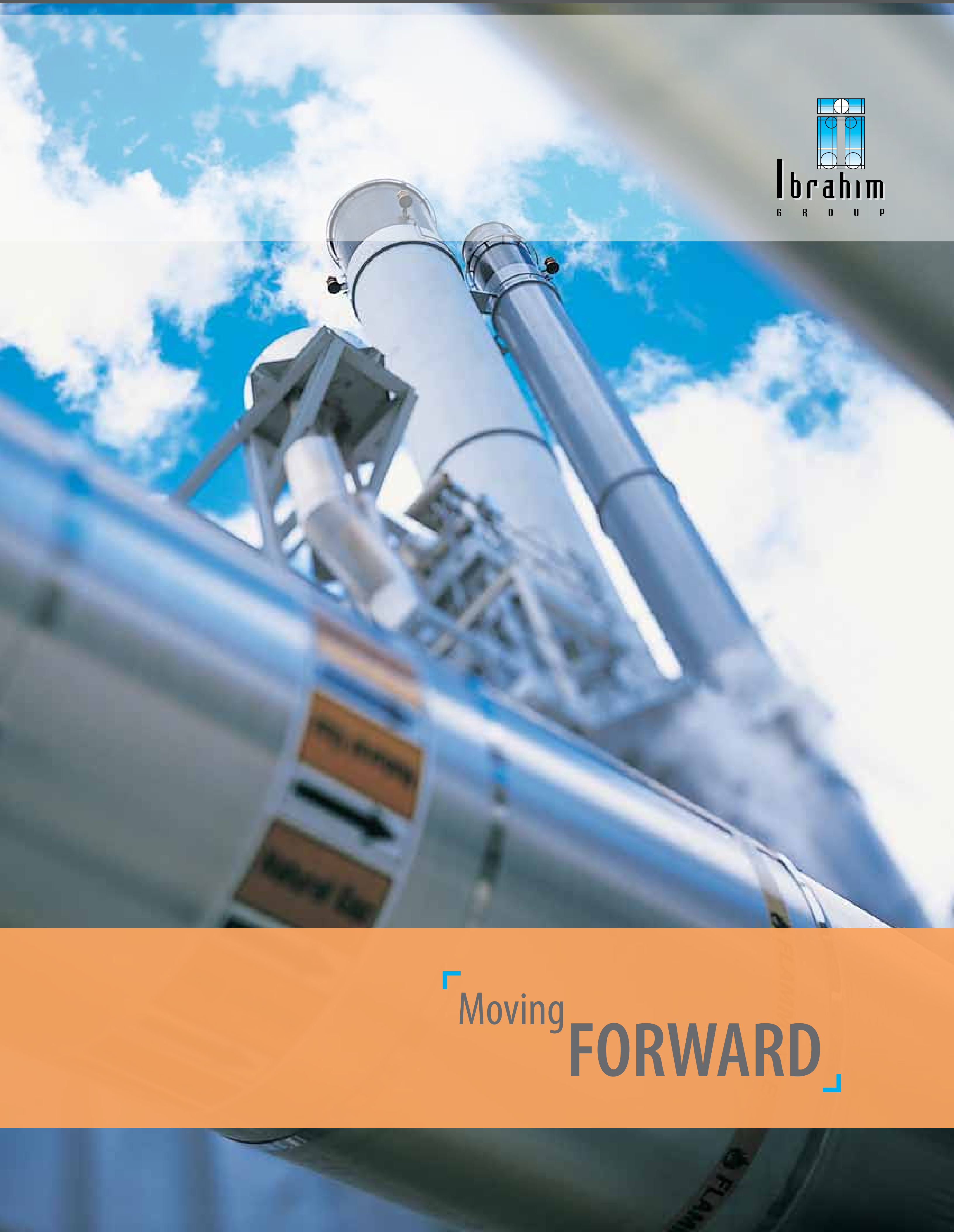
Ibrahim Fibres Limited

Annual Report 2010

Ibrahim
GROUP



Moving FORWARD

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Company Information

Board of Directors

Sheikh Mukhtar Ahmed
Chairman
Mohammad Naeem Mukhtar
Chief Executive Officer
Mohammad Waseem Mukhtar
Shahid Amin
Anwarul Haque
Mohammad Pervaiz Aslam Rana
Syed Asif Hasan

Secretary

Anwarul Haque - FCA

Audit Committee

Shahid Amin
Chairman
Mohammad Pervaiz Aslam Rana
Member
Syed Asif Hasan
Member
Anwarul Haque - FCA
Secretary

Auditors

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

Bankers

Bank Alfalah Limited
Bank Al Habib Limited
BankIslami Pakistan Limited
Barclays Bank PLC
Citibank, N.A.
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Registered Office

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

Head Office

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

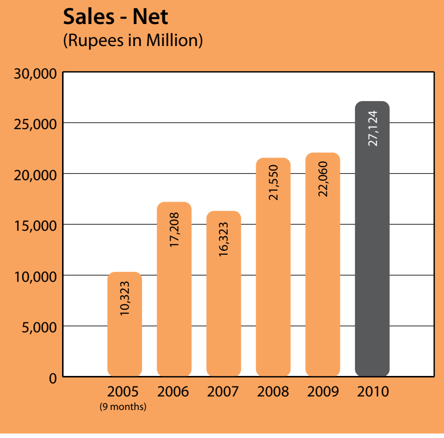
Registrar's & Shares Registration Office

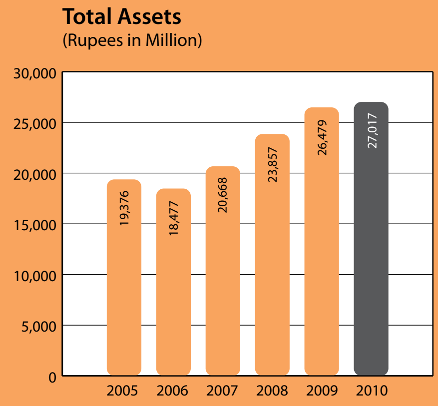
M/s Technology Trade (Pvt) Ltd.
Dagia House,
241 - C, Block - 2,
P.E.C.H.S., Off: Shahrah-e-Quaideen,
Karachi, Pakistan.

Projects Location

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

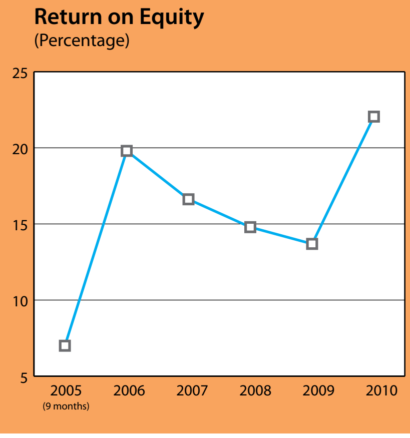
Financial Highlights

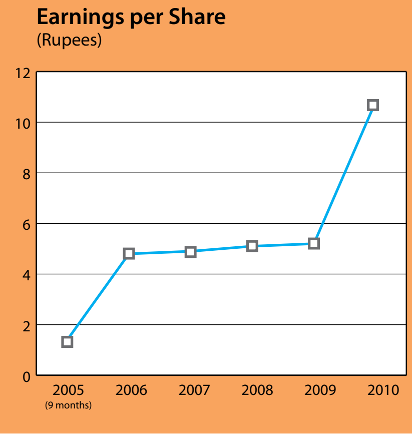




	YEAR ENDED JUNE 30,					NINE MONTHS ENDED JUNE 30,
	2010	2009	2008	2007	2006	2005
						(Rupees in million)
Operating performance						
Sales - net	27,124	22,060	21,550	16,323	17,208	10,323
Inter - project consumption	2,748	2,372	2,014	1,649	1,699	1,194
	29,872	24,432	23,564	17,972	18,907	11,517
Gross profit	2,749	2,311	2,187	1,631	1,946	939
Operating profit	2,126	1,838	1,748	1,250	1,643	757
Profit before taxation	3,894	1,926	2,110	1,769	1,842	591
Profit after taxation	3,360	1,625	1,583	1,515	1,483	423

	AS AT JUNE 30,					
	2010	2009	2008	2007	2006	2005
						(Rupees in million)
Financial position						
Property, plant and equipment - net (excluding capital work in progress)	7,190	7,685	7,289	7,109	7,775	8,236
Intangible assets	9	14	15	18	19	–
Capital work in progress	–	132	212	385	12	202
Fixed assets	7,199	7,831	7,516	7,512	7,806	8,438
Total assets	27,017	26,479	23,857	20,668	18,477	19,376
Current assets						
Stores, spare parts and stock in trade	3,078	3,607	4,913	2,988	1,987	3,425
Other current assets	2,319	1,294	1,853	1,332	1,113	894
Cash and cash equivalents	73	170	245	297	268	118
	5,470	5,071	7,011	4,617	3,368	4,437
Current liabilities						
Short term bank borrowings	1,569	1,498	2,302	1,801	675	2,742
Current portion of long term financing / morabaha	1,836	1,782	1,540	1,278	1,339	753
Other current liabilities	1,832	3,113	3,729	2,289	2,267	1,927
	5,237	6,393	7,571	5,368	4,281	5,422
Net working capital	232	(1,322)	(560)	(751)	(913)	(985)
Long term financing / murabaha	4,325	6,161	3,793	4,683	5,511	6,846
Share capital and reserves	15,238	11,871	10,704	9,116	7,496	6,035





		YEAR ENDED JUNE 30,					NINE MONTHS ENDED JUNE 30,
		2010	2009	2008	2007	2006	2005
Profitability analysis							
Gross profit to sales	(%)	10.1	10.5	10.1	10.0	11.3	9.1
Profit before tax to sales	(%)	14.4	8.7	9.8	10.8	10.7	5.7
Profit after tax to sales	(%)	12.4	7.4	7.3	9.3	8.6	4.1
Return on capital employed	(%)	9.8	9.2	10.7	8.2	11.6	5.4
Return on equity	(%)	22.1	13.7	14.8	16.6	19.8	7.0
Earnings per share	(Rupees)	10.8	5.2	5.1	4.9	4.8	1.4
Dividends							
Cash dividend - Proposed	(%)	20	–	15	–	–	–

		AS AT JUNE 30,					
		2010	2009	2008	2007	2006	2005
Financial analysis							
Current ratio	(times)	1.0	0.8	0.9	0.9	0.8	0.8
Debt to equity	(times)	0.4	0.7	0.5	0.7	0.7	1.1
Leverage ratio	(times)	0.8	1.2	1.2	1.3	1.5	2.2
Debt service coverage	(times)	1.4	1.1	1.4	1.1	1.7	1.3
Breakup value per share	(Rupees)	49.1	38.2	34.5	29.4	24.1	19.4
Inventory turnover ratio	(times)	9.3	5.6	5.8	7.1	6.5	3.3
Debtors turnover ratio	(times)	179.8	151.0	173.6	118.3	134.1	66.7
Fixed assets turnover ratio	(times)	3.6	2.9	2.9	2.1	2.1	1.2

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.

