

Ibrahim Fibres Limited

Quarterly Report

for the quarter ended September 30, 2010



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## Company Information

### Board of Directors

Sheikh Mukhtar Ahmed

*Chairman*

Mohammad Naeem Mukhtar

*Chief Executive Officer*

Mohammad Waseem Mukhtar

Shahid Amin

Anwarul Haque

Mohammad Pervaiz Aslam Rana

Syed Asif Hasan

### Secretary

Anwarul Haque - FCA

### Audit Committee

Shahid Amin

*Chairman*

Mohammad Pervaiz Aslam Rana

*Member*

Syed Asif Hasan

*Member*

Anwarul Haque - FCA

*Secretary*

### Auditors

Avais Hyder Liaquat Nauman,

Chartered Accountants,

Faisalabad, Pakistan.

### Bankers

Bank Alfalah Limited

Bank Al Habib Limited

BankIslami Pakistan Limited

Barclays Bank PLC

Citibank, N.A.

Deutsche Bank AG

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

HSBC Bank Middle East Limited

JS Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

### Registered Office

Ibrahim Centre,

1 - Ahmed Block,

New Garden Town,

Lahore - 54600, Pakistan.

### Head Office

Ibrahim Centre,

15 - Club Road,

Faisalabad - 38000, Pakistan.

### Registrar's & Shares Registration Office

M/s Technology Trade ( Pvt) Ltd.

Dagia House,

241 - C, Block - 2,

P.E.C.H.S., Off: Shahrah-e-Quaideen,

Karachi, Pakistan.

### Projects Location

38 - 40 Kilometres,

Faisalabad - Sheikhpura Road,

Faisalabad, Pakistan.

## Directors' Review

The Directors of your Company are pleased to present before you the un-audited financial results of the Company for the first quarter ended September 30, 2010.

### Operating Performance

During the quarter under review, the polyester plant of your Company produced 53,914 tons of Polyester Staple Fibre (PSF) / Polyester Chips as against production of 47,964 tons during the corresponding quarter of previous year, thereby achieving an average capacity utilization of 98% as against 92% achieved during the corresponding quarter of previous year. Production of PSF has been increased with a view to keep pace with growing demand of PSF in domestic market which is due to extremely high prices of cotton and robust market for yarn exports. Out of this production, 6,039 tons of PSF were consumed by the textile plants of your Company for the production of blended yarns during the quarter as against 5,687 tons consumed during the corresponding quarter of previous year.

The textile plants of your Company produced 8,586 tons of blended yarns of different counts during the quarter as against production of 7,983 tons during the corresponding quarter of previous year.

### Financial Performance

During the quarter under review, your Company achieved net sales of Rs. 8,355 million as compared to net sales of Rs. 6,095 million during the corresponding quarter of previous year. Gross profit earned by your Company during the quarter increased by 11% to Rs. 862 million as compared to Rs. 774 million earned during the corresponding quarter. However, gross profit to sales ratio decreased from 12.7% to 10.3% which is attributed to higher rate of inflation and devaluation of Pak Rupee against US Dollar during the quarter under review as compared to the corresponding quarter of previous year resulting in higher cost of production.

After accounting for the Company's proportionate share in profits of Allied Bank Limited, an associated company, amounting to Rs. 694 million during the quarter as against Rs. 652 million during the corresponding quarter of previous year, your Company earned profit before tax of Rs. 1,194 million as against Rs. 955 million earned during the corresponding quarter. Consequently, profit after tax for the quarter increased to Rs. 989 million as compared to Rs. 784 million for the corresponding quarter of previous year.

### Modernisation of Textile plant

As part of its BMR implementation plan, your Company has decided to replace the complete back process of its Textile plant II - Unit I with the latest machinery which will be provided by two of the World's leading textile machinery manufacturers i.e. Truetzschler and Oerlikon Schlafhorst, Germany. The letters of credit for import of machinery have already been opened and it is expected to start operation from last quarter of the current financial year.

