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ANNUAL REPORT 2016

Ibrahim Fibres Limited



Committed to  
Excellence





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# 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

Ikram ul Haq Mian

## Chief Financial Officer

Mohammad Naeem Asghar

## Company Secretary

Muhammad Labeeb Subhani

## Audit Committee

Ikram ul Haq Mian  
*Chairman*

Abdul Hameed Bhutta  
*Member*

Jawaid Ashraf  
*Member*

Muhammad Labeeb Subhani  
*Secretary*

## Human Resource & Remuneration Committee

Abdul Hameed Bhutta  
*Chairman*

Jawaid Ashraf  
*Member*

Mohammad Waqar  
*Member*

## Auditors

Deloitte Yousuf Adil  
Chartered Accountants.

## Bankers

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

BankIslami Pakistan Limited

Citibank, N.A.

Deutsche Bank AG

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank 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 - Sheikhpura Road,  
Faisalabad, Pakistan.



# Financial Highlights

## For the Year Ended June 30,

2016	2015	2014	2013	2012	2011
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(Rupees in million)

## Operating performance

Sales - net	34,710	37,274	47,972	38,839	35,853	37,301
Inter - project consumption	2,413	3,297	4,051	3,974	3,877	3,658
	37,123	40,571	52,023	42,813	39,730	40,959
Gross profit	980	838	1,329	2,725	2,622	3,123
Operating profit	130	128	533	1,958	1,920	2,449
Profit before taxation	1,922	1,360	1,100	4,375	4,452	4,875
Profit after taxation	1,535	803	874	5,534	4,114	4,152

## As at June 30,

2016	2015	2014	2013	2012	2011
------	------	------	------	------	------

(Rupees in million)

## Financial position

Property, plant and equipment - net (excluding capital work in progress)	22,236	23,514	24,606	27,175	7,054	7,109
Intangible assets	42	47	54	60	10	11
Capital work in progress	2,502	638	385	58	13,385	1,720
Fixed assets	24,780	24,199	25,045	27,293	20,449	8,840
Total assets	51,058	49,604	47,977	49,235	39,316	30,110

## Current assets

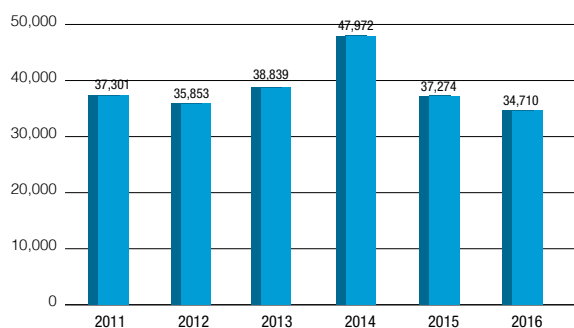
Stores, spare parts and stocks in trade	7,327	8,421	8,200	9,970	5,686	3,509
Other current assets	5,049	4,197	3,523	2,569	1,563	3,813
Cash and cash equivalents	103	164	86	205	52	155
	12,479	12,782	11,809	12,744	7,301	7,477

## Current liabilities

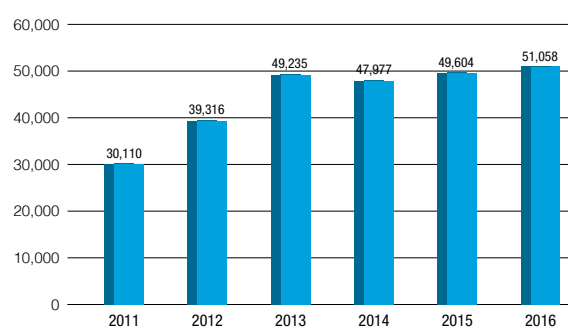
Short term borrowings	2,691	7,386	2,683	5,509	2,319	704
Current portion of long term financing	1,683	450	3,250	2,313	1,229	1,783
Other current liabilities	2,226	1,945	1,758	1,677	2,108	3,800
	6,600	9,781	7,691	9,499	5,656	6,287
Net working capital	5,879	3,001	4,118	3,245	1,645	1,190
Long term financing	5,617	9,925	11,897	12,250	9,262	2,542
Share capital and reserves	36,238	27,346	26,524	26,038	21,883	18,776

**Sales - Net**

(Rupees in million)

**Total Assets**

(Rupees in million)

**For the Year Ended June 30,**

	2016	2015	2014	2013	2012	2011
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**Profitability analysis**

Gross profit to sales	(%)	2.8	2.2	2.8	7.0	7.3	8.4
Profit before tax to sales	(%)	5.5	3.6	2.3	11.3	12.4	13.1
Profit after tax to sales	(%)	4.4	2.2	1.8	14.2	11.5	11.1
Return on capital employed	(%)	0.3	0.3	1.3	4.9	5.7	10.3
Return on equity	(%)	4.2	2.9	3.3	21.3	18.8	22.1
Earnings per share	(Rupees)	4.9	2.6	2.8	17.8	13.2	13.4

**Dividend**

Interim cash dividend	(%)	-	-	-	15	-	-
Final cash dividend - Proposed	(%)	-	-	-	20	30	30

**As at June 30,**

	2016	2015	2014	2013	2012	2011
--	------	------	------	------	------	------

**Financial analysis**

Current ratio	(times)	1.9	1.3	1.5	1.3	1.3	1.2
Debt to equity ratio	(times)	0.2	0.4	0.6	0.6	0.5	0.2
Leverage ratio	(times)	0.4	0.8	0.8	0.9	0.8	0.6
Debt service coverage ratio	(times)	3.0	1.2	1.0	2.5	1.9	1.7
Breakup value per share	(Rupees)	116.7	88.1	85.4	83.9	70.5	60.5
Inventory turnover ratio	(times)	5.8	5.8	6.4	5.6	9.4	13.6
Debtors turnover ratio	(times)	180.7	125.2	137.4	156.0	188.9	253.3
Fixed assets turnover ratio	(times)	1.4	1.5	1.8	1.6	2.4	4.7

# Vision and Mission Statement



## Our Vision

To be a sustainable, growth oriented Company and achieve scale to remain competitive in the 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 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, 2016.

## Industry Overview

During first half of the year under review, continued decline in crude oil prices was witnessed and that was mainly due to its oversupply in international market as well as bleak global economic outlook. Feedstock prices also followed the same trend and resulted in declining revenues and gross margins across the entire petrochemical chain, including PSF industry.

This situation started to improve during 2nd half of the year due to stable trends in crude oil market and improved power and gas supplies in Pakistan.

## Marketing Activities

The polyester plant of your Company achieved sales volume of 237,172 tons of PSF / Polyester chips during

the year under review as against sales of 197,769 tons of PSF / Polyester chips during the previous year.

The textile plants of your Company achieved sales of 28,450 tons of different counts of blended yarns during the year, as against sales of 33,051 tons of yarns during previous year.

## Production Operations

The polyester plant of your Company produced 251,307 tons of PSF / Polyester chips as against 228,116 tons during the previous year. Out of the above production, 20,669 tons of PSF were consumed by the textile plants of your Company during the year for production of blended yarns as against 22,792 tons consumed during previous year.

At the textile plants of your Company, 134,707 spindles remained operational during the year and manufactured 29,866 tons of different counts of blended yarns as against 136,570 spindles manufacturing 31,915 tons of yarns during previous year.

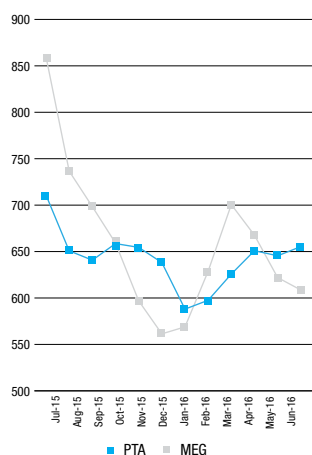
## Financial Performance

Your Company achieved net sales of Rs. 34,710 million during the year under review as compared to Rs. 37,274 million during the previous year. The gross profit earned during the year was Rs. 980 million as against Rs. 838 million earned during previous year.

Your Company earned profit before tax amounting to Rs. 1,922 million during the year as compared to Rs. 1,360 million during the previous year, after taking into account the

### PTA & MEG Prices

(US Dollar / M. Ton)



proportionate share in profits of Allied Bank Limited, an associated company, amounting to Rs. 2,689 million for the year under review as against Rs. 2,833 million for previous year. Profit after tax for the year comes to Rs. 1,535 million as compared to Rs. 803 million during previous year.

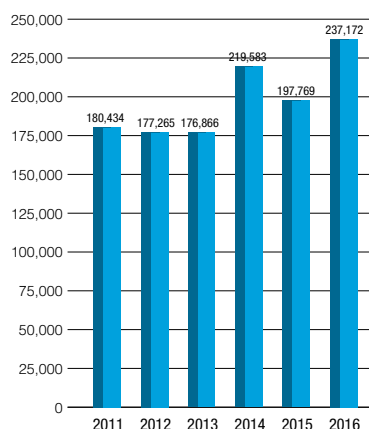
## Installation of Coal Fired Power Plant

Coal Fired Power Plant of your Company is currently in the process of implementation. This Plant comprises of CFB boiler having steam production capacity of 80 tons / hour and power generation capacity of 20.4 MW.

Civil work was started during November 2015 and now it is near to completion. Major shipments of machinery / equipment have already arrived at Plant site and its

### PSF / Polyester Chips Sales

(Quantity in M. Ton)



erection and installation under the supervision of Christof Project GmbH Austria (Plant Supplier) is in progress and all these activities are being carried out in line with the Project Implementation Schedule. Implementation of this project will add alternate source of energy to reduce reliance on expensive fuels and will contribute significantly in business competitiveness by reducing the energy cost of the business.