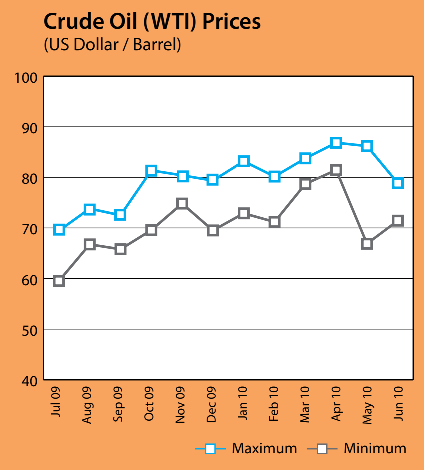
Chairman's Review

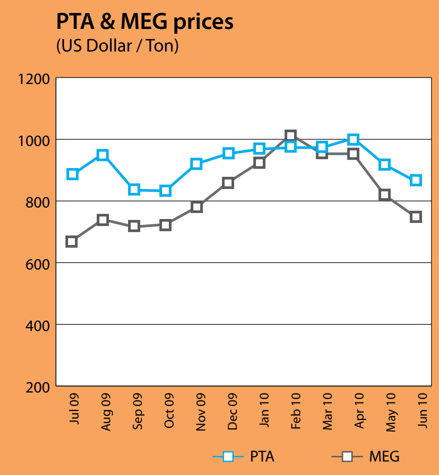
I am pleased to present the review on the performance and financial statements of your Company for the year ended June 30, 2010.

INDUSTRY OVERVIEW

The year under review witnessed a growth in the demand of PSF due to a significant increase in import of yarn by China which resulted in increased production of yarns in Pakistan. Moreover, price of cotton both in regional and domestic markets moved to an all time high, tilting the blend ratio of yarn in favour of PSF thereby contributing further towards the growth in demand of PSF. Conversely, during the year under review, anti-dumping duty on import of PSF from China was struck off by the Honorable Lahore High Court, Lahore on procedural grounds thereby increasing the flow of imported PSF in the country.

On the other hand, the prices of crude oil and its derivatives especially PTA and MEG remained stable during most of the year under review. However, average prices remained on higher side as compared to previous year. High inflation rate and continued devaluation of Pak rupee against US Dollar further eroded margins during the year as against previous year.



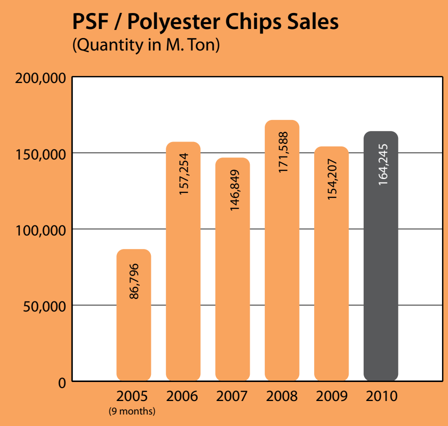


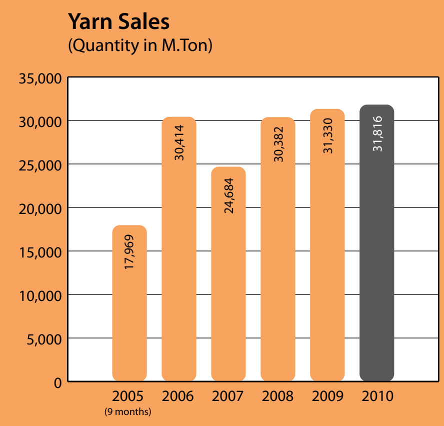
Effective from July 01, 2010, the Government of Pakistan has restructured the import duty tariff on PTA and PSF and replaced the existing tariff to cascading tariff, changing the duty on PTA which was effectively 0% for PSF manufacturers to 3% and increasing duty on import of PSF from 4.5% to 6%.

MARKETING ACTIVITIES

In the above mentioned market scenario, sales volume of PSF achieved by the polyester plant of your Company increased by 7% to 164,245 tons during the year under review as against sales of 154,207 tons during previous year. However, due to constraint in production resulting from planned shutdown of the polyester plant for maintenance during February - March 2010, your Company could not fully avail the advantage of growth in PSF demand.

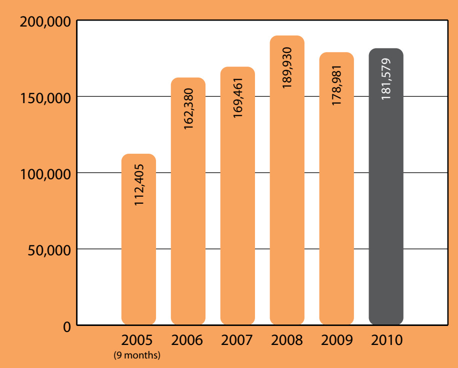
The textile plants of your Company achieved sales of 31,816 tons of different counts of blended yarns during the year, as against sales of 31,330 tons of yarns during previous year. The growth in demand of yarn did not have any impact on sales of the textile plants of your Company as these are already operating at their peak capacity.



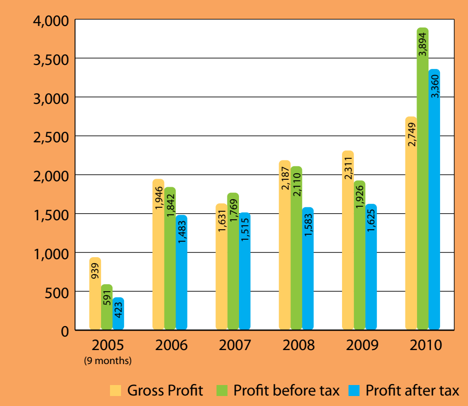


Chairman's Review

PSF / Polyester Chips Production



Earning Performance
(Rupees in Million)



PRODUCTION OPERATIONS

During the year under review, the polyester plant of your Company produced 181,579 tons of PSF / Polyester Chips as against 178,981 tons of PSF during previous year, thereby achieving an average capacity utilization of 87% as against 86% during previous year. Out of the above production, 21,932 tons of PSF were consumed by the textile plants of your Company during the year for production of blended yarns as against 21,955 tons consumed during previous year. During the months of February and March 2010, Polyester plant - Unit 2, having a production capacity of 400 tons per day, remained non-operational for planned maintenance after successfully completing 67,224 hours (2,801 days) of continuous operation.

At IFL textile plants, 136,305 spindles remained operational during the year and manufactured 31,401 tons of different counts of blended yarns as against 135,728 spindles manufacturing 31,134 tons of yarns during previous year.

FINANCIAL PERFORMANCE

During the year under review, sales achieved by your Company increased by 23% to Rs. 27,124 million as compared to Rs. 22,060 million during previous year. The gross profit earned during the year amounted to Rs. 2,749 million, an increase of 19%, as against Rs. 2,311 million earned during previous year. Gross profit to sales ratio achieved during the year slightly reduced to 10.1% as compared to 10.5% of previous year, which is mainly due to increase in consumption of stores and spares and higher maintenance cost incurred during planned shutdown of the Polyester plant.

After accounting for the proportionate share in profits of Allied Bank Limited, an associated company, amounting to Rs. 2,980 million for the year under review as against Rs. 1,501 million for previous year, your Company earned profit before tax amounting to Rs. 3,894 million during the year as compared to Rs. 1,926 million during previous year. Profit after tax for the year comes to Rs. 3,360 million as compared to Rs. 1,625 million during previous year.

PROFESSIONALISM AND HUMAN RESOURCES

With a view to broaden the horizons of its human resources, keep them updated with global developments in their area of expertise, and enable them to work with optimum level of efficiency, your Company persistently makes efforts to send its

personnel to attend various learning events organized by leading institutions and organizations within the country and abroad.

During the year under review, 13 employees were nominated for attending seminars and workshops on taxation, 4 for conferences on accounting and finance, 3 for training course on project management, 2 for seminars on labour laws, 3 for conference on solar energy, 1 for training course on communication skills, 2 for CeBIT - a tradeshow of IT equipment held in Germany, 1 for Heimtextil - an event focused on home textile products held in Germany, 1 for Furnex - an exhibition of home textile products held in Egypt and 2 for 'The Fibres and Raw Materials Conference' held in Hong Kong.

MODERNISATION OF TEXTILE PLANT

The management of your Company envisioned a phased BMR implementation plan for the textile plants in the year ended September 30, 2003. Under this plan, so far entire ring spinning and cone winding machinery of Textile plant II and Textile plant III - Unit I and complete back process of Textile plant I have been replaced with latest European machinery.