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

### Expansion of Polyester plant

In view of growing demand of PSF and its current supply situation in the country, the management of your Company has decided to expand the production capacity of its polyester plant by 227,500 tons per annum on the basis of 350 working days. Machinery for the expansion project will be provided by the supplier of existing polyester plant (Zimmer AG, Germany) now known as Lurgi GmbH, Germany. Major terms and conditions involving engineering, supply and supervision of installation / commissioning of the expansion project have already been agreed.

The letter of credit for the expansion project will be opened by end of calendar year 2010 and it is expected to start commercial production during last quarter of calendar year 2012. After installation, this expansion project will increase the overall PSF manufacturing capacity of the polyester plant to 436,100 tons per annum.

### Future Outlook

The demand of PSF in domestic market is expected to remain on the higher side in the wake of high demand of yarn and continuously rising prices of cotton. In this scenario, we expect that your Company will continue to achieve high sales volume during remaining part of the current financial year. However, increasing prices of cotton may affect the gross margins of yarns as it might not be practicable to pass the full impact of this increase to the customers while maintaining a high sales volume.

### Earnings per share

Earnings per share for the quarter under review come to Rs. 3.18 as compared to Rs. 2.53 during the corresponding quarter of previous year.

On behalf of the Board

# Condensed Interim Balance Sheet

as at September 30, 2010

	Note	Un-audited September 30, 2010 Rupees	Audited June 30, 2010 Rupees
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	3	7,055,046,818	7,190,413,467
Intangible assets		10,697,528	8,927,930
Investment in associate	4	14,411,664,410	14,318,835,540
Long term loans		25,084,118	25,182,879
Long term deposits		3,414,423	3,746,923
		21,505,907,297	21,547,106,739
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		731,253,481	722,603,343
Stock in trade		1,917,759,657	2,355,115,641
Trade debts		215,933,094	138,789,546
Loans and advances		771,088,131	702,856,751
Prepayments		19,037,773	6,636,260
Other receivables		1,097,649,962	1,106,222,684
Cash and bank balances		1,075,071,581	72,753,720
Non - current assets held for sale			
Investment in associate		-	364,846,339
		5,827,793,679	5,469,824,284
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,463,708,873	1,190,623,805
Markup / interest payable		63,597,073	179,909,644
Short term bank borrowings		-	1,569,438,291
Current portion of:			
Long term financing		1,727,083,334	1,686,208,334
Long term murabaha		-	150,000,000
Provision for taxation - income tax		703,344,029	461,282,445
		4,957,733,309	5,237,462,519
<b>Working capital</b>		870,060,370	232,361,765
<b>Total capital employed</b>		22,375,967,667	21,779,468,504
<b>NON - CURRENT LIABILITIES</b>			
Long term financing		3,943,750,000	4,325,000,000
Deferred liabilities:			
Deferred taxation		1,777,127,654	1,814,476,909
Staff retirement gratuity		427,720,600	401,887,210
		6,148,598,254	6,541,364,119
<b>CONTINGENCIES AND COMMITMENTS</b>	5	-	-
<b>Net worth</b>		16,227,369,413	15,238,104,385
<b>Represented by:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		3,105,069,950	3,105,069,950
Capital reserves		1,157,854,429	1,157,521,457
Revenue reserves		11,964,445,034	10,975,512,978
		16,227,369,413	15,238,104,385

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

## Condensed Interim Profit and Loss Account (Un-audited)

for the quarter ended September 30, 2010

	Note	Quarter ended September 30,	
		2010	2009
		Rupees	Rupees
Sales - net		8,355,288,073	6,095,080,433
Cost of goods sold	6	7,493,431,708	5,321,230,712
Gross profit		861,856,365	773,849,721
Selling and distribution expenses		39,521,144	36,761,991
Administrative expenses		153,257,533	105,930,167
Other operating expenses		33,844,491	24,350,392
Finance cost		218,599,624	320,988,521
		445,222,792	488,031,071
Other operating income		416,633,573	285,818,650
		83,344,815	16,880,578
Share of profit of associate - net		499,978,388	302,699,228
		693,629,000	652,378,000
Profit before taxation		1,193,607,388	955,077,228
Provision for taxation		204,675,332	170,958,075
Profit for the period		988,932,056	784,119,153
Earnings per share - Basic and Diluted		3.18	2.53