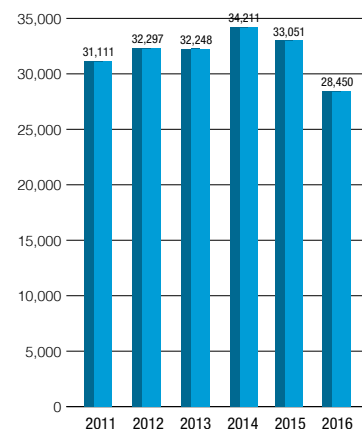
## Balancing, Modernisation and Replacement

### Polyester Plant - I

During the year under review, your Company completed the projects for balancing, modernisation and replacement of digital control systems relating to polymer, spinning & fibre lines and cutting & bailing zone of Polyester Plant - I. The

### Yarn Sales

(Quantity in M. Ton)



machinery and related technology was imported from suppliers of existing polyester plants i.e., Technip Zimmer GmbH Germany and Autefa Solutions Germany GmbH. Successful implementation of these projects has resulted in improved quality and efficiency of Polyester Plant - I.

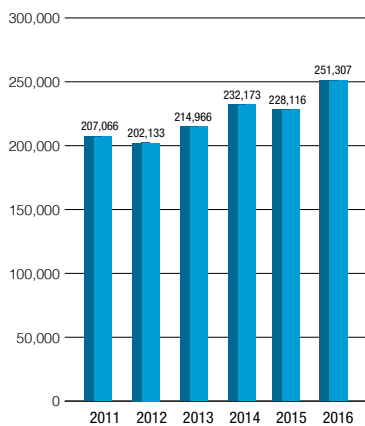
### Textile Plant - I

In continuation of the BMR implementation plan for textile plants, your Company initiated a project to replace complete spinning and winding of Textile Plant I - Unit I with the latest state of the art machinery consisting of link winding solution and roving transport system to be supplied by World's leading textile machinery manufacture i.e. Schlafhorst, Germany. Letter of credit was opened during December 2015 and civil work was started accordingly.

# Chairman's Review

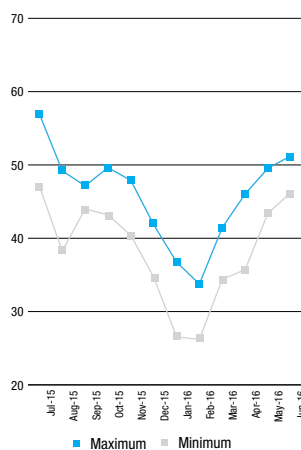


**PSF / Polyester Chips Production** (Quantity in M. Ton)



Major shipments of machinery / equipment have already arrived at Plant site and its erection and installation is in progress and all these activities are being carried out in line with the Project Implementation Schedule. This project is expected to start operation

**Crude Oil (WTI) Prices** (US Dollar / Barrell)



during last quarter of the current calendar year.

Implementation of this project will result in further improvement in quality, efficiency and productivity of manufacturing plant of your Company.

## Professionalism and Human Resources

Highly skilled and talented human resources are recognised as one of the most sustainable competitive advantage by management of your Company. In order to further enrich this competitive advantage, immense efforts are being made by deploying rigorous training programs internally in your Company. Moreover, 71 employees were chosen to participate in external learning programs during the year under review relating to corporate financial management, project monitoring control & evaluation, enhancing leadership skills, finance for non - financial managers, management development program, emotional intelligence, developing sustainable leadership, handling difficult people, developing future



leaders, supply chain management, power of positive thinking, international financial reporting standards and taxation organised by leading institutions of Pakistan.

## Future Outlook

Continuous supply of natural gas and availability of electricity at comparatively low rates helped the downstream industry to improve capacity utilisation and it is expected that this situation will further improve. Moreover, recent initiatives by Government of Pakistan to enhance textile exports are also expected to enhance economic activities resulting in improved demand for PSF.

Vigorous marketing efforts by your Company have not only increased customer base by shifting them from imported PSF to local market but

has also laid a strong foundation for sustainable growth in demand of local PSF in coming periods. Furthermore, low interest rates, fuel prices and their efficient mix and better financial management will also contribute to improve the situation.

In the view of above scenario, management of your Company is hopeful that the Company will achieve higher production and sales volume and will achieve better results during the next financial year.

## Acknowledgement

I am thankful to the members of the Board of Directors of the Company, shareholders, bankers, financial institutions, our valued customers and suppliers for their support and assistance. I also thank the executives and other employees of

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

**Sheikh Mukhtar Ahmed**  
*Chairman*

Lahore  
September 28, 2016

# Notice of Meeting

Notice is hereby given that the 30<sup>th</sup> Annual General Meeting of the shareholders of the Company will be held on October 26, 2016 at 11:00 A.M. at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

## Ordinary Business

1. To confirm the minutes of the preceding meeting of the shareholders of the Company.
2. To consider and approve the annual audited financial statements of the Company for the year ended June 30, 2016 together with directors' and auditors' reports thereon.
3. To appoint Auditors for the year 2016 - 2017 and fix their remuneration. The present auditors M/s Deloitte Yousuf Adil, Chartered Accountants have retired and offered themselves for re-appointment as External Auditors of the Company for the year 2016 - 2017.
4. To transact any other business with the permission of the chair.

## Special Business

5. To approve transmission of annual audited financial statements, auditors' report and directors' report etc., (Annual Report) to members through CD / DVD / USB at their registered addresses as allowed by the Securities and Exchange Commission of Pakistan (SECP).

To consider and if deemed appropriate propose the following resolution:

"Resolved that transmission of annual audited financial statements, auditors' report and directors' report etc., (Annual Report) to members at their registered addresses in soft form i.e., CD / DVD / USB as notified by SECP vide its S.R.O. No. 470(I)/2016 dated May 31, 2016 be and is hereby approved."

6. To consider, and if thought fit, to pass the following resolution with or without modifications as special

resolution to alter the Articles of Association of the Company by inserting new Articles Nos. 64(a) and 64(b) to enable e-voting as prescribed by the SECP.

"Resolved that the Articles of Association of the Company, be amended by adding following new clauses as 64(a) and 64(b):

64(a). **E-Voting.** The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of other provisions of these Articles and notwithstanding anything contradictory therein.

64(b). In case of e-voting, voters may appoint either members or non - members as proxy and the Company shall comply with the requirements of the Companies (E-Voting) Regulations, 2016 prescribed under the Companies Ordinance, 1984."

## Further Resolved

That the Company Secretary be and is hereby fully authorised and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required and to sign such documents and take such steps from time to time, as and when necessary.

A statement as required under Section 160(1)(b) of the Companies Ordinance, 1984, in respect of the special business to be considered at the meeting is annexed to this notice of meeting being sent.

By order of the Board

**Muhammad Labeeb Subhani**  
Company Secretary

Lahore

September 28, 2016

## Notes

- i. The share transfer books of the Company shall remain closed from October 19, 2016 to October 26, 2016 (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 18, 2016 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 Regulations, 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.

### Statement under Section 160(1)(b) of the Companies Ordinance, 1984.

#### Item # 5 regarding transmission of Annual Report

The SECP has allowed companies to circulate the annual report to its members through CD / DVD / USB at their registered addresses after approval by members. Printed copy of above referred report shall be provided to such members who opt for having hard copy on the Request Form which is available on the website of the Company i.e., <http://igcpc.com>

#### Item # 6 regarding e-voting

Shareholders have the right to be part of the decision - making process of their Company to the extent provided by the Law.

The SECP defines the process of e-voting as per Companies (E-Voting) Regulations, 2016 that the Board of Directors of the Company shall appoint eligible intermediary for e-voting and the intermediary will provide the details of execution officer to the Company before issuance of notice of General Meeting. Members will be informed through a notice of General Meeting and can exercise their right to vote through e-voting by giving their consent in writing.

Shareholder's approval is being sought by passing Special Resolution to alter the Articles of Association of the Company to enable e-voting.

None of the Directors of the Company have any direct or indirect interest in above said Special Business.

# Directors' Report

The Directors of your Company are pleased to present before you the audited Financial Statements for the year ended June 30, 2016 along with 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.

	2016 Rupees	2015 Rupees
Gross profit	979,915,504	837,647,241
Selling and distribution expenses	(275,426,854)	(258,678,637)
Administrative expenses	(640,634,116)	(618,178,994)
Finance cost	(897,125,086)	(1,601,282,900)
	(1,813,186,056)	(2,478,140,531)
	(833,270,552)	(1,640,493,290)
Other income	66,269,402	167,377,693
	(767,001,150)	(1,473,115,597)
Share of profit of associate	2,688,976,000	2,833,138,000
Profit before taxation	1,921,974,850	1,360,022,403
Provision for taxation	(386,697,969)	(557,234,317)
Profit for the year	1,535,276,881	802,788,086
Remeasurement of staff retirement gratuity - net of tax	71,604,527	18,970,564
Un-appropriated profit brought forward	18,736,959,498	17,915,200,848
Un-appropriated profit carried forward	20,343,840,906	18,736,959,498
Earnings per share - Basic and Diluted	4.94	2.59

## Dividend - Proposed

The Board has not recommended payment of dividend for the year ended June 30, 2016 due to further investments into balancing and modernisation of existing manufacturing plants and new power generation plant of your Company.

## 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, 2016.

## Auditors

The external auditors M/s Deloitte Yousuf Adil, Chartered Accountants, retire and offer themselves for their re-appointment. The Audit Committee recommends the re-appointment of M/s Deloitte Yousuf Adil, Chartered Accountants, as external auditors for the financial year ending June 30, 2017.