As part of the same BMR plan, your Company has now decided to replace the complete back process of its Textile plant II - Unit I with the latest machinery consisting of complete blow room machines, drawing frames, carding machines and roving frames which will be provided by two of the World's leading textile machinery manufacturers i.e. Truetzschler and Oerlikon Schlafhorst, Germany.

The letters of credit for import of machinery have already been opened and it is expected to start operation from last quarter of the next financial year.

Implementation of this BMR will result in further improvement in quality, efficiency and productivity.

Chairman's Review

EXPANSION OF POLYESTER PLANT

In view of growing demand of PSF and its current supply situation in the country, the management of your Company has decided to expand the production capacity of its polyester plant. Machinery for the expansion project will be provided by the supplier of existing polyester plant (Zimmer AG, Germany) now known as Lurgi GmbH, Germany. Major terms and conditions involving engineering, supply and supervision of installation / commissioning of the expansion project have already been agreed.

The expansion project is designed to have a single polymer line having a production capacity of 650 tons per day and five spinning and staple fibre lines each having a production capacity of 130 tons of PSF per day totaling to 227,500 tons per annum based on 350 working days. In the first phase, single polymer line along with four spinning and staple fibre lines will be installed resulting in an increase in the overall PSF production capacity of the polyester plant by 182,000 tons to 390,600 tons per annum. The letter of credit for the expansion project will be opened by end of calendar year 2010 and it is expected to start commercial production during last quarter of calendar year 2012. In the second phase, fifth spinning and staple fibre line will be added to this expansion project thereby increasing the overall PSF manufacturing capacity of the polyester plant to 436,100 tons per annum.

FUTURE OUTLOOK

The robust demand of yarn which is expected to continue during the next financial year, and rise in prices of cotton are expected to further increase the demand of PSF in the country. On the other hand, prices of PSF feedstock are expected to remain stable during the next financial year which will improve the net margins of PSF and yarns.
Your Company is expected to achieve higher production and sales volumes and, by the grace of God, will achieve better results during 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.

Sheikh Mukhtar Ahmed
Chairman

Lahore
October 01, 2010

Notice of Meeting

Notice is hereby given that the 24th Annual General Meeting of the shareholders of the Company will be held on October 30, 2010 at 11:00 A.M. at Avari Hotel, Sharah-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, 2010 together with Directors' and Auditors' Report thereon.

3. To consider and approve payment of Cash Dividend @ Rs. 2 per share (20%) as recommended by the Board of Directors .

4. To appoint Auditors for the year 2010-2011 and fix their remuneration. The retiring auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants being eligible offer themselves for reappointment.

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

By order of the Board

Lahore
October 01, 2010

Anwarul Haque
Company Secretary

NOTES

i) The share transfer books of the Company shall remain closed from October 22, 2010 to October 30, 2010 (both days inclusive) to determine the names of members entitled to receive Cash Dividend and to attend the Meeting. Transfers received in order at the Shares Registrar Office of the Company at the close of business on October 21, 2010 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, 2010.

Financial Results

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

	2010 Rupees	2009 Rupees
Gross Profit	2,749,289,313	2,311,056,000
Selling and distribution expenses	158,860,859	126,674,952
Administrative expenses	501,916,251	423,594,936
Other operating expenses	113,546,299	24,977,054
Finance cost	1,262,092,608	1,387,287,978
	2,036,416,017	1,962,534,920
	712,873,296	348,521,080
Other operating income	201,242,257	77,089,140
	914,115,553	425,610,220
Share of profit of associate - net	2,979,689,000	1,500,542,000
Profit before taxation	3,893,804,553	1,926,152,220
Provision for taxation	533,691,344	300,773,643
Profit for the year	3,360,113,209	1,625,378,577
Un-appropriated profit brought forward	5,633,726,670	4,534,108,586
Profit available for appropriation	8,993,839,879	6,159,487,163
Less :		
Transfer to General reserve during the year	100,000,000	60,000,000
Dividend	–	465,760,493
	100,000,000	525,760,493
Un-appropriated profit carried forward	8,893,839,879	5,633,726,670
Earnings per share - Basic and Diluted	10.82	5.23

Cash Dividend

The Board has recommended payment of Cash dividend for the year ended June 30, 2010 @ Rs. 2 per share (20%) to all the shareholders of the Company.

	2010 Rupees	2009 Rupees
Proposed Appropriation of Profit		
Cash dividend		
Rs. 2 per share @ 20% (2009 : Nil)	621,013,990	–
Transfer to General reserve	30,000,000	100,000,000
	651,013,990	100,000,000

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, 2010.

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, 2011.

Pattern of Shareholding

Pattern of shareholding as on June 30, 2010 is annexed.

Number of Board Meetings held

Six meetings of the Board of Directors were held during the year ended June 30, 2010 and the attendance of the Directors is as follows :

		Attendance
Sheikh Mukhtar Ahmed	Chairman	05
Mohammad Naeem Mukhtar	Chief Executive Officer	06
Mohammad Waseem Mukhtar	Director	06
Shahid Amin	Director	05
Anwarul Haque	Director	04
Mohamamad Pervaiz Aslam Rana	Director	04
Syed Asif Hasan	Director	04

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:

Shahid Amin	Chairman	(Executive Director)
Mohamamad Pervaiz Aslam Rana	Member	(Non Executive Director)
Syed Asif Hasan	Member	(Non Executive Director)

Meetings of Audit Committee were held during the year ended June 30, 2010 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 Ordinance.

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.

Corporate Social Responsibility

Your Company fully understands its corporate responsibility towards the society and fulfills it by engaging in philanthropy, by providing financial support to under privileged members of the society and its deserving employees, contributing considerable amounts to the National Exchequer, applying solutions for energy conservation and environment protection, providing best quality and after-sales technical services to its valued customers.

As part of its philanthropic activities, your Company regularly donates generous amounts to renowned hospitals, universities, trusts and to various funds constituted for dealing with natural calamities.

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

Your Company has also installed an environment friendly gas based power plant with a view to reduce power cost. Moreover, it produces steam as a by-product which is adequate to meet the entire steam requirements of polyester plant of the Company thereby resulting in energy conservation.

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

Acknowledgement

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

The Directors of your Company would also like to express their appreciation for the services, loyalty and efforts being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue to do so in future.

On behalf of the Board

Mohammad Naeem Mukhtar
Chief Executive Officer

Lahore
October 01, 2010

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 4 Executive and 3 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. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

5. The Board has developed a vision / mission statement for 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

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

12. 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.

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

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

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

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

On behalf of the Board of Directors

Mohammad Naeem Mukhtar
Chief Executive Officer

Lahore
October 01, 2010

Review Report to the Members

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of Ibrahim Fibres Limited (the Company) to comply with the Listing Regulation No. 35 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 of the Karachi Stock Exchange requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: October 01, 2010
Place: Faisalabad

Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 2.1.1 to the annexed financial statements with which we concur;

ii. the expenditure incurred during the year was for the purpose of the company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Engagement Partner:- Syed Ali Adnan Tirmizey

Dated: October 01, 2010
Place: Faisalabad

Ibrahim Fibers Limited

Financial Statements

for the year ended June 30, 2010

Balance Sheet
as at June 30, 2010

	Note	2010 Rupees	2009 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	3	7,190,413,467	7,817,013,285
Intangible assets	4	8,927,930	14,005,376
Investment in associate	5	14,318,835,540	13,572,873,559
Long term loans	6	25,182,879	–
Long term deposits		3,746,923	3,735,923
		21,547,106,739	21,407,628,143
CURRENT ASSETS			
Stores, spare parts and loose tools	7	722,603,343	696,901,126
Stock in trade	8	2,355,115,641	2,909,687,606
Trade debts	9	138,789,546	162,983,366
Loans and advances	10	702,856,751	692,073,405
Prepayments		6,636,260	6,835,414
Other receivables	11	1,106,222,684	433,033,358
Cash and bank balances	12	72,753,720	169,514,922
Non - current assets held for sale			
Investment in associate	13	364,846,339	–
		5,469,824,284	5,071,029,197
CURRENT LIABILITIES			
Trade and other payables	14	1,190,623,805	2,765,133,372
Markup / interest payable		179,909,644	253,542,922
Short term bank borrowings	15	1,569,438,291	1,497,561,488
Current portion of :			
Long term financing	16	1,686,208,334	1,481,916,666
Long term murabaha	17	150,000,000	300,000,000
Provision for taxation - income tax		461,282,445	94,430,371
		5,237,462,519	6,392,584,819
Working capital		232,361,765	(1,321,555,622)
Total capital employed		21,779,468,504	20,086,072,521
NON - CURRENT LIABILITIES			
Long term financing	16	4,325,000,000	6,011,208,334
Long term murabaha	17	–	150,000,000
Deferred liabilities :			
Deferred taxation	18	1,814,476,909	1,741,441,544
Staff retirement gratuity	19	401,887,210	312,579,574
		6,541,364,119	8,215,229,452
CONTINGENCIES AND COMMITMENTS	20	–	–
Net worth		15,238,104,385	11,870,843,069
Represented by :			
SHARE CAPITAL AND RESERVES			
Share capital	21	3,105,069,950	3,105,069,950
Capital reserves	22	1,157,521,457	1,150,373,350
Revenue reserves	23	10,975,512,978	7,615,399,769
		15,238,104,385	11,870,843,069

