Annual Report **2011**

Ibrahim Fibres Limited

Contents


Ibrahim

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
Syed Asif Hasan

Secretary
Anwarul Haque - FCA

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

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

Bankers
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

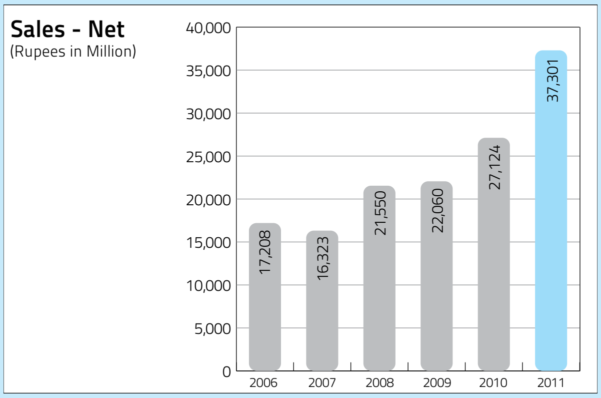
Registered Office
Ibrahim Centre,
1 - Ahmed Block,
New Garden Town,
Lahore - 54600, Pakistan.

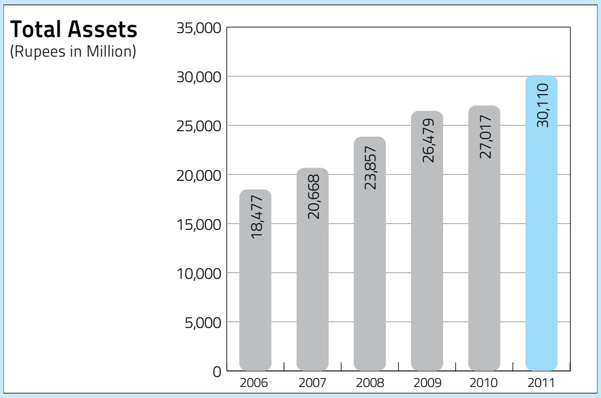
Head Office
Ibrahim Centre,
15 - Club Road,
Faisalabad - 38000, Pakistan.

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.

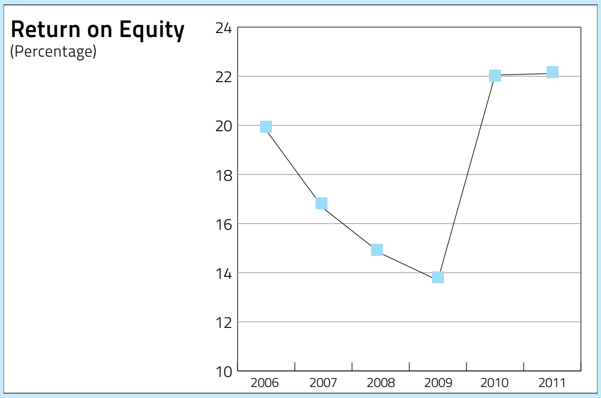
Financial Highlights

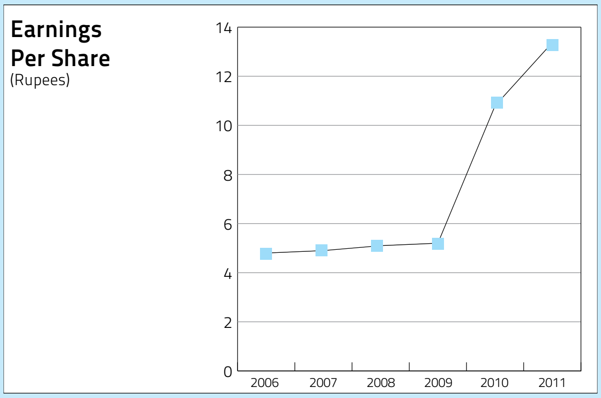




	Year Ended June 30,					
	2011	2010	2009	2008	2007	2006
Operating performance						(Rupees in million)
Sales - net	37,301	27,124	22,060	21,550	16,323	17,208
Inter - project consumption	3,658	2,748	2,372	2,014	1,649	1,699
	40,959	29,872	24,432	23,564	17,972	18,907
Gross profit	3,123	2,749	2,311	2,187	1,631	1,946
Operating profit	2,449	2,126	1,838	1,748	1,250	1,643
Profit before taxation	4,875	3,894	1,926	2,110	1,769	1,842
Profit after taxation	4,152	3,360	1,625	1,583	1,515	1,483

	As at June 30,					
	2011	2010	2009	2008	2007	2006
Financial position						(Rupees in million)
Property, plant and equipment - net (excluding capital work in progress)	7,109	7,190	7,685	7,289	7,109	7,775
Intangible assets	11	9	14	15	18	19
Capital work in progress	1,720	-	132	212	385	12
Fixed assets	8,840	7,199	7,831	7,516	7,512	7,806
Total assets	30,110	27,017	26,479	23,857	20,668	18,477
Current assets						
Stores, spare parts and stocks in trade	3,509	3,078	3,607	4,913	2,988	1,987
Other current assets	3,813	2,319	1,294	1,853	1,332	1,113
Cash and cash equivalents	155	73	170	245	297	268
	7,477	5,470	5,071	7,011	4,617	3,368
Current liabilities						
Short term bank borrowings	704	1,569	1,498	2,302	1,801	675
Current portion of long term financing / morabaha	1,783	1,836	1,782	1,540	1,278	1,339
Other current liabilities	3,800	1,832	3,113	3,729	2,289	2,267
	6,287	5,237	6,393	7,571	5,368	4,281
Net working capital	1,190	232	(1,322)	(560)	(751)	(913)
Long term financing / murabaha	2,542	4,325	6,161	3,793	4,683	5,511
Share capital and reserves	18,776	15,238	11,871	10,704	9,116	7,496





		Year Ended June 30,					
		2011	2010	2009	2008	2007	2006
Profitability analysis							
Gross profit to sales	(%)	8.4	10.1	10.5	10.1	10.0	11.3
Profit before tax to sales	(%)	13.1	14.4	8.7	9.8	10.8	10.7
Profit after tax to sales	(%)	11.1	12.4	7.4	7.3	9.3	8.6
Return on capital employed	(%)	10.3	9.8	9.2	10.7	8.2	11.6
Return on equity	(%)	22.1	22.1	13.7	14.8	16.6	19.8
Earnings per share	(Rupees)	13.4	10.8	5.2	5.1	4.9	4.8
Dividend							
Cash dividend - Proposed	(%)	30	20	–	15	–	–

		As at June 30,					
		2011	2010	2009	2008	2007	2006
Financial analysis							
Current ratio	(times)	1.2	1.0	0.8	0.9	0.9	0.8
Debt to equity	(times)	0.2	0.4	0.7	0.5	0.7	0.7
Leverage ratio	(times)	0.6	0.8	1.2	1.2	1.3	1.5
Debt service coverage	(times)	1.7	1.4	1.1	1.4	1.1	1.7
Breakup value per share	(Rupees)	60.5	49.1	38.2	34.5	29.4	24.1
Inventory turnover ratio	(times)	13.6	9.3	5.6	5.8	7.1	6.5
Debtors turnover ratio	(times)	253.3	179.8	151.0	173.6	118.3	134.1
Fixed assets turnover ratio	(times)	4.7	3.6	2.9	2.9	2.1	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

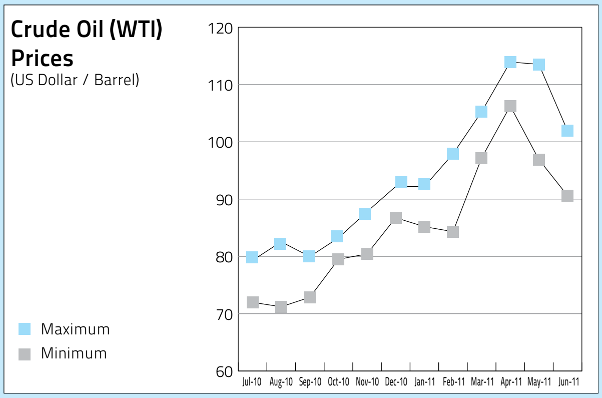
I am pleased to present the review on the performance and financial statements of your Company for the year ended June 30, 2011.