## Pattern of Shareholding

Pattern of shareholding as on June 30, 2016 is annexed.



## Number of Board Meetings Held

Six meetings of the Board of Directors were held during the year ended June 30, 2016 and the attendance of the Directors is as follows:

		Attendance
Sheikh Mukhtar Ahmed	Chairman	06
Mohammad Naeem Mukhtar	Chief Executive Officer	06
Muhammad Waseem Mukhtar	Director	06
Abdul Hameed Bhutta	Director	06
Mohammad Waqar	Director	06
Jawaid Ashraf	Director	06
Ikram ul Haq Mian	Director	05

## Audit Committee

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

Ikram ul Haq Mian <i>(Independent Director)</i>	Chairman
Mohammad Waqar <i>(Non - Executive Director)</i>	Member
Abdul Hameed Bhutta <i>(Non - Executive Director)</i>	Member

Four Meetings of Audit Committee were held during the year ended June 30, 2016 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 clause No. 5.19 of the Rule Book of Pakistan Stock Exchange, 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 and accounting estimates are based on reasonable and prudent judgement;
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 on 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 society and fulfills its obligation by providing financial support to under privileged members of the society

# Directors' Report



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 the highest 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 on training courses, seminars, workshops and conferences both within country and abroad. It lends regular support to the special persons by offering them jobs in various departments of the organisation. It also offers apprenticeship to fresh graduates, post graduates and engineers, on a regular basis, to elevate their professional and technical skills.

Your Company has also installed an environmentally 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 28, 2016



# Statement of Compliance

## with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Clause 5.19.23 of the Rule Book of Pakistan Stock Exchange (PSX) 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 Director	Ikram ul Haq Mian
Executive Directors	Mohammad Naeem Mukhtar Muhammad Waseem Mukhtar
Non - Executive Directors	Sheikh Mukhtar Ahmed Mohammad Waqar Jawaid Ashraf Abdul Hameed Bhutta

The independent director meets the criteria of independence as required in 5.19.1(b) of the Rule Book of PSX.

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 NBF.
4. A casual vacancy occurring on 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 along with 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, the other Executive Director and Chairman of Board of 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.
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. Six Directors have acquired certification under directors training programs from the approved institutions. One Director is exempted from such certification on account of the experience and qualification.
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. The Chairman is Independent Director and other two members are 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 '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 exchange.
22. Material / price sensitive information are disseminated among all market participants at once through stock exchange.
23. 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 28, 2016

# Review Report to the Members

## on the Statement of Compliance with Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Ibrahim Fibres Limited (the Company), for the year ended June 30, 2016 to comply with the requirements of Regulations of the Pakistan Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Company's 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 are not required to consider whether the Board of Directors' statement on internal controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2016.

**Deloitte Yousuf Adil**  
**Chartered Accountants**

**Engagement Partner:**  
**Nadeem Yousuf Adil**

**Karachi**  
**Dated: September 28, 2016**

# Auditors' Report to the Members

We have audited the annexed balance sheet of Ibrahim Fibres Limited (the Company) as at June 30, 2016 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that—

- (a) in our opinion proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion—
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of 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 parts thereof conform with the 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, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

**Deloitte Yousuf Adil**  
**Chartered Accountants**

**Engagement Partner:**  
Nadeem Yousuf Adil

Dated: September 28, 2016  
Karachi





Ibrahim Fibres Limited

# **FINANCIAL STATEMENTS**

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for the year ended June 30, 2016

# Balance Sheet

as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	3	24,737,959,691	24,151,728,470
Intangible assets	4	41,774,935	47,087,302
Investment in associate	5	13,762,491,415	12,594,268,827
Long term loans	6	33,260,833	24,773,098
Long term deposits		4,008,754	4,225,431
		38,579,495,628	36,822,083,128
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	7	2,130,071,158	1,958,919,904
Stock in trade	8	5,197,078,034	6,461,921,798
Trade debts	9	206,035,854	178,139,309
Loans and advances	10	1,034,924,058	847,418,405
Prepayments		20,116,110	18,241,689
Other receivables	11	3,787,477,324	3,153,379,446
Cash and bank balances	12	103,129,306	163,844,103
		12,478,831,844	12,781,864,654
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	1,841,136,456	1,833,717,569
Mark up / interest payable		19,264,912	111,298,837
Short term borrowings	14	2,690,973,528	7,385,896,510
Current portion of long term financing	15	1,683,333,334	450,000,000
Provision for taxation - income tax		365,179,341	-
		6,599,887,571	9,780,912,916
<b>Working capital</b>		5,878,944,273	3,000,951,738
<b>Total capital employed</b>		44,458,439,901	39,823,034,866
<b>NON - CURRENT LIABILITIES</b>			
Long term financing	15	5,616,666,666	9,925,000,000
Deferred liabilities:			
Deferred taxation	16	1,466,986,810	1,432,433,816
Staff retirement gratuity	17	1,137,126,471	1,119,655,237
		8,220,779,947	12,477,089,053
<b>CONTINGENCIES AND COMMITMENTS</b>	18	-	-
<b>Net worth</b>		36,237,659,954	27,345,945,813
<b>Represented by:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	19	3,105,069,950	3,105,069,950
Loans from directors	20	7,426,985,233	-
Capital reserves	21	1,072,017,550	1,072,017,550
Revenue reserves	22	24,633,587,221	23,168,858,313
		36,237,659,954	27,345,945,813

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, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	23	34,709,815,423	37,273,570,267
Cost of goods sold	24	(33,729,899,919)	(36,435,923,026)
Gross profit		979,915,504	837,647,241
Selling and distribution expenses	25	(275,426,854)	(258,678,637)
Administrative expenses	26	(640,634,116)	(618,178,994)
Finance cost	27	(897,125,086)	(1,601,282,900)
		(1,813,186,056)	(2,478,140,531)
		(833,270,552)	(1,640,493,290)
Other income	28	66,269,402	167,377,693
		(767,001,150)	(1,473,115,597)
Share of profit of associate	5	2,688,976,000	2,833,138,000
Profit before taxation		1,921,974,850	1,360,022,403
Provision for taxation	29	(386,697,969)	(557,234,317)
Profit for the year		1,535,276,881	802,788,086
Earnings per share - Basic and Diluted	30	4.94	2.59

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

# Statement of Comprehensive Income

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Profit for the year		1,535,276,881	802,788,086
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Share of changes in equity of associate	5	(162,460,000)	11,393,000
Deferred tax relating to share of changes in equity of associate		20,307,500	(10,917,178)
		(142,152,500)	475,822
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of staff retirement gratuity	17.2	104,946,393	29,520,967
Deferred tax relating to remeasurement of staff retirement gratuity		(33,341,866)	(10,550,403)
		71,604,527	18,970,564
		(70,547,973)	19,446,386
Total comprehensive income for the year		1,464,728,908	822,234,472

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

# Cash Flow Statement

for the year ended June 30, 2016

	2016 Rupees	2015 Rupees
<b>a) Cash flows from operating activities</b>		
Profit before taxation	1,921,974,850	1,360,022,403
Adjustments for:		
Depreciation / amortisation of property, plant and equipment	2,354,468,974	2,467,053,819
Amortisation of intangible assets	15,618,782	13,966,574
Provision for staff retirement gratuity	210,747,310	228,692,275
Balances written back - net	(433,755)	(28,684,554)
Gain on disposal of property, plant and equipment	(16,091,856)	(1,257,397)
Profit on deposits	(1,593,430)	(107,157)
Share of profit of associate	(2,688,976,000)	(2,833,138,000)
Finance cost	897,125,086	1,601,282,900
Operating cash flows before working capital changes	2,692,839,961	2,807,830,863
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(171,151,254)	193,426,685
Stock in trade	1,264,843,764	(414,359,209)
Trade debts	(27,462,790)	239,256,311
Loans and advances	(13,317,138)	(123,437,313)
Prepayments	(1,874,421)	3,348,578
Other receivables	(401,355,665)	(364,683,523)
Increase in current liabilities		
Trade and other payables	13,561,665	350,994,682
	663,244,161	(115,453,789)
Cash generated from operations	3,356,084,122	2,692,377,074
Long term loans paid - net	(19,467,799)	(24,602,090)
Finance cost paid	(989,159,011)	(1,644,939,695)
Income tax paid	(395,949,245)	(416,759,607)
Staff retirement gratuity paid	(100,048,973)	(78,131,225)
Net cash from operating activities	1,851,459,094	527,944,457
<b>b) Cash flows from investing activities</b>		
Additions in:		
Property, plant and equipment	(2,984,835,989)	(1,761,794,820)
Intangible assets	(10,306,415)	(7,330,636)
Proceeds from disposal of property, plant and equipment	66,022,029	30,342,628
Dividend received	1,358,293,412	1,358,293,412
Long term deposits	216,677	(285,388)
Profit on deposits	1,592,011	112,036
Net cash used in investing activities	(1,569,018,275)	(380,662,768)
<b>c) Cash flows from financing activities</b>		
Loans from directors obtained	4,727,502,815	-
Long term financing obtained	-	6,000,000,000
Repayment of long term financing	(3,075,000,000)	(10,772,014,159)
(Decrease) / increase in short term borrowings - net	(1,995,440,564)	4,703,001,489
Dividend paid	(217,867)	(106,567)
Net cash used in financing activities	(343,155,616)	(69,119,237)
<b>Net (decrease) / increase in cash and cash equivalents (a+b+c)</b>	(60,714,797)	78,162,452
<b>Cash and cash equivalents at the beginning of the year</b>	163,844,103	85,681,651
<b>Cash and cash equivalents at the end of the year</b>	103,129,306	163,844,103