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, 2010

	Note	2010 Rupees	2009 Rupees
Sales - net	24	27,123,868,602	22,059,606,789
Cost of goods sold	25	24,374,579,289	19,748,550,789
Gross profit		2,749,289,313	2,311,056,000
Selling and distribution expenses	26	158,860,859	126,674,952
Administrative expenses	27	501,916,251	423,594,936
Other operating expenses	28	113,546,299	24,977,054
Finance cost	29	1,262,092,608	1,387,287,978
		2,036,416,017	1,962,534,920
		712,873,296	348,521,080
Other operating income	30	201,242,257	77,089,140
		914,115,553	425,610,220
Share of profit of associate - net		2,979,689,000	1,500,542,000
Profit before taxation		3,893,804,553	1,926,152,220
Provision for taxation	31	533,691,344	300,773,643
Profit for the year		3,360,113,209	1,625,378,577
Earnings per share - Basic and Diluted	32	10.82	5.23

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

Chief Executive Officer *Director*

Statement of Comprehensive Income
for the year ended June 30, 2010

	2010 Rupees	2009 Rupees
Profit for the year	3,360,113,209	1,625,378,577
Other comprehensive income for the year		
Share of changes in equity of associate	12,779,000	7,741,000
Deferred tax relating to share of changes in equity of associate	(1,277,900)	(774,100)
Share of changes in equity of associate reclassified to profit and loss account on disposal	(4,836,659)	–
Deferred tax relating to share of changes in equity of associate reclassified to profit and loss account on disposal	483,666	–
	7,148,107	6,966,900
Total comprehensive income for the year	3,367,261,316	1,632,345,477

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

Chief Executive Officer *Director*

Cash Flow Statement
for the year ended June 30, 2010

		2010 Rupees	2009 Rupees
a)	**Cash flows from operating activities**		
	Profit before taxation	3,893,804,553	1,926,152,220
	Adjustments for :		
	Depreciation / amortisation of property, plant and equipment	758,214,430	723,283,512
	Amortisation of intangible assets	6,395,307	6,197,893
	Provision for staff retirement gratuity	112,563,304	83,157,025
	Loss / (gain) on disposal of property, plant and equipment	43,175,566	(2,229,593)
	Profit on deposits	(1,226,495)	(1,264,484)
	Balances written off / (written back) - net	3,150,850	(5,089,587)
	Gain on disposal of investment in associate	(163,469,363)	–
	Share of profit of associate - net	(2,979,689,000)	(1,500,542,000)
	Finance cost	1,262,092,608	1,387,287,978
	Operating cash flows before working capital changes	2,935,011,760	2,616,952,964
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores, spare parts and loose tools	(25,702,217)	42,425,806
	Stock in trade	554,571,965	1,263,623,681
	Trade debts	21,042,970	(33,848,183)
	Loans and advances	(63,987,314)	259,979,388
	Prepayments	199,154	(1,997,265)
	Other receivables	(673,189,326)	375,799,166
	Decrease in current liabilities		
	Trade and other payables	(1,577,676,641)	(531,585,764)
		(1,764,741,409)	1,374,396,829
	Cash generated from operations	1,170,270,351	3,991,349,793
	Long term loans	(25,182,879)	–
	Finance cost paid	(1,335,725,886)	(1,285,326,223)
	Income tax paid	(41,394,172)	(309,087,555)
	Staff retirement gratuity paid	(22,581,968)	(22,455,954)
	Net cash (used in) / generated from operating activities	(254,614,554)	2,374,480,061
b)	**Cash flows from investing activities**		
	Additions in :		
	Property, plant and equipment	(183,268,554)	(1,059,454,318)
	Intangible assets	(1,317,861)	(5,645,152)
	Proceeds from disposal of property, plant and equipment	11,047,651	12,730,937
	Investment in associate	–	(3,306,783,684)
	Proceeds from disposal of investment in associate	901,577,600	–
	Dividend received	1,138,714,784	568,208,720
	Long term deposits	(11,000)	(250,323)
	Profit on deposits	1,226,495	1,264,484
	Net cash generated from / (used in) investing activities	1,867,969,115	(3,789,929,336)
c)	**Cash flows from financing activities**		
	Long term financing obtained	2,750,000,000	4,150,000,000
	Repayment of :		
	Long term financing	(4,231,916,666)	(1,240,250,000)
	Long term murabaha	(300,000,000)	(300,000,000)
	Increase / (decrease) in short term bank borrowings - net	71,876,803	(804,604,451)
	Dividend paid	(75,900)	(464,741,181)
	Net cash (used in) / generated from financing activities	(1,710,115,763)	1,340,404,368
	Net decrease in cash and cash equivalents (a+b+c)	(96,761,202)	(75,044,907)
	Cash and cash equivalents at the beginning of the year	169,514,922	244,559,829
	Cash and cash equivalents at the end of the year	72,753,720	169,514,922

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, 2010

	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, 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)
Total comprehensive income for the year	–	–	–	6,966,900	–	1,625,378,577	1,632,345,477
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
Transfer to general reserve	–	–	–	–	100,000,000	(100,000,000)	–
Total comprehensive income for the year	–	–	–	7,148,107	–	3,360,113,209	3,367,261,316
Balance as at June 30, 2010	3,105,069,950	1,000,000,000	72,017,550	85,503,907	2,081,673,099	8,893,839,879	15,238,104,385

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

Chief Executive Officer *Director*

Notes to the Financial Statements
for the year ended June 30, 2010

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

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

The following standards, amendments and interpretations have been effective and are mandatory for financial statements for the periods beginning on or after July 01, 2009 and therefore, have been applied in preparing these financial statements :

– IAS 1 (Revised), 'Presentation of Financial Statements' prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. 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.

  The Company has preferred to present two statements; a profit and loss account (income statement) and a statement of comprehensive income. Comparative information has also been represented in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

– IAS 23 (Revised), 'Borrowing costs' requires an entity to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing these borrowing costs has been removed. The current policy of the Company is in line with the requirements of this amendment, therefore, there is no impact on profit for the year.

– IAS 36 (Amendment), 'Impairment of assets' requires disclosures equivalent to those required for value in use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. The application of this amendment has no impact on profit for the year.

- IAS 38 (Amendment), 'Intangible assets' states that a prepayment may only be recognised in the event where prepayment has been made in advance of obtaining right of access to goods or receipt of services. The application of this amendment has no impact on profit for the year.

- IFRS 7, 'Financial instruments : Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the Company's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the Company's financial statements, and, there is no impact on profit for the year.

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

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2009 but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

2.1.3 Standards, amendments to standards and interpretations becoming effective in future periods

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

- IAS 1 (Amendment), 'Presentation of Financial Statements' will be effective for the accounting periods beginning on or after January 01, 2010. The amendment provides clarification that the potential settlement of a liability by the issuer of equity is not relevant to its classification as current or non - current. By amending the definition of current liability, the amendment permits a liability to be classified as non - current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counter party to settle in shares at any time. It is not expected to have a material impact on the Company's financial statements.

- IFRS 5 (Amendment), 'Non - current assets held for sale and discontinued operations' deals with measurement of non - current assets (or disposal groups) classified as held for sale. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non - current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. It will be applicable to Company's accounting periods beginning on or after July 01, 2010 and is not expected to have a material impact on the Company's financial statements.

2.1.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are other amendments to the standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not mentioned 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, investment in associate accounted for using the equity method and non - current assets held for sale stated at the lower of carrying amount and fair value less costs to sell.

Notes to the Financial Statements
for the year ended June 30, 2010

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 over a period of five years using straight line method.

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.

Notes to the Financial Statements
for the year ended June 30, 2010

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

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

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

Wastes are valued at net realisable value.

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

2.10 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 Non - current assets held for sale

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

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

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

– Their carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had the assets not been classified as held for sale, and

– Their recoverable amount at the date of the subsequent decision not to sell.

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

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Provision for taxation

Current

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

Deferred

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

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

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

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

2.17 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.

2.18 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 profit and loss account. All non - monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transactions.

Notes to the Financial Statements
for the year ended June 30, 2010

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 Critical accounting estimates and judgments

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

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

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

Notes to the Financial Statements
for the year ended June 30, 2010

		Note	2010 Rupees	2009 Rupees
3.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating assets	3.1	7,190,161,467	7,684,718,062
	Capital work in progress	3.5	252,000	132,295,223
			7,190,413,467	7,817,013,285

