Building a better tomorrow

Ibrahim GROUP

Building a better tomorrow

Contents

Company Information

Board of Directors

Sheikh Mukhtar Ahmed
Chairman

Mohammad Naeem Mukhtar
Chief Executive Officer

Muhammad Waseem Mukhtar

Shahid Amin

Anwarul Haque

Mohammad Pervaiz Aslam Rana

Mohammad Waqar

Secretary

Anwarul Haque - FCA

Audit Committee

Shahid Amin
Chairman

Mohammad Pervaiz Aslam Rana
Member

Mohammad Waqar
Member

Anwarul Haque - FCA
Secretary

Auditors

Avais Hyder Liaquat Nauman,
Chartered Accountants
Faisalabad, Pakistan.

Bankers

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

Registered Office

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

Head Office

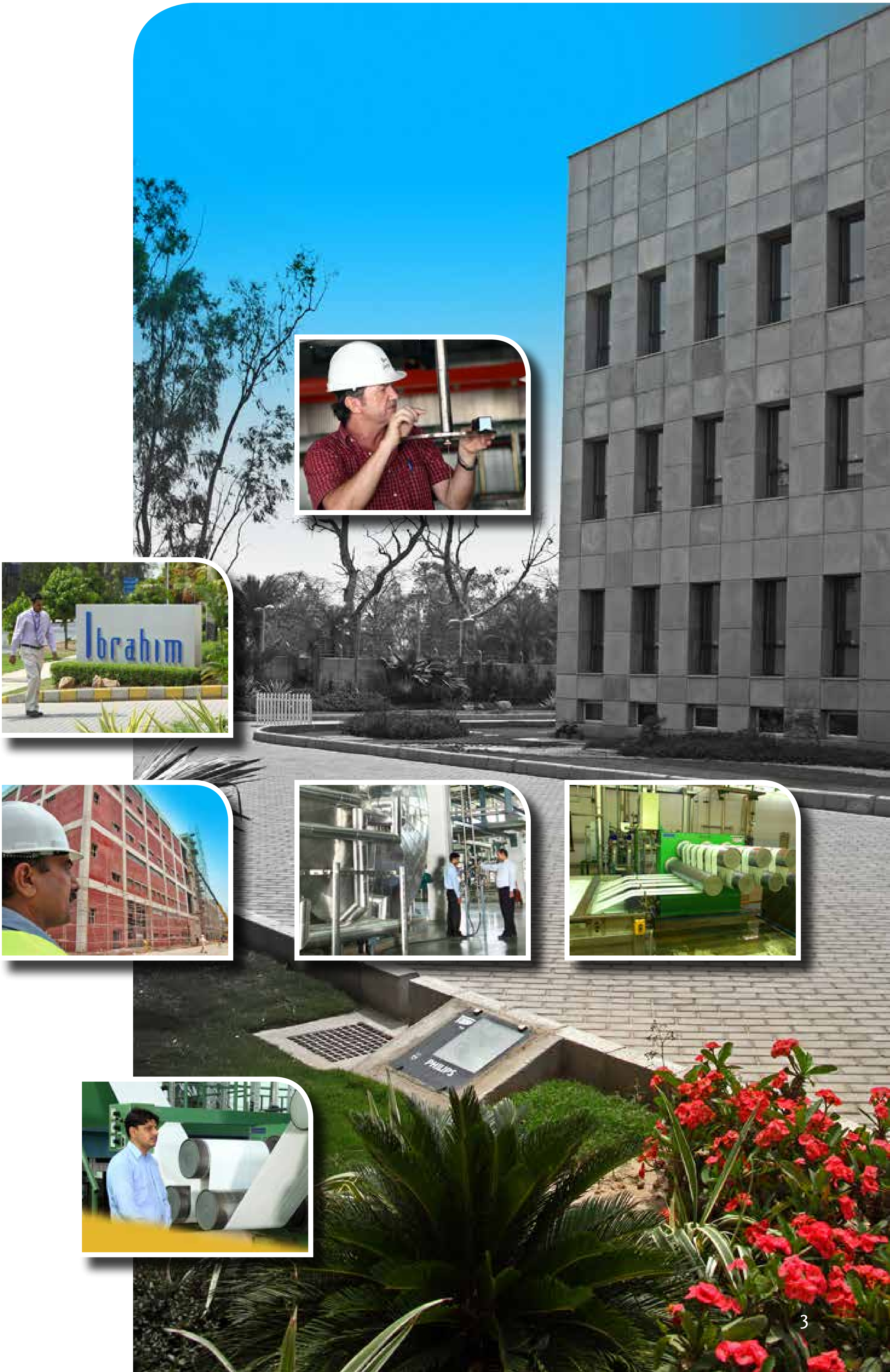
Ibrahim Centre,
15 - Club Road,
Faisalabad - 38000, Pakistan.

Registrar's & Shares Registration Office

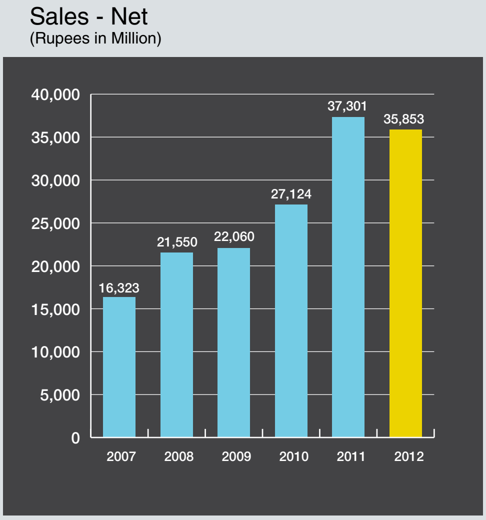
M/s Technology Trade (Pvt) Ltd.
Dagia House,
241 - C, Block - 2,
P.E.C.H.S., Off: Shahrah-e-Quaideen,
Karachi, Pakistan.

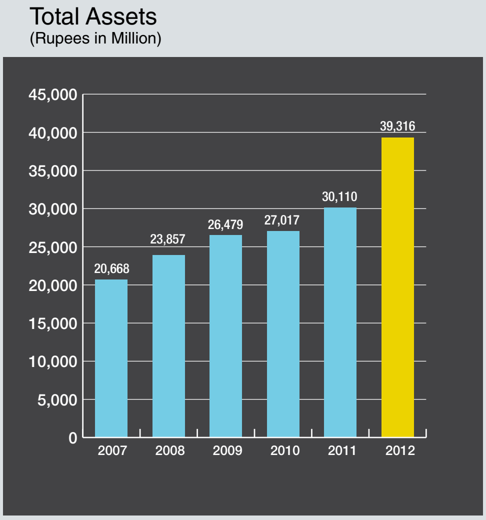
Projects Location

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


Ibrahim
PHILIPS

Financial Highlights

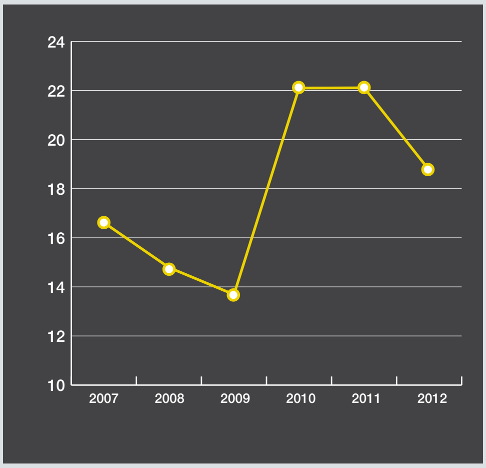




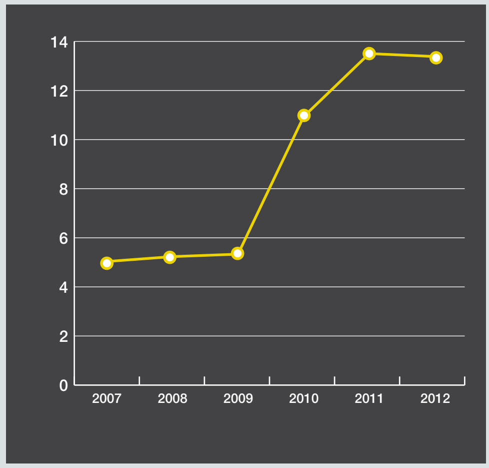
	For the Year Ended June 30,					
	2012	2011	2010	2009	2008	2007
						(Rupees in million)
Operating performance						
Sales - net	35,853	37,301	27,124	22,060	21,550	16,323
Inter - project consumption	3,877	3,658	2,748	2,372	2,014	1,649
	39,730	40,959	29,872	24,432	23,564	17,972
Gross profit	2,622	3,123	2,749	2,311	2,187	1,631
Operating profit	1,920	2,449	2,126	1,838	1,748	1,250
Profit before taxation	4,452	4,875	3,894	1,926	2,110	1,769
Profit after taxation	4,114	4,152	3,360	1,625	1,583	1,515

	As at June 30,					
	2012	2011	2010	2009	2008	2007
						(Rupees in million)
Financial position						
Property, plant and equipment - net (excluding capital work in progress)	7,054	7,109	7,190	7,685	7,289	7,109
Intangible assets	10	11	9	14	15	18
Capital work in progress	13,385	1,720	–	132	212	385
Fixed assets	20,449	8,840	7,199	7,831	7,516	7,512
Total assets	39,316	30,110	27,017	26,479	23,857	20,668
Current assets						
Stores, spare parts and stocks in trade	5,686	3,509	3,078	3,607	4,913	2,988
Other current assets	1,563	3,813	2,319	1,294	1,853	1,332
Cash and cash equivalents	52	155	73	170	245	297
	7,301	7,477	5,470	5,071	7,011	4,617
Current liabilities						
Short term bank borrowings	2,319	704	1,569	1,498	2,302	1,801
Current portion of long term financing / murabaha	1,229	1,783	1,836	1,782	1,540	1,278
Other current liabilities	2,108	3,800	1,832	3,113	3,729	2,289
	5,656	6,287	5,237	6,393	7,571	5,368
Net working capital	1,645	1,190	232	(1,322)	(560)	(751)
Long term financing / murabaha	9,262	2,542	4,325	6,161	3,793	4,683
Share capital and reserves	21,933	18,776	15,238	11,871	10,704	9,116

Return on Equity
(Percentage)



Earnings Per Share
(Rupees)