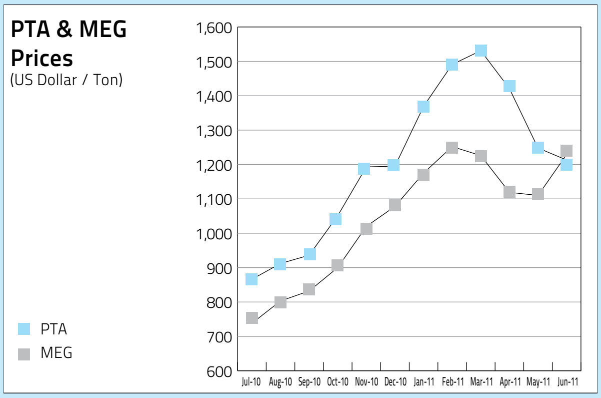
INDUSTRY OVERVIEW

During the financial year under review, there was a growth in demand of textile products in regional markets which resulted in increased production of yarns in the country. Moreover, the rising trend of cotton prices carried over from previous year became more pronounced during the year under review due to substantially lower cotton crop which was caused due to havoc created by flood. Both these factors contributed towards substantial increase in demand of Polyester Staple Fibre (PSF) in domestic market. On the other hand, prices of PTA and MEG started strengthening from start of the year in the wake of rising crude oil prices substantiated by the shortage of Paraxylene, which is the major raw material for production of PTA. PSF prices followed the trend on the back of ever increasing raw materials cost.

With slowdown of economic activity in the region during second quarter of calendar year 2011 and forecast of bumper cotton crop, cotton prices fell sharply thereby affecting the demand of PSF adversely. On the back of these factors, prices of PSF and yarn declined abruptly, resulting in inventory losses during second quarter of calendar year 2011.

During the year, the Federal Board of Revenue levied sales tax on sales of yarn to unregistered customers at the rate of 6% (which was previously 0%) effective from April 01, 2011 and declared all input tax adjustment relating to such sales as inadmissible thus increasing the cost of production of yarn.



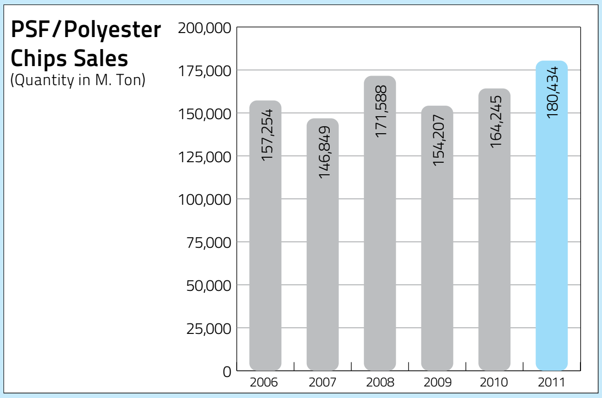


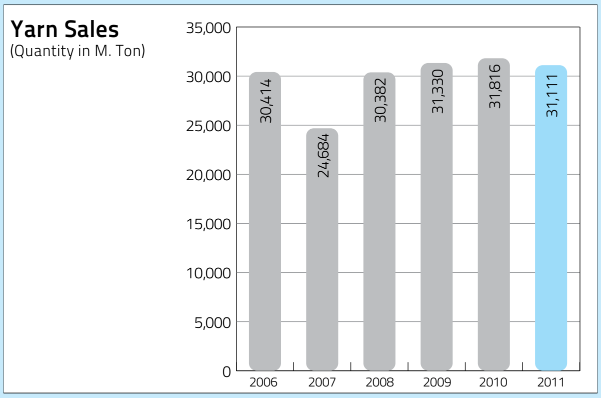
Chairman's Review

MARKETING ACTIVITIES

In the above mentioned market scenario, sales volume of PSF achieved by the polyester plant of your Company increased by 9.8% to 180,434 tons during the year under review as against sales of 164,245 tons during previous year.

The textile plants of your Company achieved sales of 31,111 tons of different counts of blended yarns during the year, as against sales of 31,816 tons of yarns during previous year.



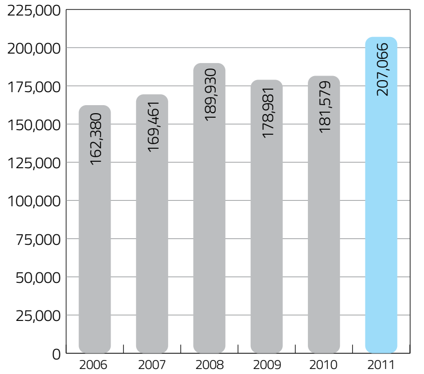


PRODUCTION OPERATIONS

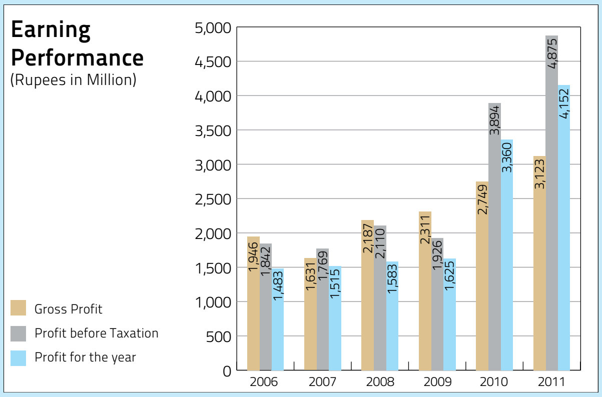
In view of high demand of PSF, the polyester plant of your Company was operated at full capacity, during the year under review, and as a result, it achieved an average capacity utilization of 99% as against 87% during previous year by producing 207,066 tons of PSF/Polyester chips as against 181,579 tons of PSF/Polyester chips during previous year. Out of the above production, 22,041 tons of PSF was consumed by the textile plants of your Company during the year for production of blended yarns as against 21,932 tons consumed during previous year.

At IFL textile plants, 133,440 spindles remained operational during the year and manufactured 31,560 tons of different counts of blended yarns as against 136,305 spindles manufacturing 31,401 tons of yarns during previous year. The number of operational spindles reduced due to closure of Unit I of Textile plant II for modernisation and replacement of equipment.

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



Chairman's Review



FINANCIAL PERFORMANCE

During the year under review, net sales achieved by your Company increased to Rs. 37,301 million as compared to Rs. 27,124 million during previous year. The gross profit earned during the year increased to Rs. 3,123 million as against Rs. 2,749 million earned during previous year.
The cost of production increased due to high cost of raw materials, fuel and power and inventory losses which affected the gross profit to sales ratio.

After accounting for the proportionate share in profits of Allied Bank Limited, an associated company, amounting to Rs. 3,225 million for the year under review as against Rs. 2,980 million for previous year, your Company earned profit before tax amounting to Rs. 4,875 million during the year as compared to Rs. 3,894 million during previous year. Profit after tax for the year comes to Rs. 4,152 million as compared to Rs. 3,360 million during the previous year.

PROFESSIONALISM AND HUMAN RESOURCES

Your Company has always made efforts to improve the quality of its human capital by hiring qualified professionals, providing them a healthy working environment and making arrangements for their participation in various training courses, conferences and seminars organized in the country and abroad. During the year under review, 42 employees were nominated for attending seminars, workshops, training courses and conferences on accounting and taxation, business workflow technologies, upgradation of software operating systems and Microsoft exchange server, leadership and presentation skills, security solutions and labour laws, which were organized by leading institutions and organizations of the country. Moreover, 4 employees were nominated for participating in Heimtextil held in Germany, 3 for Asia Petrochemical Industry Conference held in Japan and 1 for The Fibres and Raw Materials Conference held in Hong Kong.

Chairman's Review

BALANCING, MODERNISATION, REPLACEMENT AND EXPANSION

POLYESTER STAPLE FIBRE PLANT

Last year, the management of your Company embarked on increasing the capacity of the polyester plant. Implementation of this plan will add 227,500 tons per annum to existing PSF production capacity of 208,600 tons thereby increasing the overall PSF production capacity to 436,100 tons per annum.

In accordance with this decision, during the year under review, your Company signed an agreement with the same supplier of technology who installed the previous polyester plants. This supplier was known as Zimmer AG, Germany and is now known as Lurgi GmbH, Germany.

The letter of credit for import of machinery was opened in December 2010 and first shipment of machinery has already arrived at site.

TEXTILE PLANT

During the year under review, the management of your Company has moved another step forward with the BMR implementation plan of its textile plants by replacing complete back process of Textile plant II – Unit I of the Company with the latest machinery consisting of complete blow room machines, drawing frames, carding machines and roving frames provided by two of the World's leading textile machinery manufacturers i.e. Truetzschler and Oerlikon Schlafhorst, Germany. It has started operation from the last quarter of the year under review.

Implementation of this BMR has resulted in further improvement in quality, efficiency and productivity.

POWER GENERATION PLANT

The management of your Company has decided to increase the generation capacity of its power generation plant by importing 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.

The letter of credit for import of machinery has been opened in July 2011 and shipment of machinery is expected to start during calendar year 2012.

After installation, these power generating sets will add 26.5 MW to the existing 46.8 MW generation capacity of the power generation plant.


