ANNUAL REPORT 2014
IBRAHIM FIBRES LIMITED

Committed to Excellence

Ibrahim

Contents

Company Information

Board of Directors

Sheikh Mukhtar Ahmed
Chairman

Mohammad Naeem Mukhtar
Chief Executive Officer

Muhammad Waseem Mukhtar

Jawaid Ashraf

Abdul Hameed Bhutta

Mohammad Waqar

Muhammad Abbas

Secretary

Muhammad Labeeb Subhani

Audit Committee

Jawaid Ashraf
Chairman

Abdul Hameed Bhutta
Member

Mohammad Waqar
Member

Muhammad Labeeb Subhani
Secretary

Human Resource & Remuneration Committee

Abdul Hameed Bhutta
Chairman

Jawaid Ashraf
Member

Mohammad Waqar
Member

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

	For the Year Ended June 30,					
	2014	2013	2012	2011	2010	2009
Operating performance						(Rupees in million)
Sales – net	47,972	38,839	35,853	37,301	27,124	22,060
Inter – project consumption	4,051	3,974	3,877	3,658	2,748	2,372
	52,023	42,813	39,730	40,959	29,872	24,432
Gross profit	1,329	2,725	2,622	3,123	2,749	2,311
Operating profit	533	1,958	1,920	2,449	2,126	1,838
Profit before taxation	1,100	4,375	4,452	4,875	3,894	1,926
Profit after taxation	874	5,534	4,114	4,152	3,360	1,625

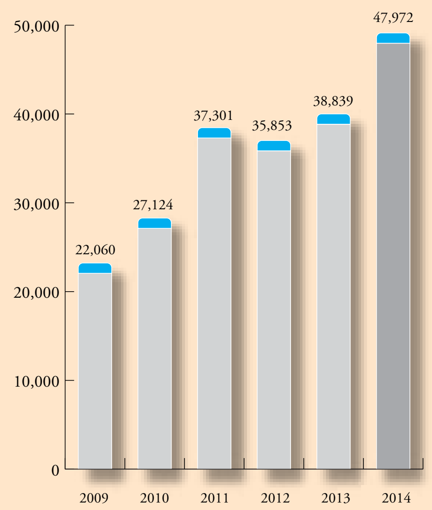
	As at June 30,					
	2014	2013	2012	2011	2010	2009
Financial position						(Rupees in million)
Property, plant and equipment – net (excluding capital work in progress)	24,606	27,175	7,054	7,109	7,190	7,685
Intangible assets	54	60	10	11	9	14
Capital work in progress	385	58	13,385	1,720	–	132
Fixed assets	25,045	27,293	20,449	8,840	7,199	7,831
Total assets	47,977	49,235	39,316	30,110	27,017	26,479
Current assets						
Stores, spare parts and stock in trade	8,200	9,970	5,686	3,509	3,078	3,607
Other current assets	3,523	2,569	1,563	3,813	2,319	1,294
Cash and cash equivalents	86	205	52	155	73	170
	11,809	12,744	7,301	7,477	5,470	5,071
Current liabilities						
Short term bank borrowings	2,683	5,509	2,319	704	1,569	1,498
Current portion of long term financing / murabaha	3,250	2,313	1,229	1,783	1,836	1,782
Other current liabilities	1,758	1,677	2,108	3,800	1,832	3,113
	7,691	9,499	5,656	6,287	5,237	6,393
Net working capital	4,118	3,245	1,645	1,190	232	(1,322)
Long term financing / murabaha	11,897	12,250	9,262	2,542	4,325	6,161
Share capital and reserves	26,524	26,038	21,883	18,776	15,238	11,871

		For the Year Ended June 30,					
		2014	2013	2012	2011	2010	2009
Profitability analysis							
Gross profit to sales	(%)	2.8	7.0	7.3	8.4	10.1	10.5
Profit before tax to sales	(%)	2.3	11.3	12.4	13.1	14.4	8.7
Profit after tax to sales	(%)	1.8	14.2	11.5	11.1	12.4	7.4
Return on capital employed	(%)	1.3	4.9	5.7	10.3	9.8	9.2
Return on equity	(%)	3.3	21.3	18.8	22.1	22.1	13.7
Earnings per share	(Rupees)	2.8	17.8	13.2	13.4	10.8	5.2
Dividend							
Interim cash dividend	(%)	–	15	–	–	–	–
Final cash dividend – Proposed	(%)	–	20	30	30	20	–

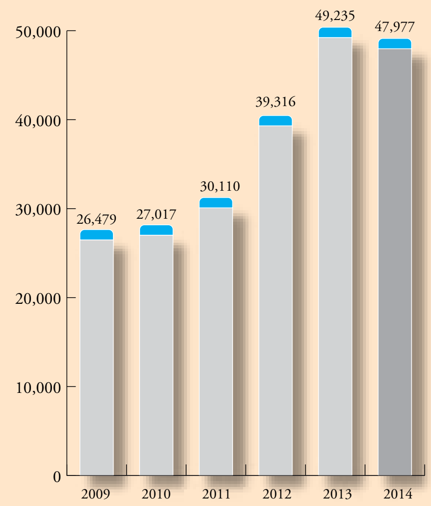
		As at June 30,					
		2014	2013	2012	2011	2010	2009
Financial analysis							
Current ratio	(times)	1.5	1.3	1.3	1.2	1.0	0.8
Debt to equity	(times)	0.6	0.6	0.5	0.2	0.4	0.7
Leverage ratio	(times)	0.8	0.9	0.8	0.6	0.8	1.2
Debt service coverage	(times)	1.0	2.5	1.9	1.7	1.4	1.1
Breakup value per share	(Rupees)	85.4	83.9	70.5	60.5	49.1	38.2
Inventory turnover ratio	(times)	6.4	5.6	9.4	13.6	9.3	5.6
Debtors turnover ratio	(times)	137.4	156.0	188.9	253.3	179.8	151.0
Fixed assets turnover ratio	(times)	1.8	1.6	2.4	4.7	3.6	2.9

Financial Highlights

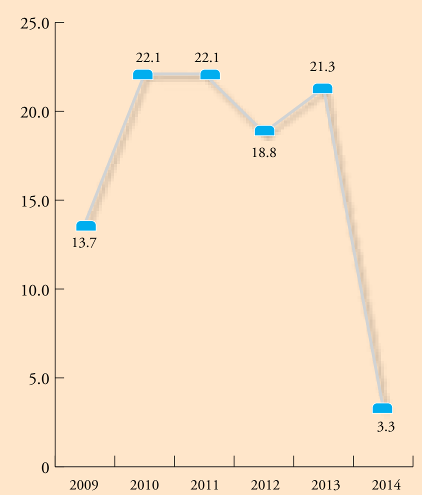
Sales – Net
(Rupees in Million)



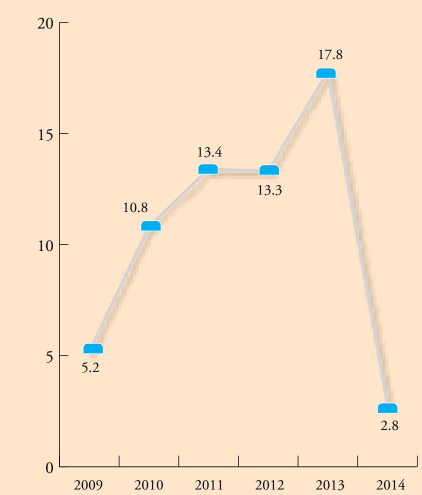
Total Assets
(Rupees in Million)



Return on Equity
(Percentage)



Earnings Per Share
(Rupees)









Textechno FAVIGRAPH

Vision and Mission Statement

Our Vision

To be a sustainable, growth oriented Company and achieve scale to remain competitive in the barrier free global economy.

Our 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, 2014.

Industry Overview

The year under review witnessed depression in demand and prices of PSF. This was ignited primarily after decision by National Tariff Commission (NTC) to withdraw anti-dumping duty on import of PSF from China. The decision was taken on July 31, 2013 and since then, PSF is being dumped heavily by Chinese companies in local market at exceptionally low prices depriving the local PSF manufacturers of level playing field. The situation was further worsened by shortages of gas and electricity faced by local textile industry depressing the overall demand in domestic market.

Feedstock prices of PSF continued to decline throughout the year resulting in steady inventory losses adversely affecting the profitability of PSF especially during last two quarters of the year.

Marketing Activities

Despite all the hardships mentioned above, the polyester plant of your Company achieved sales volume of 219,583 tons of PSF / Polyester chips during the year under review as against sales of 176,866 tons of PSF / Polyester chips during the previous year.

The textile plants of your Company achieved sales of 34,211 tons of different counts of blended yarns during the year, as against sales of 32,248 tons of yarns during previous year.

Production Operations

The polyester plant of your Company produced 232,173 tons of PSF / Polyester chips as against 214,966 tons during the previous year. Out of the above production, 23,653 tons of PSF were consumed by the textile plants of your Company during the year for production of blended yarns as against 22,963 tons consumed during previous year.

At the textile plants of your Company, 137,090 spindles remained operational during the year and manufactured 33,684 tons of different counts of blended yarns as against 136,440 spindles manufacturing 33,188 tons of yarns during previous year.

Financial Performance

Your Company achieved net sales of Rs. 47,972 million during the year under review as compared to Rs. 38,839 million during the previous year. The gross profit earned during the year was Rs. 1,329 million as against Rs. 2,725 million earned during previous year. Reason for reduction in gross profit is mainly due to additional depreciation expense being a first full year of operation after expansion, shrinkage of international margins on PSF and inventory losses due to declining trend of feedstock prices and pressure on local finished goods prices due to lifting of anti-dumping duty.

Your Company earned profit before tax amounting to Rs. 1,100 million during the year as compared to Rs. 4,375 million during the previous year, after taking into account the proportionate share in profits of Allied Bank Limited, an associated company, amounting to Rs. 2,552 million for the year under review as against Rs. 2,386 million for previous year. Profit after tax for the year comes to Rs. 874 million as compared to Rs. 5,534 million during previous year. Reason for reduction in profit as compared to previous year is mainly due to financial charges being first full year of operation after expansion.