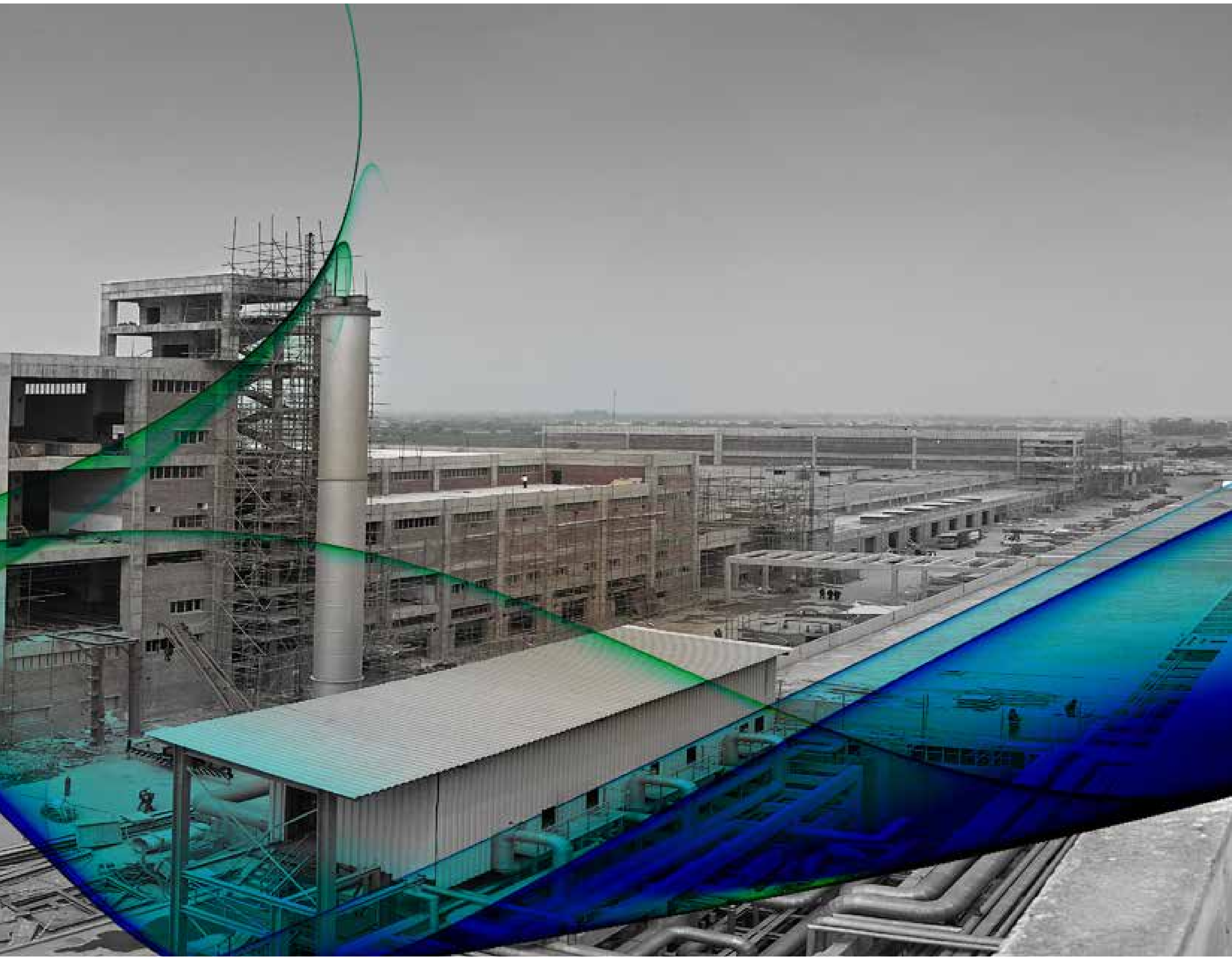
		For the Year Ended June 30,					
		2012	2011	2010	2009	2008	2007
Profitability analysis							
Gross profit to sales	(%)	7.3	8.4	10.1	10.5	10.1	10.0
Profit before tax to sales	(%)	12.4	13.1	14.4	8.7	9.8	10.8
Profit after tax to sales	(%)	11.5	11.1	12.4	7.4	7.3	9.3
Return on capital employed	(%)	5.7	10.3	9.8	9.2	10.7	8.2
Return on equity	(%)	18.8	22.1	22.1	13.7	14.8	16.6
Earnings per share	(Rupees)	13.2	13.4	10.8	5.2	5.1	4.9
Dividend							
Cash dividend - Proposed	(%)	30	30	20	–	15	–

		As at June 30,					
		2012	2011	2010	2009	2008	2007
Financial analysis							
Current ratio	(times)	1.3	1.2	1.0	0.8	0.9	0.9
Debt to equity	(times)	0.5	0.2	0.4	0.7	0.5	0.7
Leverage ratio	(times)	0.8	0.6	0.8	1.2	1.2	1.3
Debt service coverage	(times)	1.9	1.7	1.4	1.1	1.4	1.1
Breakup value per share	(Rupees)	70.6	60.5	49.1	38.2	34.5	29.4
Inventory turnover ratio	(times)	9.4	13.6	9.3	5.6	5.8	7.1
Debtors turnover ratio	(times)	188.9	253.3	179.8	151.0	173.6	118.3
Fixed assets turnover ratio	(times)	2.4	4.7	3.6	2.9	2.9	2.1

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, 2012.

Industry Overview

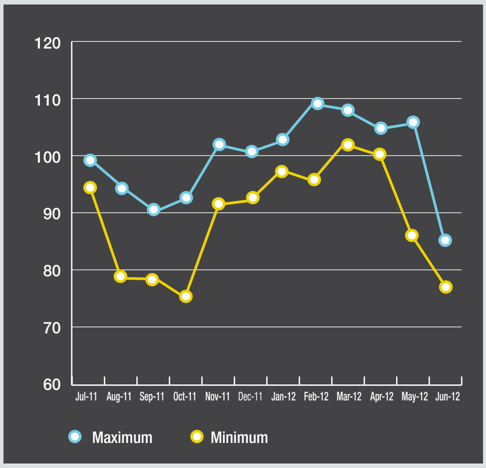
The demand of textile products in the country remained under pressure during the year under review on the back of lower textile exports which was mainly due to intensifying Euro zone debt crisis and deceleration of economic activity in the regional market. The activity in domestic textile industry slowed down further due to lesser availability of power and gas through the major part of the year. On the other hand, domestic cotton output was high during the year, being 27% higher than the previous year. This abundant supply led to fall in the prices of cotton thus making it more lucrative as compared to Polyester Staple Fibre (PSF). On the back of all these factors, demand of PSF in the country remained subdued.

As a consequence of global slowdown, regional manufacturers of PSF started increasingly dumping their surplus stocks in the country at unrealistic prices, which further aggravated the situation for domestic PSF manufacturers.

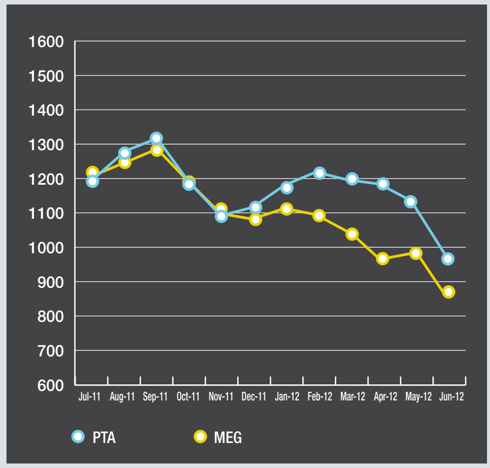
Commodity prices remained unstable in the international market due to speculative trading trends. As a result, there was a lot of turbulence in the prices of PSF and its raw materials throughout the year. The prices of PSF in the domestic market also followed suit.

In addition to lesser availability of natural gas, the price of gas was also revised twice during the year under review, adding up in total to a 29% increase for captive power producers. Furthermore, Gas Infrastructure Development Cess was levied with effect from January 01, 2012 @ Rs. 13 per MMBTU on captive power. These regulatory measures affected the gross margins adversely.

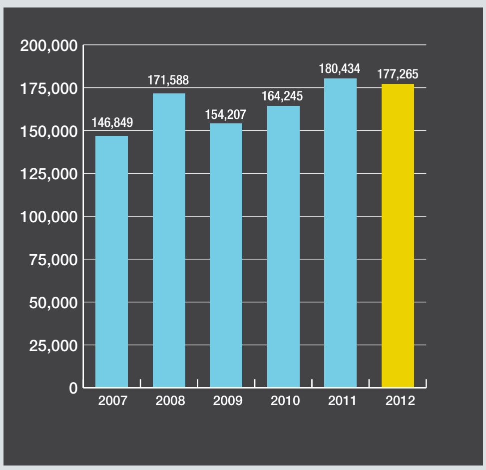
Crude Oil (WTI) Prices
(US Dollar / Barrel)



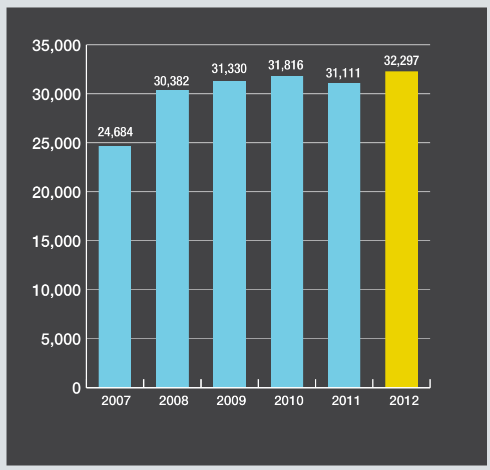
PTA & MEG Prices
(US Dollar / Ton)



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



Yarn Sales
(Quantity in M. Ton)



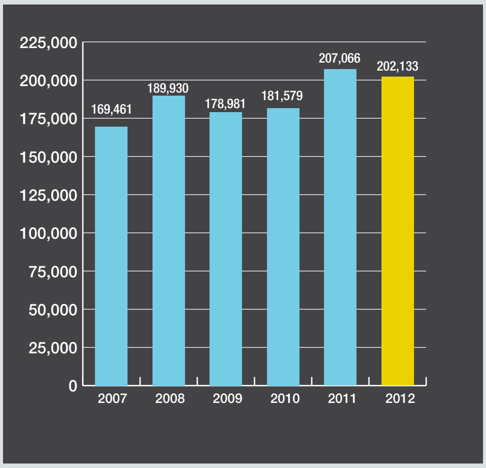
Marketing Activities

In the above mentioned market scenario, the polyester plant of your Company achieved sales volume of 177,265 tons of PSF/Polyester chips during the year under review as against sales of 180,434 tons of PSF during previous year.

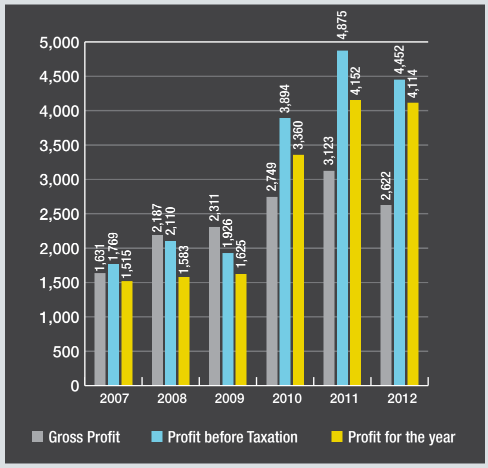
The textile plants of your Company achieved sales of 32,297 tons of different counts of blended yarns during the year, as against sales of 31,111 tons of yarns during previous year.

