5.3	**Summarised financial information of associate:**		
	Aggregate amount of :		
	– Assets	347,697	332,687
	– Liabilities	322,888	311,556
	– Revenue (from April 01 to March 31)	34,394	22,421
	– Profit (from April 01 to March 31)	4,248	4,083

		2009 Rupees	2008 Rupees
6.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	193,170,030	261,391,710
	Spare parts		
	In hand	443,288,180	399,482,074
	In transit	58,271,510	75,983,172
		501,559,690	475,465,246
	Loose tools	2,171,406	2,469,976
		696,901,126	739,326,932
7.	**STOCK IN TRADE**		
	Raw materials		
	In hand	1,362,120,740	2,247,967,515
	In transit	170,310,229	547,808,547
		1,532,430,969	2,795,776,062
	Work in process	237,571,534	284,880,362
	Finished goods	1,134,669,759	1,086,626,688
	Wastes	5,015,344	6,028,175
		2,909,687,606	4,173,311,287
8.	**TRADE DEBTS**		
	Considered good		
	Local - Secured	23,779,154	27,930,000
	- Unsecured	135,214,315	91,835,478
	Foreign - Secured	3,989,897	9,373,236
		162,983,366	129,138,714
9.	**LOANS AND ADVANCES**		
	Considered good		
	Loans		
	Employees		
	Executives	4,454,553	4,928,244
	Others	4,572,113	5,967,423
		9,026,666	10,895,667
	Advances		
	Suppliers and contractors	23,286,648	42,640,148
	Income tax	657,732,557	617,097,757
	Letters of credit fee, margin and expenses	2,027,534	240,784,421
		692,073,405	911,417,993

		Note	2009 Rupees	2008 Rupees
10.	**OTHER RECEIVABLES**			
	Custom duty refundable		249,121,154	491,877,851
	Sales tax refundable		152,257,398	215,886,369
	Claims		28,316,209	97,763,278
	Other		3,338,597	3,305,026
			433,033,358	808,832,524
11.	**CASH AND BANK BALANCES**			
	Cash in hand		30,556,369	59,970,054
	Cash at banks			
	In current accounts		52,111,977	55,786,358
	In deposit accounts		86,846,576	128,803,417
			138,958,553	184,589,775
			169,514,922	244,559,829
12.	**TRADE AND OTHER PAYABLES**			
	Creditors		187,092,062	118,823,153
	Accrued liabilities	12.1	212,652,649	194,376,076
	Advances from customers		23,967,883	31,088,047
	Capital expenditure payable		27,353,213	37,116,657
	Bills payable		2,262,863,353	2,843,147,306
	Workers' profit participation fund	12.2	22,762,284	43,775,726
	Workers' welfare fund		2,145,553	12,543,362
	Unclaimed dividend		13,975,711	12,956,399
	Other		12,320,664	16,344,410
			2,765,133,372	3,310,171,136

12.1 It includes Rs. 10,000/- (2008: Rs. 180,000/-) due to a related party.

12.2 Workers' profit participation fund

	2009 Rupees	2008 Rupees
Opening balance	43,775,726	16,203,542
Interest on funds utilised in the Company's business	4,658,410	952,236
	48,434,136	17,155,778
Paid to the fund	(48,434,136)	(17,155,778)
	–	–
Allocation for the year	22,762,284	43,775,726
	22,762,284	43,775,726

		2009 Rupees	2008 Rupees
13.	**SHORT TERM BANK BORROWINGS**		
	Secured		
	Running finances	863,561,488	1,593,165,939
	Term finances	634,000,000	709,000,000
		1,497,561,488	2,302,165,939

13.1 These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from 13.52% to 14.91% per annum (2008 : 12.66% to 13.61% per annum). The aggregate un-availed short term borrowing facilities available to the Company are Rs. 3,335 million (2008 : Rs. 2,327 million).