3.1 Operating assets

	Land: Freehold	Land: Leasehold	Building on: Freehold land	Building on: Leasehold land	Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
	Rupees								
At July 01, 2008									
Cost	255,904,779	408,500	1,832,767,757	63,897,537	12,408,235,883	96,474,133	149,704,381	157,361,328	14,964,754,298
Accumulated depreciation / amortisation	–	(84,764)	(862,057,109)	(27,501,253)	(6,628,351,550)	(25,371,410)	(63,408,414)	(69,249,307)	(7,676,023,807)
Written down value	255,904,779	323,736	970,710,648	36,396,284	5,779,884,333	71,102,723	86,295,967	88,112,021	7,288,730,491
Reconciliation of written down value at June 30, 2009									
Written down value as at July 01, 2008	255,904,779	323,736	970,710,648	36,396,284	5,779,884,333	71,102,723	86,295,967	88,112,021	7,288,730,491
Additions	–	–	153,535,285	–	939,881,725	5,362,448	10,469,187	20,523,782	1,129,772,427
Less : Disposals									
Cost	–	–	–	–	6,287,859	23,500	460,342	18,077,866	24,849,567
Accumulated depreciation	–	–	–	–	(2,788,615)	(15,710)	(181,747)	(11,362,151)	(14,348,223)
	–	–	–	–	3,499,244	7,790	278,595	6,715,715	10,501,344
Less : Depreciation / amortisation	–	4,085	98,350,526	3,639,629	586,629,371	7,306,738	9,112,452	18,240,711	723,283,512
Written down value as at June 30, 2009	255,904,779	319,651	1,025,895,407	32,756,655	6,129,637,443	69,150,643	87,374,107	83,679,377	7,684,718,062
At July 01, 2009									
Cost	255,904,779	408,500	1,986,303,042	63,897,537	13,341,829,749	101,813,081	159,713,226	159,807,244	16,069,677,158
Accumulated depreciation / amortisation	–	(88,849)	(960,407,635)	(31,140,882)	(7,212,192,306)	(32,662,438)	(72,339,119)	(76,127,867)	(8,384,959,096)
Written down value	255,904,779	319,651	1,025,895,407	32,756,655	6,129,637,443	69,150,643	87,374,107	83,679,377	7,684,718,062
Reconciliation of written down value at June 30, 2010									
Written down value as at July 01, 2009	255,904,779	319,651	1,025,895,407	32,756,655	6,129,637,443	69,150,643	87,374,107	83,679,377	7,684,718,062
Additions	–	–	140,709,177	–	87,956,675	11,687,579	13,137,520	64,390,101	317,881,052
Less : Disposals									
Cost	–	–	–	–	75,328,108	11,713,283	56,009,603	24,480,668	167,531,662
Accumulated depreciation	–	–	–	–	(54,959,863)	(4,977,007)	(39,427,739)	(13,943,836)	(113,308,445)
	–	–	–	–	20,368,245	6,736,276	16,581,864	10,536,832	54,223,217
Less : Depreciation / amortisation	–	4,085	103,762,118	3,275,666	614,329,194	7,357,378	9,100,628	20,385,361	758,214,430
Written down value as at June 30, 2010	255,904,779	315,566	1,062,842,466	29,480,989	5,582,896,679	66,744,568	74,829,135	117,147,285	7,190,161,467
At June 30, 2010									
Cost	255,904,779	408,500	2,127,012,219	63,897,537	13,354,458,316	101,787,377	116,841,143	199,716,677	16,220,026,548
Accumulated depreciation / amortisation	–	(92,934)	(1,064,169,753)	(34,416,548)	(7,771,561,637)	(35,042,809)	(42,012,008)	(82,569,392)	(9,029,865,081)
Written down value	255,904,779	315,566	1,062,842,466	29,480,989	5,582,896,679	66,744,568	74,829,135	117,147,285	7,190,161,467
Rate (%)		01	10	10	10	10	10	20	

		Note	2010 Rupees	2009 Rupees
3.2	**Depreciation / amortisation for the year has been allocated as under :**			
	Cost of goods sold	25	729,882,805	695,708,290
	Administrative expenses	27	28,331,625	27,575,222
			758,214,430	723,283,512

3.3 Additions to building on freehold land and plant and machinery include Nil (2009 : Rs. 75,934,487/-) being the borrowing cost capitalised.

Notes to the Financial Statements
for the year ended June 30, 2010

3.4 Detail of disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	Rupees				
Plant and machinery					
(Sold by negotiation)	130,000	104,732	25,268	50,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Written off under Company policy)	75,198,108	54,855,131	20,342,977	–	
	75,328,108	54,959,863	20,368,245	50,000	
Furniture and fixture					
(Sold by negotiation)	36,300	21,928	14,372	5,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Written off under Company policy)	11,676,983	4,955,079	6,721,904	–	
	11,713,283	4,977,007	6,736,276	5,000	
Office equipment					
(Sold by negotiation)	70,000	7,379	62,621	30,000	Laptop City, Shop # 5, Upper Ground Floor, Kohinoor-1 Plaza, Jaranwala Road, Faisalabad.
	110,000	15,889	94,111	25,000	Paper Communications, N.H.S.P. Plaza, Fazal-ul-Haq Road, Blue Area, Islamabad.
	315,000	115,106	199,894	98,750	Emerging Technologies, 88-B, Sabzazar Scheme, Multan Road, Lahore.
	145,400	90,816	54,584	25,000	Siemens Enterprises Communications (Pvt) Limited, 15-A, State Life Building, Sir Agha Khan Road, Lahore.
	174,222	65,380	108,842	13,424	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Sold under Company policy)	83,200	24,513	58,687	10,702	Shahood-ul-Hassan (Employee)
(Written off under Company policy)	55,111,781	39,108,655	16,003,126	–	
	56,009,603	39,427,738	16,581,865	202,876	
Vehicles					
(Sold by negotiation)	1,248,050	923,608	324,442	432,000	Sheikh Nasir Mehmood, 82/II, Street # 17, Phase-VI, Khayaban-e-Rahat, DHA, Karachi.
	7,697,762	3,332,275	4,365,487	4,470,000	Performance Automotive (Pvt) Limited, 24-D, Bahar Shah Road, Al-Faisal Town, Lahore.
	695,107	613,492	81,615	81,615	Naveed Ahmed, House # P-177, Saeed Colony # 1, Faisalabad.
	51,924	49,919	2,005	2,005	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Insurance claim)	1,992,148	108,245	1,883,903	1,922,000	IGI Insurance Limited, Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad.
(Sold under Company policy)	641,924	425,881	216,043	216,043	Muhammad Iqbal Chaudhry (Employee)
	371,160	254,859	116,301	116,301	Irfan Mirza (Employee)
	581,600	443,907	137,693	137,693	Muhammad Husnain (Employee)
	369,835	256,095	113,740	113,740	Raziq Ditta (Employee)
	1,141,800	797,275	344,525	344,525	Abdul Hameed Bhutta (Employee)
	1,316,100	918,982	397,118	397,118	Shahid Amin (Employee)
	633,325	453,251	180,074	180,074	Muhammad Anwar-ul-Hassan (Employee)
	624,640	447,036	177,604	177,604	Qasim Ali (Employee)
	1,265,390	898,258	367,132	367,132	Anwarul Haque (Employee)
	821,544	596,535	225,009	225,009	Syed Amer Akmal (Employee)
	625,490	433,126	192,364	192,364	Tahir Manzoor Raza (Employee)
	630,340	436,484	193,856	193,856	Muhammad Munir (Employee)
	830,630	575,177	255,453	255,453	Tariq Nazir (Employee)
	476,040	293,038	183,002	183,002	Saeed Shah (Employee)
	625,500	385,753	239,747	239,747	Tahir Shakoor (Employee)
	374,922	268,320	106,602	106,602	Muhammad Nadeem Aslam (Employee)
	1,465,437	1,032,321	433,116	435,892	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	24,480,668	13,943,837	10,536,831	10,789,775	
2010	167,531,662	113,308,445	54,223,217	11,047,651	
2009	24,849,567	14,348,223	10,501,344	12,730,937	

Notes to the Financial Statements
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
3.5 Capital work in progress			
Building on freehold land		–	99,891,252
Plant and machinery		–	285,864
Advances against property, plant and equipment			
Building on freehold land		–	14,439,404
Plant and machinery		–	300,000
Furniture and fixture		–	13,953,683
Office equipment		252,000	185,020
Vehicles		–	3,240,000
		252,000	32,118,107
		252,000	132,295,223

4. INTANGIBLE ASSETS

	Note	2010 Rupees	2009 Rupees
Computer softwares	4.1	3,560,842	9,117,288
Computer softwares under implementation			
Software licences		1,714,088	1,714,088
Advances against implementation		3,653,000	3,174,000
		5,367,088	4,888,088
		8,927,930	14,005,376

4.1 Computer softwares

	2010 Rupees	2009 Rupees
At June 30,		
Cost	32,288,774	31,449,913
Accumulated amortisation	(28,727,932)	(22,332,625)
Written down value	3,560,842	9,117,288
Reconciliation of written down value :		
Opening balance	9,117,288	14,558,117
Additions	838,861	757,064
Amortisation	(6,395,307)	(6,197,893)
Closing balance	3,560,842	9,117,288

5. INVESTMENT IN ASSOCIATE

	Note	2010 Rupees	2009 Rupees
Allied Bank Limited (ABL) - Quoted			
301,846,565 (2009 : 287,678,696) ordinary shares of Rs.10/- each		9,048,228,675	9,517,015,499
Ownership interest 38.50% (2009 : 40.46%)			
Share of post acquisition changes in equity		6,774,167,988	4,624,066,780
Less : Dividend received during the year		(1,138,714,784)	(568,208,720)
		14,683,681,879	13,572,873,559
Less : 7,500,000 ordinary shares classified as held for sale	13	(364,846,339)	–
		14,318,835,540	13,572,873,559

5.1 The market value of investment in associate as at June 30, 2010 was Rs. 16,763 million (2009 : Rs. 10,817 million).

5.2 The financial year end of ABL is 31st December. The latest available financial results of associate as of March 31, 2010 have been used for the purpose of application of equity method.

Notes to the Financial Statements
for the year ended June 30, 2010

		March 31, 2010 Rupees in million	March 31, 2009 Rupees in million
5.3	**Summarised financial information of associate :**		
	Aggregate amount of :		
	– Assets	399,837	347,697
	– Liabilities	369,587	322,888
	– Revenue (from April 01 to March 31)	41,823	34,394
	– Profit (from April 01 to March 31)	7,451	4,248

	Note	2010 Rupees	2009 Rupees
6. LONG TERM LOANS			
Considered good			
Executives	6.1	38,894,104	–
Other employees		3,022,883	–
		41,916,987	–
Current portion	10	(16,734,108)	–
		25,182,879	–

		2010 Rupees	2009 Rupees
6.1	**Reconciliation of carrying amount of loans to executives :**		
	Opening balance	–	–
	Disbursements	48,136,664	–
	Repayments	(9,242,560)	–
	Closing balance	38,894,104	–

6.2 These loans have been given to executives and other employees under Company policy for purchase of house or for personal use in accordance with their terms of employment. These loans are to be repaid over a period of two to five years in equal monthly installments. Any outstanding loan due from an employee at the time of leaving the services of the Company is adjustable against final settlement of staff retirement gratuity.

6.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 29.5 million.