Chairman's Review

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



Earning Performance
(Rupees in Million)



Production Operations

During the year under review, the polyester plant of your Company achieved an average capacity utilization of 97% as against 99% during previous year by producing 202,133 tons of PSF / Polyester chips as against 207,066 tons during previous year. Out of the above production, 22,649 tons of PSF were consumed by the textile plants of your Company during the year, for production of blended yarns as against 22,041 tons consumed during previous year.

At IFL textile plants, 136,390 spindles remained operational during the year and manufactured 32,145 tons of different counts of blended yarns as against 133,440 spindles manufacturing 31,560 tons of yarns during previous year.

Financial Performance

During the year under review, net sales achieved by your Company were Rs. 35,853 million as compared to Rs. 37,301 million during previous year. The gross profit earned during the year was Rs. 2,622 million as against Rs. 3,123 million earned during previous year.
Higher rate and lesser availability of natural gas, devaluation of Pak Rupee as against the US Dollar, higher prices of heavy fuel oil, and inventory losses in cotton blend yarns that were caused by sharp decline in prices of cotton during first half of the year under review increased the cost of production, thus affecting the annual gross margins adversely.

After accounting for the proportionate share in profits of Allied Bank Limited, an associated company, amounting to Rs. 2,744 million for the year under review as against Rs. 3,225 million for previous year, your Company earned profit before tax amounting to Rs. 4,452 million during the year as compared to Rs. 4,875 million during previous year. Profit after tax for the year comes to Rs. 4,114 million as compared to Rs. 4,152 million during previous year.

Professionalism And Human Resources

Your Company has always adopted a strategic approach for managing and training its human resource and providing it with suitable working environment so that it can effectively contribute towards the accomplishment of Company's strategic objectives. As part of this strategy, qualified professional and technical resources are hired and continuous training opportunities related to their area of expertise are provided to them.

During the year, 44 employees were nominated to participate in workshops, training courses, seminars and conferences on budgeting, taxation, internal controls, financial reporting, information technology, security solutions, labour laws, power management and maintenance strategies, organized by leading institutions and organizations inside and outside the country.

Chairman’s Review

Balancing, Modernisation And Expansion

Polyester Staple Fibre Plant

The expansion project of polyester plant of your Company is currently in the process of implementation. Under this project, a capacity of 227,500 tons per annum will be added to the existing PSF production capacity thereby increasing the overall PSF production capacity to 436,100 tons per annum.

The machinery and related technology for this project has been imported from the supplier of existing polyester plants, now known as Lurgi, GMBH, Germany. The letter of credit for import of machinery / equipment was opened in December 2010 and shipments of the equipment started from August 2011.

Major shipments of machinery / equipment have already arrived at plant site and erection work has been substantially completed. The management of your Company expects that commercial production will start as per schedule.

Power Generation Plant

Last year, the management of your Company announced its decision to increase the generation capacity of its power generation plant by adding 26.5 MW to the existing 46.8 MW generation capacity of the power generation plant.

In accordance with this decision, a letter of credit was opened in July 2011 for the import of 5 power generating sets fueled by heavy fuel oil having a generation capacity of 5.3 MW each from NIIGATA, Japan who is the supplier of existing power generating sets of the Company.

Major shipments of machinery against the letter of credit have already arrived at plant site and remaining shipments are planned to arrive during calendar year 2012.

Future Outlook

The prices of crude oil and PTA, in the international market, are quite unstable due to factors including quantitative easing in USA, strengthening of the US Dollar, addition of capacities of PTA in the region, expectation of increase in crude oil output and political unrest in the Middle East. In this situation, PSF manufacturers are forced to adjust PSF prices accordingly; resulting in uncertain gross margins. The effect of this turbulence is being observed by the domestic market as well.

PSF demand situation in the country has somewhat recovered on the back of increased availability of power and gas to the textile sector. However, inflow of imported PSF at dumping prices is still seen as a threat.

Margins of PSF and yarn will remain largely dependent on the trend of global prices of PSF, yarn and their raw materials.

However, the management of your Company is making best efforts to maintain the high production and sales level and to achieve better results in the next financial year.

Acknowledgement

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

Sheikh Mukhtar Ahmed
Chairman

Lahore
September 26, 2012

Notice of Meeting

Notice is hereby given that the 26th Annual General Meeting of the shareholders of the Company will be held on October 22, 2012 at 11:00 A.M. at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business :

ORDINARY BUSINESS

1. To confirm the minutes of the preceding Meeting of the shareholders of the Company.
2. To consider and approve the Annual Audited Accounts of the Company for the year ended June 30, 2012 together with Directors' and Auditors' Report thereon.
3. To consider and approve payment of Cash Dividend @ Rs. 3 per share (30%) as recommended by the Board of Directors.
4. To appoint Auditors for the year 2012-2013 and fix their remuneration. The retiring auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants being eligible offer themselves for reappointment.
5. To transact any other business with the permission of the chair.

By order of the Board

Anwarul Haque
Company Secretary

Lahore

September 26, 2012

NOTES

i) The share transfer books of the Company shall remain closed from October 15, 2012 to October 22, 2012 (both days inclusive) to determine the names of members entitled to receive Cash Dividend and to attend the Meeting. Transfers received in order at M/s Technology Trade (Pvt) Ltd, Dagia House, 241-C, Block-2, PECHS, Off: Shahrah-e-Quaideen, Karachi the Registrar's and Shares Registration Office of the Company at the close of business on October 14, 2012 will be treated in time.

ii) A member entitled to attend and vote at the Meeting may appoint another member as his / her proxy to attend and vote for him / her. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.

iii) Members are requested to notify immediately changes, if any, in their registered address.

iv) CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

For Attending the Meeting

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

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing Proxies:

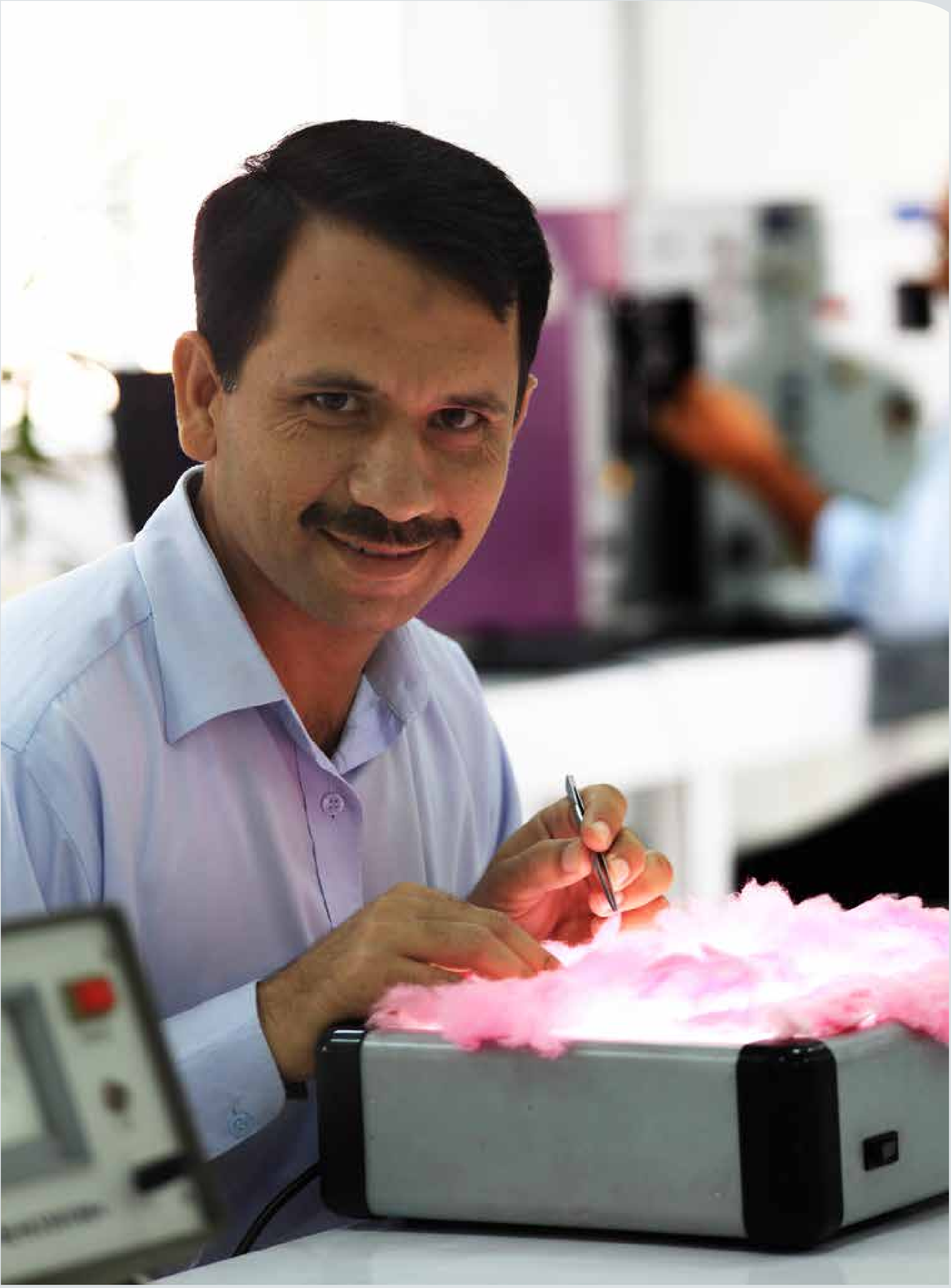
i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

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

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

iv) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



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, 2012 alongwith auditors' report thereon.

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.

	2012 Rupees	2011 Rupees
Gross Profit	2,622,165,623	3,123,297,340
Selling and distribution expenses	158,541,465	152,781,541
Administrative expenses	591,731,463	577,500,576
Other operating expenses	83,530,305	113,699,275
Finance cost	780,322,044	828,974,533
	1,614,125,277	1,672,955,925
	1,008,040,346	1,450,341,415
Other operating income	700,636,731	199,696,578
	1,708,677,077	1,650,037,993
Share of profit of associate - net	2,743,648,000	3,224,500,000
Profit before taxation	4,452,325,077	4,874,537,993
Provision for taxation	338,414,235	722,718,801
Profit for the year	4,113,910,842	4,151,819,192
Un-appropriated profit brought forward	12,394,645,081	8,893,839,879
Profit available for appropriation	16,508,555,,923	13,045,659,071
Less:		
Dividend	931,520,985	621,013,990
Transfer to general reserve during the year	519,000,000	30,000,000
	1,450,520,985	651,013,990
Un-appropriated profit carried forward	15,058,034,938	12,394,645,081
Earnings per share - Basic and Diluted	13.25	13.37

Cash Dividend

The Board has recommended payment of Cash Dividend for the year ended June 30, 2012 @ Rs. 3 per share (30%) to all the shareholders of the Company.