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, 2016

	Share Capital	Loans from Directors	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, 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
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	802,788,086	802,788,086
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Share of changes in equity of associate	-	-	-	-	475,822	-	-	475,822
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of staff retirement gratuity	-	-	-	-	-	-	18,970,564	18,970,564
	-	-	-	-	475,822	-	821,758,650	822,234,472
Balance as at June 30, 2015	3,105,069,950	-	1,000,000,000	72,017,550	342,225,716	4,089,673,099	18,736,959,498	27,345,945,813
Transactions with owners								
Loans from directors	-	7,426,985,233	-	-	-	-	-	7,426,985,233
Total comprehensive income for the year								
Profit	-	-	-	-	-	-	1,535,276,881	1,535,276,881
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Share of changes in equity of associate	-	-	-	-	(142,152,500)	-	-	(142,152,500)
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of staff retirement gratuity	-	-	-	-	-	-	71,604,527	71,604,527
	-	-	-	-	(142,152,500)	-	1,606,881,408	1,464,728,908
Balance as at June 30, 2016	3,105,069,950	7,426,985,233	1,000,000,000	72,017,550	200,073,216	4,089,673,099	20,343,840,906	36,237,659,954

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

# Notes to the Financial Statements

for the year ended June 30, 2016

## 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 Pakistan Stock Exchange. 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 - Sheikhpura 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 Ordinance, 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

There were certain new standards, amendments to the approved accounting standards and interpretations which became effective during the year ended June 30, 2016 but are considered not to be relevant or not to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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

There are certain new standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or are not expected to have any significant effect on the Company's operations and are, 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 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.

# Notes to the Financial Statements

## for the year ended June 30, 2016

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.

### 2.5 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 capitalised.

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.

### 2.6 Impairment

#### Financial assets

At each balance sheet date, the Company reviews the carrying amounts of the financial assets to assess whether there is any indication that such financial assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognised in profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

#### Non - financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation / amortisation and are tested annually for impairment. Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units). Non - financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.7 Borrowing costs

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

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



# Notes to the Financial Statements

## for the year ended June 30, 2016

### 2.8 Investment in associate

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

The Company has an associate, Allied Bank Limited (ABL), which is a banking company engaged in commercial banking and related services. The applicability of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40 "Investment Property" has been deferred for banking companies by the State Bank of Pakistan, whereas IAS 39 and IAS 40 are applicable to the Company. Accordingly equity accounting of ABL is based on its unaudited financial information for the quarter ended March 31, 2016 prepared under the accounting frame work applicable to banking companies in Pakistan.

### 2.9 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.

### 2.10 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	Cost is determined on weighted average method and it comprises of cost of direct materials, labour and appropriate manufacturing overheads.
Finished goods	

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.

### 2.11 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.

### 2.12 Cash and cash equivalents

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

### 2.13 Staff retirement gratuity

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. All remeasurement adjustments are recognised in 'other comprehensive income' as they occur.

The amount recognised in the balance sheet represents the present value of defined benefit obligation as adjusted for remeasurement adjustments.

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 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 recognised in other comprehensive income 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.

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 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 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 and transfer of significant risks and rewards of ownership.
- Profit on deposits is recognised on time proportionate basis.

### 2.22 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting for the effects of all dilutive potential ordinary shares.

### 2.23 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

# Notes to the Financial Statements

## for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	3.1	22,236,282,314	23,513,765,232
Capital work in progress	3.4	2,501,677,377	637,963,238
		24,737,959,691	24,151,728,470

### 3.1 Operating assets

	Land		Building on		Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land					
Rupees									
<b>At July 01, 2014</b>									
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
<b>Reconciliation of written down value at June 30, 2015</b>									
Written down value as at July 01, 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
Additions	25,234,505	-	208,678,392	-	1,055,227,944	28,493,353	23,407,041	63,277,685	1,404,318,920
Less: Disposals									
Cost	-	-	-	-	140,616,058	1,035,731	3,762,327	48,277,732	193,691,848
Accumulated depreciation	-	-	-	-	(128,530,951)	(641,970)	(1,349,141)	(34,084,555)	(164,606,617)
Less: Depreciation / amortisation	-	4,085	255,833,034	1,934,248	2,156,120,445	12,043,126	13,111,681	28,007,200	2,467,053,819
Written down value as at June 30, 2015	319,261,909	295,141	2,478,232,709	17,408,229	20,306,260,026	120,340,538	128,485,247	143,481,433	23,513,765,232
<b>At July 01, 2015</b>									
Cost	319,261,909	408,500	4,417,916,197	63,897,537	34,573,369,760	200,437,107	219,740,970	269,980,824	40,065,012,804
Accumulated depreciation / amortisation	-	(113,359)	(1,939,683,488)	(46,489,308)	(14,267,109,734)	(80,096,569)	(91,255,723)	(126,499,391)	(16,551,247,572)
Written down value	319,261,909	295,141	2,478,232,709	17,408,229	20,306,260,026	120,340,538	128,485,247	143,481,433	23,513,765,232
<b>Reconciliation of written down value at June 30, 2016</b>									
Written down value as at July 01, 2015	319,261,909	295,141	2,478,232,709	17,408,229	20,306,260,026	120,340,538	128,485,247	143,481,433	23,513,765,232
Additions	47,770,685	-	39,227,558	-	948,560,141	15,017,219	31,686,526	44,654,100	1,126,916,229
Less: Disposals									
Cost	-	-	-	-	285,921,753	539,474	8,277,780	48,394,750	343,133,757
Accumulated depreciation	-	-	-	-	(255,965,061)	(324,085)	(3,120,298)	(33,794,140)	(293,203,584)
Less: Depreciation / amortisation	-	4,085	248,600,639	1,740,823	2,045,945,807	12,771,578	14,117,927	31,288,115	2,354,468,974
Written down value as at June 30, 2016	367,032,594	291,056	2,268,859,628	15,667,406	19,178,917,668	122,370,790	140,896,364	142,246,808	22,236,282,314
<b>At June 30, 2016</b>									
Cost	367,032,594	408,500	4,457,143,755	63,897,537	35,236,008,148	214,914,852	243,149,716	266,240,174	40,848,795,276
Accumulated depreciation / amortisation	-	(117,444)	(2,188,284,127)	(48,230,131)	(16,057,090,480)	(92,544,062)	(102,253,352)	(123,993,366)	(18,612,512,962)
Written down value	367,032,594	291,056	2,268,859,628	15,667,406	19,178,917,668	122,370,790	140,896,364	142,246,808	22,236,282,314
Rate (%)	-	01	10	10	10	10	10	20	

	Note	2016 Rupees	2015 Rupees
<b>3.2 Depreciation / amortisation for the year has been allocated as under:</b>			
Cost of goods sold	24	2,296,852,569	2,408,067,205
Administrative expenses	26	57,616,405	58,986,614
		2,354,468,974	2,467,053,819

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 3.3 Detail of disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	Rupees				
<b>Plant &amp; machinery</b>					
(Insurance claim)	–	–	–	4,000,000	EFU General Insurance Limited, Ahmed Plaza, Bilal Road, Civil Lines, Faisalabad.
(Sold by negotiation)	116,234,914	104,965,179	11,269,735	35,990,000	Mayfair Limited, 46 - 49, Industrial Area, Gulberg - III, Lahore.
	4,509,414	3,434,882	1,074,532	546,220	Muhammad Akram, Shop # 211 - 212, Shoaib Bilal Market, Faisalabad.
	1,116,000	1,043,334	72,666	270,000	Babri Cotton Mills Limited, Habibabad Bannu Road, Kohat.
	11,398,996	10,359,095	1,039,901	475,967	Muhammad Shahid, Dar-ul-Ihsan Town, Samundri Road, Faisalabad.
	11,398,998	10,359,096	1,039,902	475,967	Liaqat Ali, Dar-ul-Ihsan Town, Samundri Road, Faisalabad.
	34,196,994	31,104,896	3,092,098	1,260,000	Taymur Spinning Mills Limited, 28 - K.M., Bhagtanwala Lahore Road, Sargodha.
	79,353,211	71,297,106	8,056,105	4,464,000	Naeem Ahmad, Godown # P - 265, Near Rashid Kanta, Faisalabad.
	5,796,593	5,441,941	354,652	208,235	Al-Barkat Enterprises, 8 - K.M., Lahore Road, Near Noor Industries, Kot Saleem, Shekhupura.
	15,084,736	12,481,436	2,603,300	900,000	Swabi Textile Mills (Pvt) Limited, 193 / 1 - 2, 212 / 1, Gadoon Industrial Estate, Gadoon Amazai Road, R - 7, Swabi.
	5,467,937	4,513,353	954,584	262,500	Samraiz Sarwar, Dar-ul-Ihsan Town, Samundri Road, Faisalabad.
	1,363,960	964,743	399,217	450,000	Hajveri Power Limited, Kala Khatai Road, Lahore.
	285,921,753	255,965,061	29,956,692	49,302,889	
<b>Office Equipment</b>					
(Sold by negotiation)	602,000	300,726	301,274	48,000	Autobar (Pvt) Limited, 5 - E - II, Block - H, Gulberg - II, Lahore.
	313,300	238,364	74,936	21,000	Mansha Brothers, Ground Floor, Umeed Plaza, Allama Iqbal Road, Faisalabad.
(Sold under company policy)	100,679	40,032	60,647	8,461	Muhammad Naeem Asghar (Employee)
	100,679	40,032	60,647	8,461	Imtiaz Ahmad (Employee)
	111,679	33,447	78,232	12,760	Muhammad Naeem Afzal (Employee)
	1,772,182	357,116	1,415,066	203,871	Particulars of purchasers are not required to be mentioned as book value of assets sold to each purchaser is less than Rs. 50,000/-.
(Scrapped and written off under Company policy)	5,277,261	2,110,581	3,166,680	–	
	8,277,780	3,120,298	5,157,482	302,553	
<b>Furniture &amp; fixtures</b>					
(Sold by negotiation)	439,966	268,921	171,045	50,000	Muhammad Yaseen, House # 10, Ghanchi para, Karachi.
	20,900	15,649	5,251	600	Particulars of purchasers are not required to be mentioned as book value of assets sold to each purchaser is less than Rs. 50,000/-.
(Scrapped and written off under Company policy)	78,608	39,515	39,093	–	
	539,474	324,085	215,389	50,600	