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

## Condensed Interim Statement of Comprehensive Income (Un-audited)

for the quarter ended September 30, 2010

	Quarter ended September 30,	
	2010	2009
	Rupees	Rupees
Profit for the period	988,932,056	784,119,153
Other comprehensive income for the period		
Share of changes in equity of associate	2,893,000	3,273,000
Deferred tax relating to share of changes in equity of associate	(289,300)	(327,300)
Share of changes in equity of associate reclassified to profit and loss account on disposal	(2,523,031)	-
Deferred tax relating to share of changes in equity of associate reclassified to profit and loss account on disposal	252,303	-
	332,972	2,945,700
Total comprehensive income for the period	989,265,028	787,064,853

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

# Condensed Interim Cash Flow Statement (Un-audited)

for the quarter ended September 30, 2010

	Quarter ended September 30,	
	2010	2009
	Rupees	Rupees
<b>a) Cash flows from operating activities</b>		
Profit before taxation	1,193,607,388	955,077,228
Adjustments for :		
Depreciation / amortisation of property, plant and equipment	176,869,520	188,027,642
Amortisation of intangible assets	415,502	1,572,765
Provision for staff retirement gratuity	34,476,312	26,179,293
Loss / (gain) on disposal of property, plant and equipment	85,080	(21,004)
Profit on deposits	(5,466,977)	(246,370)
Gain on disposal of non - current assets held for sale		
Investment in associate	(71,824,697)	-
Share of profit of associate - net	(693,629,000)	(652,378,000)
Finance cost	218,599,624	320,988,521
Operating cash flows before working capital changes	853,132,752	839,200,075
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(8,650,138)	(31,803,036)
Stock in trade	437,355,984	(171,445,394)
Trade debts	(77,143,548)	(9,867,928)
Loans and advances	30,308,166	(207,000,954)
Prepayments	(12,401,513)	(6,639,993)
Other receivables	8,572,722	(221,279,421)
Increase in current liabilities		
Trade and other payables	1,285,999,012	55,872,876
	1,664,040,685	(592,163,850)
Cash generated from operations	2,517,173,437	247,036,225
Long term loans	(3,817,637)	-
Finance cost paid	(334,912,195)	(376,702,449)
Income tax paid	(94,623,148)	(84,908,774)
Staff retirement gratuity paid	(8,642,922)	(7,482,560)
Net cash generated from / (used in) operating activities	2,075,177,535	(222,057,558)
<b>b) Cash flows from investing activities</b>		
Additions in :		
Property, plant and equipment	(55,444,974)	(59,633,865)
Intangible assets	(2,185,100)	(2,457,288)
Proceeds from disposal of property, plant and equipment	943,079	676,952
Proceeds from disposal of non - current assets held for sale		
Investment in associate	434,148,005	-
Dividend received	603,693,130	575,357,392
Long term deposits	332,500	-
Profit on deposits	5,466,977	246,370
Net cash generated from investing activities	986,953,617	514,189,561
<b>c) Cash flows from financing activities</b>		
Long term financing obtained	-	2,300,000,000
Repayment of :		
Long term financing	(340,375,000)	(2,340,375,000)
Long term murabaha	(150,000,000)	(150,000,000)
Decrease in short term bank borrowings - net	(1,569,438,291)	(182,583,332)
Dividend paid	-	(6,800)
Net cash used in financing activities	(2,059,813,291)	(372,965,132)
<b>Net increase / (decrease) in cash and cash equivalents (a+b+c)</b>	1,002,317,861	(80,833,129)
<b>Cash and cash equivalents at the beginning of the period</b>	72,753,720	169,514,922
<b>Cash and cash equivalents at the end of the period</b>	1,075,071,581	88,681,793