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
14. LONG TERM FINANCING			
Secured			
From banking companies			
Demand finance I	14.1	134,500,000	269,000,000
Demand finance II	14.2	800,000,000	800,000,000
Demand finance III	14.3	2,000,000,000	–
Demand finance IV	14.4	750,000,000	–
Term finance I		–	112,500,000
Term finance II	14.5	937,500,000	1,250,000,000
Term finance III	14.6	450,000,000	450,000,000
Term finance IV	14.7	750,000,000	–
Term finance V	14.8	650,000,000	–
Syndicated term finance	14.9	1,021,125,000	1,701,875,000
		7,493,125,000	4,583,375,000
Less : Current portion		1,481,916,666	1,240,250,000
		6,011,208,334	3,343,125,000

Demand finance I

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 charge over present and future fixed assets of Textile Plant-I of the Company ranking pari passu with the charges created in respect of demand finance II (Refer Note 14.2) and demand finance IV (Refer Note 14.4). It carries markup at three months KIBOR plus 100 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 13.77% to 16.50% per annum (2008: 10.74% to 11.17% per annum).

Demand finance II

14.2 It is repayable in 6 equal half yearly installments commencing from June 30, 2010 and ending on December 30, 2012. It is secured by way of first charge over present and future fixed assets of Textile Plant-I of the Company ranking pari passu with the charges created in respect of demand finance I (Refer Note 14.1) and demand finance IV (Refer Note 14.4). It carries markup at three months KIBOR plus 50 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 13.27% to 16.02% per annum (2008: 10.42% to 14.38% per annum).

Demand finance III

14.3 It is repayable in 8 equal half yearly installments commencing from April 18, 2011 and ending on October 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 term finance II (Refer Note 14.5), term finance IV (Refer Note 14.7), syndicated term finance (Refer Note 14.9) and long term murabaha (Refer Note 15.1). It carries markup at six months KIBOR plus 175 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 15.26% to 16.63% per annum.

Demand finance IV

14.4 It is repayable in 8 equal half yearly installments commencing from April 20, 2011 and ending on October 20, 2014. It is secured by way of first charge over present and future fixed assets of Textile Plant-I of the Company ranking pari passu with the charges created in respect of demand finance I (Refer Note 14.1) and demand finance II (Refer Note 14.2). It carries markup at six months KIBOR plus 175 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 15.26% to 16.39% per annum.

Term finance II

14.5 It is repayable in 8 equal half yearly installments commenced 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 demand finance III (Refer Note 14.3), term finance IV (Refer Note 14.7), syndicated term finance (Refer Note 14.9) and long term murabaha (Refer Note 15.1). It carries markup at three months KIBOR plus 110 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 13.30% to 16.59% per annum (2008: 10.83% to 14.76% per annum).

Term finance III

14.6 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.

Effective markup rate charged during the year ranges from 13.55% to 16.60% per annum (2008: 10.67% to 14.98% per annum).

Term finance IV

14.7 It is repayable in 8 equal half yearly installments commencing 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 demand finance III (Refer Note 14.3), term finance II (Refer Note 14.5), syndicated term finance (Refer Note 14.9) and long term murabaha (Refer Note 15.1). 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 13.47% to 15.00% per annum.

Term finance V

14.8 It is repayable in 6 equal half yearly installments commencing from May 17, 2010 and ending on November 17, 2012. It is secured by way of first charge over the fixed assets of Power Generation Plant of the Company. It carries markup at six months KIBOR plus 150 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 15.10% to 17.19% per annum.

Notes to the Financial Statements

for the year ended June 30, 2009

Syndicated term finance

14.9 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 present and future fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of demand finance III (Refer Note 14.3), term finance II (Refer Note 14.5), term finance IV (Refer Note 14.7) and long term murabaha (Refer Note 15.1). 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 11.31% to 15.53% per annum (2008: 11.11% to 11.49% per annum).

	Note	2009 Rupees	2008 Rupees
15. LONG TERM MURABAHA			
Secured			
From banking company			
Murabaha term finance	15.1	450,000,000	750,000,000
Less : Current portion		300,000,000	300,000,000
		150,000,000	450,000,000

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 demand finance III (Refer Note 14.3), term finance II (Refer Note 14.5), term finance IV (Refer Note 14.7) and syndicated term finance (Refer Note 14.9). It carries markup at three months KIBOR plus 110 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 11.35% to 16.39% per annum (2008: 10.84% to 12.25% per annum).