Balancing, Modernisation and Replacement

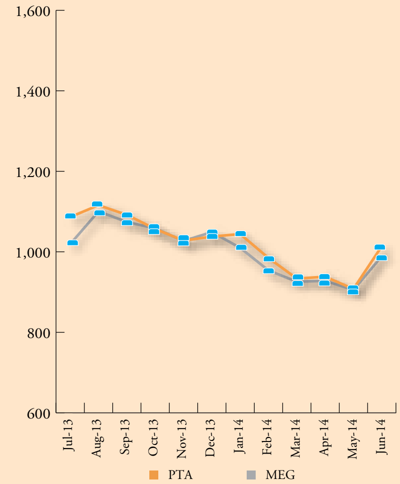
Modernisation of Textile Plant

In continuation of the BMR implementation plan for textile plants your Company has now decided to replace the complete back process of its Textile Plant II – Unit II with the latest machinery consisting of complete blow room machines, carding machines, drawing machines, lap formers, combing machines and roving machines which will be provided by two of the World's leading textile machinery manufacturers i.e. Truetzschler and Schlafhorst, Germany.

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

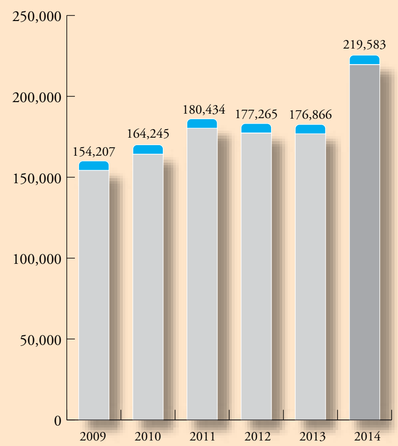
PTA & MEG Prices

(US Dollar / Ton)



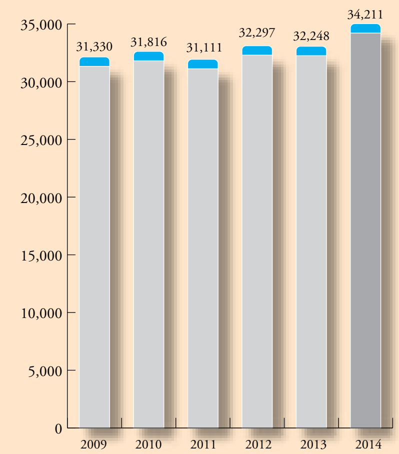
PSF / Polyester Chips Sales

(Quantity in M. Ton)



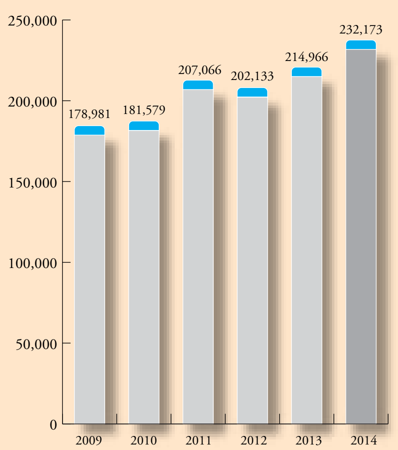
Yarn Sales

(Quantity in M. Ton)



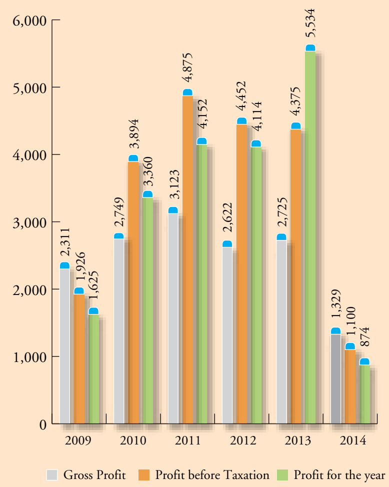
PSF / Polyester Chips Production

(Quantity in M. Ton)



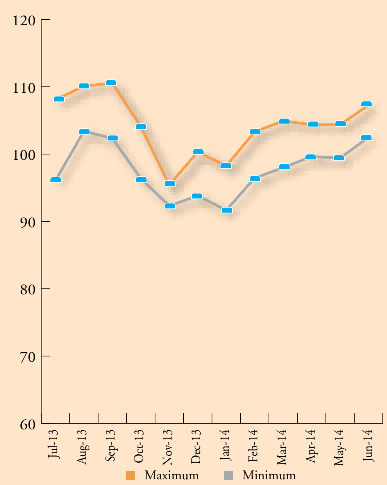
Earning Performance

(Rupees in million)



Crude Oil (WTI) Prices

(US Dollar / Barrell)



Modernisation of Polyester Plant

In line with the Company philosophy to deploy the latest technologies for plants up-gradation, the management of your Company has decided to replace digital control system for spinning and draw lines of Polyester Plant – I. Accordingly an agreement has been signed with the technology supplier of the existing polyester plants Lurgi GmbH now known as Air Liquide Global E&C Solutions Germany GmbH for the supply of engineering, equipment and supervision.

The letters of credit for import of equipment has been opened and shipments are expected to start during second half of next financial year.

Implementation of these BMRs will result in further improvement in quality, efficiency and productivity of the manufacturing plants of your Company.

Grid Station

In order to reduce power generation cost, your Company has started installation of 16 MW Grid Station which is near to completion and will be operational during 2nd quarter of next financial year.

Professionalism and Human Resources

Your Company is following the policy of fostering human talent by ensuring a highly conducive working environment for all of its employees. Moreover, the Company also makes all necessary arrangements for training of appropriate personnel relevant to their areas of expertise. During the year under review, 119 employees were nominated to participate in training courses, workshops, seminars and conferences on taxation, labour laws, problem solving & decision making, project management, change management, custom clearance, industrial management, leadership, team work, recruitment techniques and financial reporting organised by well-known institutions and organisations.

Future Outlook

There is a huge demand for locally manufactured textile products in the international market which is untapped primarily due to shortage of gas and electricity in Pakistan. Prices of cotton in domestic and regional markets are also expected to remain depressed tilting the blend ratio of yarn in favour of cotton and resultantly challenging the prospects of growth in demand for PSF in the domestic market.

Furthermore, dumping of Chinese PSF at very low prices is the biggest problem being faced by local PSF manufacturers. The management of your Company along with other PSF manufacturers is vigorously following up with NTC to impose anti-dumping duty on Chinese PSF in line with guidelines given in the

WTO regulations. NTC will have to take radical steps to safeguard interests of the local PSF industry. Due to all these factors, margins are expected to remain under pressure in foreseeable future.

However, the management of your Company is making all the efforts to increase market share through effective marketing strategies and to achieve better results through prudent cost controls and efficient inventory management.

Acknowledgement

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

Sheikh Mukhtar Ahmed
Chairman

Lahore
September 25, 2014

NOTICE OF MEETING

Notice is hereby given that the 28th Annual General Meeting of the shareholders of the Company will be held on October 29, 2014 at 11:00 A.M. at Avari Hotel, Sharah-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, 2014 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2014 – 2015 and fix their remuneration. The present auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants have retired. Some of the shareholders and the Audit Committee have proposed / recommended the name of M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, for appointment as External Auditors of the Company for the year 2014 – 2015.
4. To transact any other business with the permission of the chair.

By order of the Board

Muhammad Labeeb Subhani
Company Secretary

Lahore
September 25, 2014

NOTES

i) The share transfer books of the Company shall remain closed from October 22, 2014 to October 29, 2014 (both days inclusive) to determine the names of members entitled to attend the meeting. Transfers received in order at M/s Technology Trade (Pvt) Ltd., Dagia House, 241 – C, Block – 2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi, the Registrar's and Shares Registration Office of the Company, at the close of business on October 21, 2014 will be treated in time.

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

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

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

For Attending the Meeting :

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

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

For Appointing Proxies :

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

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

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

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

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

Directors' Report to the Shareholders

The Directors of your Company are pleased to present before you the audited Financial Statements for the year ended June 30, 2014 alongwith Auditors' report thereon.

Financial Results

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

	2014 Rupees	2013 Rupees
Gross profit	1,329,322,907	2,725,185,455
Selling and distribution expenses	(237,319,436)	(191,244,782)
Administrative expenses	(607,307,529)	(629,690,689)
Other operating expenses	(1,786,537)	(53,600,005)
Finance cost	(1,983,697,110)	(951,427,015)
	(2,830,110,612)	(1,825,962,491)
	(1,500,787,705)	899,222,964
Other income	48,487,303	1,089,434,248
	(1,452,300,402)	1,988,657,212
Share of profit of associate – net	2,552,181,000	2,385,950,000
Profit before taxation	1,099,880,598	4,374,607,212
(Provision for) / reversal of taxation	(225,638,302)	1,159,559,352
Profit for the year	874,242,296	5,534,166,564
Remeasurement of staff retirement gratuity – net of tax	(57,254,950)	33,531,744
Un-appropriated profit brought forward	18,719,227,492	15,007,810,661
Profit available for appropriation	19,536,214,838	20,575,508,969
Less :		
Final cash dividend @ 20% (2013 : 30%)	621,013,990	931,520,985
Interim cash dividend – Nil (2013 : 15%)	–	465,760,492
Transfer to general reserve during the year	1,000,000,000	459,000,000
	1,621,013,990	1,856,281,477
Un-appropriated profit carried forward	17,915,200,848	18,719,227,492
Earnings per share – Basic and Diluted	2.82	17.82

Dividend – Proposed

The Board has not recommended payment of dividend for the year ended June 30, 2014 as the funds are required for working capital, balancing and modernisation of existing manufacturing plants of your Company.

	2014 Rupees	2013 Rupees
Proposed Appropriation of Profit		
Final cash dividend – Nil (2013 : Rs. 2 per share @ 20%)	–	621,013,990
Transfer to general reserve	–	1,000,000,000
	–	1,621,013,990

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, 2014.

Auditors

The external auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants, have retired. Some of the shareholders and the Audit Committee recommended the name of M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, for appointment as External Auditors of the Company for the financial year ending June 30, 2015.

Pattern of Shareholding

Pattern of shareholding as on June 30, 2014 is annexed.