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

Chief Executive Officer

Director

# Condensed Interim Statement of Changes in Equity (Un-audited)

for the quarter ended September 30, 2010

	ISSUED, SUBSCRIBED AND PAID UP CAPITAL	CAPITAL RESERVES			REVENUE RESERVES		TOTAL
		Share premium	Meiger reserve	Share of changes in equity of associate	General reserve	Unappropriated profit	
Rupees							
Balance as at July 01, 2009	3,105,069,950	1,000,000,000	72,017,550	78,355,800	1,981,673,099	5,633,726,670	11,870,843,069
Total comprehensive income for the period	-	-	-	2,945,700	-	784,119,153	787,064,853
Balance as at September 30, 2009	3,105,069,950	1,000,000,000	72,017,550	81,301,500	1,981,673,099	6,417,845,823	12,657,907,922
Transfer to general reserve	-	-	-	-	100,000,000	(100,000,000)	-
Total comprehensive income for the period	-	-	-	4,202,407	-	2,575,994,056	2,580,196,463
Balance as at June 30, 2010	3,105,069,950	1,000,000,000	72,017,550	85,503,907	2,081,673,099	8,993,839,879	15,238,104,385
Total comprehensive income for the period	-	-	-	332,972	-	988,932,056	989,265,028
Balance as at September 30, 2010	3,105,069,950	1,000,000,000	72,017,550	85,836,879	2,081,673,099	9,882,771,935	16,227,369,413

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

**Chief Executive Officer**

**Director**

## Selected Explanatory Notes to the Condensed Interim Financial Statements (Un-audited) for the quarter ended September 30, 2010

### 1. STATUS AND ACTIVITIES

- 1.1** Ibrahim Fibres Limited (the Company) is incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 (the Ordinance) and is listed on the Stock Exchanges in Pakistan. The principal business of the Company is manufacture and sale of polyester staple fibre and yarn. The registered office of the Company is located at 1 - Ahmad Block, New Garden Town, Lahore. The manufacturing units are located at Faisalabad - 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 Company with effect from October 01, 2000.
- 1.3** These condensed interim financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

### 2. SIGNIFICANT ACCOUNTING POLICIES

- 2.1** These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Ordinance. These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as applicable in Pakistan and shall be read in conjunction with the published audited financial statements for the year ended June 30, 2010.
- 2.2** These condensed interim financial statements have been prepared under the "historical cost convention" except staff retirement gratuity carried at present value, investment in associate accounted for using the equity method and non-current assets held for sale stated at the lower of carrying amount and fair value less costs to sell.
- 2.3** The accounting policies and methods of computation followed in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the published audited financial statements for the year ended June 30, 2010.

	<b>Un-audited September 30, 2010 Rupees</b>	<b>Audited June 30, 2010 Rupees</b>
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets	7,035,355,917	7,190,161,467
Capital work in progress	19,690,901	252,000
	<b>7,055,046,818</b>	<b>7,190,413,467</b>

## Selected Explanatory Notes to the Condensed Interim Financial Statements (Un-audited) for the quarter ended September 30, 2010

	Quarter ended September 30, 2010		Quarter ended September 30, 2009	
	Acquisitions Rupees	Disposals Rupees	Acquisitions Rupees	Disposals Rupees
<b>3.1 Acquisitions and disposals of operating assets - at cost</b>				
Plant and machinery	–	–	909,949	130,000
Furniture and fixture	1,953,528	25,217	1,266,628	–
Office equipment	12,240,189	158,869	2,467,977	–
Vehicles	8,898,413	2,808,403	8,066,095	1,856,298
	23,092,130	2,992,489	12,710,649	1,986,298