# Notes to the Financial Statements

## for the year ended June 30, 2016

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
	Rupees				
<b>Vehicles</b>					
(Insurance claims)	1,671,140	970,453	700,687	1,480,000	IGI Insurance Limited, Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad.
(Sold by negotiation)	17,649,456	12,152,038	5,497,418	6,237,950	Dewan Motors (Pvt) Limited, Plot # 4, Madina Town Extension, Adjacent Kardar Hospital, Jaranwala Road, Faisalabad.
	1,537,364	1,308,812	228,552	250,000	Syed Sajjad Imam Jaffari, House # 196, Block - B, Satellite Town, Rawalpindi.
	845,420	571,278	274,142	300,000	Nadeem Akram, 16 / 2 Club Road, Faisalabad.
	1,433,600	1,315,842	117,758	118,000	Usman Ahmad, House # 17 - A / B Club Road, Civil Line, Faisalabad.
	1,852,741	1,776,265	76,476	375,000	Rehman Ullah, Shingari Bala Post Office, Timar Gara, District Lower Dir.
	1,879,630	1,381,421	498,209	498,209	Irfan Sabir, House # 334 / B, Block - E, Pak Arab Housing Society, Lahore.
	1,573,490	902,134	671,356	775,000	BSL (Pvt) Limited, 20 - K.M., Ferozpur Road, Opposite Ahmad CNG Station, Lahore.
(Sold under company policy)	1,082,820	213,255	869,565	854,826	Muhammad Iqbal Chaudhary (Employee)
	880,000	615,351	264,649	264,649	Muhammad Saeed Shah (Employee)
	858,950	666,681	192,269	192,269	Jahangir Ali Javed (Employee)
	1,443,330	1,089,773	353,557	353,557	Muhammad Arshad (Employee)
	1,416,665	983,013	433,652	433,652	Qasim Ali (Employee)
	880,410	624,613	255,797	255,797	Gull Muhammad Sajid (Employee)
	880,450	629,129	251,321	251,321	Muhammad Tahir (Employee)
	1,435,630	1,018,518	417,112	417,112	Tariq Nazir (Employee)
	1,425,145	996,551	428,594	428,594	Tahir Shakoor (Employee)
	1,338,180	956,324	381,856	381,856	Muhammad Irfan Mirza (Employee)
	1,341,860	946,129	395,731	395,731	Muhammad Nadeem Aslam (Employee)
	1,513,990	1,048,892	465,098	465,098	Muhammad Irfan Naik (Employee)
	883,300	611,950	271,350	271,350	Saleem Akhtar (Employee)
	1,432,860	1,025,454	407,406	407,406	Syed Zulfiqar Ali Shah (Employee)
	84,720	29,991	54,729	11,208	Muhammad Nadeem Akhtar (Ex-Employee)
	1,441,510	998,678	442,832	442,832	Muhammad Talha Khan (Ex-Employee)
	91,830	22,958	68,872	8,080	Yasir Javed (Ex-Employee)
	91,710	31,222	60,488	11,661	Abdul Hameed (Ex-Employee)
	91,340	33,288	58,052	58,052	Ali Razi (Ex-Employee)
	1,337,209	874,127	463,082	426,777	Particulars of purchasers are not required to be mentioned as book value of assets sold to each purchaser is less than Rs. 50,000/-.
	48,394,750	33,794,140	14,600,610	16,365,987	
<b>2016</b>	343,133,757	293,203,584	49,930,173	66,022,029	
<b>2015</b>	193,691,848	164,606,617	29,085,231	30,342,628	

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>3.4 Capital work in progress</b>			
Building on freehold land		334,583,560	40,146,814
Plant and machinery		1,646,985,308	539,371,786
Advances against property, plant and equipment			
Land		7,235,000	55,000
Building on freehold land		83,424,803	4,348,648
Plant and machinery		385,708,299	32,729,426
Office equipment		5,850,919	1,466,443
Furniture and fixture		4,999,208	13,915,121
Vehicles		31,414,100	5,930,000
		518,632,329	58,444,638
Unallocated capital expenditures		1,476,180	–
		2,501,677,377	637,963,238
<b>4. INTANGIBLE ASSETS</b>			
Computer softwares	4.1	35,249,935	38,309,755
Advance against computer software under implementation		6,525,000	8,777,547
		41,774,935	47,087,302
<b>4.1 Computer softwares</b>			
Cost		115,420,179	102,861,217
Accumulated amortisation		(80,170,244)	(64,551,462)
Written down value		35,249,935	38,309,755
<b>Reconciliation of written down value</b>			
Opening balance		38,309,755	50,473,240
Additions		12,558,962	1,803,089
Amortisation	26	(15,618,782)	(13,966,574)
Closing balance		35,249,935	38,309,755
<b>5. INVESTMENT IN ASSOCIATE</b>			
Allied Bank Limited (ABL) - Quoted 194,041,916 (2015: 194,041,916) ordinary shares of Rs.10/- each Ownership interest 16.95% (2015: 16.95%)			
Cost of investment		3,975,325,052	3,975,325,052
Share of post acquisition changes in equity			
Opening balance		8,618,943,775	7,132,706,187
Share of profit		2,688,976,000	2,833,138,000
Share of other comprehensive income		(162,460,000)	11,393,000
Dividend received		(1,358,293,412)	(1,358,293,412)
		9,787,166,363	8,618,943,775
		13,762,491,415	12,594,268,827

**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, 2016 was Rs. 17,456 million (2015: Rs. 19,393 million).

**5.4** The financial year end of ABL is 31<sup>st</sup> December. The latest available financial results of associate as of March 31, 2016 have been used for the purpose of application of equity method.

# Notes to the Financial Statements

for the year ended June 30, 2016

	March 31, 2016 Rupees in million	March 31, 2015 Rupees in million
<b>5.5 Summarised financial information of associate:</b>		
Aggregate amount of:		
– Assets	1,020,389	866,765
– Liabilities	925,830	780,942
– Revenue (from April 01 to March 31)	70,731	70,503
– Profit (from April 01 to March 31)	15,864	16,182
– Other comprehensive income (from April 01 to March 31)	(1,049)	3
– Total comprehensive income (from April 01 to March 31)	14,815	16,185

	Note	2016 Rupees	2015 Rupees
<b>6. LONG TERM LOANS</b>			
Considered good			
Executives	6.1	62,682,843	49,687,428
Other employees		20,639,919	14,167,535
		83,322,762	63,854,963
Less: Current portion	10	50,061,929	39,081,865
		33,260,833	24,773,098

**6.1 Reconciliation of carrying amount of loans to executives:**

Opening balance	49,687,428	33,878,576
Disbursements	52,924,828	52,982,953
Recovered	(39,929,413)	(37,174,101)
Closing balance	62,682,843	49,687,428

**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. 62.683 million (2015: Rs. 54.906 million).

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

	2016 Rupees	2015 Rupees
<b>7. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	387,800,047	420,740,406
Spare parts		
In hand	1,581,198,397	1,401,292,897
In transit	154,855,234	132,093,952
	1,736,053,631	1,533,386,849
Loose tools	6,217,480	4,792,649
	2,130,071,158	1,958,919,904

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



# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>8. STOCK IN TRADE</b>			
Raw materials			
In hand		1,996,686,265	2,433,873,378
In transit		355,833,753	309,203,021
		2,352,520,018	2,743,076,399
Work in process		402,471,977	398,266,585
Finished goods		2,423,516,404	3,300,951,180
Wastes		18,569,635	19,627,634
		5,197,078,034	6,461,921,798
<b>9. TRADE DEBTS</b>			
Considered good - Unsecured		206,035,854	178,139,309
<b>10. LOANS AND ADVANCES</b>			
Considered good			
Loans			
Employees			
Executives		4,997,483	4,181,868
Others		16,023,215	15,341,188
Current portion of long term loans	6	50,061,929	39,081,865
		71,082,627	58,604,921
Advances			
Suppliers and contractors		66,910,433	69,158,404
Income tax		737,490,861	574,282,410
Sales tax		155,471,867	132,842,491
Letters of credit fee, margin and expenses		3,968,270	12,530,179
		963,841,431	788,813,484
		1,034,924,058	847,418,405
<b>11. OTHER RECEIVABLES</b>			
Custom duty refundable		109,318,848	99,726,658
Income tax refundable		1,278,761,894	1,046,021,100
Sales tax / federal excise duty refundable / adjustable		2,300,076,745	1,877,092,427
Claims		89,088,437	118,320,714
Other		10,231,400	12,218,547
		3,787,477,324	3,153,379,446
<b>12. CASH AND BANK BALANCES</b>			
Cash in hand		87,321,318	67,885,580
Cash at banks			
In current accounts		15,443,454	95,212,497
In deposit accounts	12.1	364,534	746,026
		15,807,988	95,958,523
		103,129,306	163,844,103

**12.1** The rates of profit on deposit accounts range between 3.75% to 5.50% per annum (2015: 4.50% to 7.00% per annum).