Number of Board Meetings Held

Five meetings of the Board of Directors were held during the year ended June 30, 2014 and the attendance of the Directors is as follows :

		Attendance
Sheikh Mukhtar Ahmed	Chairman	4
Mohammad Naeem Mukhtar	Chief Executive Officer	5
Muhammad Waseem Mukhtar	Director	5
Abdul Hameed Bhutta	Director	5
Mohammad Waqar	Director	5
Jawaid Ashraf	Director	5
Anwarul Haque	Director	4

Anwarul Haque resigned during the financial year and the casual vacancy has been filled by Muhammad Abbas.

The members of the Board appreciated the services rendered to the Company by the out-going Director during the tenure of his office.

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.

Jawaid Ashraf (Non – Executive Director)	Chairman
Mohammad Waqar (Non – Executive Director)	Member
Abdul Hameed Bhutta (Non – Executive Director)	Member

Four meetings of Audit Committee were held during the year ended June 30, 2014 as required by the Code of Corporate Governance for review of quarterly and annual financial statements and other related matters. The meetings were also attended by the CFO, Head of Internal Audit and External Auditors as and when required.

Corporate And Financial Reporting Framework

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

1. The financial statements, prepared by the management of the Company present a fair state of affairs of the Company, results of its operations, cash flows and changes in equity;
2. Proper books of accounts of the Company have been maintained as required under the Companies Ordinance, 1984;
3. Appropriate accounting policies have been applied consistently in the preparation of financial statements except change in accounting policy discussed in Note 2.4 and accounting estimates are based on reasonable and prudent judgement;

Directors' Report to the Shareholders

4. International Accounting / Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there is no departure therefrom;
5. The system of internal control is sound 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. 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 substantial 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 thereby resulting in energy conservation.

During the year, your Company has 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 25, 2014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Statement of Compliance
with Best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Regulation No. 35 of listing regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with best practices for good Corporate Governance.

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

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

Category	Names
Independent Directors	Muhammad Abbas *
Executive Directors	Sheikh Mukhtar Ahmed
	Mohammad Naeem Mukhtar
	Muhammad Waseem Mukhtar
Non-Executive Directors	Mohammad Waqar
	Jawaid Ashraf
	Abdul Hameed Bhutta

* Muhammad Abbas has been appointed on July 16, 2014 to fill the casual vacancy arose on April 30, 2014.

2. The Directors have confirmed that none of them is serving as a Director on more than seven 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. A casual vacancy occurred in the Board during the year under review was filled up by the Directors within the prescribed time period.

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

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which these 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 approved by the Board.

8. The meetings of the Board of Directors were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, are 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 Directors have acquired certification under the “Corporate Governance Leadership Skills” programme conducted by the “Pakistan Institute of Corporate Governance”.

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

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

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

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

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

15. The Board has formed an audit committee. It comprises of three Non – Executive Directors.

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 CCG. The terms of reference of the committee have been defined and communicated to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three Non – Executive Directors.

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

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

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

21. The related party transactions and pricing methods have been placed before the Audit Committee for recommendation to the Board of Directors for their approval. The transactions were made on terms equivalent to those that are applicable in arm's length transactions.

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

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

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

For and on behalf of
Board of Directors

Mohammad Naeem Mukhtar
Chief Executive Officer

Lahore
September 25, 2014

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, 2014 prepared by the Board of Directors of Ibrahim Fibres Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: September 25, 2014
Place: Faisalabad

Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion :

  i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except change in accounting policy discussed in Note 2.4 with which we concur;

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

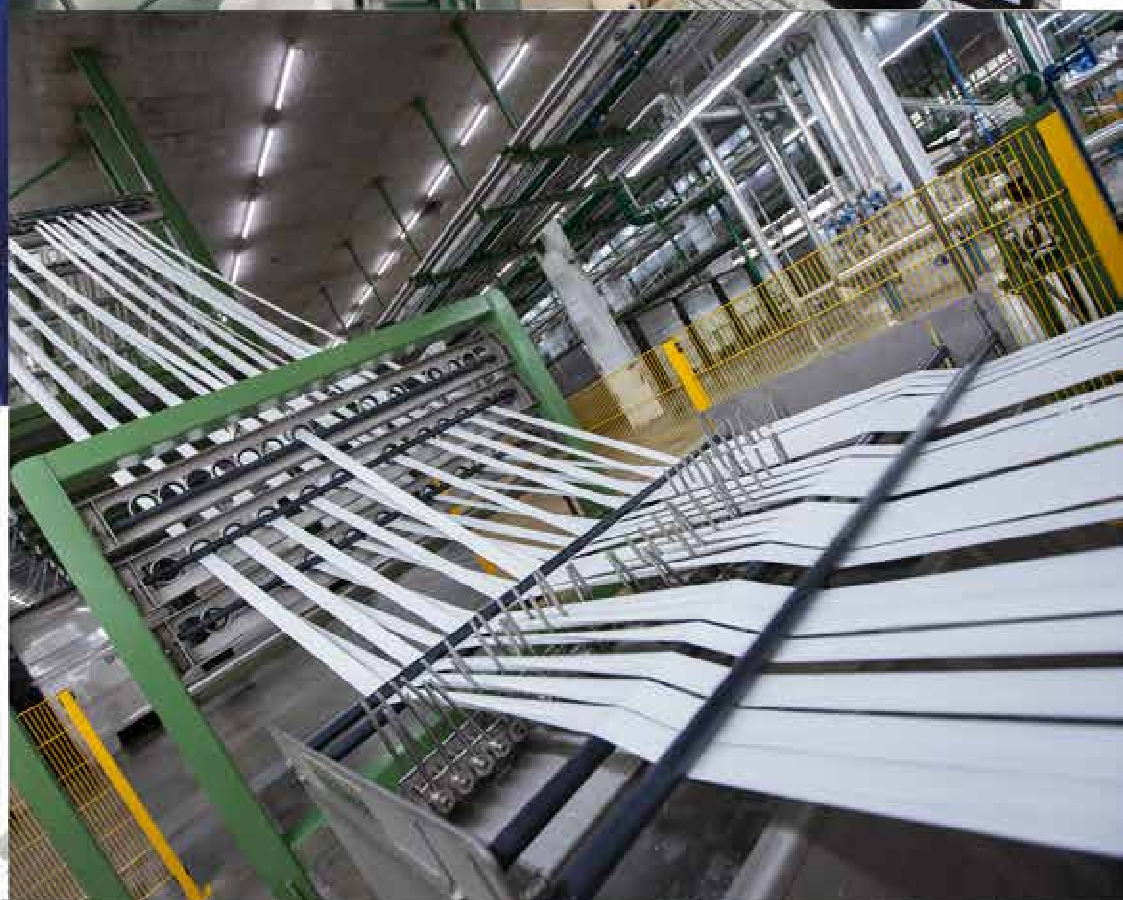
  iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 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:- Hamid Masood

Date: September 25, 2014
Place: Faisalabad

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IBRAHIM FIBRES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Balance Sheet

AS AT June 30, 2014

	Note	2014 Rupees	2013 Rupees	2012 Rupees
NON – CURRENT ASSETS				
Property, plant and equipment	3	24,990,992,888	27,233,565,225	20,438,885,097
Intangible assets	4	53,723,240	60,040,537	10,386,084
Investment in associate	5	11,108,031,239	9,182,026,116	11,542,753,873
Long term loans	6	11,317,006	11,973,594	18,762,514
Long term deposits		3,940,043	3,910,543	3,710,742
		36,168,004,416	36,491,516,015	32,014,498,310
CURRENT ASSETS				
Stores, spare parts and loose tools	7	2,152,346,589	1,458,348,008	1,307,470,270
Stock in trade	8	6,047,562,589	8,511,617,752	4,378,138,270
Trade debts	9	417,395,620	280,700,067	217,278,906
Loans and advances	10	792,707,893	767,967,004	775,242,828
Prepayments		21,590,267	16,320,549	5,907,223
Other receivables	11	2,292,068,396	1,503,926,992	565,046,606
Cash and bank balances	12	85,681,651	204,836,749	52,409,353
		11,809,353,005	12,743,717,121	7,301,493,456
CURRENT LIABILITIES				
Trade and other payables	13	1,603,393,707	1,510,341,011	1,449,639,466
Mark up / interest payable		154,955,632	166,844,778	126,972,120
Short term bank borrowings	14	2,682,895,021	5,509,120,577	2,319,267,416
Current portion of long term financing	15	3,250,000,000	2,312,500,000	1,229,166,668
Provision for taxation – income tax		–	–	531,391,817
		7,691,244,360	9,498,806,366	5,656,437,487
Working capital		4,118,108,645	3,244,910,755	1,645,055,969
Total capital employed		40,286,113,061	39,736,426,770	33,659,554,279
NON – CURRENT LIABILITIES				
Long term financing	15	11,897,014,159	12,249,999,998	9,262,499,998
Deferred liabilities :				
Deferred taxation	16	853,731,918	624,095,467	1,758,337,677
Staff retirement gratuity	17	1,011,655,643	824,378,456	756,184,452
		13,762,401,720	13,698,473,921	11,777,022,127
CONTINGENCIES AND COMMITMENTS	18	–	–	–
Net worth		26,523,711,341	26,037,952,849	21,882,532,152
Represented by :				
SHARE CAPITAL AND RESERVES				
Share capital	19	3,105,069,950	3,105,069,950	3,105,069,950
Capital reserves	20	1,413,767,444	1,123,982,308	1,138,978,442
Revenue reserves	21	22,004,873,947	21,808,900,591	17,638,483,760
		26,523,711,341	26,037,952,849	21,882,532,152

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, 2014

	Note	2014 Rupees	2013 Rupees
Sales – net	22	47,972,161,921	38,839,262,069
Cost of goods sold	23	(46,642,839,014)	(36,114,076,614)
Gross profit		1,329,322,907	2,725,185,455
Selling and distribution expenses	24	(237,319,436)	(191,244,782)
Administrative expenses	25	(607,307,529)	(629,690,689)
Other operating expenses	26	(1,786,537)	(53,600,005)
Finance cost	27	(1,983,697,110)	(951,427,015)
		(2,830,110,612)	(1,825,962,491)
		(1,500,787,705)	899,222,964
Other income	28	48,487,303	1,089,434,248
		(1,452,300,402)	1,988,657,212
Share of profit of associate – net		2,552,181,000	2,385,950,000
Profit before taxation		1,099,880,598	4,374,607,212
(Provision for) / reversal of taxation	29	(225,638,302)	1,159,559,352
Profit for the year		874,242,296	5,534,166,564
Earnings per share – Basic and Diluted	30	2.82	17.82