	2009 Rupees	2008 Rupees
16. DEFERRED TAXATION		
16.1 Opening balance	1,535,453,137	1,272,554,972
Provided during the year	205,988,407	262,898,165
	1,741,441,544	1,535,453,137
16.2 This comprises of the following :		
Deferred tax liabilities :		
Difference in tax and accounting bases of property, plant and equipment	1,445,446,976	1,314,581,939
Investment in associate	405,585,806	311,578,378
Deferred tax asset :		
Staff retirement gratuity	(109,591,238)	(90,707,180)
	1,741,441,544	1,535,453,137

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, 2009 using Projected Unit Credit Method.

	Note	2009 Rupees	2008 Rupees
17.2 The amount recognised in the balance sheet is as follows:			
Present value of defined benefit obligation		345,966,413	253,516,940
Cumulative net unrecognised actuarial losses		(33,386,839)	(1,253,187)
		312,579,574	252,263,753
17.3 Movement in net liability recognised			
Opening liability		252,263,753	228,174,174
Liability transferred to accrued liabilities		(385,250)	(4,296,500)
Expenses recognised in profit and loss account	17.3.1	83,157,025	66,601,868
Paid during the year		(22,455,954)	(38,215,789)
		312,579,574	252,263,753
17.3.1 Expenses recognised in profit and loss account			
Current service cost		52,734,992	40,458,373
Interest cost		30,422,033	25,698,665
Actuarial losses recognised		–	444,830
		83,157,025	66,601,868

	2009	2008
17.4 Principal actuarial assumptions used		
Discount rate	12% per annum	12% per annum
Expected rate of increase in salary	11% per annum	11% per annum
Expected average remaining working life time of participating employees	7 years	7 years

17.5 Trend information

	2009	2008	2007	2006	2005
	Rupees				
Present value of defined benefit obligation	345,966,413	253,516,940	256,986,645	207,838,685	216,163,071
Experience adjustment on obligation	32,133,652	(27,114,454)	22,202,986	(24,200,347)	38,444,699

Notes to the Financial Statements
for the year ended June 30, 2009

	2009 Rupees in million	2008 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.	116.594	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
(v) Guarantee given to Sui Northern Gas Pipelines Limited against supply of gas.	103.603	93.103
18.1.2 Demand of Collector of Customs against differential of duty on import of acrylic fibre. The case was remanded back by the Honourable Sindh High Court to Collector of Customs, Karachi. The case has been barred by time due to non initiation of proceedings.	–	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
18.1.4 Income tax demand of Rs. 439.093 million has not been acknowledged due to pending appeals. Company's claims of income tax rebates of Rs. 481.509 million are also pending before the appellate authorities.	–	–
18.2 Commitments		
18.2.1 Under contracts for capital expenditure	50.877	147.728
18.2.2 Under letters of credit for :		
Capital expenditure	–	706.967
Raw materials and spare parts	406.530	255.940

				2009 Rupees	2008 Rupees
19.	**SHARE CAPITAL**				
	Authorised capital				
	2009	**2008**			
	Number of shares				
	500,000,000	500,000,000	Ordinary shares of Rs. 10/- each	5,000,000,000	5,000,000,000
	Issued, subscribed and paid up capital				
	2009	**2008**			
	Number of shares				
	200,000,000	200,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	2,000,000,000	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	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 Court.	605,069,950	605,069,950
	310,506,995	310,506,995		3,105,069,950	3,105,069,950

19.1 Number of shares held by an associated undertaking in the share capital of the Company is 61,205,835 (2008 : 61,153,335).

		2009 Rupees	2008 Rupees
20.	**CAPITAL RESERVES**		
	Premium on issue of shares	1,000,000,000	1,000,000,000
	Merger reserve		
	Book difference of capital under scheme of arrangement for amalgamation	72,017,550	72,017,550
	Share of changes in equity of associate	78,355,800	71,388,900
		1,150,373,350	1,143,406,450
21.	**REVENUE RESERVES**		
	General reserve	1,981,673,099	1,921,673,099
	Unappropriated profit	5,633,726,670	4,534,108,586
		7,615,399,769	6,455,781,685
22.	**SALES**		
	Local	21,987,438,279	21,447,433,139
	Export	81,325,963	109,886,252
		22,068,764,242	21,557,319,391
	Less:		
	Discount on sales	974,073	–
	Commission and brokerage	8,183,380	7,407,454
		22,059,606,789	21,549,911,937