	2012 Rupees	2011 Rupees
Proposed Appropriation of Profit		
Cash dividend		
Rs. 3 per share @ 30% (2011 : Rs. 3 per share @ 30%)	931,520,985	931,520,985
Transfer to General reserve	459,000,000	519,000,000
	1,390,520,985	1,450,520,985

Chairman's Review

The Directors of your Company fully endorse the Chairman's review on the performance of the Company for the year ended June 30, 2012.

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, 2013.

Pattern of Shareholding

Pattern of shareholding as on June 30, 2012 is annexed.

Number of Board Meetings Held

Six meetings of the Board of Directors were held during the year ended June 30, 2012 and the attendance of the Directors is as follows:

		Attendance
Sheikh Mukhtar Ahmed	Chairman	06
Mohammad Naeem Mukhtar	Chief Executive Officer	06
Muhammad Waseem Mukhtar	Director	01
Shahid Amin	Director	05
Anwarul Haque	Director	06
Mohammad Pervaiz Aslam Rana	Director	06
Syed Asif Hasan	Director	03
Mohammad Waqar	Director	02

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 (Non-Executive Director)	Chairman
Mohammad Pervaiz Aslam Rana (Non Executive Director)	Member
Mohammad Waqar (Non Executive Director)	Member

Meetings of Audit Committee were held during the year ended June 30, 2012 as required by the Code of Corporate Governance for review of quarterly accounts, annual accounts and other related matters. The meetings were also attended by the CFO, Head of Internal Audit and External Auditors as and when required.

Corporate And Financial Reporting Framework

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

1. The financial statements, prepared by the management of the Company present fairly the state of affairs of the Company, results of its operations, cash flows and changes in equity;
2. Proper books of accounts of the Company have been maintained as required under the Companies Ordinance, 1984;
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
4. International Accounting /Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there is no departure therefrom;
5. The system of internal control is sound 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; and
8. Financial highlights for the last 6 years are annexed.

Directors' Report to the Shareholders

Corporate Social Responsibility

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

Your Company regularly donates generous amounts to renowned hospitals, trusts and to various institutions constituted for dealing with natural calamites as part of its philanthropic activities.

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

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

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

Disclosure under Section 218 and 236 of the Companies Ordinance, 1984

Pursuant to the requirements of Section 218 and 236 of the Companies Ordinance, 1984, this is to inform that Mohammad Naeem Mukhtar has been re-appointed as the Chief Executive Officer of the Company with effect from January 29, 2012 for a period of three years in the meeting of the Board of Directors and his remuneration has been increased from Rs. 750,000 to Rs. 1,000,000 with effect from February 01, 2012 with all other terms and conditions remaining the same.

This is further to inform that the Board of Directors has simultaneously increased the remuneration of two full-time working directors namely Sheikh Mukhtar Ahmed and Muhammad Waseem Mukhtar from Rs. 750,000 to Rs. 1,000,000 each with effect from February 01, 2012 with all other terms and conditions remaining the same.

The Company has already informed all the shareholders of the Company as per notice circulated on February 15, 2012 and copy of the said notice has also been filed with the Securities and Exchange Commission of Pakistan accordingly.

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
September 26, 2012

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

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

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

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

Category	Names
Independent Directors	–
Executive Directors	Sheikh Mukhtar Ahmed Mohammad Naeem Mukhtar Muhammad Waseem Mukhtar
Non-Executive Directors	Shahid Amin Anwarul Haque Mohammad Pervaiz Aslam Rana Mohammad Waqar

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

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

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

4. No casual vacancy occurred in the Board during the year under review.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated. The Company Secretary and CFO attended the meetings of the Board of Directors.

9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with the amendments in the corporate and other laws if any. Three out of seven Directors have acquired certification under the “Corporate Governance Leadership Skills Programme” conducted by the “Pakistan Institute of Corporate Governance.”

10. The appointment of Company Secretary, CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO was approved by the Board.

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

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

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

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

15. The Board has formed an audit committee. It comprises of three non-executive directors. The condition of clause xxiv of the CCG in relation to independent director will be applicable after next election of directors in January 2015.

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

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.

18. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

22. The ‘closed period’, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company’s shares was determined and intimated to directors, employees and stock exchanges.

23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of
Board of Directors

Mohammad Naeem Mukhtar
Chief Executive Officer

Lahore
September 26, 2012

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, 2012 prepared by the Board of Directors of Ibrahim Fibres Limited (the company) to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the company is listed.

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

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

Further, Sub- Regulation (x) of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2012.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: September 26, 2012
Place: Faisalabad

Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited (the Company) as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: September 26, 2012
Place: Faisalabad

Ibrahim Fibres Limited

Financial Statements

for the year ended June 30, 2012

Balance Sheet

as at June 30, 2012

	Note	2012 Rupees	2011 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	3	20,438,885,097	8,828,907,710
Intangible assets	4	10,386,084	11,092,969
Investment in associate	5	11,542,753,873	13,769,491,023
Long term loans	6	18,762,514	20,540,808
Long term deposits		3,710,742	3,573,063
		32,014,498,310	22,633,605,573
CURRENT ASSETS			
Stores, spare parts and loose tools	7	1,307,470,270	832,525,351
Stock in trade	8	4,378,138,270	2,676,081,437
Trade debts	9	217,278,906	162,236,487
Loans and advances	10	775,242,828	863,787,917
Prepayments		5,907,223	8,052,309
Other receivables	11	565,046,606	537,943,429
Cash and bank balances	12	52,409,353	155,387,775
Non - current assets held for sale		–	2,240,815,548
		7,301,493,456	7,476,830,253
CURRENT LIABILITIES			
Trade and other payables	13	1,449,639,466	3,001,543,155
Mark up / interest payable		126,972,120	154,623,130
Short term bank borrowings	14	2,319,267,416	703,649,354
Current portion of long term financing	15	1,229,166,668	1,783,333,334
Provision for taxation - income tax		531,391,817	644,189,393
		5,656,437,487	6,287,338,366
Working capital		1,645,055,969	1,189,491,887
Total capital employed		33,659,554,279	23,823,097,460
NON - CURRENT LIABILITIES			
Long term financing	15	9,262,499,998	2,541,666,666
Deferred liabilities :			
Deferred taxation	16	1,783,075,007	1,980,013,457
Staff retirement gratuity	17	681,222,845	525,355,864
		11,726,797,850	5,047,035,987
CONTINGENCIES AND COMMITMENTS	18	–	–
Net worth		21,932,756,429	18,776,061,473
Represented by :			
SHARE CAPITAL AND RESERVES			
Share capital	19	3,105,069,950	3,105,069,950
Capital reserves	20	1,138,978,442	1,164,673,343
Revenue reserves	21	17,688,708,037	14,506,318,180
		21,932,756,429	18,776,061,473

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, 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	22	35,852,566,227	37,300,680,078
Cost of goods sold	23	33,230,400,604	34,177,382,738
Gross profit		2,622,165,623	3,123,297,340
Selling and distribution expenses	24	158,541,465	152,781,541
Administrative expenses	25	591,731,463	577,500,576
Other operating expenses	26	83,530,305	113,699,275
Finance cost	27	780,322,044	828,974,533
		1,614,125,277	1,672,955,925
		1,008,040,346	1,450,341,415
Other operating income	28	700,636,731	199,696,578
		1,708,677,077	1,650,037,993
Share of profit of associate - net		2,743,648,000	3,224,500,000
Profit before taxation		4,452,325,077	4,874,537,993
Provision for taxation	29	338,414,235	722,718,801
Profit for the year		4,113,910,842	4,151,819,192
Earnings per share - Basic and Diluted	30	13.25	13.37

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, 2012

	2012 Rupees	2011 Rupees
Profit for the year	4,113,910,842	4,151,819,192
Other comprehensive income for the year		
Share of changes in equity of associate	7,647,000	12,866,423
Deferred tax relating to share of changes in equity of associate	(764,700)	(1,286,642)
Share of changes in equity of associate reclassified to profit and loss account on disposal	(36,196,890)	(4,919,883)
Deferred tax relating to share of changes in equity of associate reclassified to profit and loss account on disposal	3,619,689	491,988
	(25,694,901)	7,151,886
Total comprehensive income for the year	4,088,215,941	4,158,971,078

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

Chief Executive Officer **Director**

Cash Flow Statement

for the year ended June 30, 2012

	2012 Rupees	2011 Rupees
a) Cash flows from operating activities		
Profit before taxation	4,452,325,077	4,874,537,993
Adjustments for :		
Depreciation / amortisation of property, plant and equipment	710,378,837	715,480,136
Amortisation of intangible assets	2,686,185	1,635,025
Provision for staff retirement gratuity	194,213,896	153,585,246
Balances written back - net	(2,190,270)	(788,397)
(Gain) / loss on disposal of :		
Property, plant and equipment	2,291,796	(5,541,337)
Investment - available for sale	–	(4,910,807)
Non - current assets held for sale	(652,662,036)	(138,420,757)
Profit on deposits	(10,091,193)	(22,905,993)
Share of profit of associate - net	(2,743,648,000)	(3,224,500,000)
Finance cost	780,322,044	828,974,533
Operating cash flows before working capital changes	2,733,626,336	3,177,145,642
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(474,944,919)	(109,922,008)
Stock in trade	(1,702,056,833)	(320,965,796)
Trade debts	(55,042,419)	(22,658,544)
Loans and advances	219,977,984	(220,839,862)
Prepayments	2,145,086	(1,416,049)
Other receivables	(109,153,408)	583,737,874
(Decrease) / Increase in current liabilities		
Trade and other payables	(377,447,087)	1,803,161,603
	(2,496,521,596)	1,711,097,218
Cash generated from operations	237,104,740	4,888,242,860
Long term loans recovered - net	1,778,294	4,642,071
Finance cost paid	(822,486,715)	(854,261,047)
Income tax paid	(727,040,557)	(330,619,893)
Staff retirement gratuity paid	(39,529,486)	(26,619,899)
Net cash (used in) / generated from operating activities	(1,350,173,724)	3,681,384,092
b) Cash flows from investing activities		
Additions in :		
Property, plant and equipment	(12,257,793,498)	(2,361,269,819)
Intangible assets	(1,979,300)	(3,800,064)
Investment - available for sale	–	(1,145,000,000)
Proceeds from disposal of :		
Property, plant and equipment	3,731,176	15,869,277
Investment - available for sale	–	1,149,910,807
Non - current assets held for sale	4,996,267,437	866,392,096
Dividend received	1,644,163,260	1,177,850,520
Long term deposits	(137,679)	173,860
Profit on deposits	10,091,193	22,905,993
Net cash (used in) investing activities	(5,605,657,411)	(276,967,330)
c) Cash flows from financing activities		
Long term financing obtained	8,000,000,000	–
Repayment of :		
Long term financing	(1,833,333,334)	(1,686,208,334)
Long term murabaha	–	(150,000,000)
Increase / (decrease) in short term bank borrowings - net	1,615,618,062	(865,788,937)
Dividend paid	(929,432,015)	(619,785,436)
Net cash generated from / (used in) financing activities	6,852,852,713	(3,321,782,707)
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(102,978,422)	82,634,055
Cash and cash equivalents at the beginning of the year	155,387,775	72,753,720
Cash and cash equivalents at the end of the year	52,409,353	155,387,775

