

# Financial Statements

for the year ended June 30, 2008

# Balance Sheet

as at June 30, 2008

	Note	2008 Rupees	2007 Rupees
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	3	7,501,107,266	7,494,543,268
Intangible assets	4	14,558,117	17,763,548
Investment in associate	5	9,326,015,595	8,535,576,315
Long term deposits		3,485,600	3,270,100
		<b>16,845,166,578</b>	<b>16,051,153,231</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	739,326,932	492,927,990
Stock in trade	7	4,173,311,287	2,495,261,283
Trade debts	8	129,138,714	119,187,620
Loans and advances	9	911,417,993	675,992,269
Prepayments		4,838,149	5,763,626
Other receivables	10	808,832,524	530,018,970
Cash and bank balances	11	244,559,829	297,479,839
		<b>7,011,425,428</b>	<b>4,616,631,597</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	3,310,171,136	1,962,366,263
Markup / interest payable		151,581,167	194,407,205
Short term bank borrowings	13	2,302,165,939	1,800,909,997
Current portion of :			
Long term financing	14	1,240,250,000	977,750,000
Long term murabaha	15	300,000,000	300,000,000
Provision for taxation - income tax		267,323,789	132,484,377
		<b>7,571,492,031</b>	<b>5,367,917,842</b>
<b>Working capital</b>		<b>(560,066,603)</b>	<b>(751,286,245)</b>
<b>Total capital employed</b>		<b>16,285,099,975</b>	<b>15,299,866,986</b>
<b>NON - CURRENT LIABILITIES</b>			
Long term financing	14	3,343,125,000	3,933,375,000
Long term murabaha	15	450,000,000	750,000,000
Deferred liabilities			
Deferred taxation	16	1,535,453,137	1,272,554,972
Staff retirement gratuity	17	252,263,753	228,174,174
		<b>5,580,841,890</b>	<b>6,184,104,146</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	18	-	-
<b>Net worth</b>		<b>10,704,258,085</b>	<b>9,115,762,840</b>
<b>Represented by :</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	19	3,105,069,950	3,105,069,950
Capital reserves	20	1,143,406,450	1,137,615,450
Revenue reserves	21	6,455,781,685	4,873,077,440
		<b>10,704,258,085</b>	<b>9,115,762,840</b>

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, 2008

	Note	2008 Rupees	2007 Rupees
Sales - net	22	21,549,911,937	16,322,916,242
Cost of goods sold	23	19,363,204,183	14,692,404,768
Gross profit		2,186,707,754	1,630,511,474
Selling and distribution expenses	24	144,357,038	115,794,913
Administrative expenses	25	350,467,938	294,520,539
Other operating expenses	26	58,775,438	35,351,327
Finance cost	27	870,922,610	925,670,501
		1,424,523,024	1,371,337,280
Other operating income	28	762,184,730	259,174,194
		56,012,842	29,309,620
Share of profit of associate - net		818,197,572	288,483,814
		1,291,307,000	1,480,152,000
Profit before taxation		2,109,504,572	1,768,635,814
Provision for taxation	29	526,800,327	253,669,148
Profit for the year		1,582,704,245	1,514,966,666
Earnings per share - Basic	30	5.10	4.88

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

Chief Executive Officer

Director

# Cash Flow Statement

for the year ended June 30, 2008

	2008 Rupees	2007 Rupees
<b>a) Cash flows from operating activities</b>		
Profit before taxation	2,109,504,572	1,768,635,814
Adjustments for :		
Depreciation / amortisation of property, plant and equipment	743,027,491	767,223,034
Amortisation of intangible assets	5,883,872	5,428,131
Provision for staff retirement gratuity	66,601,868	52,992,401
Loss on disposal of property, plant and equipment	500,366	1,515,886
Profit on deposits	(965,600)	(483,425)
Balances written off / (written back) - net	1,910,364	(613,645)
Share of profit of associate - net	(1,291,307,000)	(1,480,152,000)
Finance cost	870,922,610	925,670,501
Operating cash flows before working capital changes	2,506,078,543	2,040,216,697
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(246,398,942)	(136,028,437)
Stock in trade	(1,678,050,004)	(865,345,274)
Trade debts	(11,861,458)	37,511,372
Loans and advances	(183,408,983)	65,755,789
Prepayments	925,477	(1,722,862)
Other receivables	(278,813,554)	(184,674,532)
Increase in current liabilities		
Trade and other payables	1,311,711,843	192,000,281
	(1,085,895,621)	(892,503,663)
Cash generated from operations	1,420,182,922	1,147,713,034
Finance cost paid	(913,748,648)	(956,792,813)
Income tax paid	(185,558,491)	(238,488,219)
Staff retirement gratuity paid	(38,215,789)	(25,465,427)
Net cash generated from / (used in) operating activities	282,659,994	(73,033,425)
<b>b) Cash flows from investing activities</b>		
Additions in :		
Property, plant and equipment	(730,592,319)	(518,687,097)
Intangible assets	(2,678,441)	(3,900,759)
Proceeds from disposal of property, plant and equipment	12,310,617	36,861,820
Dividend received	511,137,720	354,956,750
Long term deposits	(215,500)	(340,600)
Profit on deposits	965,600	483,425
Net cash used in investing activities	(209,072,323)	(130,626,461)
<b>c) Cash flows from financing activities</b>		
Long term financing obtained	800,000,000	450,000,000
Repayment of :		
Long term financing	(1,127,750,000)	(1,192,675,000)
Long term murabaha	(300,000,000)	(150,000,000)
Increase in short term bank borrowings - net	501,255,942	1,125,856,507
Dividend paid	(13,623)	(133,523)
Net cash (used in) / from financing activities	(126,507,681)	233,047,984
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(52,920,010)	29,388,098
Cash and cash equivalents at the beginning of the year	297,479,839	268,091,741
Cash and cash equivalents at the end of the year	244,559,829	297,479,839