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, 2014

	2014 Rupees	2013 Rupees
Profit for the year	874,242,296	5,534,166,564
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss :		
Share of changes in equity of associate	321,983,485	6,112,000
Items that will not be reclassified subsequently to profit or loss :		
Deferred tax relating to share of changes in equity of associate	(32,198,349)	(611,200)
Remeasurement of staff retirement gratuity	(85,455,150)	50,047,379
Deferred tax relating to remeasurement of staff retirement gratuity	28,200,200	(16,515,635)
Other items :		
Share of changes in equity of associate reclassified to profit or loss on disposal of related investment	–	(22,774,371)
Reversal of deferred tax on share of changes in equity of associate on disposal of related investment	–	2,277,437
	–	(20,496,934)
	232,530,186	18,535,610
Total comprehensive income for the year	1,106,772,482	5,552,702,174

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

Chief Executive Officer **Director**

Cash Flow Statement

for the year ended June 30, 2014

		2014 Rupees	2013 Rupees
a)	**Cash flows from operating activities**		
	Profit before taxation	1,099,880,598	4,374,607,212
	Adjustments for :		
	Depreciation / amortisation of property, plant and equipment	2,708,284,016	1,206,119,005
	Amortisation of intangible assets	13,772,604	3,763,141
	Provision for staff retirement gratuity	168,489,431	208,258,755
	Balances written back – net	(5,518,182)	(12,694,538)
	Loss / (gain) on disposal of :		
	Property, plant and equipment	1,786,537	2,958,664
	Non – current assets held for sale	–	(1,035,272,436)
	Profit on deposits	(84,227)	(128,147)
	Share of profit of associate – net	(2,552,181,000)	(2,385,950,000)
	Finance cost	1,983,697,110	951,427,015
	Operating cash flows before working capital changes	3,418,126,887	3,313,088,671
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores, spare parts and loose tools	(693,998,581)	(150,877,738)
	Stock in trade	2,464,055,163	(4,133,479,482)
	Trade debts	(136,695,553)	(63,421,161)
	Loans and advances	77,092,249	(117,302,319)
	Prepayments	(5,269,718)	(10,413,326)
	Other receivables	(376,500,653)	(801,132,443)
	Increase / (decrease) in current liabilities		
	Trade and other payables	251,617,613	(98,262,768)
		1,580,300,520	(5,374,889,237)
	Cash generated from / (used in) operations	4,998,427,407	(2,061,800,566)
	Long term loans recovered – net	656,588	6,788,920
	Finance cost paid	(1,995,586,256)	(927,279,709)
	Income tax paid	(513,473,889)	(558,934,542)
	Staff retirement gratuity paid	(69,704,766)	(86,198,522)
	Net cash generated from / (used in) operating activities	2,420,319,084	(3,627,424,419)
b)	**Cash flows from investing activities**		
	Additions in :		
	Property, plant and equipment	(627,490,873)	(7,813,796,410)
	Intangible assets	(7,455,307)	(53,417,594)
	Proceeds from disposal of :		
	Property, plant and equipment	8,701,053	15,489,466
	Non – current assets held for sale	–	4,658,142,154
	Dividend received	948,159,363	1,107,145,668
	Long term deposits	(29,500)	(199,801)
	Profit on deposits	84,227	128,147
	Net cash generated from / (used in) investing activities	321,968,963	(2,086,508,370)
c)	**Cash flows from financing activities**		
	Long term financing obtained	6,009,514,159	5,300,000,000
	Repayment of long term financing	(5,424,999,998)	(1,229,166,668)
	(Decrease) / increase in short term bank borrowings – net	(2,826,225,556)	3,189,853,161
	Dividend paid	(619,731,750)	(1,394,326,308)
	Net cash (used in) / generated from financing activities	(2,861,443,145)	5,866,360,185
	Net (decrease) / increase in cash and cash equivalents (a+b+c)	(119,155,098)	152,427,396
	Cash and cash equivalents at the beginning of the year	204,836,749	52,409,353
	Cash and cash equivalents at the end of the year	85,681,651	204,836,749

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, 2014

	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, 2012 as previously reported	3,105,069,950	1,000,000,000	72,017,550	66,960,892	2,630,673,099	15,058,034,938	21,932,756,429
Effect of change in accounting policy – note 2.4							
Recognition of cumulative net unrecognised actuarial loss for the year ended June 30, 2012	–	–	–	–	–	(74,961,607)	(74,961,607)
Deferred tax relating to actuarial losses recognised	–	–	–	–	–	24,737,330	24,737,330
	–	–	–	–	–	(50,224,277)	(50,224,277)
Balance as at July 01, 2012 – Restated	3,105,069,950	1,000,000,000	72,017,550	66,960,892	2,630,673,099	15,007,810,661	21,882,532,152
Transactions with owners							
Final dividend for the year ended June 30, 2012 : Rs. 3 per share	–	–	–	–	–	(931,520,985)	(931,520,985)
Interim dividend for the half year ended December 31, 2012 : Rs. 1.5 per share	–	–	–	–	–	(465,760,492)	(465,760,492)
Transferred to general reserve	–	–	–	–	459,000,000	(459,000,000)	–
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	5,534,166,564	5,534,166,564
Other comprehensive income for the year							
Items that may be reclassified subsequently to profit or loss :							
Share of changes in equity of associate	–	–	–	6,112,000	–	–	6,112,000
Items that will not be reclassified subsequently to profit or loss :							
Deferred tax relating to share of changes in equity of associate	–	–	–	(611,200)	–	–	(611,200)
Other items :							
Share of changes in equity of associate reclassified to profit or loss on disposal of related investment	–	–	–	(22,774,371)	–	–	(22,774,371)
Reversal of deferred tax on share of changes in equity of associate on disposal of related investment	–	–	–	2,277,437	–	–	2,277,437
				(20,496,934)			(20,496,934)
Effect of change in accounting policy – note 2.4							
Recognition of unrecognised actuarial gain for the year ended June 30, 2013	–	–	–	–	–	50,047,379	50,047,379
Deferred tax relating to actuarial gain recognised	–	–	–	–	–	(16,515,635)	(16,515,635)
						33,531,744	33,531,744
	–	–	–	(14,996,134)	–	5,567,698,308	5,552,702,174
Balance as at June 30, 2013 – Restated	3,105,069,950	1,000,000,000	72,017,550	51,964,758	3,089,673,099	18,719,227,492	26,037,952,849
Transaction with owners							
Final dividend for the year ended June 30, 2013 : Rs. 2 per share	–	–	–	–	–	(621,013,990)	(621,013,990)
Transferred to general reserve	–	–	–	–	1,000,000,000	(1,000,000,000)	–
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	874,242,296	874,242,296
Other comprehensive income for the year							
Items that may be reclassified subsequently to profit or loss :							
Share of changes in equity of associate	–	–	–	321,983,485	–	–	321,983,485
Items that will not be reclassified subsequently to profit or loss :							
Deferred tax relating to share of changes in equity of associate	–	–	–	(32,198,349)	–	–	(32,198,349)
Effect of change in accounting policy – note 2.4							
Remeasurement of staff retirement gratuity	–	–	–	–	–	(85,455,150)	(85,455,150)
Deferred tax relating to remeasurement of staff retirement gratuity	–	–	–	–	–	28,200,200	28,200,200
						(57,254,950)	(57,254,950)
	–	–	–	289,785,136	–	816,987,346	1,106,772,482
Balance as at June 30, 2014	3,105,069,950	1,000,000,000	72,017,550	341,749,894	4,089,673,099	17,915,200,848	26,523,711,341

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

Chief Executive Officer **Director**

1. STATUS AND ACTIVITIES

1.1 Ibrahim Fibres Limited (the Company) is incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 (the Ordinance) and is listed on Karachi and Lahore Stock Exchanges in Pakistan. The principal business of the Company is manufacture and sale of polyester staple fibre and yarn. The registered office of the Company is located at 1 – Ahmad Block, New Garden Town, Lahore. The manufacturing units are located at Faisalabad – Sheikhupura Road, in the Province of Punjab.

1.2 Pursuant to scheme of arrangement approved by the Honourable Lahore High Court, Lahore, assets, liabilities and reserves of Ibrahim Textile Mills Limited, A. A. Textiles Limited, Zainab Textile Mills Limited and Ibrahim Energy Limited were merged with the assets, liabilities and reserves of the Company with effect from October 01, 2000.

1.3 The 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, directives issued by the Securities and Exchange Commission of Pakistan (the Commission) 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 Commission differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2013 and therefore, have been applied in preparing these financial statements :

– IFRS 12 "Disclosures of interest in other entities" : This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

  IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The standard has resulted in certain additional disclosures.

– IFRS 13 "Fair Value Measurement" : establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non – financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three – level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial Instruments : Disclosures" are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard does not have any material impact on the Company's financial statements.

– IAS 19 "Employee Benefits" : The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Net interest recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

The amendment has resulted in change in accounting policy of the Company with respect to staff retirement gratuity (Refer Note 2.4).

– IAS 28 (as Revised in 2011) "Associates and Joint Ventures" : The revised standard deals with how to apply the equity method of accounting for investment in joint ventures, as well as associates, following the issue of IFRS 11 which requires investments in joint ventures to be accounted for using the equity method of accounting. The standard does not have any material impact on the Company's financial statements.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2013 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

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

– IFRS 9 "Financial Instruments (2014)" : A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 "Financial Instruments : Recognition and Measurement". The standard contains requirements in the areas of classification and measurement, impairment hedge accounting, derecognition :

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. Introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non – financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The standard is effective for accounting period beginning on or after January 01, 2018.

IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 01, 2015. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

– IFRS 15 "Revenue from Contracts with Customers" : IFRS 15 provides a single, principles based five – step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

– Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets" : In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Company's financial statements.