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>13. TRADE AND OTHER PAYABLES</b>			
Creditors		368,882,716	261,932,242
Accrued liabilities		263,515,474	324,088,650
Advances from customers		168,454,858	80,493,300
Capital expenditure payable		26,207,498	20,413,119
Bills payable		957,016,336	1,095,752,075
Unclaimed dividend		21,130,311	21,348,178
Other		35,929,263	29,690,005
		1,841,136,456	1,833,717,569
<b>14. SHORT TERM BORROWINGS</b>			
Secured - from banking companies			
Running finances		2,690,973,528	2,478,414,092
Term finances		–	2,050,000,000
	14.1	2,690,973,528	4,528,414,092
Unsecured			
From related parties - directors		–	2,857,482,418
		2,690,973,528	7,385,896,510

**14.1** These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from 6.29% to 7.24% per annum (2015: 6.86% to 10.58% per annum). The aggregate unavailed short term bank borrowing facilities available to the Company are Rs. 6,826 million (2015: Rs. 4,553 million).

	Note	2016 Rupees	2015 Rupees
<b>15. LONG TERM FINANCING</b>			
Secured			
From banking companies			
Islamic term finances	15.1	2,800,000,000	2,800,000,000
Diminishing musharakah I	15.2	–	1,575,000,000
Diminishing musharakah II	15.3	1,875,000,000	3,000,000,000
Diminishing musharakah III	15.4	1,500,000,000	1,500,000,000
Diminishing musharakah IV	15.5	750,000,000	1,000,000,000
Diminishing musharakah V	15.6	375,000,000	500,000,000
		7,300,000,000	10,375,000,000
Less: Current portion		1,683,333,334	450,000,000
		5,616,666,666	9,925,000,000

# Notes to the Financial Statements

for the year ended June 30, 2016

## 15.1 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, Textile plant - III and new Power Generation Unit having capacity of 26.5 MW 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 ranges from 6.35% to 7.23% per annum (2015: 7.23% to 10.42% per annum).

## 15.2 Diminishing musharakah I

The Company has prepaid the entire loan during the year.

Effective markup rate charged during the year ranges from 7.33% to 8.70% (2015: 8.70% to 10.57% per annum).

## 15.3 Diminishing musharakah II

It is repayable in 8 equal half yearly installments commencing from June 26, 2017 and ending on June 26, 2019. During the year, the Company has pre-paid last three installments. It is secured by way of first pari passu charge over plant and machinery of Polyester plant of the Company. It carries markup at six months KIBOR plus 25 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 6.35% to 7.23% (2015: 7.23% to 9.89% per annum).

## 15.4 Diminishing musharakah III

It is repayable in 8 equal half yearly installments commencing from June 26, 2017 and ending on December 26, 2020. It is secured by way of first pari passu charge over plant and machinery of Polyester plant of the Company. It carries markup at six months KIBOR plus 25 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 6.35% to 7.23% (2015: 7.23% to 9.89% per annum).

## 15.5 Diminishing musharakah IV

It is repayable in 8 equal half yearly installments commencing from June 26, 2017 and ending on December 26, 2019. During the year, the Company has pre-paid last two installments. It is secured by way of first pari passu charge over plant and machinery of Polyester plant of the Company. It carries markup at six months KIBOR plus 25 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 6.35% to 7.23% (2015: 7.23% to 9.89% per annum).

## 15.6 Diminishing musharakah V

It is repayable in 8 equal half yearly installments commencing from June 30, 2017 and ending on December 30, 2019. During the year, the Company has pre-paid last two installments. It is secured by way of first pari passu charge over present and future plant and machinery of Polyester plant of the Company. It carries markup at six months KIBOR plus 25 basis points payable half yearly in arrears.

Effective markup rate charged during the year ranges from 6.31% to 7.29% (2015: 7.29% to 9.89% per annum).

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 16. DEFERRED TAXATION

	At July 01, 2015	Charged / (Credited) to profit and loss	Charged / (Credited) in other comprehensive income	At June 30, 2016
Rupees				
Deferred tax liabilities:				
Difference in tax and accounting bases of property, plant and equipment	4,318,259,136	(320,467,474)	–	3,997,791,662
Investment in associate	1,077,367,972	166,335,323	(20,307,500)	1,223,395,795
	5,395,627,108	(154,132,151)	(20,307,500)	5,221,187,457
Deferred tax assets:				
Staff retirement gratuity	(363,134,127)	(23,777,027)	33,341,866	(353,569,288)
Unadjusted tax losses	(3,499,556,273)	98,924,914	–	(3,400,631,359)
Unavailed tax credit on plant and machinery	(100,502,892)	100,502,892	–	–
	(3,963,193,292)	175,650,779	33,341,866	(3,754,200,647)
	1,432,433,816	21,518,628	13,034,366	1,466,986,810

	At July 01, 2014	Charged / (Credited) to profit and loss	Charged in other comprehensive income	At June 30, 2015
Rupees				
Deferred tax liabilities:				
Difference in tax and accounting bases of property, plant and equipment	4,637,077,327	(318,818,191)	–	4,318,259,136
Investment in associate	713,270,619	353,180,175	10,917,178	1,077,367,972
	5,350,347,946	34,361,984	10,917,178	5,395,627,108
Deferred tax assets:				
Staff retirement gratuity	(334,538,842)	(39,145,688)	10,550,403	(363,134,127)
Unadjusted tax losses	(3,355,272,075)	(144,284,198)	–	(3,499,556,273)
Unavailed tax credit on plant and machinery	(806,805,111)	706,302,219	–	(100,502,892)
	(4,496,616,028)	522,872,333	10,550,403	(3,963,193,292)
	853,731,918	557,234,317	21,467,581	1,432,433,816

# Notes to the Financial Statements

for the year ended June 30, 2016

## 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, 2016 using Projected Unit Credit Method.

	Note	2016 Rupees	2015 Rupees
<b>17.1 The amount recognised in the balance sheet is as follows:</b>			
Present value of defined benefit obligation		1,137,126,471	1,119,655,237
<b>17.2 Movement in net liability recognised</b>			
Opening Liability		1,119,655,237	1,011,655,643
Liability transferred to accrued liabilities		(2,552,351)	(16,537,963)
Expenses recognised in profit and loss account	17.2.1	210,747,310	228,692,275
Paid during the year		(85,777,332)	(74,633,751)
Remeasurement of obligation		(104,946,393)	(29,520,967)
		1,137,126,471	1,119,655,237
<b>17.2.1 Expenses recognised in profit and loss account</b>			
Current service cost		105,886,997	100,688,028
Interest cost		104,860,313	128,004,247
		210,747,310	228,692,275

	2016	2015
<b>17.3 Principal actuarial assumptions used</b>		
Discount rate	7.25 % per annum	9.75 % per annum
Expected rate of increase in salary	6.25 % per annum	8.75 % per annum
Expected average duration of the defined benefit obligation	8 years	8 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	Decrease in assumptions Rupees
Discount rate	100 bps	1,051,952,823	1,234,588,523
Salary growth rate	100 bps	1,237,066,468	1,048,173,826

**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.

# Notes to the Financial Statements

## for the year ended June 30, 2016

	2016 Rupees in million	2015 Rupees in million
<b>18. CONTINGENCIES AND COMMITMENTS</b>		
<b>18.1 Contingencies</b>		
<b>18.1.1</b> In respect of bank guarantees issued on behalf of the Company:		
<b>(i)</b> 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
<b>(ii)</b> Guarantees issued in favour of Sui Northern Gas Pipelines Limited against supply of gas.	228.543	194.543
<b>(iii)</b> Guarantees issued in favour of The Director, Excise and Taxation, Karachi against imposition of infrastructure cess.	450.000	350.000
<b>(iv)</b> 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	70.955
<b>(v)</b> Guarantees issued in favour of Faisalabad Electric Supply Company against electricity connection.	56.960	56.960
<b>(vi)</b> Guarantee issued in favour of The Commissioner Inland Revenue for refund payment orders of sales tax.	60.000	—
<b>18.1.2</b> Custom duty of Rs. 8.9 million (2015: 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 (2015: Rs. 11.455 million) is also pending before the Customs Department.	—	—
<b>18.1.3</b> 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 (2015: Rs. 0.589 million) to market committee.	10.039	10.039
<b>18.1.4</b> Income tax demand of Rs. 464.083 million (2015: Rs. 126.560 million) in respect of tax years 2007, 2008, 2009, 2010, 2012 and 2013 (2015: tax years 2007, 2008, 2009, 2010 and 2012) has not been acknowledged due to pending appeals.	—	—

# Notes to the Financial Statements

for the year ended June 30, 2016

		2016 Rupees in million	2015 Rupees in million
<b>18.2 Commitments</b>			
<b>18.2.1 Under contracts for capital expenditure:</b>			
	Building on freehold land	308.256	18.046
	Plant and machinery	282.224	9.860
<b>18.2.2 Under letters of credit for:</b>			
	Plant and machinery	4,459.802	4,946.774
	Raw materials and spare parts	840.772	2,197.564
		2016 Rupees	2015 Rupees
<b>19. SHARE CAPITAL</b>			
<b>Authorised capital</b>			
	<b>2016</b>	<b>2015</b>	
	<b>Number of shares</b>		
	500,000,000	500,000,000	Ordinary shares of Rs.10/- each
			5,000,000,000
			5,000,000,000
<b>Issued, subscribed and paid up capital</b>			
	<b>2016</b>	<b>2015</b>	
	<b>Number of shares</b>		
	200,000,000	200,000,000	Ordinary shares of Rs.10/- each fully paid in cash
			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
	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
		2016 Rupees	2015 Rupees
<b>20. LOANS FROM DIRECTORS</b>	<b>Note</b>		
	20.1	7,426,985,233	–

**20.1** These loans are accounted for under Technical Release - 32 "Accounting Directors' Loan" issued by the Institute of Chartered Accountants of Pakistan effective for the financial statements for the period beginning on or after January 01, 2016 with earlier application permitted.