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, 2012

	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, 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
Transaction with owners :							
Dividend for the year ended June 30, 2010 : Rs. 2 per share	–	–	–	–	–	(621,013,990)	(621,013,990)
Transferred to general reserve	–	–	–	–	30,000,000	(30,000,000)	–
Total comprehensive income for the year :							
Profit for the year	–	–	–	–	–	4,151,819,192	4,151,819,192
Share of changes in equity of associate	–	–	–	12,866,423	–	–	12,866,423
Deferred tax relating to share of changes in equity of associate	–	–	–	(1,286,642)	–	–	(1,286,642)
Share of changes in equity of associate reclassified to profit and loss account on disposal	–	–	–	(4,919,883)	–	–	(4,919,883)
Deferred tax relating to share of changes in equity of associate reclassified to profit and loss account on disposal	–	–	–	491,988	–	–	491,988
	–	–	–	7,151,886	–	4,151,819,192	4,158,971,078
Balance as at June 30, 2011	3,105,069,950	1,000,000,000	72,017,550	92,655,793	2,111,673,099	12,394,645,081	18,776,061,473
Transaction with owners :							
Dividend for the year ended June 30, 2011 : Rs. 3 per share	–	–	–	–	–	(931,520,985)	(931,520,985)
Transferred to general reserve	–	–	–	–	519,000,000	(519,000,000)	–
Total comprehensive income for the year :							
Profit for the year	–	–	–	–	–	4,113,910,842	4,113,910,842
Share of changes in equity of associate	–	–	–	7,647,000	–	–	7,647,000
Deferred tax relating to share of changes in equity of associate	–	–	–	(764,700)	–	–	(764,700)
Share of changes in equity of associate reclassified to profit and loss account on disposal	–	–	–	(36,196,890)	–	–	(36,196,890)
Deferred tax relating to share of changes in equity of associate reclassified to profit and loss account on disposal	–	–	–	3,619,689	–	–	3,619,689
	–	–	–	(25,694,901)	–	4,113,910,842	4,088,215,941
Balance as at June 30, 2012	3,105,069,950	1,000,000,000	72,017,550	66,960,892	2,630,673,099	15,058,034,938	21,932,756,429

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, 2012

1. STATUS AND ACTIVITIES

1.1 Ibrahim Fibres Limited (the Company) is incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 (the Ordinance) and is listed on Karachi and Lahore Stock Exchanges in Pakistan. The principal business of the Company is manufacture and sale of polyester staple fibre and yarn. The registered office of the Company is located at 1 - Ahmad Block, New Garden Town, Lahore. The manufacturing units are located at Faisalabad - 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 assets, liabilities and reserves of the Company with effect from October 01, 2000.

1.3 The Company is in the process of implementation of balancing, modernisation and expansion of Polyester plant which will enhance the production capacity by 650 tons per day.

1.4 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (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 to accounting standards and interpretations have been effective and are mandatory for financial statements for the accounting periods of the Company beginning on or after July 01, 2011 and therefore, have been applied in preparing these financial statements.

- IAS 1 "Presentation of Financial Statements". The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Company has chosen to present such an analysis in the statement of changes in equity.

- IFRS 7 (Amendments), "Financial Instruments : Disclosures" emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments do not have any significant impact on the Company's financial statements.

- IAS 24 "Related Party Disclosures" (as revised in 2009) has been revised to change the definition of a related party and introduces a partial exemption from the disclosure requirements for government-related entities. The application of revised standard does not have any impact on the Company's financial statements.

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

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2011 but are considered not to be relevant to 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 standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates :

- IAS 1 "Presentation of Financial Statements". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. The amendments to IAS 1 require additional disclosures to be made in other comprehensive income section such that items of other comprehensive income are grouped into two categories : (a) items that will not be reclassified subsequently to profit or loss; and (b) items that might be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the amendment will result in certain disclosures.

- IFRS 7 "Financial Instruments : Disclosures". The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. These amendments are effective for the accounting periods beginning on or after July 01, 2012. These amendments do not have a material impact on the Company's financial statements.

- IFRS 9 "Financial Instruments". IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 is effective for the accounting periods of the Company beginning on or after July 01, 2013. IFRS 9 contains a number of transitional provisions. The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments : Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IFRS 12 "Disclosures of interest in other entities". This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The standard is effective for accounting period of the Company beginning on or after July 01, 2013. The application of the standard may result in additional disclosures.

- IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard is not expected to have any significant impact on the Company's financial statements.

- IAS 12 "Income Taxes". The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2012. The amendments are not expected to have any material impact on the Company's financial statements.

Notes to the Financial Statements

for the year ended June 30, 2012

- IAS 19 "Employee Benefits". The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The amendments are effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard is not expected to have any material impact on the Company's financial statements.

- IAS 28 (Revised) "Investment in Associates and Joint Ventures". The revised standard includes the requirements for joint ventures, as well as associates, to be accounted for under equity method following the issue of IFRS 11. The standard is effective for accounting periods of the Company beginning on or after July 01, 2013. The application of the standard is not expected to have any 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 certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.2 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except staff retirement gratuity carried at present value, 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 cost to sell.

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.

Amortization on additions during the year is charged from the month in which an asset is acquired or captalised.

All costs / expenditure connected with software implementation are collected in Computer softwares under implementation. 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.

Notes to the Financial Statements

for the year ended June 30, 2012

2.5 Impairment

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

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

2.6 Borrowing costs

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

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

2.7 Investment in associate

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

2.8 Stores, spare parts and loose tools

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

2.9 Stock in trade

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 Investment - available for sale

Investment securities intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value are recognised in equity, through statement of comprehensive income, under fair value reserve until sold or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account. All investments are de-recognised when the rights to receive cash flows from the investments is expired or transferred and the Company has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements

for the year ended June 30, 2012

2.12 Non - current assets held for sale

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

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

2.13 Cash and cash equivalents

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

2.14 Staff retirement gratuity

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

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

2.15 Trade and other payables

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

2.16 Provisions

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

2.17 Provision for taxation

Current

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

Deferred

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

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

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

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

2.18 Dividend and other appropriations

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

2.19 Foreign currency translation

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

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

2.20 Financial instruments

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

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

2.21 Off - setting of financial asset and financial liability

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

2.22 Related party transactions

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

2.23 Revenue recognition

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

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

2.24 Critical accounting estimates and 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, 2012

	Note	2012 Rupees	2011 Rupees
3. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.1	7,054,229,219	7,109,168,175
Capital work in progress	3.4	13,384,655,878	1,719,739,535
		20,438,885,097	8,828,907,710

3.1 Operating assets

	Land		Building on		Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land					
	Rupees								
At July 01, 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
Reconciliation of written down value at June 30, 2011									
Written down value as at July 01, 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
Additions	-	-	-	-	578,110,539	10,682,161	25,889,342	30,132,742	644,814,784
Less : Disposals									
Cost	-	-	-	-	57,112,445	25,217	1,386,439	15,752,083	74,276,184
Accumulated depreciation	-	-	-	-	(52,241,479)	(9,494)	(470,804)	(11,226,467)	(63,948,244)
	-	-	-	-	4,870,966	15,723	915,635	4,525,616	10,327,940
Less : Depreciation / amortisation	-	4,085	106,284,247	2,948,099	563,172,074	7,133,723	9,208,846	26,729,062	715,480,136
Written down value as at June 30, 2011	255,904,779	311,481	956,558,219	26,532,890	5,592,964,178	70,277,283	90,593,996	116,025,349	7,109,168,175
At July 01, 2011									
Cost	255,904,779	408,500	2,127,012,219	63,897,537	13,875,456,410	112,444,321	141,344,046	214,097,336	16,790,565,148
Accumulated depreciation / amortisation	-	(97,019)	(1,170,454,000)	(37,364,647)	(8,282,492,232)	(42,167,038)	(50,750,050)	(98,071,987)	(9,681,396,973)
Written down value	255,904,779	311,481	956,558,219	26,532,890	5,592,964,178	70,277,283	90,593,996	116,025,349	7,109,168,175
Reconciliation of written down value at June 30, 2012									
Written down value as at July 01, 2011	255,904,779	311,481	956,558,219	26,532,890	5,592,964,178	70,277,283	90,593,996	116,025,349	7,109,168,175
Additions	2,269,610	-	29,992,693	-	549,941,216	19,133,176	24,484,764	35,641,394	661,462,853
Less : Disposals									
Cost	-	-	-	-	633,979	996,657	5,346,194	8,813,319	15,790,149
Accumulated depreciation	-	-	-	-	(370,520)	(724,868)	(2,328,312)	(6,343,477)	(9,767,177)
	-	-	-	-	263,459	271,789	3,017,882	2,469,842	6,022,972
Less : Depreciation / amortisation	-	4,085	95,905,760	2,653,289	567,415,183	7,836,347	10,349,726	26,214,447	710,378,837
Written down value as at June 30, 2012	258,174,389	307,396	890,645,152	23,879,601	5,575,226,752	81,302,323	101,711,152	122,982,454	7,054,229,219
At June 30, 2012									
Cost	258,174,389	408,500	2,157,004,912	63,897,537	14,424,763,647	130,580,840	160,482,616	240,925,411	17,436,237,852
Accumulated depreciation / amortisation	-	(101,104)	(1,266,359,760)	(40,017,936)	(8,849,536,895)	(49,278,517)	(58,771,464)	(117,942,957)	(10,382,008,633)
Written down value	258,174,389	307,396	890,645,152	23,879,601	5,575,226,752	81,302,323	101,711,152	122,982,454	7,054,229,219
Rate (%)	-	01	10	10	10	10	10	20	

	Note	2012 Rupees	2011 Rupees
3.2 Depreciation / amortisation for the year has been allocated as under :			
Cost of goods sold	23	661,319,439	671,695,398
Administrative expenses	25	49,059,398	43,784,738
		710,378,837	715,480,136