Notes to the Financial Statements

for the year ended June 30, 2009

		Note	2009 Rupees	2008 Rupees
23.	**COST OF GOODS SOLD**			
	Raw materials consumed		15,930,332,778	15,990,237,182
	Packing materials		237,095,423	203,572,829
	Salaries, wages and benefits		540,812,573	439,087,176
	Staff retirement benefits		58,449,513	46,360,196
	Stores and spare parts		450,125,028	333,481,092
	Fuel and power		1,744,563,539	1,407,487,304
	Insurance		22,454,370	21,756,123
	Depreciation of property, plant and equipment	3.2	695,708,290	713,990,137
	Other		68,730,687	60,190,843
			19,748,272,201	19,216,162,882
	Work in process			
	Opening stock		284,880,362	222,725,744
	Closing stock		(237,571,534)	(284,880,362)
			47,308,828	(62,154,618)
	Cost of goods manufactured		19,795,581,029	19,154,008,264
	Finished goods			
	Opening stock		1,092,654,863	1,301,850,782
	Closing stock		(1,139,685,103)	(1,092,654,863)
			(47,030,240)	209,195,919
			19,748,550,789	19,363,204,183
24.	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries and benefits		54,100,928	46,045,786
	Staff retirement benefits		8,828,739	5,889,552
	Freight and forwarding		47,266,127	77,235,687
	Travelling and conveyance		3,018,070	3,272,657
	Vehicles running and maintenance		5,195,672	4,461,004
	Postage and telecommunication		1,100,384	1,101,248
	Other		7,165,032	6,351,104
			126,674,952	144,357,038
25.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		21,750,000	18,000,000
	Salaries and benefits		140,185,622	143,894,801
	Staff retirement benefits		15,878,773	14,352,120
	Travelling and conveyance		43,817,379	33,241,926
	Vehicles running and maintenance		10,133,192	9,932,804
	Fuel and power		17,499,877	10,734,957
	Postage and telecommunication		10,954,613	10,535,905
	Printing and stationery		5,560,266	4,765,986
	Repairs and maintenance		39,969,695	19,306,288
	Fees, subscription and periodicals		11,267,901	5,562,221
	Rent, rates and taxes		12,600,395	5,224,332
	Legal and professional		37,441,500	20,192,500
	Entertainment		5,432,431	4,906,182
	Auditors' remuneration	25.1	1,555,000	1,445,000
	Advertisement		1,266,630	897,435
	Insurance		532,168	569,950
	Donations	25.2	955,000	175,000
	Depreciation / amortisation of property, plant and equipment	3.2	27,575,222	29,037,354
	Amortisation of intangible assets	4	6,197,893	5,883,872
	Other		13,021,379	11,809,305
			423,594,936	350,467,938

	2009 Rupees	2008 Rupees
25.1 Auditors' remuneration		
Audit fee	1,200,000	1,200,000
Other services	355,000	245,000
	1,555,000	1,445,000

25.2 No director or his / her spouse had any interest in the donees' fund.

26. OTHER OPERATING EXPENSES

	2009 Rupees	2008 Rupees
Workers' profit participation fund	22,762,284	43,775,726
Loss on disposal of property, plant and equipment	–	500,366
Workers' welfare fund	2,214,770	12,588,982
Balances written off - net	–	1,910,364
	24,977,054	58,775,438

27. FINANCE COST

	2009 Rupees	2008 Rupees
Markup / interest on :		
Long term financing	952,491,871	504,310,972
Long term murabaha	81,296,262	96,000,164
Short term bank borrowings	346,025,559	266,534,584
Workers' profit participation fund	4,658,410	952,236
Bank charges and commission	2,815,876	3,124,654
	1,387,287,978	870,922,610

28. OTHER OPERATING INCOME

	2009 Rupees	2008 Rupees
Scrap sales	65,934,630	54,265,197
Profit on deposits	1,264,484	965,600
Balances written back - net	5,089,587	–
Exchange differences	916,946	502,201
Gain on disposal of property, plant and equipment	2,229,593	–
Other	1,653,900	279,844
	77,089,140	56,012,842

29. PROVISION FOR TAXATION

	2009 Rupees	2008 Rupees
Current		
For the year	94,430,371	267,323,789
For prior years	1,128,966	1,057,373
Deferred		
For the year	205,214,306	145,603,940
For prior years	–	112,815,225
	300,773,643	526,800,327