– IAS 32 (Amendment) "Financial Instruments : Presentation". This amendment updates the application guidance to clarify some of the requirements for off – setting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company's financial statements.

– Amendments to IAS 36 "Impairment of Assets" : These amendments address the disclosures and clarify the circumstances in which the recoverable amount of assets or cash – generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

– Amendments to IAS 39 "Financial Instruments Recognition and Measurement" : These amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

– Amendments to IAS 19 "Employee Benefits" : These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendments are effective for accounting periods beginning on or after July 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

– The IASB has issued Annual Improvements to IFRSs 2010 – 2012 Cycle.

Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014 :

IFRS 2 – Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3 – Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8 – Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13 – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38 – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 – Clarify how payments to entities providing management services are to be disclosed.

These amendments are not expected to have any material impact on the Company's financial statements.

– The IASB has issued Annual Improvements to IFRSs 2011 – 2013 Cycle.

Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014 :

IFRS 1 – Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3 – Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 – Clarify the scope of the portfolio exception in paragraph 52.

IAS 40 – Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner – occupied property.

These amendments are not expected to have any material impact on the Company's financial statements.

– IFRIC 21 Levies

This interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies. The interpretation is effective for accounting periods beginning on or after January 01, 2014. The application is not expected to have material impact on the Company's financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.3 Basis of preparation

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

2.4 Change In Accounting Policy

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. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur.

The policy of staff retirement gratuity has been changed to comply with the requirements of amended IAS 19 (Refer Note 2.2.1). The change has been applied retrospectively in accordance with the requirements of IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors".

The effects of retrospective application of the change in accounting policy are as follows :

	Staff retirement gratuity Rupees	Unappropriated profit Rupees	Deferred taxation Rupees
Balance as at June 30, 2013 as previously reported	799,464,228	18,735,920,025	632,317,162
Recognition of cumulative net unrecognised actuarial loss for the year ended June 30, 2012	74,961,607	(74,961,607)	–
Deferred tax relating to actuarial losses recognised	–	24,737,330	(24,737,330)
Recognition of unrecognised actuarial gain for the year ended June 30, 2013	(50,047,379)	50,047,379	–
Deferred tax relating to actuarial gain recognised	–	(16,515,635)	16,515,635
	24,914,228	(16,692,533)	(8,221,695)
Balance as at June 30, 2013 as restated	824,378,456	18,719,227,492	624,095,467

2.5 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 transferred to specific assets as and when assets are available for intended use.

2.6 Intangible assets

Intangible assets except those under implementation are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets under implementation are carried at cost less impairment in value, if any.

Intangible assets are amortised over a period of five years using straight line method. Amortisation on additions during the year is charged from the month in which an asset is acquired or captalised.

All costs / expenditure connected with implementation of Intangible assets are collected in Intangible assets under implementation. These are transferred to specific assets as and when assets are available for intended use.

2.7 Impairment

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

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

2.8 Borrowing costs

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

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

2.9 Investment in associate

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

2.10 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.

2.11 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.

2.12 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.

2.13 Cash and cash equivalents

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

2.14 Trade and other payables

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

2.15 Provisions

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

2.16 Provision for taxation

Current

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

Deferred

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

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

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

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

2.17 Dividend and other appropriations

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

2.18 Foreign currency translation

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

2.19 Financial instruments

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

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

2.20 Off – setting of financial asset and financial liability

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

2.21 Related party transactions

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

2.22 Revenue recognition

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

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

2.23 Critical accounting estimates and judgments

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

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

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

	Note	2014 Rupees	2013 Rupees
3. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.1	24,605,585,362	27,175,451,003
Capital work in progress	3.4	385,407,526	58,114,222
		24,990,992,888	27,233,565,225

3.1 Operating assets

	Land		Building on		Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land					
	Rupees								
At July 01, 2012									
Cost	258,174,389	408,500	2,157,004,912	63,897,537	14,424,763,647	130,580,840	160,482,616	240,925,411	17,436,237,852
Accumulated depreciation / amortisation	–	(101,104)	(1,266,359,760)	(40,017,936)	(8,849,536,895)	(49,278,517)	(58,771,464)	(117,942,957)	(10,382,008,633)
Written down value	258,174,389	307,396	890,645,152	23,879,601	5,575,226,752	81,302,323	101,711,152	122,982,454	7,054,229,219
Reconciliation of written down value at June 30, 2013									
Written down value as at July 01, 2012	258,174,389	307,396	890,645,152	23,879,601	5,575,226,752	81,302,323	101,711,152	122,982,454	7,054,229,219
Additions	23,041,110	–	2,036,827,002	–	19,189,313,261	31,426,260	26,148,495	39,032,791	21,345,788,919
Less : Disposals									
Cost	–	–	–	–	4,241,300	1,004,705	4,927,884	31,226,580	41,400,469
Accumulated depreciation	–	–	–	–	(3,468,466)	(503,553)	(2,336,098)	(16,644,222)	(22,952,339)
	–	–	–	–	772,834	501,152	2,591,786	14,582,358	18,448,130
Less : Depreciation / amortisation	–	4,085	137,794,112	2,387,960	1,017,155,703	9,542,945	11,408,673	27,825,527	1,206,119,005
Written down value as at June 30, 2013	281,215,499	303,311	2,789,678,042	21,491,641	23,746,611,476	102,684,486	113,859,188	119,607,360	27,175,451,003
At July 01, 2013									
Cost	281,215,499	408,500	4,193,831,914	63,897,537	33,609,835,608	161,002,395	181,703,227	248,731,622	38,740,626,302
Accumulated depreciation / amortisation	–	(105,189)	(1,404,153,872)	(42,405,896)	(9,863,224,132)	(58,317,909)	(67,844,039)	(129,124,262)	(11,565,175,299)
Written down value	281,215,499	303,311	2,789,678,042	21,491,641	23,746,611,476	102,684,486	113,859,188	119,607,360	27,175,451,003
Reconciliation of written down value at June 30, 2014									
Written down value as at July 01, 2013	281,215,499	303,311	2,789,678,042	21,491,641	23,746,611,476	102,684,486	113,859,188	119,607,360	27,175,451,003
Additions	12,811,905	–	15,405,891	–	48,922,266	12,843,544	20,899,271	38,023,088	148,905,965
Less : Disposals									
Cost	–	–	–	–	–	866,454	2,506,242	31,773,839	35,146,535
Accumulated depreciation	–	–	–	–	–	(578,099)	(683,863)	(23,396,983)	(24,658,945)
	–	–	–	–	–	288,355	1,822,379	8,376,856	10,487,590
Less : Depreciation / amortisation	–	4,085	279,696,582	2,149,164	2,376,296,108	10,955,603	12,333,007	26,849,467	2,708,284,016
Written down value as at June 30, 2014	294,027,404	299,226	2,525,387,351	19,342,477	21,419,237,634	104,284,072	120,603,073	122,404,125	24,605,585,362
At June 30, 2014									
Cost	294,027,404	408,500	4,209,237,805	63,897,537	33,658,757,874	172,979,485	200,096,256	254,980,871	38,854,385,732
Accumulated depreciation / amortisation	–	(109,274)	(1,683,850,454)	(44,555,060)	(12,239,520,240)	(68,695,413)	(79,493,183)	(132,576,746)	(14,248,800,370)
Written down value	294,027,404	299,226	2,525,387,351	19,342,477	21,419,237,634	104,284,072	120,603,073	122,404,125	24,605,585,362
Rate (%)	–	01	10	10	10	10	10	20	

	Note	2014 Rupees	2013 Rupees
3.2 Depreciation / amortisation for the year has been allocated as under :			
Cost of goods sold	23	2,649,063,043	1,143,731,731
Administrative expenses	25	59,220,973	62,387,274
		2,708,284,016	1,206,119,005

3.3 Detail of disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	Rupees				
Office Equipment					
(Sold by negotiation)	12,600	8,773	3,827	1,500	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Sold under Company policy)	73,450	19,285	54,165	20,000	Haider Farooq (Employee)
	73,500	8,963	64,537	25,725	Muhammad Akram (Ex-Employee)
	72,191	17,566	54,625	12,381	Aziz Ahmad (Ex-Employee)
	67,500	12,201	55,299	16,538	Khalid Mahmood Ansari (Ex-Employee)
	1,841,491	522,689	1,318,802	211,322	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Scrapped and written off under Company policy)	365,510	94,386	271,124	–	
	2,506,242	683,863	1,822,379	287,466	
Furniture & Fixture					
(Sold by negotiation)	491,061	338,306	152,755	67,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Scrapped and written off under Company policy)	375,393	239,793	135,600	–	
	866,454	578,099	288,355	67,000	
Vehicles					
(Insurance claim)	84,450	6,897	77,553	78,000	IGI Insurance Limited, Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad.
	89,870	7,389	82,481	75,000	IGI Insurance Limited, Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad.
(Sold by negotiation)	13,734,002	13,092,222	641,780	850,000	Hassan Ali, House P – 6, Arif Street, Civil Lines, Faisalabad.
	1,256,315	726,720	529,595	540,000	Tariq Mehmood Sheikh, House E – 25, Block – 8, Gulshan-e-Iqbal, Karachi.
	1,536,364	1,185,637	350,727	400,000	Kausar Processing Industries (Pvt) Limited, 01 – K.M., Jaranwala Road, Khurrianwala, Faisalabad.
	807,840	729,502	78,338	225,000	Muhammad Akmal, Chak 266 RB, Khurrianwala, Tehsil Jaranwala, District Faisalabad.
	63,625	58,399	5,226	17,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
(Sold under Company policy)	672,928	459,773	213,155	213,155	Adeel Javed (Employee)
	850,450	578,645	271,805	271,805	Saad Waqas (Employee)
	961,192	651,478	309,714	309,714	Mujahid Hussain (Employee)
	83,186	29,300	53,886	53,886	Muhammad Ilyas (Ex-Employee)
	84,076	24,569	59,507	8,370	Asma Abid (Widow of late Employee)
	859,150	589,745	269,405	269,405	Syed Raheel Asghar (Ex-Employee)
	855,600	500,887	354,713	354,713	Mir Nazim Khan (Ex-Employee)
	883,150	425,325	457,825	457,825	Aziz Ahmad (Ex-Employee)
	1,463,745	751,363	712,382	313,950	Ashfa Ambreen (Widow of late Employee)
	1,463,210	746,302	716,908	716,908	Khalid Mahmood Ansari (Ex-Employee)
	1,483,620	676,531	807,089	807,089	Khalid Islam (Ex-Employee)
	1,934,837	1,123,065	811,772	811,772	Anwar ul Haque (Ex-Employee)
	2,142,540	729,415	1,413,125	1,413,125	Muhammad Akram (Ex-Employee)
	463,689	303,819	159,870	159,870	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-.
	31,773,839	23,396,983	8,376,856	8,346,587	
2014	35,146,535	24,658,945	10,487,590	8,701,053	
2013	41,400,469	22,952,339	18,448,130	15,489,466	