	2010 Rupees	2009 Rupees
7. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	214,677,174	193,170,030
Spare parts		
In hand	435,348,367	443,288,180
In transit	69,870,166	58,271,510
	505,218,533	501,559,690
Loose tools	2,707,636	2,171,406
	722,603,343	696,901,126

Notes to the Financial Statements
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
8. STOCK IN TRADE			
Raw materials			
In hand		1,277,277,465	1,362,120,740
In transit		17,800,526	170,310,229
		1,295,077,991	1,532,430,969
Work in process		273,470,969	237,571,534
Finished goods		781,938,072	1,134,669,759
Wastes		4,628,609	5,015,344
		2,355,115,641	2,909,687,606
9. TRADE DEBTS			
Secured			
Local		18,864,674	23,779,154
Foreign		5,319,833	3,989,897
		24,184,507	27,769,051
Unsecured			
Local		114,605,039	135,214,315
		138,789,546	162,983,366
10. LOANS AND ADVANCES			
Considered good			
Loans			
Employees			
Executives		6,718,478	4,454,553
Others		10,006,347	4,572,113
Current portion of long term loans	6	16,734,108	–
		33,458,933	9,026,666
Advances			
Suppliers and contractors		53,986,889	23,286,648
Income tax		604,528,589	657,732,557
Letters of credit fee, margin and expenses		10,882,340	2,027,534
		669,397,818	683,046,739
		702,856,751	692,073,405
11. OTHER RECEIVABLES			
Custom duty refundable		547,816,358	249,121,154
Income tax refundable		236,987,223	–
Sales tax / Federal excise duty refundable		307,423,832	152,257,398
Claims		10,580,475	28,316,209
Other		3,414,796	3,338,597
		1,106,222,684	433,033,358
12. CASH AND BANK BALANCES			
Cash in hand		6,678,279	30,556,369
Cash at banks			
In current accounts		13,994,390	52,111,977
In deposit accounts	12.1	52,081,051	86,846,576
		66,075,441	138,958,553
		72,753,720	169,514,922

12.1 The rate of profit on deposit accounts is 5% per annum (2009 : 5% to 5.4% per annum).

Notes to the Financial Statements
for the year ended June 30, 2010

		2010 Rupees	2009 Rupees
13.	**NON - CURRENT ASSETS HELD FOR SALE**		
	Investment in associate		
	Allied Bank Limited (ABL) - Quoted		
	7,500,000 ordinary shares of Rs. 10/- each	364,846,339	–

13.1 The management has decided to dispose off these shares. The shares were subsequently disposed off on September 24, 2010.

		Note	2010 Rupees	2009 Rupees
14.	**TRADE AND OTHER PAYABLES**			
	Creditors		310,620,809	187,092,062
	Accrued liabilities	14.1	269,808,966	212,652,649
	Advances from customers		26,571,818	23,967,883
	Capital expenditure payable		29,922,487	27,353,213
	Bills payable		375,536,501	2,262,863,353
	Workers' profit participation fund	14.2	40,645,678	22,762,284
	Workers' welfare fund		26,572,565	2,145,553
	Unclaimed dividend		13,899,811	13,975,711
	Other		97,045,170	12,320,664
			1,190,623,805	2,765,133,372

14.1 It includes Rs. 10,000/- (2009 : Rs. 10,000/-) due to a related party.

14.2 Workers' profit participation fund

	2010 Rupees	2009 Rupees
Opening balance	22,762,284	43,775,726
Interest on funds utilised in the Company's business	1,409,908	4,658,410
	24,172,192	48,434,136
Paid to the fund	(24,172,192)	(48,434,136)
	–	–
Allocation for the year	40,645,678	22,762,284
	40,645,678	22,762,284

		2010 Rupees	2009 Rupees
15.	**SHORT TERM BANK BORROWINGS**		
	Secured		
	Running finances	902,890,847	863,561,488
	Term finances	666,547,444	634,000,000
		1,569,438,291	1,497,561,488

15.1 These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from 12.35% to 13.18% per annum (2009 : 13.52% to 14.91% per annum). The aggregate un-availed short term bank borrowing facilities available to the Company are Rs. 3,680 million (2009 : Rs. 3,335 million).

Notes to the Financial Statements
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
16. LONG TERM FINANCING			
Secured			
From banking companies			
Demand finance I		–	134,500,000
Demand finance II	16.1	666,666,667	800,000,000
Demand finance III		–	2,000,000,000
Demand finance IV		–	750,000,000
Demand finance V	16.2	450,000,000	–
Term finance I	16.3	625,000,000	937,500,000
Term finance II	16.4	337,500,000	450,000,000
Term finance III	16.5	750,000,000	750,000,000
Term finance IV	16.6	541,666,667	650,000,000
Term finance V	16.7	800,000,000	–
Term finance VI	16.8	1,500,000,000	–
Syndicated term finance	16.9	340,375,000	1,021,125,000
		6,011,208,334	7,493,125,000
Less : Current portion		1,686,208,334	1,481,916,666
		4,325,000,000	6,011,208,334

Demand finance II

16.1 It is repayable in 6 equal half yearly installments commenced 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 charge created in respect of demand finance V (Refer Note 16.2). It carries markup at three months KIBOR plus 50 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 12.79% to 13.27% per annum (2009 : 13.27% to 16.02% per annum).

Demand finance V

16.2 It is repayable in 8 equal half yearly installments commencing from June 24, 2011 and ending on December 24, 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 charge created in respect of demand finance II (Refer Note 16.1). It carries markup at six months KIBOR plus 125 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 13.62% to 14.21% per annum.

Term finance I

16.3 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 term finance III (Refer Note 16.5), term finance VI (Refer Note 16.8), syndicated term finance (Refer Note 16.9) and long term murabaha (Refer Note 17.1). It carries markup at three months KIBOR plus 110 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 13.39% to 13.86% per annum (2009 : 13.30% to 16.59% per annum).

Term finance II

16.4 It is repayable in 8 equal half yearly installments commenced from December 28, 2009 and ending on June 28, 2013. It is secured by way of first pari passu charge over 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 13.39% to 13.87% per annum (2009 : 13.55% to 16.60% per annum).

Term finance III

16.5 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 term finance I (Refer Note 16.3), term finance VI (Refer Note 16.8), syndicated term finance (Refer Note 16.9) and long term murabaha (Refer Note 17.1). 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 13.44% to 13.66% per annum (2009 : 13.47% to 15.00% per annum).

Term finance IV

16.6 It is repayable in 6 equal half yearly installments commenced from May 17, 2010 and ending on November 17, 2012. It is secured by way of first charge over 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 13.72% to 15.10% per annum (2009 : 15.10% to 17.19% per annum).

Term finance V

16.7 It is repayable in 8 equal half yearly installments commencing from March 25, 2011 and ending on September 25, 2014. It is secured by way of first parri passu charge over fixed assets of Textile Plant-II of the Company. It carries markup at six months KIBOR plus 140 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 13.84% to 14.06% per annum.

Term finance VI

16.8 It is repayable in 8 equal half yearly installments commencing from March 28, 2011 and ending on September 28, 2014. It is secured by way of first charge over present and future fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of term finance I (Refer Note 16.3), term finance III (Refer Note 16.5), syndicated term finance (Refer Note 16.9) and long term murabaha (Refer Note 17.1). 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 14.17% to 14.41% per annum.

Syndicated term finance

16.9 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 term finance I (Refer Note 16.3), term finance III (Refer Note 16.5), term finance VI (Refer Note 16.8) and long term murabaha (Refer Note 17.1). 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 13.10% to 15.53% per annum (2009 : 11.31% to 15.53% per annum).

Notes to the Financial Statements
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
17. LONG TERM MURABAHA			
Secured			
From banking company			
Murabaha term finance	17.1	150,000,000	450,000,000
Less : Current portion		150,000,000	300,000,000
		–	150,000,000

17.1 It is repayable in 8 equal half yearly installments commenced from February 07, 2007 and ending on August 07, 2010. It is secured by way of first charge over present and future fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of term finance I (Refer Note 16.3), term finance III (Refer Note 16.5), term finance VI (Refer Note 16.8) and syndicated term finance (Refer Note 16.9). 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 13.19% to 14.34% per annum (2009 : 11.35% to 16.39% per annum).

	2010 Rupees	2009 Rupees
18. DEFERRED TAXATION		
18.1 Opening balance	1,741,441,544	1,535,453,137
Provided during the year	73,035,365	205,988,407
	1,814,476,909	1,741,441,544
18.2 This comprises of the following :		
Deferred tax liabilities :		
Difference in tax and accounting bases of property, plant and equipment	1,391,881,456	1,445,446,976
Investment in associate	563,545,322	405,585,806
Deferred tax asset :		
Staff retirement gratuity	(140,949,869)	(109,591,238)
	1,814,476,909	1,741,441,544

19. STAFF RETIREMENT GRATUITY

19.1 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, 2010 using Projected Unit Credit Method.