These loans are interest free and are repayable at discretion of the Company. These also include Rs. 2,699.482 million (2015: Nil) received in prior years, for which terms of repayment have been changed and are now repayable at discretion of the Company.

# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>21. CAPITAL RESERVES</b>			
Premium on issue of shares		1,000,000,000	1,000,000,000
Merger reserve	21.1	72,017,550	72,017,550
		1,072,017,550	1,072,017,550

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

		2016 Rupees	2015 Rupees
<b>22. REVENUE RESERVES</b>			
Share of changes in equity of associate		200,073,216	342,225,716
General reserve		4,089,673,099	4,089,673,099
Unappropriated profit		20,343,840,906	18,736,959,498
		24,633,587,221	23,168,858,313

<b>23. SALES</b>			
Local		34,943,107,483	37,461,235,433
Export		11,402,465	10,187,157
		34,954,509,948	37,471,422,590
Less:			
Commission and brokerage		13,680,287	14,407,602
Discount on sale		231,014,238	183,444,721
		34,709,815,423	37,273,570,267

**23.1** Sales are exclusive of sales tax of Rs. 1,140,449,671/- (2015: Rs. 819,063,432/-).

	Note	2016 Rupees	2015 Rupees
<b>24. COST OF GOODS SOLD</b>			
Raw materials consumed		24,796,769,507	27,549,119,845
Packing materials		456,722,570	450,305,347
Salaries, wages and benefits		1,364,797,131	1,263,594,230
Staff retirement benefits		162,844,511	176,845,859
Stores and spare parts		820,764,891	699,148,739
Fuel and power		2,699,349,247	3,732,067,805
Insurance		56,297,411	58,790,134
Depreciation of property, plant and equipment	3.2	2,296,852,569	2,408,067,205
Other		201,214,699	294,750,408
		32,855,612,536	36,632,689,572
Work in process			
Opening stock		398,266,585	343,311,511
Closing stock		(402,471,977)	(398,266,585)
		(4,205,392)	(54,955,074)
Cost of goods manufactured		32,851,407,144	36,577,734,498
Finished goods			
Opening stock		3,320,578,814	3,178,767,342
Closing stock		(2,442,086,039)	(3,320,578,814)
		878,492,775	(141,811,472)
		33,729,899,919	36,435,923,026



# Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>25. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and benefits		83,769,067	80,473,070
Staff retirement benefits		14,767,818	16,781,976
Freight and forwarding		144,728,025	127,323,204
Travelling and conveyance		7,009,653	7,250,473
Vehicles running and maintenance		4,366,617	4,981,030
Postage and telecommunication		1,094,479	1,426,782
Other		19,691,195	20,442,102
		275,426,854	258,678,637
<b>26. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		54,000,000	43,500,000
Salaries and benefits		215,016,350	214,138,050
Staff retirement benefits		33,134,981	35,064,441
Travelling and conveyance		65,262,386	61,874,805
Vehicles running and maintenance		10,235,542	11,535,896
Fuel and power		34,819,159	37,280,802
Postage and telecommunication		16,287,594	16,248,935
Printing and stationery		5,503,314	5,850,369
Repairs and maintenance		76,127,185	69,895,535
Fees, subscription and periodicals		8,458,396	6,541,801
Rent, rates and taxes		11,075,456	10,983,374
Legal and professional		10,538,857	4,456,335
Entertainment		13,593,381	11,974,681
Auditors' remuneration	26.1	3,000,500	2,727,500
Advertisement		221,555	433,326
Insurance		2,482,912	2,485,781
Donations	26.2	4,194,328	6,190,000
Depreciation / amortisation of property, plant and equipment	3.2	57,616,405	58,986,614
Amortisation of intangible assets	4.1	15,618,782	13,966,574
Other		3,447,033	4,044,175
		640,634,116	618,178,994
<b>26.1 Auditors' remuneration</b>			
Audit fee		2,200,000	2,000,000
Other services		800,500	727,500
		3,000,500	2,727,500
<b>26.2</b> No director or his spouse had any interest in the donees' fund.			
<b>27. FINANCE COST</b>			
Mark up / interest on:			
Long term financing		687,252,618	1,159,517,039
Short term bank borrowings		208,417,594	440,631,367
Bank charges and commission		1,454,874	1,134,494
		897,125,086	1,601,282,900

# Notes to the Financial Statements

for the year ended June 30, 2016

	2016 Rupees	2015 Rupees
<b>28. OTHER INCOME</b>		
<b>Income from financial assets:</b>		
Profit on deposits	1,593,430	107,157
<b>Income from assets other than financial assets:</b>		
Scrap sales	43,968,041	40,221,316
Gain on disposal of property, plant and equipment	16,091,856	1,257,397
Balances written back - net	433,755	28,684,554
Rental income	3,498,600	3,466,367
Suppliers claims settlement	-	92,956,030
Other	683,720	684,872
	64,675,972	167,270,536
	66,269,402	167,377,693
<b>29. PROVISION FOR TAXATION</b>		
Current	365,179,341	-
Deferred	21,518,628	557,234,317
	386,697,969	557,234,317
<b>29.1 Reconciliation between accounting profit and tax expense</b>		
Accounting profit before tax	1,921,974,850	1,360,022,403
Tax rate	32%	33%
Tax on accounting profit	615,031,952	448,807,393
Tax impact of income chargeable as final tax	194,455	234,344
Impact of minimum tax	349,870,755	374,785,787
Tax impact of share of profit of associate and dividend received	(690,685,644)	(799,106,199)
Impact of super tax	39,426,599	-
Origination and reversals of temporary differences	72,859,852	532,512,992
Tax expense	386,697,969	557,234,317
<b>29.2 Taxation of undistributed reserves</b>		
<p>Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the company are in excess of its paid up capital and the company derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires. The Honourable Lahore High Court has granted stay for tax year 2015 in respect of aforesaid tax on undistributed reserves.</p>		
	<b>2016</b>	<b>2015</b>
<b>30. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit for the year (Rupees)	1,535,276,881	802,788,086
Weighted average number of ordinary shares	310,506,995	310,506,995
Earnings per share - Basic and Diluted (Rupees)	4.94	2.59

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

# Notes to the Financial Statements

for the year ended June 30, 2016

## 31. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2016			2015		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Remuneration	16,363,632	32,727,264	473,454,643	13,181,817	26,363,634	473,779,171
Medical allowance	1,636,368	3,272,736	46,884,077	1,318,183	2,636,366	46,986,461
Reimbursable expenses for vehicles running	–	–	13,513,073	–	–	16,961,729
	18,000,000	36,000,000	533,851,793	14,500,000	29,000,000	537,727,361
Number of persons	1	2	427	1	2	440

**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. 2,278,790/- (2015: Rs. 2,510,567/-). 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	2016 Rupees	2015 Rupees
Associated undertakings	Rent charged	13,528,800	12,770,000
	Consultancy fee paid	20,500,000	12,900,000
	Rental income	3,498,600	3,466,367
Key management personnel	Loans from directors obtained	4,727,502,815	–
	Long term financing repaid	–	3,209,514,159
	Short term borrowings obtained	–	4,981,214,233
	Short term borrowings repaid	158,000,000	2,123,731,815
		2016 M. Tons	2015 M. Tons
<b>33. PLANT CAPACITY AND ACTUAL PRODUCTION</b>			
Annual production capacity			
(350 days - 3 shifts)			
	Polyester Staple Fibre / Polyester Chips	390,600	390,600
	Yarn converted into 20/s count		
	(Spindles installed 99,216 (2015: 137,856))	34,700	48,700
Actual production			
	Polyester Staple Fibre / Polyester Chips	251,307	228,116
	Yarn converted into 20/s count		
	(Spindles worked 134,707 (2015: 136,570))	43,296	45,375

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

# Notes to the Financial Statements

## for the year ended June 30, 2016

**33.2** During second half of financial year, the Company decommissioned 38,640 spindles which are being replaced by new spindles. Commissioning of new spindles is planned to be completed in next financial year.

	2016	2015
<b>34. NUMBER OF EMPLOYEES</b>		
Total number of employees as at June 30,	4,010	4,301
Average number of employees during the year	4,164	4,205

### 35. FINANCIAL RISK MANAGEMENT

The Company finances its operations through mix of equity, debt and working capital management with a view to maintain 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.

	2016 Rupees	2015 Rupees
<b>35.1 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets measured at amortised cost:</b>		
Long term loans	83,322,762	63,854,963
Long term deposits	4,008,754	4,225,431
Trade debts	206,035,854	178,139,309
Loans and advances	21,020,698	19,523,056
Other receivables	89,277,948	118,619,433
Cash and bank balances	103,129,306	163,844,103
	506,795,322	548,206,295
<b>Financial liabilities measured at amortised cost:</b>		
Long term financing	7,300,000,000	10,375,000,000
Trade and other payables	1,672,681,598	1,753,224,269
Mark up / interest payable	19,264,912	111,298,837
Short term borrowings	2,690,973,528	7,385,896,510
	11,682,920,038	19,625,419,616

### 35.2 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:

	2016 Rupees	2015 Rupees
Long term deposits	4,008,754	4,225,431
Trade debts	206,035,854	178,139,309
Other receivables	89,277,948	118,619,433
Bank balances	15,807,988	95,958,523
	315,130,544	396,942,696

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.