TRÜTZSCHLER


TRÜTZSCHLER

Chairman's Review

FUTURE OUTLOOK

With the quantitative easing in the US economy, interest rates have came down and speculative trading in commodity markets has increased, resulting in a lot of turbulence in international commodity prices, and PSF and its raw materials are no exception. The effect of this turbulence has been and will be observed in the domestic market as well. Cotton prices are now settling downwards after witnessing a sharp decline that continued from last quarter of the year under review in the wake of better cotton crop globally, though it has been affected to some extent domestically by the recent floods. Margins of PSF and yarn will be largely affected by the trend of prices of PSF and yarn and their raw materials internationally. On the other hand, the rate of natural gas has been increased by 13.5% for captive power producers with effect from August 07, 2011. It will result in reduction of profit margins.

Your Company, however, is expected to maintain the high production and sales level and is making all efforts to achieve better margins during next financial year with the help of better inventory management and improved cost control methodologies.

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 employees of the Company for their dedication and hard work and look forward to getting the same cooperation in the future as well.

Shaikh Mukhtar Ahmad
Chairman

Lahore
September 28, 2011

Notice of Meeting

Notice is hereby given that the 25th Annual General Meeting of the shareholders of the Company will be held on October 26, 2011 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, 2011 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 2011-2012 and fix their remuneration. The retiring auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants being eligible offer themselves for reappointment.
5. To transact any other business with the permission of the chair.

By order of the Board

Lahore
September 28, 2011

Anwarul Haque
Company Secretary

NOTES

i) The share transfer books of the Company shall remain closed from October 19, 2011 to October 26, 2011 (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 18, 2011 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 identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.

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

For Appointing Proxies :

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

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

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

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

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

REQUEST TO PHYSICAL SHAREHOLDERS :

SHAREHOLDERS HAVING PHYSICAL SHARES ARE REQESTED TO PROVIDE COPIES OF THEIR CNIC (COMPUTERIZED NATIONAL IDENTITY CARD) LATEST BY 18, OCTOBER 2011, AT THE SHARE REGISTRAR OFFICE OF THE COMPANY FOR PRINTING OF C.N.I.C NUMBER ON DIVIDEND WARRANTS AS REQUIRED BY S.E.C.P NOTIFICATION DATED 18-08-2011 UNDER SECTION 506B OF THE COMPANIES ORDINANCE 1984.

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

Directors' Report to the Shareholders

The Directors of your company are pleased to present before you the audited Financial Statements for the year ended June 30, 2011.

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.

	2011 Rupees	2010 Rupees
Gross Profit	3,123,297,340	2,749,289,313
Selling and distribution expenses	152,781,541	158,860,859
Administrative expenses	577,500,576	501,916,251
Other operating expenses	113,699,275	113,546,299
Finance cost	828,974,533	1,262,092,608
	1,672,955,925	2,036,416,017
	1,450,341,415	712,873,296
Other operating income	199,696,578	201,242,257
	1,650,037,993	914,115,553
Share of profit of associate - net	3,224,500,000	2,979,689,000
Profit before taxation	4,874,537,993	3,893,804,553
Provision for taxation	722,718,801	533,691,344
Profit for the year	4,151,819,192	3,360,113,209
Un-appropriated profit brought forward	8,893,839,879	5,633,726,670
Profit available for appropriation	13,045,659,071	8,993,839,879
Less :		
Transfer to General reserve during the year	30,000,000	100,000,000
Dividend	621,013,990	–
	651,013,990	100,000,000
Un-appropriated profit carried forward	12,394,645,081	8,893,839,879
Earnings per share - Basic and Diluted	13.37	10.82

Cash Dividend

The Board has recommended payment of Cash dividend for the year ended June 30, 2011 @ Rs. 3 per share (30%) to all the shareholders of the Company.

	2011 Rupees	2010 Rupees
Proposed Appropriation of Profit		
Cash dividend		
Rs. 3 per share @ 30% (2010 : Rs. 2 per share @ 20%)	931,520,985	621,013,990
Transfer to General reserve	519,000,000	30,000,000
	1,450,520,985	651,013,990

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, 2011.

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, 2012.

Pattern of Shareholding

Pattern of shareholding as on June 30, 2011 is annexed.

Number of Board Meetings Held

Five meetings of the Board of Directors were held during the year ended June 30, 2011 and the attendance of the Directors is as follows:

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

Audit Committee

The Audit Committee of the Company is in place and comprises of the following members as required under the Code of Corporate Governance :

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

Meetings of Audit Committee were held during the year ended June 30, 2011 as required by the Code of Corporate Governance for review of quarterly accounts, annual accounts and other related matters. The meeting was also attended by the CFO, Head of Internal Audit and External Auditors as and when it was required.

Code of Corporate Governance

The Directors are pleased to confirm that the Company has made compliance of the provisions set out by the Securities and Exchange Commission of Pakistan through the listing regulation No. 35 of Karachi, Lahore and Islamabad Stock Exchanges as prescribed in the Code of Corporate Governance and there is no material departure from the best practices as detailed in the listing regulations :

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

2. Proper books of accounts of the Company have been maintained as required under the Ordinance.

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

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

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

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

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

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

Corporate Social Responsibility

Your Company 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 calamities as part of its philanthropic activities.

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

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

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

Acknowledgement

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

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

On behalf of the Board

Mohammad Naeem Mukhtar
Chief Executive Officer

Lahore
September 28, 2011

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 contained in the Listing Regulations of 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 Code in the following manner :

1. The Company encourages representation of independent Non-Executive Directors and the Directors representing minority interests on the Board of the Company. However, at present, the Board includes 2 Executive and 5 Non-executive Directors and no Director representing minority interest.

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

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

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

5. No casual vacancy occured in the Board during the year under review.

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

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

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

9. 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 attended and successfully completed all parts of 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 is approved by the Board.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of two Non-executive Directors and one Executive Director.

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

17. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis. The Internal Audit Department reports to the Audit Committee.

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

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

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

21. The Board of Directors confirms that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Mohammad Naeem Mukhtar
Chief Executive Officer

Lahore
September 28, 2011

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, 2011 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 (xiii a) of Listing Regulations 35 of the Karachi Stock Exchange requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: September 28, 2011
Place: Faisalabad

Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited as at June 30, 2011 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, 2011 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

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

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

Dated: September 28, 2011
Place: Faisalabad

Ibrahim Fibres Limited

Financial Statements

for the year ended June 30, 2011

Balance Sheet

as at June 30, 2011

	Note	2011 Rupees	2010 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	3	8,828,907,710	7,190,413,467
Intangible assets	4	11,092,969	8,927,930
Investment in associate	5	13,769,491,023	14,318,835,540
Long term loans	6	20,540,808	25,182,879
Long term deposits		3,573,063	3,746,923
		22,633,605,573	21,547,106,739
CURRENT ASSETS			
Stores, spare parts and loose tools	7	832,525,351	722,603,343
Stock in trade	8	2,676,081,437	2,355,115,641
Trade debts	9	162,236,487	138,789,546
Loans and advances	10	863,787,917	702,856,751
Prepayments		8,052,309	6,636,260
Other receivables	11	537,943,429	1,106,222,684
Cash and bank balances	12	155,387,775	72,753,720
Non - current assets held for sale	13	2,240,815,548	364,846,339
		7,476,830,253	5,469,824,284
CURRENT LIABILITIES			
Trade and other payables	14	3,001,543,155	1,190,623,805
Mark up / interest payable		154,623,130	179,909,644
Short term bank borrowings	15	703,649,354	1,569,438,291
Current portion of :			
Long term financing	16	1,783,333,334	1,686,208,334
Long term murabaha		–	150,000,000
Provision for taxation - income tax		644,189,393	461,282,445
		6,287,338,366	5,237,462,519
Working capital		1,189,491,887	232,361,765
Total capital employed		23,823,097,460	21,779,468,504
NON - CURRENT LIABILITIES			
Long term financing	16	2,541,666,666	4,325,000,000
Deferred liabilities :			
Deferred taxation	17	1,980,013,457	1,814,476,909
Staff retirement gratuity	18	525,355,864	401,887,210
		5,047,035,987	6,541,364,119
CONTINGENCIES AND COMMITMENTS	19	–	–
Net worth		18,776,061,473	15,238,104,385
Represented by :			
SHARE CAPITAL AND RESERVES			
Share capital	20	3,105,069,950	3,105,069,950
Capital reserves	21	1,164,673,343	1,157,521,457
Revenue reserves	22	14,506,318,180	10,975,512,978
		18,776,061,473	15,238,104,385

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, 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	23	37,300,680,078	27,123,868,602
Cost of goods sold	24	34,177,382,738	24,374,579,289
Gross profit		3,123,297,340	2,749,289,313
Selling and distribution expenses	25	152,781,541	158,860,859
Administrative expenses	26	577,500,576	501,916,251
Other operating expenses	27	113,699,275	113,546,299
Finance cost	28	828,974,533	1,262,092,608
		1,672,955,925	2,036,416,017
		1,450,341,415	712,873,296
Other operating income	29	199,696,578	201,242,257
		1,650,037,993	914,115,553
Share of profit of associate - net		3,224,500,000	2,979,689,000
Profit before taxation		4,874,537,993	3,893,804,553
Provision for taxation	30	722,718,801	533,691,344
Profit for the year		4,151,819,192	3,360,113,209
Earnings per share - Basic and Diluted	31	13.37	10.82