Notes to the Financial Statements
for the year ended June 30, 2010

		Note	2010 Rupees	2009 Rupees
19.2	**The amount recognised in the balance sheet is as follows :**			
	Present value of defined benefit obligation		454,669,780	345,966,413
	Cumulative net unrecognised actuarial losses		(52,782,570)	(33,386,839)
			401,887,210	312,579,574
19.3	**Movement in net liability recognised**			
	Opening liability		312,579,574	252,263,753
	Liability transferred to accrued liabilities		(673,700)	(385,250)
	Expenses recognised in profit and loss account	19.3.1	112,563,304	83,157,025
	Paid during the year		(22,581,968)	(22,455,954)
			401,887,210	312,579,574
	19.3.1 Expenses recognised in profit and loss account			
	Current service cost		71,047,334	52,734,992
	Interest cost		41,515,970	30,422,033
			112,563,304	83,157,025

		2010	2009
19.4	**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 lives of participating employees	7 years	7 years

19.5 Trend information

	2010	2009	2008	2007	2006
	Rupees				
Present value of defined benefit obligation	454,669,780	345,966,413	253,516,940	256,986,645	207,838,685
Experience adjustment on obligation	19,395,731	32,133,652	(27,114,454)	22,202,986	(24,200,347)

Notes to the Financial Statements
for the year ended June 30, 2010

	2010 Rupees in million	2009 Rupees in million
20. CONTINGENCIES AND COMMITMENTS		
20.1 Contingencies		
20.1.1 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 (the Court) against submission of bank guarantees in favour of Collector of Customs. The Court has decreed the suit in favour of the Company. The Company has filed an application for execution of decree with the Court and for refund of customs duty. The Customs Department has filed an appeal in the Court and the same is pending.	116.594	116.594
(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.	196.075	103.603
20.1.2 Demand of Collector of Customs against custom duty on import of machinery. The matter has been decided by the Honourable Sindh High Court, Karachi in favour of the Company.	–	6.567
20.1.3 Income tax liability of Rs. 173.167 million has not been acknowledged due to pending appeal. The Company's claims of tax credit for payment of minimum tax of Rs. 191.417 million in earlier years is also pending before the appellate authorities.	–	–
20.1.4 Custom duty of Rs. 8.9 million in respect of local purchase of PTA has not been acknowledged due to pending appeal. The Company's claims on account of custom duty refund amounting to Rs.11.455 million is also pending before the Customs Department.	–	–
20.2 Commitments		
20.2.1 Under contracts for capital expenditure	–	50.877
20.2.2 Under letters of credit for raw materials and spare parts	399.743	406.530

Notes to the Financial Statements
for the year ended June 30, 2010

			2010 Rupees	2009 Rupees

21. SHARE CAPITAL

Authorised capital

2010	2009		2010	2009
Number of shares			**Rupees**	**Rupees**
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

2010	2009		2010	2009
Number of shares			**Rupees**	**Rupees**
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

21.1 Number of shares held by an associated undertaking in the share capital of the Company is Nil (2009 : 61,205,835).

22. CAPITAL RESERVES

	Note	2010 Rupees	2009 Rupees
Premium on issue of shares		1,000,000,000	1,000,000,000
Merger reserve	22.1	72,017,550	72,017,550
Share of changes in equity of associate		85,503,907	78,355,800
		1,157,521,457	1,150,373,350

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

23. REVENUE RESERVES

	2010 Rupees	2009 Rupees
General reserve	2,081,673,099	1,981,673,099
Unappropriated profit	8,893,839,879	5,633,726,670
	10,975,512,978	7,615,399,769

24. SALES

	2010 Rupees	2009 Rupees
Local	27,057,115,416	21,987,438,279
Export	77,898,663	81,325,963
	27,135,014,079	22,068,764,242
Less :		
Discount on sales	–	974,073
Commission and brokerage	11,145,477	8,183,380
	27,123,868,602	22,059,606,789

Notes to the Financial Statements
for the year ended June 30, 2010

		Note	2010 Rupees	2009 Rupees
25.	**COST OF GOODS SOLD**			
	Raw materials consumed		19,800,852,395	15,930,332,778
	Packing materials		248,055,302	237,095,423
	Salaries, wages and benefits		641,725,843	540,812,573
	Staff retirement benefits		79,118,633	58,449,513
	Stores and spare parts		645,309,265	450,125,028
	Fuel and power		1,689,130,485	1,744,563,539
	Insurance		24,285,868	22,454,370
	Depreciation of property, plant and equipment	3.2	729,882,805	695,708,290
	Other		198,999,706	68,730,687
			24,057,360,302	19,748,272,201
	Work in process			
	Opening stock		237,571,534	284,880,362
	Closing stock		(273,470,969)	(237,571,534)
			(35,899,435)	47,308,828
	Cost of goods manufactured		24,021,460,867	19,795,581,029
	Finished goods			
	Opening stock		1,139,685,103	1,092,654,863
	Closing stock		(786,566,681)	(1,139,685,103)
			353,118,422	(47,030,240)
			24,374,579,289	19,748,550,789
26.	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries and benefits		68,330,533	54,100,928
	Staff retirement benefits		11,950,791	8,828,739
	Freight and forwarding		58,859,788	47,266,127
	Travelling and conveyance		3,450,067	3,018,070
	Vehicles running and maintenance		5,390,943	5,195,672
	Postage and telecommunication		1,047,779	1,100,384
	Other		9,830,958	7,165,032
			158,860,859	126,674,952
27.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		27,000,000	21,750,000
	Salaries and benefits		193,617,361	140,185,622
	Staff retirement benefits		21,493,880	15,878,773
	Travelling and conveyance		58,559,789	43,817,379
	Vehicles running and maintenance		10,729,736	10,133,192
	Fuel and power		22,562,985	17,499,877
	Postage and telecommunication		12,360,151	10,954,613
	Printing and stationery		5,371,743	5,560,266
	Repairs and maintenance		53,776,254	39,969,695
	Fees, subscription and periodicals		7,380,786	11,267,901
	Rent, rates and taxes		25,691,535	12,600,395
	Legal and professional		9,466,750	37,441,500
	Entertainment		5,417,544	5,432,431
	Auditors' remuneration	27.1	1,845,000	1,555,000
	Advertisement		326,646	1,266,630
	Insurance		703,020	532,168
	Donations	27.2	300,000	955,000
	Depreciation / amortisation of property, plant and equipment	3.2	28,331,625	27,575,222
	Amortisation of intangible assets	4	6,395,307	6,197,893
	Other		10,586,139	13,021,379
			501,916,251	423,594,936

Notes to the Financial Statements
for the year ended June 30, 2010

	2010 Rupees	2009 Rupees
27.1 Auditors' remuneration		
Audit fee	1,500,000	1,200,000
Other services	345,000	355,000
	1,845,000	1,555,000

27.2 No director or his spouse had any interest in the donees' fund.

28. OTHER OPERATING EXPENSES

	2010 Rupees	2009 Rupees
Workers' profit participation fund	40,645,678	22,762,284
Loss on disposal of property, plant and equipment	43,175,566	–
Workers' welfare fund	26,574,205	2,214,770
Balances written off - net	3,150,850	–
	113,546,299	24,977,054

29. FINANCE COST

	2010 Rupees	2009 Rupees
Markup / interest on :		
Long term financing	892,550,504	952,491,871
Long term murabaha	34,891,315	81,296,262
Short term bank borrowings	331,147,635	346,025,559
Workers' profit participation fund	1,409,908	4,658,410
Bank charges and commission	2,093,246	2,815,876
	1,262,092,608	1,387,287,978

30. OTHER OPERATING INCOME

	2010 Rupees	2009 Rupees
Scrap sales	34,976,861	65,934,630
Profit on deposits	1,226,495	1,264,484
Balances written back - net	–	5,089,587
Exchange differences	138,542	916,946
Gain on disposal of property, plant and equipment	–	2,229,593
Gain on disposal of investment in associate	163,469,363	–
Other	1,430,996	1,653,900
	201,242,257	77,089,140

31. PROVISION FOR TAXATION

	2010 Rupees	2009 Rupees
Current		
For the year	461,282,445	94,430,371
For prior years	167,769	1,128,966
Deferred		
For the year	72,241,130	205,214,306
	533,691,344	300,773,643

Notes to the Financial Statements
for the year ended June 30, 2010

	2010 Rupees	2009 Rupees
31.1 Reconciliation between accounting profit and tax expense		
Profit before taxation	3,893,804,553	1,926,152,220
Tax on accounting profit at the applicable tax rate of 35%	1,362,831,594	674,153,277
Tax effect of :		
Share of profit of associate not chargeable to tax	(1,042,891,150)	(525,189,700)
Income chargeable to tax at special rate	114,650,465	57,634,132
Income exempt from tax	(57,214,277)	–
Expenses that are inadmissible in determining taxable profit / unrealised profits	156,146,943	93,046,968
Adjustments of prior years in respect of current tax	167,769	1,128,966
	533,691,344	300,773,643

	2010	2009
32. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees)	3,360,113,209	1,625,378,577
Weighted average number of ordinary shares	310,506,995	310,506,995
Earnings per share - Basic and Diluted (Rupees)	10.82	5.23

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

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	8,181,816	16,363,632	241,922,603	6,590,905	13,181,810	155,048,166
Medical allowance	818,184	1,636,368	23,970,214	659,095	1,318,190	15,351,937
Reimbursable expenses for vehicles running	–	–	14,238,189	–	–	12,614,113
	9,000,000	18,000,000	280,131,006	7,250,000	14,500,000	183,014,216
Number of persons	1	2	198	1	2	138

33.1 The Chief Executive Officer and Directors are entitled to free use of the Company maintained vehicles. The monetary value of the benefit is Rs. 2,144,672/- (2009 : Rs. 1,990,826/-). The Directors have waived off their meeting fee.

Notes to the Financial Statements
for the year ended June 30, 2010

34. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. Amounts due from and due to related parties, if any, are shown under receivables and payables respectively. Remuneration to Chief Executive Officer, Directors and Executives is disclosed in Note 33 and Long term loans to Executives in Note 6. Other significant transactions with related parties are as under :

Relationship	Nature of transaction	2010 Rupees	2009 Rupees
Associated Undertakings			
	Rent	23,100,000	9,060,000
	Dividend received	1,138,714,784	568,208,720
	Dividend paid	–	91,808,753
	Loan received	408,775,013	–
	Loan repaid	408,775,013	–
	Mark up on loan	18,566,585	–
Key management personnel			
	Rent	120,000	120,000
	Purchase of shares	–	3,303,269,480
	Sale of shares	902,000,000	–
	Dividend paid	–	266,361,171
	Disposal of vehicles under Company policy	764,250	–

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2010 M. Tons	2009 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 137,856 (2009 : 137,856))	41,696	41,696
Actual production		
Polyester Staple Fibre / Polyester Chips	181,579	178,981
Yarn converted into 20/s count (Spindles worked 136,305 (2009 : 135,728))	48,712	48,343

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, 2010

36. 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.