3.3 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)	350,000	124,177	225,823	60,000	Ghulam Brothers, A B Seania Line, Gulshan-e-Zahoor, Sector 8-B, House No. 368, Karachi.
	283,979	246,343	37,636	250,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	633,979	370,520	263,459	310,000	
Furniture and fixture					
(Sold by negotiation)	864,657	624,767	239,890	39,690	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)	132,000	100,101	31,899	-	
	996,657	724,868	271,789	39,690	
Office equipment					
(Sold by negotiation)	593,500	306,608	286,892	46,467	Autobar (Pvt) Limited, Eden Tower, 5th Floor, (507) Main Boulevard, Gulberg-III, Lahore.
	775,425	413,574	361,851	80,000	DWP Technologies (Pvt) Limited, 5-Zafar Ali Road, Gulberg-V, Lahore.
	63,630	19,987	43,643	30,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Insurance claim)	113,500	15,557	97,943	69,000	E.F.U. General Insurance Limited, Ahmed Plaza, Bilal Road, Faisalabad.
(Sold under Company policy)	90,090	11,618	78,472	57,601	Ghulam Mustafa (Employee)
	72,539	21,372	51,167	12,440	Irshad Ali Anjum (Employee)
	113,500	54,624	58,876	5,000	Muhammad Tariq (Employee)
	140,000	51,973	88,027	15,126	Shahid Amin (Employee)
	731,513	163,077	568,436	75,367	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)	2,652,497	1,269,922	1,382,575	-	
	5,346,194	2,328,312	3,017,882	391,001	
Vehicles					
(Sold by negotiation)	844,457	754,540	89,917	250,000	Akbar Ali Khan S/O Sirdil Khan, Wali Dad Khan Wala, Post Office Aisa Kheil, Tehsil Aisa Kheil, District Mianwali.
	1,002,446	594,410	408,036	450,000	Hassan Shafiq S/O Muhammad Shafiq Ahmad, House # P-633, Hassan Street, Zeeshan Road, Khyban Colony # 02, Faisalabad.
	1,067,705	930,670	137,035	250,000	Muhammad Salman S/O Miraj Din, Kashana-e-Rehmat # P-1216, Street # 01, Nisar Colony, Faisalabad.
	860,410	778,010	82,400	287,000	Muhammad Salman S/O Miraj Din, Kashana-e-Rehmat # P-1216, Street # 01, Nisar Colony, Faisalabad.
(Insurance claim)	80,490	5,277	75,213	75,900	IGI Insurance Limited, Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad.
(Sold under Company policy)	1,366,755	923,562	443,193	443,193	Arshad Rafique (Employee)
	1,062,507	741,907	320,600	320,600	Muhammad Naeem Asghar (Employee)
	478,365	329,365	149,000	149,000	Saeed Ahmad Naseem (Employee)
	1,439,724	876,632	563,092	563,092	Saeed Ahmad (Ex-Employee)
	610,460	409,104	201,356	201,700	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	8,813,319	6,343,477	2,469,842	2,990,485	
2012	15,790,149	9,767,177	6,022,972	3,731,176	
2011	74,276,184	63,948,244	10,327,940	15,869,277	

Notes to the Financial Statements

for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
3.4 Capital work in progress			
Building on freehold land		1,227,538,468	226,550,353
Plant and machinery		10,833,262,241	8,500,000
Advances against property, plant and equipment			
Land		19,500,000	-
Building on freehold land		189,946,120	165,058,260
Plant and machinery		788,743,738	1,300,507,892
Office equipment		2,865,251	2,252,330
Furniture and fixture		1,546,880	-
Vehicles		7,470,500	9,418,200
		1,010,072,489	1,477,236,682
Finance cost		313,782,680	7,452,500
		13,384,655,878	1,719,739,535
4. INTANGIBLE ASSETS			
Computer softwares	4.1	10,386,084	1,925,817
Computer softwares under implementation			
Software licences		-	3,274,152
Advances against implementation		-	5,893,000
		-	9,167,152
		10,386,084	11,092,969
4.1 Computer softwares			
At June 30 :			
Cost		43,435,226	32,288,774
Accumulated amortisation		(33,049,142)	(30,362,957)
Written down value		10,386,084	1,925,817
Reconciliation of written down value :			
Opening balance		1,925,817	3,560,842
Additions		11,146,452	-
Amortisation		(2,686,185)	(1,635,025)
Closing balance		10,386,084	1,925,817
5. INVESTMENT IN ASSOCIATE			
Allied Bank Limited (ABL) - Quoted			
226,365,220 (2011 : 315,786,565) ordinary shares of Rs. 10/- each		5,611,412,063	8,610,904,890
Ownership interest 23.92% (2011 : 36.71%)			
Share of post acquisition changes in equity		7,575,505,070	8,577,252,201
Less : Dividend received during the year		(1,644,163,260)	(1,177,850,520)
		11,542,753,873	16,010,306,571
Less : Nil (2011 : 45,000,000) ordinary shares classified as held for sale		-	(2,240,815,548)
		11,542,753,873	13,769,491,023

5.1 The market value of investment in associate as at June 30, 2012 was Rs. 14,528 million (2011 : Rs. 17,368 million).

5.2 The financial year end of ABL is 31st December. The latest available financial results of associate as of March 31, 2012 have been used for the purpose of application of equity method.

		March 31, 2012 Rupees in million	March 31, 2011 Rupees in million
5.3	**Summarised financial information of associate :**		
	Aggregate amount of :		
	– Assets	532,527	450,308
	– Liabilities	486,514	410,761
	– Revenue (from April 01 to March 31)	51,509	46,357
	– Profit (from April 01 to March 31)	10,673	8,959

	Note	2012 Rupees	2011 Rupees
6. LONG TERM LOANS			
Considered good			
Executives	6.1	42,334,576	40,455,573
Other employees		6,170,540	6,182,939
		48,505,116	46,638,512
Current portion	10	(29,742,602)	(26,097,704)
		18,762,514	20,540,808

		2012 Rupees	2011 Rupees
6.1	**Reconciliation of carrying amount of loans to executives :**		
	Opening balance	40,455,573	38,894,104
	Disbursements	30,401,900	24,017,834
	Recovered	(28,522,897)	(22,456,365)
	Closing balance	42,334,576	40,455,573

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. 48.065 million (2011 : Rs. 48.880 million).

6.4 These loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material.

	2012 Rupees	2011 Rupees
7. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	472,725,911	346,334,944
Spare parts		
In hand	808,995,242	480,738,304
In transit	20,983,742	1,821,296
	829,978,984	482,559,600
Loose tools	4,765,375	3,630,807
	1,307,470,270	832,525,351

Notes to the Financial Statements

for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
8. STOCK IN TRADE			
Raw materials		2,165,894,118	1,210,142,062
Work in process		339,153,648	296,007,743
Finished goods		1,849,515,754	1,150,800,869
Wastes		23,574,750	19,130,763
		4,378,138,270	2,676,081,437
9. TRADE DEBTS			
Considered good - Local			
Secured		25,623,530	38,913,980
Unsecured		191,655,376	123,322,507
		217,278,906	162,236,487
10. LOANS AND ADVANCES			
Considered good			
Loans			
Employees			
Executives		3,345,134	2,530,945
Others		12,178,246	9,854,453
Current portion of long term loans	6	29,742,602	26,097,704
		45,265,982	38,483,102
Advances			
Suppliers and contractors		45,728,987	52,125,337
Income tax		676,052,788	544,619,893
Letters of credit fee, margin and expenses		8,195,071	228,559,585
		729,976,846	825,304,815
		775,242,828	863,787,917
11. OTHER RECEIVABLES			
Custom duty refundable		99,134,508	106,243,556
Income tax refundable		–	82,041,107
Sales tax / Federal excise duty refundable		446,253,055	337,126,261
Claims		9,495,231	9,276,156
Other		10,163,812	3,256,349
		565,046,606	537,943,429
12. CASH AND BANK BALANCES			
Cash in hand		9,409,997	5,827,983
Cash at banks			
In current accounts		42,910,683	72,182,819
In deposit accounts	12.1	88,673	77,376,973
		42,999,356	149,559,792
		52,409,353	155,387,775

12.1 The range of rates of profit on deposit accounts is between 5% to 6% per annum (2011 : 5% per annum).

Notes to the Financial Statements

for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
13. TRADE AND OTHER PAYABLES			
Creditors		296,632,006	214,671,066
Accrued liabilities		522,367,445	491,739,570
Advances from customers		47,051,402	76,808,016
Advance from directors against non - current assets held for sale		–	1,194,882,147
Capital expenditure payable		86,899,412	32,954,987
Bills payable		381,183,967	833,655,569
Workers' profit participation fund	13.1	57,208,781	81,116,030
Workers' welfare fund		23,951,380	32,275,149
Unclaimed dividend		17,217,335	15,128,365
Other		17,127,738	28,312,256
		1,449,639,466	3,001,543,155
13.1 Workers' profit participation fund			
Opening balance		81,116,030	40,645,678
Interest on funds utilised in the Company's business		7,000,425	2,222,985
		88,116,455	42,868,663
Paid to the fund		(88,116,455)	(42,868,663)
		–	–
Allocation for the year		57,208,781	81,116,030
		57,208,781	81,116,030
14. SHORT TERM BANK BORROWINGS			
Secured			
Running finances		404,267,416	703,649,354
Term finances		1,915,000,000	–
		2,319,267,416	703,649,354

14.1 These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from 11.22% to 14.04% per annum (2011 : 13.42% to 13.90% per annum). The aggregate un-availed short term bank borrowing facilities available to the Company are Rs. 3,392 million (2011 : Rs. 4,470 million).

	Note	2012 Rupees	2011 Rupees
15. LONG TERM FINANCING			
Secured			
From banking companies			
Syndicated term finance	15.1	8,000,000,000	–
Demand finance I	15.2	133,333,335	400,000,000
Demand finance II	15.3	281,250,000	393,750,000
Term finance I		–	312,500,000
Term finance II	15.4	112,500,000	225,000,000
Term finance III	15.5	468,750,000	656,250,000
Term finance IV	15.6	108,333,333	325,000,000
Term finance V	15.7	449,999,998	700,000,000
Term finance VI	15.8	937,500,000	1,312,500,000
		10,491,666,666	4,325,000,000
Less : Current portion		1,229,166,668	1,783,333,334
		9,262,499,998	2,541,666,666

Notes to the Financial Statements

for the year ended June 30, 2012

15.1 Syndicated term finance

It is repayable in 8 equal half yearly installments commencing from June 26, 2014 and ending on December 26, 2017. It is secured by way of first charge over present and future fixed assets of Polyester plant of the Company ranking pari passu with the charges created in respect of term finance III (Refer Note 15.5) and term finance VI (Refer Note 15.8). It carries markup at six months KIBOR plus 125 basis points payable half yearly in arrears. The aggregate un-availed facility available to the Company is Rs. 4,905 million.

Effective markup rate charged during the year ranges from 13.25% to 13.28% per annum.

15.2 Demand finance I

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 II (Refer Note 15.3). It carries markup at three months KIBOR plus 50 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 12.41% to 14.03% per annum (2011 : 12.79% to 14.03% per annum).

15.3 Demand finance II

It is repayable in 8 equal half yearly installments commenced from June 24, 2011 and ending on December 24, 2014. It is secured by way of first 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 I (Refer Note 15.2). 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 13.24% to 15.04% per annum (2011 : 13.62% to 15.04% per annum).

15.4 Term finance II

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 the fixed assets of Textile plant-III of the Company. It carries markup at three months KIBOR plus 110 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 13.00% to 14.64% per annum (2011 : 13.39% to 14.64% per annum).