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, 2011

	2011 Rupees	2010 Rupees
Profit for the year	4,151,819,192	3,360,113,209
Other comprehensive income for the year		
Share of changes in equity of associate	12,866,423	12,779,000
Deferred tax relating to share of changes in equity of associate	(1,286,642)	(1,277,900)
Share of changes in equity of associate reclassified to profit and loss account on disposal	(4,919,883)	(4,836,659)
Deferred tax relating to share of changes in equity of associate reclassified to profit and loss account on disposal	491,988	483,666
	7,151,886	7,148,107
Total comprehensive income for the year	4,158,971,078	3,367,261,316

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

Chief Executive Officer

Director

Cash Flow Statement

for the year ended June 30, 2011

		2011 Rupees	2010 Rupees
a)	**Cash flows from operating activities**		
	Profit before taxation	4,874,537,993	3,893,804,553
	Adjustments for :		
	Depreciation / amortisation of property, plant and equipment	715,480,136	758,214,430
	Amortisation of intangible assets	1,635,025	6,395,307
	Provision for staff retirement gratuity	153,585,246	112,563,304
	Balances (written back) / written off - net	(788,397)	3,150,850
	(Gain) / loss on disposal of :		
	Property, plant and equipment	(5,541,337)	43,175,566
	Investment - available for sale	(4,910,807)	–
	Non - current assets held for sale	(138,420,757)	(163,469,363)
	Profit on deposits	(22,905,993)	(1,226,495)
	Share of profit of associate - net	(3,224,500,000)	(2,979,689,000)
	Finance cost	828,974,533	1,262,092,608
	Operating cash flows before working capital changes	3,177,145,642	2,935,011,760
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores, spare parts and loose tools	(109,922,008)	(25,702,217)
	Stock in trade	(320,965,796)	554,571,965
	Trade debts	(22,658,544)	21,042,970
	Loans and advances	(220,839,862)	(63,987,314)
	Prepayments	(1,416,049)	199,154
	Other receivables	583,737,874	(673,189,326)
	Increase / (decrease) in current liabilities		
	Trade and other payables	1,803,161,603	(1,577,676,641)
		1,711,097,218	(1,764,741,409)
	Cash generated from operations	4,888,242,860	1,170,270,351
	Long term loans recovered / (paid) - net	4,642,071	(25,182,879)
	Finance cost paid	(854,261,047)	(1,335,725,886)
	Income tax paid	(330,619,893)	(41,394,172)
	Staff retirement gratuity paid	(26,619,899)	(22,581,968)
	Net cash generated from / (used in) operating activities	3,681,384,092	(254,614,554)
b)	**Cash flows from investing activities**		
	Additions in :		
	Property, plant and equipment	(2,361,269,819)	(183,268,554)
	Intangible assets	(3,800,064)	(1,317,861)
	Investment - available for sale	(1,145,000,000)	–
	Proceeds from disposal of :		
	Property, plant and equipment	15,869,277	11,047,651
	Investment - available for sale	1,149,910,807	901,577,600
	Non - current assets held for sale	866,392,096	–
	Dividend received	1,177,850,520	1,138,714,784
	Long term deposits	173,860	(11,000)
	Profit on deposits	22,905,993	1,226,495
	Net cash (used in) / generated from investing activities	(276,967,330)	1,867,969,115
c)	**Cash flows from financing activities**		
	Long term financing obtained	–	2,750,000,000
	Repayment of :		
	Long term financing	(1,686,208,334)	(4,231,916,666)
	Long term murabaha	(150,000,000)	(300,000,000)
	(Decrease) / Increase in short term bank borrowings - net	(865,788,937)	71,876,803
	Dividend paid	(619,785,436)	(75,900)
	Net cash (used in) financing activities	(3,321,782,707)	(1,710,115,763)
	Net increase / (decrease) in cash and cash equivalents (a+b+c)	82,634,055	(96,761,202)
	Cash and cash equivalents at the beginning of the year	72,753,720	169,514,922
	Cash and cash equivalents at the end of the year	155,387,775	72,753,720

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, 2011

	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, 2009	3,105,069,950	1,000,000,000	72,017,550	78,355,800	1,981,673,099	5,633,726,670	11,870,843,069
Transfer to general reserve	–	–	–	–	100,000,000	(100,000,000)	–
Total comprehensive income for the year	–	–	–	7,148,107	–	3,360,113,209	3,367,261,316
Balance as at June 30, 2010	3,105,069,950	1,000,000,000	72,017,550	85,503,907	2,081,673,099	8,893,839,879	15,238,104,385
Transfer to general reserve	–	–	–	–	30,000,000	(30,000,000)	–
Dividend @ Rs. 2 per share	–	–	–	–	–	(621,013,990)	(621,013,990)
Total comprehensive income for the year	–	–	–	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

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, 2011

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 The Company has started implementation of balancing, modernisation and expansion of Polyester plant which will enhance the production capacity by 650 tons per day.

1.3 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.

1.4 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 period

The following standards, amendments and interpretations have been effective and are mandatory for financial statements for the periods beginning on or after July 01, 2010 and therefore, have been applied in preparing these financial statements :

– IAS 1 (Amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non - current. By amending the definition of current liability, the amendment permits a liability to be classified as non - current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of this amendment does not have any impact on the Company's financial statements.

– IAS 7 (Amendment), 'Statement of cash flows'. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of this amendment does not have any impact on the Company's financial statements.

– IAS 17 (Amendment), 'Leases'. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. The amendment provides clarification that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. A lease newly classified as a finance lease should be recognized retrospectively. The application of this amendment does not have any impact on the Company's financial statements.

– IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non - current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The application of this amendment does not have any impact on the Company's financial statements.

Notes to the Financial Statements

for the year ended June 30, 2011

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

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2010 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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

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

- IAS 1 (Amendments) clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. These amendments are effective for accounting periods beginning on or after July 01, 2011. The amendments may result in certain changes in disclosures.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendments). The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the International Accounting Standards Board's (IASB) comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. These amendments are effective for the accounting periods commencing on or after July 01, 2012. It is not expected to have any impact on the Company's financial statements.

- IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after July 01, 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments may result in certain changes in disclosures.

- IFRS 9 'Financial instruments' introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the IASB has prescribed the effective date; period beginning on or after January 01, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the Company's financial statements till application of IFRS 9 is notified.

- IAS 24, 'Related party disclosures' (Revised), issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (Revised) is mandatory for accounting periods beginning on or after July 01, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It is not expected to have any impact on the Company's financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective for accounting periods beginning on or after July 01, 2011. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Company's financial statements.

Notes to the Financial Statements

for the year ended June 30, 2011

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

There are other amendments to the standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not 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 costs 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 capitalised.

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.

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.

Notes to the Financial Statements

for the year ended June 30, 2011

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 not 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.

2.12 Non - current assets held for sale

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

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

Non - current assets held for sale that no longer meet the criteria of classification as held for sale is 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.

Notes to the Financial Statements

for the year ended June 30, 2011

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.

Notes to the Financial Statements

for the year ended June 30, 2011

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, 2011

	Note	2011 Rupees	2010 Rupees
3. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.1	7,109,168,175	7,190,161,467
Capital work in progress	3.4	1,719,739,535	252,000
		8,828,907,710	7,190,413,467

3.1 Operating assets

	Land – Freehold	Land – Leasehold	Building on – Freehold land	Building on – Leasehold land	Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
	Rupees								
At July 01, 2009									
Cost	255,904,779	408,500	1,986,303,042	63,897,537	13,341,829,749	101,813,081	159,713,226	159,807,244	16,069,677,158
Accumulated depreciation / amortisation	–	(88,849)	(960,407,635)	(31,140,882)	(7,212,192,306)	(32,662,438)	(72,339,119)	(76,127,867)	(8,384,959,096)
Written down value	255,904,779	319,651	1,025,895,407	32,756,655	6,129,637,443	69,150,643	87,374,107	83,679,377	7,684,718,062
Reconciliation of written down value at June 30, 2010									
Written down value as at July 01, 2009	255,904,779	319,651	1,025,895,407	32,756,655	6,129,637,443	69,150,643	87,374,107	83,679,377	7,684,718,062
Additions	–	–	140,709,177	–	87,956,675	11,687,579	13,137,520	64,390,101	317,881,052
Less : Disposals									
Cost	–	–	–	–	75,328,108	11,713,283	56,009,603	24,480,668	167,531,662
Accumulated depreciation	–	–	–	–	(54,959,863)	(4,977,007)	(39,427,739)	(13,943,836)	(113,308,445)
	–	–	–	–	20,368,245	6,736,276	16,581,864	10,536,832	54,223,217
Less : Depreciation / amortisation	–	4,085	103,762,118	3,275,666	614,329,194	7,357,378	9,100,628	20,385,361	758,214,430
Written down value as at June 30, 2010	255,904,779	315,566	1,062,842,466	29,480,989	5,582,896,679	66,744,568	74,829,135	117,147,285	7,190,161,467
At 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 June 30, 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
Rate (%)		01	10	10	10	10	10	20	