Notes to the Financial Statements
for the year ended June 30, 2009

	2009 Rupees	2008 Rupees
29.1 Reconciliation between accounting profit and tax expense		
Profit before taxation	1,926,152,220	2,109,504,572
Tax on accounting profit at the applicable tax rate of 35%	674,153,277	738,326,600
Tax effect of :		
Share of profit of associate not chargeable to tax	(525,189,700)	(451,957,450)
Income chargeable to tax at special rate	57,634,132	52,205,135
Expenses that are inadmissible in determining taxable profit / unrealised profits	93,046,968	74,353,444
Adjustments of prior years in respect of :		
Current tax	1,128,966	1,057,373
Deferred tax	–	112,815,225
	300,773,643	526,800,327

30. EARNINGS PER SHARE - BASIC AND DILUTED

	2009	2008
Profit for the year (Rupees)	1,625,378,577	1,582,704,245
Weighted average number of ordinary shares	310,506,995	310,506,995
Earnings per share - Basic and Diluted (Rupees)	5.23	5.10

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

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2009			2008		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	6,590,905	13,181,810	155,048,166	5,454,540	10,909,080	114,862,292
Medical allowance	659,095	1,318,190	15,351,937	545,460	1,090,920	11,486,351
Reimbursable expenses for vehicles running	–	–	12,614,113	–	–	10,859,864
	7,250,000	14,500,000	183,014,216	6,000,000	12,000,000	137,208,507
Number of persons	1	2	138	1	2	103

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. 1,990,826/- (2008: Rs. 1,526,467/-). 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. 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	2009 Rupees	2008 Rupees
Associated Undertakings			
	Rent	9,060,000	2,040,000
	Dividend received	568,208,720	511,137,720
	Dividend paid	91,808,753	–
Key management personnel			
	Rent	120,000	120,000
	Purchase of shares	3,303,269,480	–
	Dividend paid	266,361,171	–

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	2009 M. Tons	2008 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 137,088 (2008 : 133,778))	41,696	41,107
Actual production		
Polyester Staple Fibre / Polyester Chips	178,981	189,930
Yarn converted into 20/s count (Spindles worked 135,728 (2008 : 132,296))	48,343	45,435

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, 2009

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial assets and financial liabilities

Financial assets and financial liabilities of the Company as at June 30, 2009 and 2008 were as follows:

	2009						
	Exposed to interest rate risk			Not exposed to interest rate risk			Total
	Maturity within one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
	Rupees						
Financial Assets							
Investment in associate	–	–	–	–	13,572,873,559	13,572,873,559	13,572,873,559
Long term deposits	–	–	–	–	3,735,923	3,735,923	3,735,923
Trade debts	–	–	–	162,983,366	–	162,983,366	162,983,366
Loans and advances	–	–	–	9,026,666	–	9,026,666	9,026,666
Other receivables	–	–	–	28,508,333	–	28,508,333	28,508,333
Cash and bank balances	86,846,576	–	86,846,576	82,668,346	–	82,668,346	169,514,922
	86,846,576	–	86,846,576	283,186,711	13,576,609,482	13,859,796,193	13,946,642,769
Financial Liabilities							
Long term financing	1,481,916,666	6,011,208,334	7,493,125,000	–	–	–	7,493,125,000
Long term murabaha	300,000,000	150,000,000	450,000,000	–	–	–	450,000,000
Trade and other payables	–	–	–	2,716,257,652	–	2,716,257,652	2,716,257,652
Markup / interest payable	–	–	–	253,542,922	–	253,542,922	253,542,922
Short term bank borrowings	1,497,561,488	–	1,497,561,488	–	–	–	1,497,561,488
	3,279,478,154	6,161,208,334	9,440,686,488	2,969,800,574	–	2,969,800,574	12,410,487,062
On balance sheet gap	(3,192,631,578)	(6,161,208,334)	(9,353,839,912)	(2,686,613,863)	13,576,609,482	10,889,995,619	1,536,155,707
Off balance sheet items							
Contracts for capital expenditure	–	–	–	50,877,000	–	50,877,000	50,877,000
Letters of credit for:							
Capital expenditure	–	–	–	–	–	–	–
Raw materials and spare parts	–	–	–	406,530,000	–	406,530,000	406,530,000
Bank guarantees	–	–	–	–	228,290,000	228,290,000	228,290,000
	–	**–**	**–**	**457,407,000**	**228,290,000**	**685,697,000**	**685,697,000**