	Note	2014 Rupees	2013 Rupees
3.4 Capital work in progress			
Building on freehold land		81,059,219	14,169,942
Plant and machinery		223,911,529	2,450,000
Advances against property, plant and equipment			
Building on freehold land		–	1,444,375
Plant and machinery		65,949,660	28,365,402
Furniture and fixture		12,755,118	513,548
Vehicles		1,732,000	11,170,955
		80,436,778	41,494,280
		385,407,526	58,114,222

4. INTANGIBLE ASSETS

	Note	2014 Rupees	2013 Rupees
Computer softwares	4.1	50,473,240	60,040,537
Advance against computer software under implementation		3,250,000	–
		53,723,240	60,040,537
4.1 Computer softwares			
Cost		101,058,128	96,852,820
Accumulated amortisation		(50,584,888)	(36,812,283)
Written down value		50,473,240	60,040,537
Reconciliation of written down value			
Opening balance		60,040,537	10,386,084
Additions		4,205,307	53,417,594
Amortisation		(13,772,604)	(3,763,141)
Closing balance		50,473,240	60,040,537

5. INVESTMENT IN ASSOCIATE

	Note	2014 Rupees	2013 Rupees
Allied Bank Limited (ABL) – Quoted			
194,041,916 (2013 : 176,401,742) ordinary shares of Rs. 10/- each		3,975,325,052	3,975,325,052
Ownership interest 16.95% (2013 : 16.95%)			
Share of post acquisition changes in equity	5.5	8,080,865,550	6,313,846,732
Less : Dividend received during the year		948,159,363	1,107,145,668
		11,108,031,239	9,182,026,116

5.1 ABL is engaged in banking business. Its registered and head office is situated at 3 Tipu Block, New Garden Town, Lahore, Pakistan.

5.2 The Company's shareholding in associate is below 20%, however, the Company exercises significant influence by virtue of common directorship.

5.3 The fair value of investment in associate as at June 30, 2014 was Rs. 26,663 million (2013 : Rs. 12,091 million).

5.4 The financial year end of ABL is 31st December. The latest available financial results of associate as of March 31, 2014 have been used for the purpose of application of equity method.

5.5 It includes Rs. 196,118,280/- related to restatement of equity of associate due to retrospective application of amendments to IAS 19 by the associate.

5.6 During the year, value of 28,111,458 shares was classified to non – current assets held for sale due to management's decision to dispose off these shares to other members of sponsoring group subject to approval of State Bank of Pakistan. These are reclassified to Investment in associate due to reversal of decision. The advances received were also converted into long term loans.

	March 31, 2014 Rupees in million	March 31, 2013 Rupees in million
5.7 Summarised financial information of associate :		
Aggregate amount of :		
– Assets	750,199	629,567
– Liabilities	682,414	575,689
– Revenue (from April 01 to March 31)	56,484	50,238
– Profit (from April 01 to March 31)	15,057	11,423
– Other comprehensive income (from April 01 to March 31)	675	980
– Total comprehensive income (from April 01 to March 31)	15,732	12,403

	Note	2014 Rupees	2013 Rupees
6. LONG TERM LOANS			
Considered good			
Executives	6.1	33,878,576	32,533,247
Other employees		5,374,297	5,245,178
		39,252,873	37,778,425
Less : Current portion	10	27,935,867	25,804,831
		11,317,006	11,973,594
6.1 Reconciliation of carrying amount of loans to executives :			
Opening balance		32,533,247	42,334,576
Disbursements		36,918,337	33,044,007
Recovered		(35,573,008)	(42,845,336)
Closing balance		33,878,576	32,533,247

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. 39.078 million (2013 : Rs. 50.750 million).

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

		2014 Rupees	2013 Rupees
7.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	593,350,779	333,851,731
	Spare parts		
	In hand	1,341,698,833	986,673,365
	In transit	211,950,116	132,925,065
		1,553,648,949	1,119,598,430
	Loose tools	5,346,861	4,897,847
		2,152,346,589	1,458,348,008

7.1 Stores and spares include items that may result in fixed capital expenditure but are not distinguishable.

		Note	2014 Rupees	2013 Rupees
8.	**STOCK IN TRADE**			
	Raw materials			
	In hand		2,064,673,264	2,741,153,163
	In transit		460,810,472	10,777,392
			2,525,483,736	2,751,930,555
	Work in process		343,311,511	607,357,831
	Finished goods		3,157,983,852	5,139,226,272
	Wastes		20,783,490	13,103,094
			6,047,562,589	8,511,617,752
9.	**TRADE DEBTS**			
	Considered good – Local			
	Secured		196,498,927	52,533,338
	Unsecured		220,896,693	228,166,729
			417,395,620	280,700,067
10.	**LOANS AND ADVANCES**			
	Considered good			
	Loans			
	Employees			
	Executives		1,218,210	2,976,224
	Others		10,543,483	14,585,950
	Current portion of long term loans	6	27,935,867	25,804,831
			39,697,560	43,367,005
	Advances			
	Suppliers and contractors		91,816,158	166,505,735
	Income tax		654,155,209	552,322,071
	Letters of credit fee, margin and expenses		7,038,966	5,772,193
			753,010,333	724,599,999
			792,707,893	767,967,004
11.	**OTHER RECEIVABLES**			
	Custom duty refundable		99,389,735	99,216,391
	Income tax refundable		549,388,694	137,747,943
	Sales tax / federal excise duty refundable / adjustable		1,610,018,656	1,245,176,620
	Claims		23,083,133	11,701,384
	Other		10,188,178	10,084,654
			2,292,068,396	1,503,926,992

		Note	2014 Rupees	2013 Rupees
12.	**CASH AND BANK BALANCES**			
	Cash in hand		11,757,613	17,554,449
	Cash at banks			
	In current accounts		72,989,730	186,691,210
	In deposit accounts	12.1	934,308	591,090
			73,924,038	187,282,300
			85,681,651	204,836,749

12.1 The rate of profit on deposit accounts is 7% per annum (2013 : 6% per annum).

		Note	2014 Rupees	2013 Rupees
13.	**TRADE AND OTHER PAYABLES**			
	Creditors		306,335,661	242,385,511
	Accrued liabilities		181,879,869	249,673,985
	Advances from customers		91,696,438	59,130,631
	Capital expenditure payable		125,333,308	276,624,911
	Bills payable		852,855,615	587,726,489
	Workers' profit participation fund	13.1	–	50,599,478
	Unclaimed dividend		21,454,745	20,172,505
	Other		23,838,071	24,027,501
			1,603,393,707	1,510,341,011
13.1	**Workers' profit participation fund**			
	Opening balance		50,599,478	57,208,781
	Interest on funds utilised in the Company's business		2,412,139	8,005,311
			53,011,617	65,214,092
	Paid to the fund		(53,011,617)	(65,214,092)
			–	–
	Allocation for the year		–	50,599,478
			–	50,599,478
14.	**SHORT TERM BANK BORROWINGS**			
	Secured			
	Running finances		2,307,895,021	2,775,120,577
	Term finances		375,000,000	2,734,000,000
			2,682,895,021	5,509,120,577

14.1 These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from 8.50% to 10.88% per annum (2013 : 7.61% to 13.85% per annum). The aggregate unavailed short term bank borrowing facilities available to the Company are Rs. 6,159 million (2013 : Rs. 2,832 million).

	Note	2014 Rupees	2013 Rupees
15. LONG TERM FINANCING			
Secured			
From banking companies			
Syndicated term finance	15.1	7,187,500,000	11,500,000,000
Demand finance II	15.2	56,250,000	168,750,000
Term finance III	15.3	93,750,000	281,250,000
Term finance V		–	249,999,998
Term finance VI		–	562,500,000
Islamic term finances	15.4	2,800,000,000	–
Diminishing musharaka	15.5	1,800,000,000	1,800,000,000
		11,937,500,000	14,562,499,998
Unsecured			
From related parties – Directors	15.6	3,209,514,159	–
		15,147,014,159	14,562,499,998
Less : Current portion		3,250,000,000	2,312,500,000
		11,897,014,159	12,249,999,998

15.1 Syndicated term finance

It is repayable in 8 equal half yearly installments commenced from June 26, 2014 and ending on December 26, 2016. During the year, the Company has pre-paid last two installments. It is secured by way of first charge over present and future fixed assets of Polyester plant of the Company ranking pari passu with the charges created in respect of term finance III (Refer Note 15.3). 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 10.36% to 11.42% per annum (2013 : from 10.36% to 13.28% per annum).

15.2 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 pari passu charge over present and future fixed assets of Textile plant – I of the Company. It carries markup at six months KIBOR plus 25 basis points (2013 : 125 basis points) payable half yearly in arrears.

Effective markup rate charged during the year ranges from 10.39% to 10.69% per annum (2013 : 10.69% to 13.29% per annum).

15.3 Term finance III

It is repayable in 8 equal half yearly installments commenced from March 18, 2011 and ending on September 18, 2014. It is secured by way of first charge over present and future fixed assets of Polyester plant of the Company ranking pari passu with the charges created in respect of syndicated term finance (Refer Note 15.1). It carries markup at six months KIBOR plus 40 basis points (2013 : 100 basis points) payable half yearly in arrears.

Effective markup rate charged during the year ranges from 9.85% to 10.55% per annum (2013 : 10.55% to 12.95% per annum).