	2010 Rupees	2009 Rupees
36.1 Financial instruments by category		
Financial assets :		
Investment in associate	14,318,835,540	13,572,873,559
Long term loans	25,182,879	–
Long term deposits	3,746,923	3,735,923
Trade debts	138,789,546	162,983,366
Loans and advances	33,458,933	9,026,666
Other receivables	10,772,599	28,508,333
Cash and bank balances	72,753,720	169,514,922
Non - current assets held for sale	364,846,339	–
	14,968,386,479	13,946,642,769
Financial liabilities :		
Long term financing	6,011,208,334	7,493,125,000
Long term murabaha	150,000,000	450,000,000
Trade and other payables	1,096,833,744	2,716,257,652
Markup / interest payable	179,909,644	253,542,922
Short term bank borrowings	1,569,438,291	1,497,561,488
	9,007,390,013	12,410,487,062

36.1.1 Credit risk and concentration of credit risk

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

	2010 Rupees	2009 Rupees
Long term loans	25,182,879	–
Long term deposits	3,746,923	3,735,923
Trade debts	138,789,546	162,983,366
Loans and advances	33,458,933	9,026,666
Other receivables	10,772,599	28,508,333
Bank balances	66,075,441	138,958,553
	278,026,321	343,212,841

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

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

Notes to the Financial Statements
for the year ended June 30, 2010

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 :

	2010 Rupees	2009 Rupees
Industrial users	126,736,726	155,326,541
Retailers	12,052,820	7,656,825
	138,789,546	162,983,366
Aging of trade debts as at balance sheet date is as under :		
Not past due	117,759,867	141,591,111
Past due within one year	4,855,727	7,645,316
Past due more than one year	16,173,952	13,746,939
	138,789,546	162,983,366

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.

36.1.2 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 by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payment as at June 30, 2010 and June 30, 2009.

	2010				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
Financial Liabilities					
Long term financing	6,011,208,334	7,650,791,493	1,187,273,311	1,228,993,013	5,234,525,169
Long term murabaha	150,000,000	151,952,877	151,952,877	–	–
Trade and other payables	1,096,833,744	1,096,833,744	1,096,833,744	–	–
Markup / interest payable	179,909,644	179,909,644	179,909,644	–	–
Short term bank borrowings	1,569,438,291	1,587,157,815	1,587,157,815	–	–
	9,007,390,013	10,666,645,573	4,203,127,391	1,228,993,013	5,234,525,169

	2009				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
Financial Liabilities					
Long term financing	7,493,125,000	10,678,856,039	1,150,470,070	1,336,248,462	8,192,137,506
Long term murabaha	450,000,000	488,953,726	173,926,192	162,906,000	152,121,534
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	1,565,148,279	1,565,148,279	–	–
	12,410,487,062	15,702,758,618	5,859,345,115	1,499,154,462	8,344,259,040

Notes to the Financial Statements
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The contractual cash flows relating to mark up have been determined on the basis of markup rates as applicable at June 30, 2010 on long term financing, long term murabaha and short term bank borrowings. The Company has liquid assets of Rs. 670.987 million (2009 : Rs. 370.033 million) and unavailed short term borrowing facilities of Rs. 3,680 million (2009 : Rs. 3,335 million) (Refer Note 15.1) as at June 30, 2010 to minimise the liquidity risk.

36.1.3 Market risk

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

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The effective interest / markup rate for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

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

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

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

Had the interest rate been increased / decreased by 100 basis points at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 56.068 million respectively (2009 : Rs. 59.830 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument, will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to foreign currency transactions. The Company is exposed to currency risk on other payables, 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. 221.320 million (2009 : Rs. 1,579.086 million).

Had the Pak Rupee been weakened / strengthened by 5% against the U.S dollar at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 6.697 million respectively (2009 : Rs. 47.779 million).

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 non - current assets held for sale are accounted for at carrying values and are not directly exposed.

36.2 Fair values of financial instruments

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

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

Notes to the Financial Statements
for the year ended June 30, 2010

36.3 Capital risk management

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

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets 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, 2010 and 2009 was as follows :

	Note	2010 Rupees	2009 Rupees
Debt	15, 16 & 17	7,730,646,625	9,440,686,488
Less : Cash and cash equivalents	12	72,753,720	169,514,922
Net Debt		7,657,892,905	9,271,171,566
Total equity		15,238,104,385	11,870,843,069
Total capital		22,895,997,290	21,142,014,635
Gearing ratio		33.45%	43.85%

37. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue as at October 01, 2010 by the Board of Directors of the Company.

38. NON - ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 01, 2010 proposed dividend at the rate of Rs. 2 per share amounting to Rs. 621.014 million for the year ended June 30, 2010 subject to the approval of the members at the forthcoming Annual General Meeting to be held on October 30, 2010 and approved transfer of an amount of Rs. 30 million to general reserve for the year ended June 30, 2010.

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

Chief Executive Officer *Director*

Pattern of Shareholding
as at June 30, 2010

Number of Shareholders	Having Shares From	Having Shares To	Shares Held
370	1	100	18,092
1,021	101	500	241,978
523	501	1000	378,940
456	1001	5000	1,007,537
95	5001	10000	688,877
31	10001	15000	389,173
24	15001	20000	434,717
11	20001	25000	258,583
10	25001	30000	279,344
13	30001	35000	420,596
8	35001	40000	298,546
1	40001	45000	44,500
3	45001	50000	142,429
3	50001	55000	158,791
2	55001	60000	115,600
2	60001	65000	125,000
2	65001	70000	134,875
3	70001	75000	219,896
1	75001	80000	80,000
2	85001	90000	177,375
1	100001	105000	101,781
1	105001	110000	110,000
1	110001	115000	112,375
1	115001	120000	120,000
2	120001	125000	250,000
1	145001	150000	145,804
1	240001	245000	242,358
1	280001	285000	283,998
1	335001	340000	337,000
1	345001	350000	347,125
1	385001	390000	389,127
1	435001	440000	438,250
1	470001	475000	473,101
1	560001	565000	561,125
1	605001	610000	609,544
1	635001	640000	635,107
1	670001	675000	674,000
1	1095001	1100000	1,099,826
1	1815001	1820000	1,818,530
1	2140001	2145000	2,141,300
1	4490001	4495000	4,494,000
1	5725001	5730000	5,729,875
1	10530001	10535000	10,532,600
1	11750001	11755000	1,753,434
1	14770001	14775000	14,773,861
1	17070001	17075000	17,071,958
1	74950001	74955000	74,952,723
1	75915001	75920000	75,915,283
1	78775001	78780000	78,778,061
2,611			**310,506,995**

Categories of Shareholders
as at June 30, 2010

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	–	–	–
NIT & ICP			
National Bank of Pakistan Trustee Deptt.	1	1,818,530	0.5857
Investment Corporation of Pakistan	1	1,413	0.0005
Directors, Chief Executive Officer and their spouses			
Sheikh Mukhtar Ahmed	1	74,952,723	24.1388
Mrs. Iqbal Begum	1	17,071,958	5.4981
Mr. Mohammad Naeem Mukhtar	1	75,915,283	24.4488
Mrs. Ghazala Naeem	1	14,773,861	4.7580
Mr. Mohammad Waseem Mukhtar	1	78,778,061	25.3708
Mrs. Bina Sheikh	1	11,753,434	3.7852
Mr. Anwar-ul-Haq	1	5,200	0.0017
Mr. Shahid Amin	1	500	0.0002
Mr. Syed Asif Hasan	1	1,000	0.0003
Mr. Mohammad Pervaiz Aslam Rana	1	800	0.0003
Executives	3	9,076	0.0029
Banks, DFIs, NBFIs & Leasing Companies	17	2,051,828	0.6608
Insurance Companies	6	2,147,204	0.6915
Modarabas and Mutual Funds	8	1,143,206	0.3682
Joint Stock Companies	61	1,776,249	0.5720
Genral Public			
a. Local	2,501	16,510,294	5.3172
b. Foreign	3	11,796,375	3.7991
Shareholders holding 10% (or more) (Excluding Directors)	–	–	–
	2,611	310,506,995	100.0000

Form of Proxy

I / We ______________________ of ____________ a member / members of the Company / merged Companies, do hereby appoint Mr. / Ms. ______________________
of ____________ a member of the Company, or failing him / her Mr. / Ms. ____________
of ____________ who is also a member of the Company, as my / our proxy to attend, speak and vote for me / us and on my /our behalf at the 24th Annual General Meeting of the Company to be held on October 30, 2010 at 11:00 AM at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

Signed this ____________ day of ____________ 2010.

AFFIX
REVENUE STAMP
OF RS. 5/-

Witness: (1)

Signature ______________________
Name ______________________
Address ______________________
CNIC No. ______________________

Signature : ______________________

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

Witness: (2)

Signature ______________________
Name ______________________
Address ______________________
CNIC No. ______________________

Folio No. ______________________
CDC A/c No. ______________________
No. of shares held ______________________
Distinctive Numbers ______________________

IMPORTANT :

1. The Proxy Form must be deposited at the registered office of the Company at Ibrahim Centre, 1- Ahmed Block, New Garden Town, Lahore, as soon as possible but not later than 48 hours before the time of holding the Meeting and in default Proxy Form will not be treated as valid.

2. No person shall act as proxy unless he / she is a member of the Company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the Company or not.

3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES :

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

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

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii) The proxy shall produce his 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.

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