	2008						
	Exposed to interest rate risk			Not exposed to interest rate risk			Total
	Maturity within one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
	Rupees						
Financial Assets							
Investment in associate	–	–	–	–	9,326,015,595	9,326,015,595	9,326,015,595
Long term deposits	–	–	–	–	3,485,600	3,485,600	3,485,600
Trade debts	–	–	–	129,138,714	–	129,138,714	129,138,714
Loans and advances	–	–	–	10,895,667	–	10,895,667	10,895,667
Other receivables	–	–	–	98,107,679	–	98,107,679	98,107,679
Cash and bank balances	128,803,417	–	128,803,417	115,756,412	–	115,756,412	244,559,829
	128,803,417	–	128,803,417	353,898,472	9,329,501,195	9,683,399,667	9,812,203,084
Financial Liabilities							
Long term financing	1,240,250,000	3,343,125,000	4,583,375,000	–	–	–	4,583,375,000
Long term murabaha	300,000,000	450,000,000	750,000,000	–	–	–	750,000,000
Trade and other payables	–	–	–	3,222,764,001	–	3,222,764,001	3,222,764,001
Markup / interest payable	–	–	–	151,581,167	–	151,581,167	151,581,167
Short term bank borrowings	2,302,165,939	–	2,302,165,939	–	–	–	2,302,165,939
	3,842,415,939	3,793,125,000	7,635,540,939	3,374,345,168	–	3,374,345,168	11,009,886,107
On balance sheet gap	(3,713,612,522)	(3,793,125,000)	(7,506,737,522)	(3,020,446,696)	9,329,501,195	6,309,054,499	(1,197,683,023)
Off balance sheet items							
Contracts for capital expenditure	–	–	–	147,728,000	–	147,728,000	147,728,000
Letters of credit for:							
Capital expenditure	–	–	–	706,967,000	–	706,967,000	706,967,000
Raw materials and spare parts	–	–	–	255,940,000	–	255,940,000	255,940,000
Bank guarantees	–	–	–	–	296,526,000	296,526,000	296,526,000
	–	**–**	**–**	**1,110,635,000**	**296,526,000**	**1,407,161,000**	**1,407,161,000**

34.2 Financial risk management

The Company finances its operations through the 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.

34.2.1 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:

	2009 Rupees	2008 Rupees
Long term deposits	3,735,923	3,485,600
Trade debts	162,983,366	129,138,714
Loans and advances	9,026,666	10,895,667
Other receivables	28,508,333	98,107,679
Bank balances	138,958,553	184,589,775
	343,212,841	426,217,435

Due to Company's long standing relations with counterparties 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 its 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:

	2009 Rupees	2008 Rupees
Industrial users	155,326,541	90,879,764
Wholesalers	7,656,825	38,258,950
	162,983,366	129,138,714

Aging of trade debts as at balance sheet date is as under:

	2009 Rupees	2008 Rupees
Not past due	141,591,111	115,384,143
Past due within one year	7,645,316	10,602,299
Past due more than one year	13,746,939	3,152,272
	162,983,366	129,138,714

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.

34.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The management believes that the Company is not exposed to any significant liquidity risk. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity based on expected cash flows by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. The Company has unavailed borrowing facilities of Rs. 3,335 million (Refer Note 13.1) as at June 30, 2009 to minimise the liquidity risk.

Assets and liabilities maturing within twelve months are prescribed in note 34.1.

34.2.3 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 optimizing 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. The effective interest / mark up rate for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

Majority of interest rate risk arises from short and long 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.

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.

If the interest rate had 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. 59.830 million respectively.

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 creditors, bills payable, debtors and claims receivable denominated in foreign currency. The Company is not significantly exposed to currency risk. The total foreign currency risk exposure on reporting date amounted to Rs. 1,579.086 million (2008: Rs. 1,513.254 million).