15.5 Term finance III

It is repayable in 8 equal half yearly installments commenced from March 18, 2011 and ending on September 18, 2014. It is secured by way of first charge over present and future fixed assets of Polyester plant of the Company ranking pari passu with the charges created in respect of syndicated term finance (Refer Note 15.1) and term finance VI (Refer Note 15.8). 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 12.95% to 14.73% per annum (2011 : 13.44% to 14.73% per annum).

15.6 Term finance IV

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 the fixed assets of Power generation plant of the Company. It carries markup at six months KIBOR plus 125 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 13.16% to 14.81% per annum (2011 : 13.72% to 14.81% per annum).

15.7 Term finance V

It is repayable in 8 equal half yearly installments commenced from March 25, 2011 and ending on September 25, 2014. It is secured by way of first pari passu charge over the fixed assets of Textile plant-II of the Company. It carries markup at three months KIBOR plus 125 basis points (2011 : six months KIBOR plus 140 basis points) payable quarterly in arrears.

Effective markup rate charged during the year ranges from 13.13% to 15.12% per annum (2011 : 13.84% to 15.12% per annum).

15.8 Term finance VI

It is repayable in 8 equal half yearly installments commenced from March 28, 2011 and ending on September 28, 2014. It is secured by way of first charge over present and future fixed assets of Polyester plant of the Company ranking pari passu with the charges created in respect of syndicated term finance (Refer Note 15.1) and term finance III (Refer Note 15.5). 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 13.22% to 14.96% per annum (2011 : 14.17% to 14.96% per annum).

15.9 Diminishing musharaka

The Company has entered into an agreement to obtain the diminishing musharaka facility of Rs. 1,800 million. The facility is secured by way of first exclusive charge on plant and machinery for expansion of Power generation plant of the Company.

	2012 Rupees	2011 Rupees
16. DEFERRED TAXATION		
16.1 Opening balance	1,980,013,457	1,814,476,909
(Reversed) / provided during the year	(196,938,450)	165,536,548
	1,783,075,007	1,980,013,457
16.2 This comprises of the following :		
Deferred tax liabilities :		
Difference in tax and accounting bases of property, plant and equipment	1,439,483,169	1,424,822,671
Investment in associate	593,134,181	739,940,168
Deferred tax asset :		
Staff retirement gratuity	(238,888,925)	(184,749,382)
Minimum tax	(10,653,418)	–
	1,783,075,007	1,980,013,457

Notes to the Financial Statements

for the year ended June 30, 2012

17. STAFF RETIREMENT GRATUITY

17.1 The scheme provides terminal benefits for all the employees of the Company who attain the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at June 30, 2012 using Projected Unit Credit Method.

	Note	2012 Rupees	2011 Rupees
17.2 The amount recognised in the balance sheet is as follows :			
Present value of defined benefit obligation		756,184,452	605,494,212
Cumulative net unrecognised actuarial losses		(74,961,607)	(80,138,348)
		681,222,845	525,355,864
17.3 Movement in net liability recognised			
Opening liability		525,355,864	401,887,210
Liability transferred to accrued liabilities		(1,711,525)	(3,496,693)
Expenses recognised in profit and loss account	17.3.1	194,213,896	153,585,246
Paid during the year		(36,635,390)	(26,619,899)
		681,222,845	525,355,864
17.3.1 Expenses recognised in profit and loss account			
Current service cost		106,646,288	97,979,787
Interest cost		84,769,190	54,560,374
Actuarial losses		2,798,418	1,045,085
		194,213,896	153,585,246

	2012	2011
17.4 Principal actuarial assumptions used		
Discount rate	13% per annum	14% per annum
Expected rate of increase in salary	12% per annum	13% per annum
Expected average remaining working lives of participating employees	7 years	7 years

17.5 Trend information

	2012	2011	2010	2009	2008
	Rupees				
Present value of defined benefit obligation	756,184,452	605,494,212	454,669,780	345,966,413	253,516,940
Experience adjustment on obligation	(2,378,323)	28,400,863	19,395,731	32,133,652	(27,114,454)

	2012 Rupees in million	2011 Rupees in million
18. CONTINGENCIES AND COMMITMENTS		
18.1 Contingencies		
18.1.1 In respect of bank guarantees issued on behalf of the Company:		
(i) The Company has claimed exemption from levy of custom duty on import of plant and machinery for the expansion project of Polyester plant and filed suit in the Honourable Sindh High Court, Karachi on furnishing of bank guarantees. The said suit has been decreed in favour of the Company and an application has been filed in the Court for execution of decree. The said bank guarantees have been deposited with the Court by the Customs Department. However, the Customs Department has filed an appeal in the Court and the same is pending.	116.594	116.594
(ii) Guarantees issued in favour of Sui Northern Gas Pipelines Limited against supply of gas.	193.923	196.075
(iii) Guarantees issued in favour of The Director, Excise and Taxation, Karachi against imposition of infrastructure cess.	145.000	–
(iv) Guarantees issued in favour of The Collector of Customs, Karachi to avail exemption from levy of custom duty, sales tax and income tax.	66.257	–
(v) Guarantee issued in favour of Faisalabad Electric Supply Company Limited against supply of electricity.	8.940	–
18.1.2 Custom duty of Rs. 8.9 million (2011 : 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 (2011 : Rs. 11.455 million) is also pending before the Customs Department.	–	–
18.1.3 Demand of market committee fee on cotton purchase not acknowledged as demand has already been deposited by cotton suppliers. The appeal has been filed by the Company against illegal demand. Stay has been granted by Assistant Commissioner / Collector, Jaranwala Division and also by the Honourable Lahore High Court, Lahore. The Company has given bank guarantees of Rs. 0.589 million (2011 : Rs. 0.589 million) to market committee.	10.039	10.039
18.2 Commitments		
18.2.1 Under contracts for capital expenditure :		
Civil work	435.444	1,189.152
Plant and machinery	731.650	44.000
18.2.2 Under letters of credit for :		
Plant and machinery	4,461.849	12,448.954
Raw materials and spare parts	389.109	1,230.606

Notes to the Financial Statements

for the year ended June 30, 2012

			2012 Rupees	2011 Rupees
19. SHARE CAPITAL				
Authorised capital				
2012	**2011**			
Number of shares				
500,000,000	500,000,000	Ordinary shares of Rs. 10/- each	5,000,000,000	5,000,000,000
Issued, subscribed and paid up capital				
2012	**2011**			
Number of shares				
200,000,000	200,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	2,000,000,000	2,000,000,000
50,000,000	50,000,000	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	500,000,000	500,000,000
60,506,995	60,506,995	Ordinary shares of Rs. 10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Court.	605,069,950	605,069,950
310,506,995	310,506,995		3,105,069,950	3,105,069,950

	Note		
20. CAPITAL RESERVES			
Premium on issue of shares		1,000,000,000	1,000,000,000
Merger reserve	20.1	72,017,550	72,017,550
Share of changes in equity of associate		66,960,892	92,655,793
		1,138,978,442	1,164,673,343

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

	2012 Rupees	2011 Rupees
21. REVENUE RESERVES		
General reserve	2,630,673,099	2,111,673,099
Unappropriated profit	15,058,034,938	12,394,645,081
	17,688,708,037	14,506,318,180

Notes to the Financial Statements

for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupee
22.	SALES			
	Local		36,608,215,653	37,997,641,350
	Export		54,902,724	132,456,818
			36,663,118,377	38,130,098,168
	Less : Commission and brokerage		810,552,150	829,418,090
			35,852,566,227	37,300,680,078
23.	COST OF GOODS SOLD			
	Raw materials consumed		27,660,618,369	29,123,971,811
	Packing materials		342,512,199	329,757,848
	Salaries, wages and benefits		1,017,049,455	829,351,135
	Staff retirement benefits		146,025,876	113,820,296
	Stores and spare parts		621,524,086	785,361,343
	Fuel and power		3,211,405,786	2,413,064,422
	Insurance		29,246,028	25,395,260
	Depreciation of property, plant and equipment	3.2	661,319,439	671,695,398
	Other		287,004,143	290,866,950
			33,976,705,381	34,583,284,463
	Work in process			
	Opening stock		296,007,743	273,470,969
	Closing stock		(339,153,648)	(296,007,743)
			(43,145,905)	(22,536,774)
	Cost of goods manufactured		33,933,559,476	34,560,747,689
	Finished goods			
	Opening stock		1,169,931,632	786,566,681
	Closing stock		(1,873,090,504)	(1,169,931,632)
			(703,158,872)	(383,364,951)
			33,230,400,604	34,177,382,738
24.	SELLING AND DISTRIBUTION EXPENSES			
	Salaries and benefits		72,092,893	69,296,419
	Staff retirement benefits		14,732,502	14,550,355
	Freight and forwarding		51,389,430	47,084,856
	Travelling and conveyance		6,437,111	6,361,108
	Vehicles running and maintenance		4,530,539	4,036,435
	Postage and telecommunication		1,019,848	987,390
	Other		8,339,142	10,464,978
			158,541,465	152,781,541

Notes to the Financial Statements

for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupee
25. ADMINISTRATIVE EXPENSES			
Directors' remuneration		30,750,000	27,000,000
Salaries and benefits		208,865,382	218,796,058
Staff retirement benefits		33,455,518	25,214,595
Travelling and conveyance		52,766,178	65,136,712
Vehicles running and maintenance		14,202,008	11,801,007
Fuel and power		33,755,995	31,620,600
Postage and telecommunication		12,920,890	12,705,990
Printing and stationery		4,366,798	4,893,572
Repairs and maintenance		58,193,196	75,650,974
Fees, subscription and periodicals		9,890,540	8,589,826
Rent, rates and taxes		47,235,370	24,375,053
Legal and professional		10,782,090	3,242,250
Entertainment		11,829,824	12,046,409
Auditors' remuneration	25.1	2,162,500	2,075,000
Advertisement		456,870	226,251
Insurance		1,537,681	956,197
Donations	25.2	2,017,950	3,458,111
Depreciation / amortisation of property, plant and equipment	3.2	49,059,398	43,784,738
Amortisation of intangible assets	4	2,686,185	1,635,025
Other		4,797,090	4,292,208
		591,731,463	577,500,576
25.1 Auditors' remuneration			
Audit fee		1,500,000	1,500,000
Other services		662,500	575,000
		2,162,500	2,075,000

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

	2012 Rupees	2011 Rupee
26. OTHER OPERATING EXPENSES		
Workers' profit participation fund	57,208,781	81,116,030
Loss on disposal of property, plant and equipment	2,291,796	–
Workers' welfare fund	24,029,728	32,583,245
	83,530,305	113,699,275
27. FINANCE COST		
Mark up / interest on :		
Long term financing	507,574,097	755,586,905
Long term murabaha	–	1,952,877
Short term bank borrowings	263,831,683	67,175,957
Workers' profit participation fund	7,000,425	2,222,985
Bank charges and commission	1,915,839	2,035,809
	780,322,044	828,974,533