	Note	2011 Rupees	2010 Rupees
3.2 Depreciation / amortisation for the year has been allocated as under :			
Cost of goods sold	24	671,695,398	729,882,805
Administrative expenses	26	43,784,738	28,331,625
		715,480,136	758,214,430

Notes to the Financial Statements

for the year ended June 30, 2011

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)	38,173,350	35,409,956	2,763,394	5,025,600	A.M.Textiles, Samundri Road, Near Satyana Road By pass, Faisalabad.
	1,562,661	1,449,536	113,125	293,000	Chakwal Textile Mills Limited, Aminwal Rawalpindi Road, Chakwal.
	7,415,644	6,700,166	715,478	1,080,000	Lucky Cotton Mills (Pvt) Limited, A-240, Site Nooriabad, Karachi.
	3,125,322	2,899,072	226,250	420,000	Shafaqat Ali, Dar-ul-Ihsan Town, Samundri Road, Faisalabad.
	1,150,000	1,040,946	109,054	144,000	Al-Ahmed Textile Mills (Pvt) Limited, 1D-Sharja Trade Center, New Challi, Karachi.
	2,460,612	2,256,227	204,385	210,000	A.A. Spinning Mills Limited, 20 K.M., Faisalabad - Sheikhupura Road, Faisalabad.
(Insurance claim)	3,224,856	2,485,576	739,280	3,000,000	EFU General Insurance Limited, Ahmed Plaza, Bilal Road, Faisalabad.
	57,112,445	52,241,479	4,870,966	10,172,600	
Furniture and fixture					
(Sold by negotiation)	25,217	9,494	15,723	5,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-
Office equipment					
(Insurance claim)	62,000	7,026	54,974	44,000	EFU General Insurance Limited, Ahmed Plaza, Bilal Road, Faisalabad.
(Sold under Company policy)	85,500	27,261	58,239	9,494	Anwar-ul-Hassan (Employee)
	74,750	22,948	51,802	8,301	Tahir Manzoor (Employee)
	83,461	26,125	57,336	8,767	Tahir Shakoor (Employee)
	97,350	31,113	66,237	13,356	Saleem Akhtar (Employee)
	83,461	28,656	54,805	7,515	Aziz Ahmad (Employee)
	87,500	33,919	53,581	7,353	Jawaid Ashraf (Employee)
	498,709	216,638	282,071	36,954	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)	313,708	77,118	236,590	-	
	1,386,439	470,804	915,635	135,740	
Vehicles					
(Sold by negotiation)	931,995	667,000	264,995	500,000	Tariq Khan, Al Noor Society, Gulshan-e-Maymar, Karachi.
	1,311,025	1,152,109	158,916	600,000	Shahnaz Akhtar, P-17A B, Club Road, Civil Line, Faisalabad.
	985,605	927,495	58,110	400,000	H.M.Ibrahim, Ibrahim House BR 1/53 Ramdas Street, Kharadar, Karachi.
(Insurance claim)	134,000	23,442	110,558	122,900	IGI Insurance Limited, Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad.
(Sold under Company policy)	998,380	616,365	382,015	382,015	Qazi Shahid Manzoor (Employee)
	910,740	616,246	294,494	294,494	Muhammad Talha Khan (Employee)
	906,900	606,941	299,959	299,959	Aamir Usmani (Employee)
	520,275	348,193	172,082	172,082	Syed Zulfiqar Ali Shah (Employee)
	910,270	621,003	289,267	289,267	Khalid Islam Khan (Employee)
	411,650	282,849	128,801	128,801	Zia Uddin (Employee)
	406,220	274,034	132,186	132,186	Adnan Ahmed (Employee)
	1,030,991	689,402	341,589	341,589	Fazal Akbar (Employee)
	597,600	484,415	113,185	113,185	Rukhsana Sagheer (Employee)
	1,377,880	923,241	454,639	454,639	Muhammad Pervaiz Aslam Rana (Employee)
	583,850	401,568	182,282	182,282	Raza Ullah (Employee)
	475,315	324,269	151,046	151,046	Tariq Javed (Employee)
	1,315,094	878,927	436,167	436,167	Jawaid Ashraf (Employee)
	577,275	474,371	102,904	102,904	Aleem Amin (Employee)
	475,615	317,871	157,744	157,744	Khalid Mahmood Ansari (Employee)
	891,403	596,726	294,677	294,677	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-
	15,752,083	11,226,467	4,525,616	5,555,937	
2011	74,276,184	63,948,244	10,327,940	15,869,277	
2010	167,531,662	113,308,445	54,223,217	11,047,651	

Notes to the Financial Statements

for the year ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
3.4 Capital work in progress			
Building on freehold land		226,550,353	–
Plant and machinery		8,500,000	–
Advances against property, plant and equipment			
Building on freehold land		165,058,260	–
Plant and machinery		1,300,507,892	–
Office equipment		2,252,330	252,000
Vehicles		9,418,200	–
		1,477,236,682	252,000
Finance cost		7,452,500	–
		1,719,739,535	252,000

4. INTANGIBLE ASSETS

	Note	2011 Rupees	2010 Rupees
Computer softwares	4.1	1,925,817	3,560,842
Computer softwares under implementation			
Software licences		3,274,152	1,714,088
Advances against implementation		5,893,000	3,653,000
		9,167,152	5,367,088
		11,092,969	8,927,930

4.1 Computer softwares

	2011 Rupees	2010 Rupees
At June 30,		
Cost	32,288,774	32,288,774
Accumulated amortisation	(30,362,957)	(28,727,932)
Written down value	1,925,817	3,560,842
Reconciliation of written down value :		
Opening balance	3,560,842	9,117,288
Additions	–	838,861
Amortisation	(1,635,025)	(6,395,307)
Closing balance	1,925,817	3,560,842

5. INVESTMENT IN ASSOCIATE

	Note	2011 Rupees	2010 Rupees
Allied Bank Limited (ABL) - Quoted			
315,786,565 (2010 : 301,846,565) ordinary shares of Rs.10/- each Ownership interest 36.71% (2010 : 38.50%)		8,610,904,890	9,048,228,675
Share of post acquisition changes in equity		8,577,252,201	6,774,167,988
Less : Dividend received during the year		(1,177,850,520)	(1,138,714,784)
		16,010,306,571	14,683,681,879
Less : 45,000,000 (2010 : 7,500,000) ordinary shares classified as held for sale	13	(2,240,815,548)	(364,846,339)
		13,769,491,023	14,318,835,540

5.1 The market value of investment in associate as at June 30, 2011 was Rs. 17,368 million (2010 : Rs. 16,763 million).

5.2 The financial year end of ABL is 31st December. The latest available financial results of associate as of March 31, 2011 have been used for the purpose of application of equity method.

Notes to the Financial Statements

for the year ended June 30, 2011

	March 31, 2011 Rupees in million	March 31, 2010 Rupees in million
5.3 Summarised financial information of associate :		
Aggregate amount of :		
– Assets	450,308	399,837
– Liabilities	410,761	369,587
– Revenue (from April 01 to March 31)	46,357	41,823
– Profit (from April 01 to March 31)	8,959	7,451

	Note	2011 Rupees	2010 Rupees
6. LONG TERM LOANS			
Considered good			
Executives	6.1	40,455,573	38,894,104
Other employees		6,182,939	3,022,883
		46,638,512	41,916,987
Current portion	10	(26,097,704)	(16,734,108)
		20,540,808	25,182,879
6.1 Reconciliation of carrying amount of loans to executives :			
Opening balance		38,894,104	–
Disbursments		24,017,834	48,136,664
Repayments		(22,456,365)	(9,242,560)
Closing balance		40,455,573	38,894,104

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

6.3 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs. 48.880 million (2010 : Rs. 29.500 million).