	Un-audited September 30, 2010 Rupees	Audited June 30, 2010 Rupees
<b>4. INVESTMENT IN ASSOCIATE</b>		
Allied Bank Limited (ABL) - Quoted 294,346,565 (June 30, 2010 : 301,846,565) ordinary shares of Rs.10/- each Ownership interest 37.64% (June 30, 2010 : 38.50%)	8,828,904,131	9,048,228,675
Share of post acquisition changes in equity	6,186,453,409	6,774,167,988
Less : Dividend received during the period / year	(603,693,130)	(1,138,714,784)
	14,411,664,410	14,683,681,879
Less : 7,500,000 ordinary shares classified as held for sale	–	(364,846,339)
	14,411,664,410	14,318,835,540

**4.1** The market value of investment in associate as at September 30, 2010 is Rs. 15,129 million (June 30, 2010 : Rs. 16,763 million).

**4.2** The financial year end of ABL is 31st December. The latest available financial results of associate as of June 30, 2010 have been used for the purpose of application of equity method.

## 5. CONTINGENCIES AND COMMITMENTS

### 5.1 Contingencies

There is no significant change in contingent liabilities since the date of published audited financial statements for the year ended June 30, 2010.

	Un-audited September 30, 2010 Rupees in million	Audited June 30, 2010 Rupees in million
<b>5.2 Commitments</b>		
Under letters of credit for :		
Capital expenditure	428.297	–
Raw materials and spare parts	500.047	399.743

## Selected Explanatory Notes to the Condensed Interim Financial Statements (Un-audited) for the quarter ended September 30, 2010

	<b>Quarter ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>6. COST OF GOODS SOLD</b>		
Raw materials consumed	6,346,106,313	4,549,497,819
Packing materials	83,441,799	59,637,317
Salaries, wages and benefits	174,945,670	147,074,408
Staff retirement benefits	23,671,392	18,400,935
Stores and spare parts	107,691,357	65,237,646
Fuel and power	499,992,058	370,056,695
Insurance	5,978,490	7,625,982
Depreciation of property, plant and equipment	166,474,875	181,514,502
Other	48,165,418	30,361,387
	<b>7,456,467,372</b>	<b>5,429,406,691</b>
Work in process		
Opening stock	273,470,969	237,571,534
Closing stock	(252,965,522)	(238,690,683)
	<b>20,505,447</b>	<b>(1,119,149)</b>
Cost of goods manufactured	<b>7,476,972,819</b>	<b>5,428,287,542</b>
Finished goods		
Opening stock	786,566,681	1,139,685,103
Closing stock	(770,107,792)	(1,246,741,933)
	<b>16,458,889</b>	<b>(107,056,830)</b>
	<b>7,493,431,708</b>	<b>5,321,230,712</b>

### 7. 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. Significant transactions with related parties are as under :

Relationship	Nature of transaction	<b>Quarter ended September 30,</b>	
		<b>2010</b>	<b>2009</b>
		<b>Rupees</b>	<b>Rupees</b>
Associated undertakings	Rent paid	5,775,000	5,775,000
	Dividend received	603,693,130	575,357,392
	Rent received	3,000	-
Key management personnel	Rent	-	30,000
	Remuneration	6,750,000	6,750,000
	Reimbursable expenses	565,523	380,202
	Sale of shares	434,250,000	-

## Selected Explanatory Notes to the Condensed Interim Financial Statements *(Un-audited)* for the quarter ended September 30, 2010

8. The provision for taxation, workers' profit participation fund and workers' welfare fund made in these condensed interim financial statements are subject to adjustments in annual financial statements.

### 9. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 27, 2010 by the Board of Directors of the Company.

### 10. GENERAL

- i) There is no unusual item included in these condensed interim financial statements which is affecting assets, liabilities, profit, cash flows or equity of the Company.
- ii) Figures have been rounded off to the nearest Rupee.



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