Notes to the Financial Statements

for the year ended June 30, 2012

		2012 Rupees	2011 Rupee
28.	**OTHER OPERATING INCOME**		
	Income from financial assets :		
	Profit on deposits	10,091,193	22,905,993
	Exchange differences	70,715	244,823
		10,161,908	23,150,816
	Income from investment in related parties :		
	Gain on disposal of :		
	Investment in shares of ABL	652,662,036	138,420,757
	Investment available for sale - ABL Asset Management Limited	–	4,910,807
		652,662,036	143,331,564
	Income from assets other than financial assets :		
	Scrap sales	34,331,078	26,856,924
	Gain on disposal of property, plant and equipment	–	5,541,337
	Balances written back - net	2,190,270	788,397
	Other	1,291,439	27,540
		37,812,787	33,214,198
		700,636,731	199,696,578
29.	**PROVISION FOR TAXATION**		
	Current		
	For the year	531,391,817	644,189,393
	For prior years	1,105,879	(86,212,475)
		532,497,696	557,976,918
	Deferred	(194,083,461)	164,741,883
		338,414,235	722,718,801

29.1 Reconciliation between accounting profit and tax expense

	2012 Rupees	2011 Rupee
Profit before taxation	4,452,325,077	4,874,537,993
Tax on accounting profit at the applicable tax rate of 35%	1,558,313,777	1,706,088,298
Tax effect of :		
Share of profit of associate not chargeable to tax	(960,276,800)	(1,128,575,000)
Income chargeable to tax at special rate	164,966,350	117,881,919
Income exempt from tax	(228,431,713)	(48,447,265)
Expenses that are inadmissible in determining taxable profit / unrealised profits	(152,922,554)	190,913,442
Tax credit on plant and machinery	(54,994,122)	(55,932,069)
Surcharge on tax payable	–	27,001,951
Minimum tax	10,653,418	–
Adjustments of prior years in respect of current tax	1,105,879	(86,212,475)
	338,414,235	722,718,801

		2012	2011
30.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit for the year (Rupees)	4,113,910,842	4,151,819,192
	Weighted average number of ordinary shares	310,506,995	310,506,995
	Earnings per share - Basic and Diluted (Rupees)	13.25	13.37

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

Notes to the Financial Statements

for the year ended June 30, 2012

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	9,318,181	18,636,362	365,410,350	8,181,816	16,363,632	285,734,449
Medical allowance	931,819	1,863,638	36,046,985	818,184	1,636,368	28,188,522
Reimbursable expenses for vehicles running	–	–	18,675,060	–	–	14,995,572
	10,250,000	20,500,000	420,132,395	9,000,000	18,000,000	328,918,543
Number of persons	1	2	294	1	2	240

31.1 The Chief Executive Officer and Directors are entitled to free use of the Company maintained vehicles. The monetary value of the benefit is Rs. 4,152,801 /- (2011 : Rs. 2,732,731 /-). The Directors have waived off their meeting fee.

32. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transaction	2012 Rupees	2011 Rupees
Associated undertakings			
	Rent	46,200,000	23,100,000
	Dividend received	1,644,163,260	1,177,850,520
	Commission	775,218,639	791,815,479
	Investment - available for sale	–	1,145,000,000
	Proceeds from disposal of investment - available for sale	–	1,149,910,807
	Consultancy fee paid	6,000,000	–
Key management personnel			
	Proceeds from disposal of non - current assets held for sale	4,998,267,853	866,615,586
	Advance from directors against non - current assets held for sale	–	1,194,882,147
	Dividend paid	824,277,042	493,851,050
	Disposal of operating assets under Company policy	15,126	454,639

Notes to the Financial Statements

for the year ended June 30, 2012

	2012 M. Tons	2011 M. Tons
33. PLANT CAPACITY AND ACTUAL PRODUCTION		
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 (2011 : 137,856))	48,700	48,700
Actual production		
Polyester Staple Fibre / Polyester Chips	202,133	207,066
Yarn converted into 20/s count (Spindles worked 136,390 (2011 : 133,440))	48,160	47,149

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

34. FINANCIAL RISK MANAGEMENT

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

	2012 Rupees	2011 Rupees
34.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets :		
Investment in associate	11,542,753,873	13,769,491,023
Long term loans	18,762,514	20,540,808
Long term deposits	3,710,742	3,573,063
Trade debts	217,278,906	162,236,487
Loans and advances	45,265,982	38,483,102
Other receivables	9,678,231	9,468,280
Cash and bank balances	52,409,353	155,387,775
Non - current assets held for sale	–	2,240,815,548
	11,889,859,601	16,399,996,086
Financial liabilities :		
Long term financing	9,262,499,998	2,541,666,666
Current portion of long term financing	1,229,166,668	1,783,333,334
Trade and other payables	1,321,427,903	2,811,343,960
Mark up / interest payable	126,972,120	154,623,130
Short term bank borrowings	2,319,267,416	703,649,354
	14,259,334,105	7,994,616,444

Notes to the Financial Statements

for the year ended June 30, 2012

34.1.1 Credit risk and concentration of credit risk

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

	2012 Rupees	2011 Rupees
Long term loans	18,762,514	20,540,808
Long term deposits	3,710,742	3,573,063
Trade debts	217,278,906	162,236,487
Loans and advances	45,265,982	38,483,102
Other receivables	9,678,231	9,468,280
Bank balances	42,999,356	149,559,792
	337,695,731	383,861,532

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

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

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

	2012 Rupees	2011 Rupees
Industrial users	215,346,055	157,081,219
Wholesalers	1,932,851	5,155,268
	217,278,906	162,236,487
Aging of trade debts as at balance sheet date is as under :		
Not past due	200,673,686	138,441,991
Past due within one year	2,050,062	8,695,046
Past due more than one year	14,555,158	15,099,450
	217,278,906	162,236,487

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

34.1.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. The management believes that the Company is not exposed to any significant liquidity risk. Following are the contractual maturities of financial liabilities including interest payment as at June 30, 2012 and June 30, 2011.

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

	2011				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
Financial Liabilities					
Long term financing	4,325,000,000	5,308,237,246	1,196,796,191	1,128,009,846	2,983,431,209
Trade and other payables	1,616,461,813	1,616,461,813	1,616,461,813	-	-
Mark up / interest payable	154,623,130	154,623,130	154,623,130	-	-
Short term bank borrowings	703,649,354	719,317,890	719,317,890	-	-
	6,799,734,297	7,798,640,079	3,687,199,024	1,128,009,846	2,983,431,209

The contractual cash flows relating to mark up have been determined on the basis of markup rates as applicable at June 30, 2012 on long term financing and short term bank borrowings. The Company has liquid assets of Rs. 870.029 million (2011 : Rs. 2,626.932 million) and unavailed long term and short term bank borrowing facilities of Rs. 10,097 million (2011 : Rs. 4,470 million) (Refer Note 14.1 & 15.1) as at June 30, 2012 to minimise the liquidity risk.

34.1.3 Market risk

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

i) Interest rate risk

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

Notes to the Financial Statements

for the year ended June 30, 2012

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 respectively by Rs. 54.481 million (2011 : Rs. 55.161 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. 6.843 million (2011 : Rs. 214.819 million).

Had the Pak Rupee been weakened / strengthened by 5% against the US Dollar at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher respectively by Rs. 0.319 million (2011 : Rs. 10 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.

34.2 Fair values of financial instruments

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

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

34.3 Capital risk management

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

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

The salient information relating to capital risk management of the Company as at June 30, 2012 and June 30, 2011 was as follows :

	Note	2012 Rupees	2011 Rupees
Debt	14 & 15	12,810,934,082	5,028,649,354
Less: Cash and cash equivalents	12	52,409,353	155,387,775
Net Debt		12,758,524,729	4,873,261,579
Total equity		21,932,756,429	18,776,061,473
Total capital		34,691,281,158	23,649,323,052
Gearing ratio		36.78%	20.61%

35. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue as at September 26, 2012 by the Board of Directors of the Company.

36. NON - ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 26, 2012 proposed dividend at the rate of Rs. 3 per share (2011 : Rs. 3 per share) amounting to Rs. 931.521 million (2011 : 931.521 million) for the year ended June 30, 2012 subject to the approval of the members at the forthcoming Annual General Meeting to be held on October 22, 2012 and approved transfer of an amount of Rs. 459.000 million (2011 : 519.000 million) to general reserve for the year ended June 30, 2012.

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

Chief Executive Officer **Director**

Pattern of Shareholding

as at June 30, 2012

Number of Shareholders	Having Shares From	Having Shares To	Shares Held
430	1	100	18,449
977	101	500	230,977
500	501	1000	360,118
403	1001	5000	874,274
88	5001	10000	626,009
29	10001	15000	368,500
24	15001	20000	426,515
11	20001	25000	255,583
9	25001	30000	254,924
14	30001	35000	456,825
7	35001	40000	261,425
3	40001	45000	129,128
2	45001	50000	96,831
2	55001	60000	115,600
2	60001	65000	125,000
3	65001	70000	204,875
1	70001	75000	74,500
1	80001	85000	83,791
1	90001	95000	94,394
1	110001	115000	112,375
1	115001	120000	120,000
4	120001	125000	498,604
1	145001	150000	145,804
1	170001	175000	173,113
1	195001	200000	200,000
1	335001	340000	337,000
1	345001	350000	347,125
1	400001	405000	400,750
1	560001	565000	561,125
1	670001	675000	674,000
1	1815001	1820000	1,818,530
1	2140001	2145000	2,141,300
1	2410001	2415000	2,411,562
1	4490001	4495000	4,494,000
1	5725001	5730000	5,729,875
1	10530001	10535000	10,532,600
1	90530001	90535000	90,531,495
1	90685001	90690000	90,689,144
1	93530001	93535000	93,530,875
2,530			**310,506,995**

Categories of Shareholders

as at June 30, 2012

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	0.0004
Directors, Chief Executive Officer and their spouses			
Sheikh Mukhtar Ahmed	1	93,530,875	30.1220
Mr. Mohammad Naeem Mukhtar	1	90,689,144	29.2068
Mr. Muhammad Waseem Mukhtar	1	90,531,495	29.1560
Mr. Anwarul Haq	1	5,200	0.0017
Mr. Shahid Amin	1	500	0.0002
Mr. Mohammad Waqar	1	37,500	0.0121
Mr. Mohammad Pervaiz Aslam Rana	1	800	0.0002
Executives	3	9,076	0.0029
Banks, DFIs, NBFIs & Leasing Companies	12	2,597,975	0.8367
Insurance Companies	5	2,144,373	0.6906
Modarabas and Mutual Funds	5	20,996	0.0068
Joint Stock Companies & Others	50	1,189,210	0.3830
Genral Public			
a. Local	2,443	16,133,533	5.1958
b. Foreign	3	11,796,375	3.7991
Shareholders holdings 5% (or more) (Excluding Directors)	–	–	–
	2,530	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 26th Annual General Meeting of the Company to be held on October 22, 2012 at 11: 00 AM at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

Signed this ______________ day of ____________ 2012.

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 / her original CNIC or original passport at the time of the Meeting.

iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

AFFIX
CORRECT
POSTAGE

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

www.igcpk.com

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

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