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

	2011 Rupees	2010 Rupees
7. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	346,334,944	214,677,174
Spare parts		
In hand	480,738,304	435,348,367
In transit	1,821,296	69,870,166
	482,559,600	505,218,533
Loose tools	3,630,807	2,707,636
	832,525,351	722,603,343

Notes to the Financial Statements

for the year ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
8. STOCK IN TRADE			
Raw materials			
In hand		1,210,142,062	1,277,277,465
In transit		–	17,800,526
		1,210,142,062	1,295,077,991
Work in process		296,007,743	273,470,969
Finished goods		1,150,800,869	781,938,072
Wastes		19,130,763	4,628,609
		2,676,081,437	2,355,115,641
9. TRADE DEBTS			
Secured			
Local		38,913,980	18,864,674
Foreign		–	5,319,833
		38,913,980	24,184,507
Unsecured			
Local		123,322,507	114,605,039
		162,236,487	138,789,546
10. LOANS AND ADVANCES			
Considered good			
Loans			
Employees			
Executives		2,530,945	6,718,478
Others		9,854,453	10,006,347
Current portion of long term loans	6	26,097,704	16,734,108
		38,483,102	33,458,933
Advances			
Suppliers and contractors		52,125,337	53,986,889
Income tax		544,619,893	604,528,589
Letters of credit fee, margin and expenses		228,559,585	10,882,340
		825,304,815	669,397,818
		863,787,917	702,856,751
11. OTHER RECEIVABLES			
Custom duty refundable		106,243,556	547,816,358
Income tax refundable		82,041,107	236,987,223
Sales tax / Federal excise duty refundable		337,126,261	307,423,832
Claims		9,276,156	10,580,475
Other		3,256,349	3,414,796
		537,943,429	1,106,222,684
12. CASH AND BANK BALANCES			
Cash in hand		5,827,983	6,678,279
Cash at banks			
In current accounts		72,182,819	13,994,390
In deposit accounts	12.1	77,376,973	52,081,051
		149,559,792	66,075,441
		155,387,775	72,753,720

12.1 The rate of profit on deposit accounts is 5% per annum (2010 : 5% per annum).

Notes to the Financial Statements

for the year ended June 30, 2011

	2011 Rupees	2010 Rupees
13. NON - CURRENT ASSETS HELD FOR SALE		
Investment in associate		
Allied Bank Limited (ABL) - Quoted		
45,000,000 (2010 : 7,500,000) ordinary shares of Rs.10/- each	2,240,815,548	364,846,339

13.1 The management has decided to dispose off these shares subject to approval by the State Bank of Pakistan. The approval was subsequently granted and shares were disposed off on July 19, 2011.

	Note	2011 Rupees	2010 Rupees
14. TRADE AND OTHER PAYABLES			
Creditors		214,671,066	310,620,809
Accrued liabilities	14.1	491,739,570	269,808,966
Advances from customers		76,808,016	26,571,818
Advance from directors against non - current assets held for sale		1,194,882,147	–
Capital expenditure payable		32,954,987	29,922,487
Bills payable		833,655,569	375,536,501
Workers' profit participation fund	14.2	81,116,030	40,645,678
Workers' welfare fund		32,275,149	26,572,565
Unclaimed dividend		15,128,365	13,899,811
Other		28,312,256	97,045,170
		3,001,543,155	1,190,623,805

14.1 It includes NIL (2010 : Rs. 10,000/-) due to a related party.

14.2 Workers' profit participation fund

	2011 Rupees	2010 Rupees
Opening balance	40,645,678	22,762,284
Interest on funds utilised in the Company's business	2,222,985	1,409,908
	42,868,663	24,172,192
Paid to the fund	(42,868,663)	(24,172,192)
	–	–
Allocation for the year	81,116,030	40,645,678
	81,116,030	40,645,678

	2011 Rupees	2010 Rupees
15. SHORT TERM BANK BORROWINGS		
Secured		
Running finances	703,649,354	902,890,847
Term finances	–	666,547,444
	703,649,354	1,569,438,291

15.1 These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from13.42% to 13.90% per annum (2010 : 12.35% to 13.18% per annum). The aggregate un-availed short term bank borrowing facilities available to the Company are Rs. 4,470 million (2010 : Rs. 3,680 million).

Notes to the Financial Statements

for the year ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
16. LONG TERM FINANCING			
Secured			
From banking companies			
Demand finance I	16.1	400,000,000	666,666,667
Demand finance II	16.2	393,750,000	450,000,000
Term finance I	16.3	312,500,000	625,000,000
Term finance II	16.4	225,000,000	337,500,000
Term finance III	16.5	656,250,000	750,000,000
Term finance IV	16.6	325,000,000	541,666,667
Term finance V	16.7	700,000,000	800,000,000
Term finance VI	16.8	1,312,500,000	1,500,000,000
Syndicated term finance I		–	340,375,000
		4,325,000,000	6,011,208,334
Less : Current portion		1,783,333,334	1,686,208,334
		2,541,666,666	4,325,000,000

16.1 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 16.2). It carries markup at three months KIBOR plus 50 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 12.79% to 14.03% per annum (2010 : 12.79% to 13.27% per annum).

16.2 Demand finance II

It is repayable in 8 equal half yearly installments commenced from June 24, 2011 and ending on December 24, 2014. It is secured by way of first 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 16.1). It carries markup at six months KIBOR plus 125 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 13.62% to 15.04% per annum (2010 : 13.62% to 14.21% per annum).

16.3 Term finance I

It is repayable in 8 equal half yearly installments commenced from December 26, 2008 and ending on June 26, 2012. It is secured by way of first charge over present and future fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of term finance III (Refer Note 16.5), term finance VI (Refer Note 16.8) and syndicated term finance II (Refer Note 16.9). It carries markup at three months KIBOR plus 110 basis points payable quarterly in arrears.

Effective markup rate charged during the year ranges from 13.39% to 14.64% per annum (2010 : 13.39% to 13.86% per annum).

Notes to the Financial Statements

for the year ended June 30, 2011

16.4 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 13.39% to 14.64% per annum (2010 : 13.39% to 13.87% per annum).

16.5 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 term finance I (Refer Note 16.3), term finance VI (Refer Note 16.8) and syndicated term finance II (Refer Note 16.9). It carries markup at six months KIBOR plus 100 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 13.44% to 14.73% per annum (2010 : 13.44% to 13.66% per annum).

16.6 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 (2010 : 150 basis points) payable half yearly in arrears.

Effective markup rate charged during the year ranges from 13.72% to 14.81% per annum (2010 : 13.72% to 15.10% per annum).

16.7 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 parri passu charge over the fixed assets of Textile Plant-II of the Company. It carries markup at six months KIBOR plus 140 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 13.84% to 15.12% per annum (2010 : 13.84% to 14.06% per annum).

16.8 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 term finance I (Refer Note 16.3), term finance III (Refer Note 16.5) and syndicated term finance II (Refer Note 16.9). It carries markup at six months KIBOR plus 125 basis points (2010 : 175 basis points) payable half yearly in arrears.

Effective markup rate charged during the year ranges from 14.17% to 14.96% per annum (2010 : 14.17% to 14.41% per annum).

16.9 Syndicated term finance II

The Company has entered into an agreement to obtain syndicated term finance II of Rs.12,905 million. The loan is secured by way of first charge over present and future fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of term finance I (Refer Note 16.3), term finance III (Refer Note 16.5) and term finance VI (Refer Note 16.8).

Notes to the Financial Statements

for the year ended June 30, 2011

	2011 Rupees	2010 Rupees
17. DEFERRED TAXATION		
17.1 Opening balance	1,814,476,909	1,741,441,544
Provided during the year	165,536,548	73,035,365
	1,980,013,457	1,814,476,909
17.2 This comprises of the following :		
Deferred tax liabilities :		
Difference in tax and accounting bases of property, plant and equipment	1,424,822,671	1,391,881,456
Investment in associate	739,940,168	563,545,322
Deferred tax asset :		
Staff retirement gratuity	(184,749,382)	(140,949,869)
	1,980,013,457	1,814,476,909

18. STAFF RETIREMENT GRATUITY

18.1 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, 2011 using Projected Unit Credit Method.