# Notes to the Financial Statements

for the year ended June 30, 2016

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:

	2016 Rupees	2015 Rupees
Not past due	159,412,950	162,719,168
Past due within one year	35,325,770	3,160,651
Past due more than one year	11,297,134	12,259,490
	206,035,854	178,139,309

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.

### 35.3 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, 2016 and June 30, 2015.

	2016				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
<b>Financial Liabilities:</b>					
Long term financing	7,300,000,000	8,265,643,333	699,507,773	1,430,752,625	6,135,382,935
Trade and other payables	1,636,752,335	1,636,752,335	1,636,752,335	-	-
Mark up / interest payable	19,264,912	19,264,912	19,264,912	-	-
Short term borrowings	2,690,973,528	2,744,472,225	-	-	-
	11,646,990,775	12,666,132,805	2,355,525,020	1,430,752,625	6,135,382,935

	2015				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
	Rupees				
<b>Financial Liabilities:</b>					
Long term financing	10,375,000,000	12,781,773,630	608,204,137	594,312,000	11,579,257,494
Trade and other payables	1,723,534,264	1,723,534,264	1,723,534,264	-	-
Mark up / interest payable	111,298,837	111,298,837	111,298,837	-	-
Short term borrowings	7,385,896,510	4,582,538,178	4,582,538,178	-	-
	19,595,729,611	19,199,144,909	7,025,575,416	594,312,000	11,579,257,494

# Notes to the Financial Statements

## for the year ended June 30, 2016

The contractual cash flows relating to mark up on long term financing and short term borrowings from banks 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. 4,158 million (2015: Rs. 3,541 million) and unavailed short term borrowing facilities from banks of Rs. 6,826 million (2015: Rs. 4,553 million) (Refer Note 14.1) to manage the liquidity risk.

### 35.4 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. 128.298 million respectively (2015: Rs. 159.587 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 claims and bills payable denominated in foreign currency. The total foreign currency risk exposure on reporting date amounted to Rs. 206.768 million (2015: Nil).

Had the Pak Rupee been weakened / strengthened by 5% against the U.S dollar at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher by Rs. 10.338 million respectively (2015: Nil).

#### 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.

### 35.5 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.

# Notes to the Financial Statements

## for the year ended June 30, 2016

There are no financial assets and financial liabilities that are measured using the fair value hierarchy.

### 35.6 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 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, 2016 and June 30, 2015 was as follows:

	Note	2016 Rupees	2015 Rupees
Debt	14 & 15	9,990,973,528	17,760,896,510
Less: Cash and cash equivalents	12	103,129,306	163,844,103
Net Debt		9,887,844,222	17,597,052,407
Total equity		36,237,659,954	27,345,945,813
Total capital		46,125,504,176	44,942,998,220
Gearing ratio		21.44%	39.15%

### 36. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue as at September 28, 2016 by the Board of Directors of the Company.

37. Figures have been rounded off to the nearest Rupee unless otherwise stated.

# Pattern of Shareholding

as at June 30, 2016

Number of Shareholders	Having Shares		Shares Held
	From	To	
401	1	100	14,714
871	101	500	209,971
433	501	1000	310,177
342	1001	5000	749,884
81	5001	10000	586,596
26	10001	15000	321,194
14	15001	20000	246,805
10	20001	25000	232,168
7	25001	30000	191,708
11	30001	35000	356,529
7	35001	40000	260,695
3	40001	45000	133,000
1	45001	50000	50,000
1	55001	60000	56,000
2	60001	65000	125,000
1	65001	70000	66,500
1	75001	80000	77,250
1	80001	85000	83,791
1	110001	115000	112,375
2	120001	125000	250,000
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	1075001	1080000	1,076,062
1	1115001	1120000	1,116,000
1	1595001	1600000	1,597,530
1	1945001	1950000	1,947,500
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
<b>2,234</b>			<b>310,506,995</b>



# Categories of Shareholders

as at June 30, 2016

Categories of Shareholders	Number	Shares Held	Percentage
<b>Directors and Chief Executive Officer</b>			
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
Ikram ul Haq Mian	1	500	0.0002
<b>Banks, DFIs, NBFIs and Leasing Companies</b>			
	5	1,078,839	0.3474
<b>Insurance Companies</b>			
	4	2,143,555	0.6903
<b>Investment Corporation of Pakistan</b>			
	1	1,413	0.0005
<b>Modarabas</b>			
	2	2,777	0.0009
<b>Mutual Funds</b>			
Security Stock Fund Ltd.	1	100	0.0000
CDC - Trustee And Index Tracker Fund	1	3,000	0.0010
First Capital Mutual Fund Ltd.	1	86	0.0000
<b>Joint Stock Companies and Others</b>			
	47	5,816,457	1.8732
<b>General Public</b>			
a. Local	2,163	14,873,254	4.7901
b. Foreign	2	11,796,000	3.7989
	2,234	310,506,995	100.0000



# Form of Proxy

I / We \_\_\_\_\_ of \_\_\_\_\_ a member / members of the Company / merged Companies, do hereby appoint Mr. / Ms. \_\_\_\_\_ of \_\_\_\_\_ a member of the Company, or failing him / her Mr. / Ms. \_\_\_\_\_ of \_\_\_\_\_ who is also a member of the Company, as my / our proxy to attend, speak and vote for me / us and on my / our behalf at the 30<sup>th</sup> Annual General Meeting of the Company to be held on October 26, 2016 at 11:00 A.M. at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

Witness: (1)

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

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STAMP OF  
RS. 5/-

**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.

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

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# پراکسی فارم

میں / ہم سبھی / مسماة ..... ساکن ..... ضلع .....

بحیثیت ممبر کمپنی / امر چٹ کمپنی، مسی / مسماة ..... ساکن ..... کمپنی میرا یا اسکی عدم موجودگی کی صورت میں

مسی / مسماة ..... ساکن ..... کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری / ہماری جگہ اور

میری / ہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کے بتاریخ ۲۶ اکتوبر ۲۰۱۶ء بوقت صبح 11:00 بجے آداری ہوٹل، شاہراہ قائد اعظم، لاہور منعقد ہو رہا ہے، میں یا اس کے کسی ملتوی شدہ اجلاس میں حاضر ہو سکے، پول

سکے اور ووٹ ڈال سکے۔

پانچ روپے کی ریونیو سٹیپ  
چسپاں کریں

دستخط بتاریخ ..... دن ..... ۲۰۱۶ء

گواہ نمبر ۱

دستخط: .....

نام: .....

پتہ: .....

کمپیوٹر آئڈ ڈیٹا کی شناختی کارڈ نمبر: .....

دستخط: .....

(دستخط کمپنی میں موجود رجسٹرڈ دستخط کے مطابق ہونے چاہیں)

گواہ نمبر ۲

دستخط: .....

نام: .....

پتہ: .....

کمپیوٹر آئڈ ڈیٹا کی شناختی کارڈ نمبر: .....

فولیو نمبر: .....

سی ڈی سی کھانہ نمبر: .....

حصص کی تعداد: .....

امتیازی حصص نمبر: .....

## اہم گزارش:

- ۱۔ پراکسی فارم، کمپنی کے رجسٹرڈ آفس، ابراہیم سنٹر، 1۔ احمد بلاک، نیو گارڈن ٹاؤن، لاہور، میں اجلاس کے انعقاد سے کم از کم ۴۸ گھنٹے قبل جمع کرنا لازمی ہے۔ بصورت دیگر وہ قابل قبول نہ ہوگا۔
- ۲۔ پراکسی کے لئے کمپنی کا ممبر ہونا ضروری ہے، البتہ کارپوریشن ممبر ہونے کی صورت میں کارپوریشن اپنے کسی بھی آفیسر کو پراکسی مقرر کر سکتی ہے جو کمپنی کا ممبر ہو یا نہ ہو۔
- ۳۔ اگر کوئی ممبر ایک سے زیادہ پراکسی مقرر کرتا ہے اور ایک سے زیادہ پراکسی دستاویزات کمپنی آفس میں جمع کرواتا ہے تو ایسی تمام پراکسی دستاویزات غیر قانونی تصور ہوگی۔

## سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریٹ ادارہ ہونے کی صورت میں

مندرجہ بالا کے علاوہ درج ذیل شرائط بھی ضروری ہیں۔

- (i) پراکسی فارم پر 2 عدد گواہ ہونا ضروری ہیں جن کے نام، پتے اور کمپیوٹر آئڈ ڈیٹا کی شناختی کارڈ نمبر فارم میں موجود ہونا ضروری ہیں۔
- (ii) پراکسی فارم کے ساتھ اس سہولت سے مستفید ہونے والے ممبر ز اور پراکسی کے کمپیوٹر آئڈ ڈیٹا کی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول منسلک ہونی چاہیں۔
- (iii) پراکسی کے لئے لازمی ہے کہ اجلاس کے وقت شناخت کے لئے اپنا اصلی کمپیوٹر آئڈ ڈیٹا کی شناختی کارڈ یا پاسپورٹ ہمراہ لائے۔
- (iv) کارپوریٹ ادارے کے لئے ضروری ہے کہ اجلاس عام میں شرکت کے وقت بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمعہ نامزد کنندہ فرد کے دستخط کے نمونے (اگر یہ دستاویزات پہلے فراہم نہ کی گئی ہوں) پراکسی فارم کے ساتھ کمپنی میں جمع کروائیں۔

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

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