15.4 Islamic term finances

These are repayable in 6 equal half yearly installments commencing from December 26, 2016 and ending on June 26, 2019. These are secured by way of first exclusive charge over plant and machinery of Textile plant – I (Unit No 1 & Unit No 2), Textile plant – II and Textile plant – III of the Company. These carry markup at six months KIBOR plus 25 basis points payable half yearly in arrears.

Effective markup rate charged during the year was 10.42% per annum.

15.5 Diminishing musharaka

It is repayable in 8 equal half yearly installments commencing from February 28, 2015 and ending on August 29, 2018. It is secured by way of first exclusive charge on plant and machinery of Power generation plant of the Company. It carries markup at six months KIBOR plus 40 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 9.57% to 10.57% (2013 : 9.89% to 10.91% per annum).

15.6 These are interest free and are repayable by December 17, 2015.

	2014 Rupees	2013 Rupees
16. DEFERRED TAXATION		
Opening balance	624,095,467	1,783,075,007
Provided / (reversed) during the year	229,636,451	(1,158,979,540)
	853,731,918	624,095,467
16.1 This comprises of the following :		
Deferred tax liabilities :		
Difference in tax and accounting bases of property, plant and equipment	4,637,077,327	5,101,812,564
Investment in associate	713,270,619	520,670,106
Deferred tax assets :		
Staff retirement gratuity	(334,538,842)	(281,785,701)
Unadjusted tax losses	(3,355,272,075)	(3,332,022,782)
Unavailed tax credit on plant and machinery	(806,805,111)	(1,384,578,720)
	853,731,918	624,095,467

17. STAFF RETIREMENT GRATUITY

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, 2014 using Projected Unit Credit Method.

	Note	2014 Rupees	2013 Rupees
17.1 The amount recognised in the balance sheet is as follows :			
Present value of defined benefit obligation		1,011,655,643	824,378,456
17.2 Movement in net liability recognised			
Opening liability		824,378,456	681,222,845
Liability transferred to accrued liabilities		(3,444,642)	(3,818,850)
Expenses recognised in profit and loss account	17.2.1	168,489,431	208,258,755
Paid during the year		(63,222,752)	(86,198,522)
Remeasurement of obligation		85,455,150	24,914,228
		1,011,655,643	824,378,456
17.2.1 Expenses recognised in profit and loss account			
Current service cost		85,429,731	109,954,776
Interest cost		83,059,700	98,303,979
		168,489,431	208,258,755

	2014	2013
17.3 Principal actuarial assumptions used		
Discount rate	13.25% per annum	10.5% per annum
Expected rate of increase in salary	12.25% per annum	9.5% per annum
Expected average duration of the defined benefit obligation / expected average remaining working lives of participating employees	8 years	7 years

17.4 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is :

		Reworked defined benefit obligation	
	Change in assumptions	Increase in assumptions Rupees in million	Decrease in assumptions Rupees in million
Discount rate	100 bps	937.828	1,095.824
Salary growth rate	100 bps	1,095.824	936.585

17.5 The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as for calculating the liability of staff retirement gratuity.

	2014 Rupees in million	2013 Rupees in million
18. CONTINGENCIES AND COMMITMENTS		
18.1 Contingencies		
18.1.1 In respect of bank guarantees issued on behalf of the Company :		
(i) The Company has claimed exemption from levy of custom duty on import of plant and machinery for the 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 decided subsequently in favour of the Customs Department. The Company has filed appeal before the Honourable Supreme Court of Pakistan.	116.594	116.594
(ii) Guarantees issued in favour of Sui Northern Gas Pipelines Limited against supply of gas.	194.543	194.543
(iii) Guarantees issued in favour of The Director, Excise and Taxation, Karachi against imposition of infrastructure cess.	295.000	245.000
(iv) Guarantees issued in favour of The Collector of Customs, Karachi to avail exemption from levy of custom duty, sales tax and income tax. The Company has filed suit in Honourable Sindh High Court, Karachi for release of these guarantees.	70.955	66.257
18.1.2 Custom duty of Rs. 8.9 million (2013 : Rs. 8.9 million) in respect of local purchase of PTA has not been acknowledged due to pending appeal. The Company's claim on account of custom duty refund amounting to Rs. 11.455 million (2013 : Rs. 11.455 million) is also pending before the Customs Department.	–	–
18.1.3 Demand of market committee fee on cotton purchase not acknowledged as demand has already been deposited by cotton suppliers. The appeal has been filed by the Company against illegal demand. Stay has been granted by Assistant Commissioner / Collector, Jaranwala Division and also by the Honourable Lahore High Court, Lahore. The Company has given bank guarantees of Rs. 0.589 million (2013 : Rs. 0.589 million) to market committee.	10.039	10.039
18.1.4 Income tax demand of Rs. 30.215 million (2013 : Rs. 75.670 million) in respect of tax years 2007, 2008, 2010 and 2012 has not been acknowledged due to pending appeals.	–	–

	2014 Rupees in million	2013 Rupees in million
18.2 Commitments		
18.2.1 Under contracts for capital expenditure :		
Building on freehold land	84.880	17.227
Plant and machinery	6.452	114.635
18.2.2 Under letters of credit for :		
Plant and machinery	1,211.572	–
Raw materials and spare parts	3,965.132	825.582

19. SHARE CAPITAL

Authorised capital

2014 Number of shares	2013 Number of shares		2014 Rupees	2013 Rupees
500,000,000	500,000,000	Ordinary shares of Rs. 10/- each	5,000,000,000	5,000,000,000

Issued, subscribed and paid up capital

2014 Number of shares	2013 Number of shares		2014 Rupees	2013 Rupees
200,000,000	200,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	2,000,000,000	2,000,000,000
50,000,000	50,000,000	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	500,000,000	500,000,000
60,506,995	60,506,995	Ordinary shares of Rs. 10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Honourable Lahore High Court, Lahore	605,069,950	605,069,950
310,506,995	310,506,995		3,105,069,950	3,105,069,950

20. CAPITAL RESERVES

	Note	2014 Rupees	2013 Rupees
Premium on issue of shares		1,000,000,000	1,000,000,000
Merger reserve	20.1	72,017,550	72,017,550
Share of changes in equity of associate		341,749,894	51,964,758
		1,413,767,444	1,123,982,308

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

		Note	2014 Rupees	2013 Rupees
21.	**REVENUE RESERVES**			
	General reserve		4,089,673,099	3,089,673,099
	Unappropriated profit		17,915,200,848	18,719,227,492
			22,004,873,947	21,808,900,591
22.	**SALES**			
	Local		48,086,669,277	39,663,615,501
	Export		93,253,145	68,844,250
			48,179,922,422	39,732,459,751
	Less :			
	Commission and brokerage		16,420,275	852,406,154
	Discount on sale		191,340,226	40,791,528
			47,972,161,921	38,839,262,069
23.	**COST OF GOODS SOLD**			
	Raw materials consumed		33,976,667,624	31,860,341,372
	Packing materials		454,935,405	378,746,396
	Salaries, wages and benefits		1,198,653,530	1,096,801,302
	Staff retirement benefits		128,108,796	159,427,318
	Stores and spare parts		717,378,953	522,579,391
	Fuel and power		4,951,315,192	4,409,911,025
	Insurance		52,901,802	31,049,333
	Depreciation of property, plant and equipment	3.2	2,649,063,043	1,143,731,731
	Other		276,206,325	58,931,791
			44,405,230,670	39,661,519,659
	Work in process			
	Opening stock		607,357,831	339,153,648
	Closing stock		(343,311,511)	(607,357,831)
			264,046,320	(268,204,183)
	Cost of goods manufactured		44,669,276,990	39,393,315,476
	Finished goods			
	Opening stock		5,152,329,366	1,873,090,504
	Closing stock		(3,178,767,342)	(5,152,329,366)
			1,973,562,024	(3,279,238,862)
			46,642,839,014	36,114,076,614
24.	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries and benefits		73,621,101	74,377,103
	Staff retirement benefits		11,992,784	14,612,674
	Freight and forwarding		119,758,711	75,980,360
	Travelling and conveyance		8,372,775	6,287,036
	Vehicles running and maintenance		5,724,128	4,935,876
	Postage and telecommunication		1,087,300	945,956
	Other		16,762,637	14,105,777
			237,319,436	191,244,782

		Note	2014 Rupees	2013 Rupees
25.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		36,000,000	36,000,000
	Salaries and benefits		224,106,020	231,568,625
	Staff retirement benefits		28,387,851	34,218,763
	Travelling and conveyance		67,085,315	51,968,503
	Vehicles running and maintenance		16,046,480	15,658,692
	Fuel and power		40,181,888	37,007,072
	Postage and telecommunication		15,396,389	14,613,602
	Printing and stationery		5,289,893	5,322,329
	Repairs and maintenance		36,175,872	37,100,940
	Fees, subscription and periodicals		20,260,066	12,690,870
	Rent, rates and taxes		11,790,288	52,064,788
	Legal and professional		8,172,000	10,729,750
	Entertainment		14,382,177	12,471,582
	Auditors' remuneration	25.1	2,727,500	2,707,500
	Advertisement		163,554	255,750
	Insurance		1,513,716	1,523,385
	Donations	25.2	3,185,000	4,217,158
	Depreciation / amortisation of property, plant and equipment	3.2	59,220,973	62,387,274
	Amortisation of intangible assets	4.1	13,772,604	3,763,141
	Other		3,449,943	3,420,965
			607,307,529	629,690,689
	25.1 Auditors' remuneration			
	Audit fee		2,000,000	2,000,000
	Other services		727,500	707,500
			2,727,500	2,707,500

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

		2014 Rupees	2013 Rupees
26.	**OTHER OPERATING EXPENSES**		
	Workers' profit participation fund	–	50,599,478
	Loss on disposal of property, plant and equipment	1,786,537	2,958,664
	Workers' welfare fund	–	41,863
		1,786,537	53,600,005
27.	**FINANCE COST**		
	Mark up / interest on :		
	Long term financing	1,508,839,201	519,171,441
	Short term bank borrowings	470,722,222	422,810,255
	Workers' profit participation fund	2,412,139	8,005,311
	Bank charges and commission	1,723,548	1,440,008
		1,983,697,110	951,427,015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

		2014 Rupees	2013 Rupees
28.	**OTHER INCOME**		
	Income from financial assets :		
	Profit on deposits	84,227	128,147
	Exchange differences	–	125,247
		84,227	253,394
	Income from investment in related party :		
	Gain on disposal of non – current assets held for sale	–	1,035,272,436
	Income from assets other than financial assets :		
	Scrap sales	40,095,391	40,919,172
	Balances written back – net	5,518,182	12,694,538
	Rental income	2,789,503	–
	Other	–	294,708
		48,403,076	53,908,418
		48,487,303	1,089,434,248
29.	**(PROVISION FOR) / REVERSAL OF TAXATION**		
	Current		
	For prior year	–	10,467,744
	Deferred		
	For the year	(223,566,076)	1,159,745,026
	For prior year	(2,072,226)	(10,653,418)
		(225,638,302)	1,149,091,608
		(225,638,302)	1,159,559,352

29.1 Reconciliation between accounting profit and tax expense

Reconciliation between accounting profit and tax expense has not been presented in these financial statements as no provision for current taxation has been made due to tax credits available under the law.