At June 30, 2009, if the Pak Rupee had weakened / strengthened by 5% against the U.S dollar, with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 47.779 million respectively.

iii) Equity price risk

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

34.3 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.

34.4 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 and keeping in view future investment requirements and expectations of the shareholders. Debt comprises of long term financing, long term murabaha 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'.

The salient information relating to capital risk management of the Company as at June 30, 2009 and 2008 was as follows:

	Note	2009 Rupees	2008 Rupees
Debt	13, 14 & 15	9,440,686,488	7,635,540,939
Less: Cash and cash equivalents	11	169,514,922	244,559,829
Net Debt		9,271,171,566	7,390,981,110
Total equity		11,870,843,069	10,704,258,085
Total capital		21,142,014,635	18,095,239,195
Gearing ratio		43.85%	40.84%

35. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue as at October 03, 2009 by the Board of Directors of the Company.

36. NON - ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has recommended the cash dividend of Nil (2008: Rs. 1.5 per share amounting to Rs. 465.760 million) and transfer of Rs. 100 million (2008: Rs. 60 million) from Unappropriated profit to General reserve at its meeting held on October 03, 2009. These financial statements do not reflect this appropriation.

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

Chief Executive Officer *Director*

Pattern of Shareholding
as at June 30, 2009

Number of Shareholders	Having Shares From	Having Shares To	Shares Held
376	1	100	19,214
1114	101	500	266,585
534	501	1000	386,148
463	1001	5000	1,023,050
96	5001	10000	683,177
37	10001	15000	467,732
21	15001	20000	383,682
12	20001	25000	280,083
10	25001	30000	284,244
12	30001	35000	390,505
9	35001	40000	341,225
2	40001	45000	88,700
1	50001	55000	52,500
2	55001	60000	115,600
2	60001	65000	125,000
2	65001	70000	134,875
4	70001	75000	291,900
1	75001	80000	80,000
1	80001	85000	82,500
2	85001	90000	177,375
1	90001	95000	93,500
1	105001	110000	110,000
1	110001	115000	112,375
2	115001	120000	237,000
2	120001	125000	250,000
1	130001	135000	130,663
1	190001	195000	194,000
1	205001	210000	210,000
1	245001	250000	250,000
1	260001	265000	261,500
1	320001	325000	325,000
1	335001	340000	337,000
1	345001	350000	347,125
1	435001	440000	438,250
1	465001	470000	466,500
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	10530001	10535000	10,532,600
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	61205001	61210000	61,205,835
2,740			**310,506,995**

Categories of Shareholders
as at June 30, 2009

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties			
Ibrahim Agencies (Pvt) Ltd.	1	61,205,835	19.7116
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 and their spouses			
Sheikh Mukhtar Ahmed	1	18,975,817	6.1112
Mrs. Iqbal Begum	1	17,071,958	5.4981
Mr. Mohammad Naeem Mukhtar	1	56,015,283	18.0399
Mrs. Ghazala Naeem	1	14,773,861	4.7580
Mr. Mohammad Waseem Mukhtar	1	58,978,061	18.9941
Mrs. Bina Sheikh	1	11,753,434	3.7852
Mr. Shahid Amin	1	500	0.0002
Executives	3	13,742	0.0044
Banks, DFIs, NBFIs and Leasing Companies	11	497,661	0.1603
Insurance Companies	6	2,147,204	0.6915
Modarabas and Mutual Funds	9	683,163	0.2200
Joint Stock Companies	39	772,449	0.2488
Genral Public			
a. Local	2,659	52,128,472	16.7882
b. Foreign	3	11,796,375	3.7991
Shareholders holdings 10% (or more) (Excluding Directors and associated companies)	–	–	–
	2,740	310,506,995	100.0000

Form of Proxy

Ibrahim Fibres Limited

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 23rd Annual General Meeting of the Company to be held on October 31, 2009 at 11:00 AM at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

Signed this ______________ day of ______________ 2009.

AFFIX
REVENUE STAMP
OF RS. 5/-

Witness: (1)

Signature ______________________________

Name ______________________________

Address ______________________________

C.N.I.C No. ______________________________

Signature: ______________________________

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

Witness: (2)

Signature ______________________________

Name ______________________________

Address ______________________________

C.N.I.C 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 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.

www.igcpk.com

Ibrahim Fibres Limited

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