	Note	2011 Rupees	2010 Rupees
18.2 The amount recognised in the balance sheet is as follows :			
Present value of defined benefit obligation		605,494,212	454,669,780
Cumulative net unrecognised actuarial losses		(80,138,348)	(52,782,570)
		525,355,864	401,887,210
18.3 Movement in net liability recognised			
Opening liability		401,887,210	312,579,574
Liability transferred to accrued liabilities		(3,496,693)	(673,700)
Expenses recognised in profit and loss account	18.3.1	153,585,246	112,563,304
Paid during the year		(26,619,899)	(22,581,968)
		525,355,864	401,887,210
18.3.1 Expenses recognised in profit and loss account			
Current service cost		97,979,787	71,047,334
Interest cost		54,560,374	41,515,970
Actuarial losses		1,045,085	–
		153,585,246	112,563,304

Notes to the Financial Statements

for the year ended June 30, 2011

		2011	2010
18.4	**Principal actuarial assumptions used**		
	Discount rate	14% per annum	12% per annum
	Expected rate of increase in salary	13% per annum	11% per annum
	Expected average remaining working lives of participating employees	7 years	7 years

18.5 Trend information

	2011	2010	2009	2008	2007
	Rupees				
Present value of defined benefit obligation	605,494,212	454,669,780	345,966,413	253,516,940	256,986,645
Experience adjustment on obligation	28,400,863	19,395,731	32,133,652	(27,114,454)	22,202,986

Notes to the Financial Statements

for the year ended June 30, 2011

	2011 Rupees in million	2010 Rupees in million
19. CONTINGENCIES AND COMMITMENTS		
19.1 Contingencies		
19.1.1 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) Guarantee given to Collector of Customs against differential of custom duty on import of raw material. The matter was under adjudication before the Collector of Customs, Karachi but no order has been passed within the prescribed time limit.	–	4.698
(iii) Guarantee given to Chief Controller of Imports and Exports against difference of import license fee. The matter has been decided in favour of the Company by the Honourable Sindh High Court, Karachi. The guarantee given by the bank has been cancelled.	–	2.806
(iv) Guarantees given to Sui Northern Gas Pipelines Limited against supply of gas.	196.075	196.075
19.1.2 Custom duty of Rs. 8.9 million (2010 : 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 (2010 : Rs. 11.455 million) is also pending before the Custom Department.	–	–
19.1.3 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 Comapny has given bank gurantee of Rs. 0.589 million to market committee.	10.628	0.589
19.1.4 The income tax liability of Rs. 173.167 million pertaining to previous years was not acknowledged due to pending appeal against non allowance of tax credit of Rs. 191.417 million. The Honorable Income Tax Appellate Tribunal has allowed the tax credit.	–	–
19.2 Commitments		
19.2.1 Under contracts for capital expenditure :		
Civil work	1,189.152	–
Plant and machinery	44.000	–
19.2.2 Under letters of credit for :		
Plant and machinery	12,448.954	–
Raw materials and spare parts	1,230.606	399.743

Notes to the Financial Statements

for the year ended June 30, 2011

			2011 Rupees	2010 Rupees
20. SHARE CAPITAL				
Authorised capital				
2011	**2010**			
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				
2011	**2010**			
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	2011 Rupees	2010 Rupees
21. CAPITAL RESERVES			
Premium on issue of shares		1,000,000,000	1,000,000,000
Merger reserve	21.1	72,017,550	72,017,550
Share of changes in equity of associate		92,655,793	85,503,907
		1,164,673,343	1,157,521,457

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

	2011 Rupees	2010 Rupees
22. REVENUE RESERVES		
General reserve	2,111,673,099	2,081,673,099
Unappropriated profit	12,394,645,081	8,893,839,879
	14,506,318,180	10,975,512,978
23. SALES		
Local	37,997,641,350	27,057,115,416
Export	132,456,818	77,898,663
	38,130,098,168	27,135,014,079
Less : Commission and brokerage	829,418,090	11,145,477
	37,300,680,078	27,123,868,602

Notes to the Financial Statements

for the year ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
24. COST OF GOODS SOLD			
Raw materials consumed		29,123,971,811	19,800,852,395
Packing materials		329,757,848	248,055,302
Salaries, wages and benefits		829,351,135	641,725,843
Staff retirement benefits		113,820,296	79,118,633
Stores and spare parts		785,361,343	645,309,265
Fuel and power		2,413,064,422	1,689,130,485
Insurance		25,395,260	24,285,868
Depreciation of property, plant and equipment	3.2	671,695,398	729,882,805
Other		290,866,950	198,999,706
		34,583,284,463	24,057,360,302
Work in process			
Opening stock		273,470,969	237,571,534
Closing stock		(296,007,743)	(273,470,969)
		(22,536,774)	(35,899,435)
Cost of goods manufactured		34,560,747,689	24,021,460,867
Finished goods			
Opening stock		786,566,681	1,139,685,103
Closing stock		(1,169,931,632)	(786,566,681)
		(383,364,951)	353,118,422
		34,177,382,738	24,374,579,289
25. SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits		69,296,419	68,330,533
Staff retirement benefits		14,550,355	11,950,791
Freight and forwarding		47,084,856	58,859,788
Travelling and conveyance		6,361,108	3,450,067
Vehicles running and maintenance		4,036,435	5,390,943
Postage and telecommunication		987,390	1,047,779
Other		10,464,978	9,830,958
		152,781,541	158,860,859
26. ADMINISTRATIVE EXPENSES			
Directors' remuneration		27,000,000	27,000,000
Salaries and benefits		218,796,058	193,617,361
Staff retirement benefits		25,214,595	21,493,880
Travelling and conveyance		65,136,712	58,559,789
Vehicles running and maintenance		11,801,007	10,729,736
Fuel and power		31,620,600	22,562,985
Postage and telecommunication		12,705,990	12,360,151
Printing and stationery		4,893,572	5,371,743
Repairs and maintenance		75,650,974	53,776,254
Fees, subscription and periodicals		8,589,826	7,380,786
Rent, rates and taxes		24,375,053	25,691,535
Legal and professional		3,242,250	9,466,750
Entertainment		12,046,409	5,417,544
Auditors' remuneration	26.1	2,075,000	1,845,000
Advertisement		226,251	326,646
Insurance		956,197	703,020
Donations	26.2	3,458,111	300,000
Depreciation / amortisation of property, plant and equipment	3.2	43,784,738	28,331,625
Amortisation of intangible assets	4	1,635,025	6,395,307
Other		4,292,208	10,586,139
		577,500,576	501,916,251

Notes to the Financial Statements

for the year ended June 30, 2011

		2011 Rupees	2010 Rupees
26.1	**Auditors' remuneration**		
	Audit fee	1,500,000	1,500,000
	Other services	575,000	345,000
		2,075,000	1,845,000

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

27. OTHER OPERATING EXPENSES

	2011 Rupees	2010 Rupees
Workers' profit participation fund	81,116,030	40,645,678
Loss on disposal of property, plant and equipment	–	43,175,566
Workers' welfare fund	32,583,245	26,574,205
Balances written off - net	–	3,150,850
	113,699,275	113,546,299

28. FINANCE COST

	2011 Rupees	2010 Rupees
Mark up / interest on :		
Long term financing	755,586,905	892,550,504
Long term murabaha	1,952,877	34,891,315
Short term bank borrowings	67,175,957	331,147,635
Workers' profit participation fund	2,222,985	1,409,908
Bank charges and commission	2,035,809	2,093,246
	828,974,533	1,262,092,608

29. OTHER OPERATING INCOME

	2011 Rupees	2010 Rupees
Income from financial assets :		
Profit on deposits	22,905,993	1,226,495
Exchange differences	244,823	138,542
	23,150,816	1,365,037
Income from investment in related parties :		
Gain on disposal of :		
Investment in shares of ABL	138,420,757	163,469,363
Investment available for sale - ABL Asset Management Limited	4,910,807	–
	143,331,564	163,469,363
Income from assets other than financial assets :		
Scrap sales	26,856,924	34,976,861
Gain on disposal of property, plant and equipment	5,541,337	–
Balances written back - net	788,397	–
Other	27,540	1,430,996
	33,214,198	36,407,857
	199,696,578	201,242,257

Notes to the Financial Statements

for the year ended June 30, 2011

	2011 Rupees	2010 Rupees
30. PROVISION FOR TAXATION		
Current		
For the year	644,189,393	461,282,445
For prior years	(86,212,475)	167,769
	557,976,918	461,450,214
Deferred	164,741,883	72,241,130
	722,718,801	533,691,344

30.1 Reconciliation between accounting profit and tax expense

	2011 Rupees	2010 Rupees
Profit before taxation	4,874,537,993	3,893,804,553
Tax on accounting profit at the applicable tax rate of 35%	1,706,088,298	1,362,831,594
Tax effect of :		
Share of profit of associate not chargeable to tax	(1,128,575,000)	(1,042,891,150)
Income chargeable to tax at special rate	117,881,919	114,650,465
Income exempt from tax	(48,447,265)	(57,214,277)
Expenses that are inadmissible in determining taxable profit / unrealised profits	190,913,442	156,146,943
Tax credit on plant and machinery	(55,932,069)	–
Surcharge on tax payable	27,001,951	–
Adjustments of prior years in respect of current tax	(86,212,475)	167,769
	722,718,801	533,691,344

	2011	2010
31. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees)	4,151,819,192	3,360,113,209
Weighted average number of ordinary shares	310,506,995	310,506,995
Earnings per share - Basic and Diluted (Rupees)	13.37	10.82

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

32. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	8,181,816	16,363,632	285,734,449	8,181,816	16,363,632	241,922,603
Medical allowance	818,184	1,636,368	28,188,522	818,184	1,636,368	23,970,214
Reimbursable expenses for vehicles running	–	–	14,995,572	–	–	14,238,189
	9,000,000	18,000,000	328,918,543	9,000,000	18,000,000	280,131,006
Number of persons	1	2	240	1	2	198

32.1 The Chief Executive Officer and Directors are entitled to free use of the Company maintained vehicles. The monetary value of the benefit is Rs. 2,732,731/- (2010 : Rs. 2,144,672/-). The Directors have waived off their meeting fee.