		2014	2013
30.	**EARNINGS PER SHARE – BASIC AND DILUTED**		
	Profit for the year (Rupees)	874,242,296	5,534,166,564
	Weighted average number of ordinary shares	310,506,995	310,506,995
	Earnings per share – Basic and Diluted (Rupees)	2.82	17.82

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

31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	10,909,092	21,818,184	440,197,591	10,909,092	21,818,184	403,500,359
Medical allowance	1,090,908	2,181,816	41,523,374	1,090,908	2,181,816	39,842,145
Reimbursable expenses for vehicles running	–	–	21,197,814	–	–	20,187,315
	12,000,000	24,000,000	502,918,779	12,000,000	24,000,000	463,529,819
Number of persons	1	2	373	1	2	351

31.1 The Chief Executive Officer and Directors are entitled to free use of Company maintained vehicles. The monetary value of the benefit is Rs. 3,713,148/- (2013 : Rs. 4,683,888/-). The Directors have waived off their meeting fee.

32. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. The balances due from and due to related parties have been disclosed in the relevant notes to the financial statements. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows :

Relationship	Nature of transaction	2014 Rupees	2013 Rupees
Associated undertakings			
	Rent charged	12,000,000	50,820,000
	Commission	–	803,527,673
	Consultancy fee paid	9,000,000	18,000,000
	Rental income	2,789,503	–
Key management personnel			
	Proceeds from disposal of non – current assets held for sale	–	4,659,600,000
	Dividend paid	549,592,428	1,236,577,713

	2014 M. Tons	2013 M. Tons
33. PLANT CAPACITY AND ACTUAL PRODUCTION		
Annual production capacity		
(350 days – 3 shifts)		
Polyester Staple Fibre / Polyester Chips	390,600	390,600
Yarn converted into 20/s count (Spindles installed 137,856 (2013 : 137,856))	48,700	48,700
Actual production		
Polyester Staple Fibre / Polyester Chips	232,173	214,966
Yarn converted into 20/s count (Spindles worked 137,090 (2013 : 136,440))	49,098	49,021

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

	2014	2013
34. NUMBER OF EMPLOYEES		
Total number of employees as at June 30,	4,089	4,078
Average number of employees during the year	4,047	4,089

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.

	2014 Rupees	2013 Rupees
35.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets :		
Investment in associate	11,108,031,239	9,182,026,116
Long term loans	39,252,873	37,778,425
Long term deposits	3,940,043	3,910,543
Trade debts	417,395,620	280,700,067
Loans and advances	11,761,693	17,562,174
Other receivables	23,333,491	11,784,384
Cash and bank balances	85,681,651	204,836,749
	11,689,396,610	9,738,598,458
Financial liabilities :		
Long term financing	15,147,014,159	14,562,499,998
Trade and other payables	1,511,697,269	1,400,610,902
Mark up / interest payable	154,955,632	166,844,778
Short term bank borrowings	2,682,895,021	5,509,120,577
	19,496,562,081	21,639,076,255

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 counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows :

	2014 Rupees	2013 Rupees
Long term deposits	3,940,043	3,910,543
Trade debts	417,395,620	280,700,067
Other receivables	23,333,491	11,784,384
Bank balances	73,924,038	187,282,300
	518,593,192	483,677,294

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

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

The Company's most significant customers are industrial users of polyester staple fibre and yarn. Aging of trade debts as at balance sheet date is as under :

	2014 Rupees	2013 Rupees
Not past due	396,611,562	260,449,214
Past due within one year	8,131,850	6,216,106
Past due more than one year	12,652,208	14,034,747
	417,395,620	280,700,067

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 recognition of 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 payments as at June 30, 2014 and June 30, 2013.

	2014				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
Financial Liabilities :					
Long term financing	15,147,014,159	17,923,915,771	2,246,526,577	2,216,892,356	13,460,496,838
Trade and other payables	1,507,270,474	1,507,270,474	1,507,270,474	–	–
Mark up / interest payable	154,955,632	154,955,632	154,955,632	–	–
Short term bank borrowings	2,682,895,021	2,729,821,458	2,729,821,458	–	–
	19,492,135,286	22,315,963,335	6,638,574,141	2,216,892,356	13,460,496,838

	2013				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
Financial Liabilities :					
Long term financing	14,562,499,998	18,518,600,757	1,183,358,740	2,571,288,192	14,763,953,825
Trade and other payables	1,400,610,902	1,400,610,902	1,400,610,902	–	–
Mark up / interest payable	166,844,778	166,844,778	166,844,778	–	–
Short term bank borrowings	5,509,120,577	5,632,930,913	5,632,930,913	–	–
	21,639,076,255	25,718,987,350	8,383,745,333	2,571,288,192	14,763,953,825

The contractual cash flows relating to mark up on long term financing and short term bank borrowings have been determined on the basis of markup rates as applicable at the year end. As at the year end, the Company has liquid assets of Rs. 3,478.893 million (2013 : Rs. 2,575.151 million) and unavailed short term bank borrowing facilities of Rs. 6,159 million (2013 : Rs. 2,832 million) (Refer Note 14.1) to manage 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.

Majority of interest rate risk arises from long term financing 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. 189.755 million (2013 : Rs. 85.738 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 debtor, other payables and claims receivable denominated in foreign currency. As at reporting date, the Company is not exposed to currency risk.

iii) Equity price risk

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

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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, 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, 2014 and June 30, 2013 was as follows :

	Note	2014 Rupees	2013 Rupees
Debt	14 & 15	17,829,909,180	20,071,620,575
Less : Cash and cash equivalents	12	85,681,651	204,836,749
Net Debt		17,744,227,529	19,866,783,826
Total equity		26,523,711,341	26,037,952,849
Total capital		44,267,938,870	45,904,736,675
Gearing ratio		40.08%	43.28%

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue as at September 25, 2014 by the Board of Directors of the Company.

37. GENERAL

37.1 Nomenclature of “Other operating income” has been changed to “Other income” to comply with the amendments in Fourth Schedule to the Companies Ordinance, 1984.

37.2 Figures have been rounded off to the nearest Rupee.

Chief Executive Officer **Director**

Pattern of Shareholding

as at June 30, 2014

Number of Shareholders	Having Shares From	Having Shares To	Shares Held
385	1	100	15,129
905	101	500	215,806
454	501	1000	327,822
363	1001	5000	809,753
88	5001	10000	636,473
28	10001	15000	346,994
16	15001	20000	282,095
7	20001	25000	161,833
8	25001	30000	224,424
11	30001	35000	353,642
7	35001	40000	261,625
3	40001	45000	130,166
2	45001	50000	100,000
1	50001	55000	50,150
2	55001	60000	115,600
2	60001	65000	125,000
2	65001	70000	134,875
1	70001	75000	74,500
1	80001	85000	83,791
1	110001	115000	112,375
2	120001	125000	250,000
1	140001	145000	140,304
1	165001	170000	166,257
1	195001	200000	200,000
1	335001	340000	337,000
1	345001	350000	347,125
1	400001	405000	400,750
1	560001	565000	561,125
1	670001	675000	674,000
1	1380001	1385000	1,380,500
1	1720001	1725000	1,724,030
1	2110001	2115000	2,114,562
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	93530001	93535000	93,530,875
2,307			**310,506,995**

Categories of Shareholders

as at June 30, 2014

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	–	–	–
NIT & ICP			
Investment Corporation of Pakistan	1	1,413	0.0005
Directors, Chief Executive Officer and their spouses			
Sheikh Mukhtar Ahmed	1	93,530,875	30.1220
Mohammad Naeem Mukhtar	1	90,689,144	29.2068
Muhammad Waseem Mukhtar	1	90,531,495	29.1560
Mohammad Waqar	1	37,500	0.0121
Jawaid Ashraf	1	1,000	0.0003
Abdul Hameed Bhutta	1	1,000	0.0003
Banks, DFIs, NBFIs & Leasing Companies	5	2,117,339	0.6819
Insurance Companies	4	2,143,555	0.6903
Modarabas and Mutual Funds	4	2,963	0.0010
Joint Stock Companies & Others	44	4,274,213	1.3765
Genral Public			
a. Local	2,240	15,380,123	4.9532
b. Foreign	3	11,796,375	3.7991
Shareholders holdings 5% or more (Excluding Directors)	–	–	–
	2,307	310,506,995	100.0000

NOTES

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 28th Annual General Meeting of the Company to be held on October 29, 2014 at 11:00 AM at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

Signed this ______________ day of ______________ 2014.

AFFIX REVENUE STAMP OF RS. 5/-

Witness: (1)

Signature ______________

Name ______________

Address ______________

CNIC No. ______________

Signature : ______________

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

Witness: (2)

Signature ______________

Name ______________

Address ______________

CNIC No. ______________

Folio No. ______________

CDC A/c No. ______________

No. of shares held ______________

Distinctive Numbers ______________

IMPORTANT :

1. The Proxy Form must be deposited at the registered office of the Company at Ibrahim Centre, 1 – Ahmed Block, New Garden Town, Lahore, as soon as possible but not later than 48 hours before the time of holding the meeting and in default Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he / she is a member of the Company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the Company or not.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES :

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

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

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

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

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

AFFIX
CORRECT
POSTAGE

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

igcpk.com

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