Notes to the Financial Statements

for the year ended June 30, 2011

33. 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 32 and long term loans to Executives is disclosed in Note 6. Other significant transactions with related parties are as under :

Relationship	Nature of transaction	2011 Rupees	2010 Rupees
Associated undertakings			
	Rent	23,100,000	23,100,000
	Dividend received	1,177,850,520	1,138,714,784
	Commission	791,815,479	–
	Investment - available for sale	1,145,000,000	–
	Proceeds from disposal of investment - available for sale	1,149,910,807	–
	Loan received	–	408,775,013
	Loan paid	–	408,775,013
	Mark up on loan	–	18,566,585
Key management personnel			
	Proceeds from disposal of non - current assets held for sale	866,615,586	902,000,000
	Advance from directors against non - current assets held for sale	1,194,882,147	–
	Dividend paid	493,851,050	–
	Disposal of vehicles under Company policy	454,639	764,250
	Rent	–	120,000

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	2011 M. Tons	2010 M. Tons
Annual production capacity (350 days - 3 shifts)		
Polyester Staple Fibre / Polyester Chips	208,600	208,600
Yarn converted into 20/s count (Spindles installed 137,856 (2010 : 137,856))	48,700	46,600
Actual production		
Polyester Staple Fibre / Polyester Chips	207,066	181,579
Yarn converted into 20/s count (Spindles worked 133,440 (2010 : 136,305))	47,149	48,712

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

Notes to the Financial Statements

for the year ended June 30, 2011

35. 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.

	2011 Rupees	2010 Rupees
35.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets :		
Investment in associate	13,769,491,023	14,318,835,540
Long term loans	20,540,808	25,182,879
Long term deposits	3,573,063	3,746,923
Trade debts	162,236,487	138,789,546
Loans and advances	38,483,102	33,458,933
Other receivables	9,468,280	10,772,599
Cash and bank balances	155,387,775	72,753,720
Non - current assets held for sale	2,240,815,548	364,846,339
	16,399,996,086	14,968,386,479
Financial liabilities :		
Long term financing	2,541,666,666	4,325,000,000
Current portion of long term financing	1,783,333,334	1,686,208,334
Long term murabaha	–	150,000,000
Trade and other payables	2,811,343,960	1,096,833,744
Mark up / interest payable	154,623,130	179,909,644
Short term bank borrowings	703,649,354	1,569,438,291
	7,994,616,444	9,007,390,013

35.1.1 Credit risk and concentration of credit risk

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

	2011 Rupees	2010 Rupees
Long term loans	20,540,808	25,182,879
Long term deposits	3,573,063	3,746,923
Trade debts	162,236,487	138,789,546
Loans and advances	38,483,102	33,458,933
Other receivables	9,468,280	10,772,599
Bank balances	149,559,792	66,075,441
	383,861,532	278,026,321

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 counterparties on their obligations to the Company.

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

Notes to the Financial Statements

for the year ended June 30, 2011

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 :

	2011 Rupees	2010 Rupees
Industrial users	157,081,219	126,736,726
Wholesalers	5,155,268	12,052,820
	162,236,487	138,789,546
Aging of trade debts as at balance sheet date is as under :		
Not past due	138,441,991	117,759,867
Past due within one year	8,695,046	4,855,727
Past due more than one year	15,099,450	16,173,952
	162,236,487	138,789,546

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.

35.1.2 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, 2011 and June 30, 2010.

	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

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

Notes to the Financial Statements

for the year ended June 30, 2011

The contractual cash flows relating to mark up have been determined on the basis of markup rates as applicable at June 30, 2011 on long term financing and short term bank borrowings. The Company has liquid assets of Rs. 2,626.932 million (2010 : Rs. 670.987 million) and unavailed short term bank borrowing facilities of Rs. 4,470 million (2010 : Rs. 3,680 million) (Refer Note 15.1) as at June 30, 2011 to minimise the liquidity risk.

35.1.3 Market risk

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

i) Interest rate risk

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

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

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

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

Had the interest rate been increased / decreased by 100 basis points at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 55.161 million respectively (2010 : Rs. 56.068 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. 214.819 million (2010 : Rs. 221.320 million).

Had the Pak Rupee been weakened / strengthened by 5% against the U.S dollar at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 10 million respectively (2010 : Rs. 6.697 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 .

35.2 Fair values of financial instruments

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

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

Notes to the Financial Statements

for the year ended June 30, 2011

35.3 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, 2011 and June 30, 2010 was as follows :

	Note	2011 Rupees	2010 Rupees
Debt	15 & 16	5,028,649,354	7,730,646,625
Less : Cash and cash equivalents	12	155,387,775	72,753,720
Net Debt		4,873,261,579	7,657,892,905
Total equity		18,776,061,473	15,238,104,385
Total capital		23,649,323,052	22,895,997,290
Gearing ratio		20.61%	33.45%

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue as at September 28, 2011 by the Board of Directors of the Company.

37. NON - ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 28, 2011 proposed dividend at the rate of Rs. 3 per share amounting to Rs. 931.521 million (2010 : 621.014 million) for the year ended June 30, 2011 subject to the approval of the members at the forthcoming Annual General Meeting to be held on October 26, 2011 and approved transfer of an amount of Rs. 519.000 million (2010 : 30.000 million) to general reserve for the year ended June 30, 2011.

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

Chief Executive Officer | Director

Pattern of Shareholding

as at June 30, 2011

Number of Shareholders	Having Shares From	Having Shares To	Shares Held
399	1	100	18,720
998	101	500	235,627
509	501	1000	368,181
423	1001	5000	919,871
92	5001	10000	664,045
29	10001	15000	366,274
26	15001	20000	467,689
14	20001	25000	325,291
11	25001	30000	310,124
11	30001	35000	357,731
8	35001	40000	301,425
2	40001	45000	87,500
5	45001	50000	242,179
3	50001	55000	157,397
2	55001	60000	115,600
3	60001	65000	186,400
3	65001	70000	204,875
4	70001	75000	295,392
1	80001	85000	83,791
1	100001	105000	100,595
1	110001	115000	112,375
2	115001	120000	240,000
2	120001	125000	250,000
2	145001	150000	295,194
1	170001	175000	173,113
1	195001	200000	200,000
1	240001	245000	243,467
1	255001	260000	259,000
1	280001	285000	282,554
1	335001	340000	337,000
1	345001	350000	347,125
1	365001	370000	369,607
1	435001	440000	438,250
1	560001	565000	561,125
1	670001	675000	674,000
1	805001	810000	808,640
1	945001	950000	945,213
1	1815001	1820000	1,818,530
1	2140001	2145000	2,141,300
1	4490001	4495000	4,494,000
1	5725001	5730000	5,729,875
1	10530001	10535000	10,532,600
1	90530001	90535000	90,531,495
1	90685001	90690000	90,689,144
1	92220001	92225000	92,224,681
2,572			**310,506,995**

Categories of Shareholders

as at June 30, 2011

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	–	–	–
NIT & ICP			
National Bank of Pakistan Trustee Deptt.	1	1,818,530	0.5857
Investment Corporation of Pakistan	1	1,413	0.0005
Directors, Chief Executive Officer and their spouses			
Sheikh Mukhtar Ahmed	1	92,224,681	29.7013
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. Syed Asif Hasan	1	1,000	0.0003
Mr. Mohammad Pervaiz Aslam Rana	1	800	0.0003
Executives	3	9,076	0.0029
Banks, DFIs, NBFIs & Leasing Companies	17	1,909,969	0.6151
Insurance Companies	5	2,144,373	0.6906
Modarabas and Mutual Funds	8	1,125,703	0.3625
Joint Stock Companies & Others	56	1,638,845	0.5278
Genral Public			
a. Local	2,471	16,609,891	5.3493
b. Foreign	3	11,796,375	3.7991
Shareholders holdings 10% (or more) (Excluding Directors)	–	–	–
	2,572	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 25th Annual General Meeting of the Company to be held on October 26, 2011 at 11:00 AM at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

Signed this ______________ day of ______________ 2011.

AFFIX REVENUE STAMP OF RS. 5/-

Witness: (1)

Signature ______________________

Name ______________________

Address ______________________

CNIC No. ______________________

Signature : ______________________

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

Witness: (2)

Signature ______________________

Name ______________________

Address ______________________

CNIC No. ______________________

Folio No. ______________________

CDC A/c No. ______________________

No. of shares held ______________________

Distinctive Numbers ______________________

IMPORTANT :

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

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

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

FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES :

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

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

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

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

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

AFFIX
CORRECT
POSTAGE

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

www.igcpk.com

Ibrahim Fibres Limited,
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1 - Ahmed Block, New Garden Town,
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