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, 2008

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVES			REVENUE RESERVES		TOTAL
		Share premium	Merger reserve	Share of changes in equity of associate	General reserve	Unappropriated profit	
Rupees							
Balance as at July 01, 2006	3,105,069,950	1,000,000,000	72,017,550	(39,142,450)	1,585,073,099	1,773,037,675	7,496,055,824
Transfer to general reserve	-	-	-	-	301,800,000	(301,800,000)	-
Share of changes in equity of associate – net	-	-	-	104,740,350	-	-	104,740,350
Profit for the year	-	-	-	-	-	1,514,966,666	1,514,966,666
Balance as at June 30, 2007	3,105,069,950	1,000,000,000	72,017,550	65,597,900	1,886,873,099	2,986,204,341	9,115,762,840
Transfer to general reserve	-	-	-	-	34,800,000	(34,800,000)	-
Share of changes in equity of associate – net	-	-	-	5,791,000	-	-	5,791,000
Profit for the year	-	-	-	-	-	1,582,704,245	1,582,704,245
Balance as at June 30, 2008	3,105,069,950	1,000,000,000	72,017,550	71,388,900	1,921,673,099	4,534,108,586	10,704,258,085

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

Chief Executive Officer

Director

# Notes to the Financial Statements

for the year ended June 30, 2008

## 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, 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 - Sheikhupura Road, in the Province of Punjab.
- 1.2** Pursuant to scheme of arrangement approved by the Honourable Lahore High Court, Lahore, assets, liabilities and reserves of Ibrahim Textile Mills Limited, A.A. Textiles Limited, Zainab Textile Mills Limited and Ibrahim Energy Limited were merged with the Company with effect from October 01, 2000.
- 1.3** The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and directives issued by the Securities and Exchange Commission of Pakistan, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

#### Amendments to published standards effective in current year

IAS 1 Presentation of Financial Statements - Amendments relating to capital disclosures are mandatory for the Company's accounting periods beginning on or after July 01, 2007. It requires the disclosure of Company's objectives, policies and processes for managing capital. These amendments only impact the format and extent of disclosures as presented in note 34.6 to the financial statements.

#### Standards and amendments to published standard not yet effective

The following International Accounting Standards and amendments to published standard have been published that are applicable in Pakistan from the dates mentioned against the respective standards:

IAS	Particulars	Effective for annual periods beginning on or after
IAS 1	Presentation of Financial Statements (Revised in 2007)	January 01, 2009
IAS 7	Statement of Cash Flows - Amendments relating to changes in ownership interests in subsidiaries and other businesses	July 01, 2009
IAS 23	Borrowing Costs (Revised in 2007)	January 01, 2009

Adoption of the above standards and amendments to published standard have no impact on the Company's financial statements other than certain additional disclosures.

# Notes to the Financial Statements

for the year ended June 30, 2008

## **2.2 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.

## **2.3 Property, plant and equipment**

Property, plant and equipment, except freehold land and capital work in progress are stated at cost less accumulated depreciation / amortisation and impairment in value, if any. Freehold land and capital work in progress are stated at cost less impairment in value, if any.

Depreciation is charged to income applying the reducing balance method and amortisation is charged on straight line basis over the unexpired period of lease hold rights of land at the rates specified in the property, plant and equipment note.

Depreciation on additions during the year is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of property, plant and equipment are included in current income.

All costs / expenditure connected with specific assets are collected under capital work in progress. These are transferred to specific assets as and when assets are available for intended use.

## **2.4 Intangible assets**

These are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are amortised using straight line method over a period of five years.

## **2.5 Impairment**

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

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

## **2.6 Borrowing costs**

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

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

## **2.7 Investment in associate**

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

## **2.8 Stores, spare parts and loose tools**

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

# Notes to the Financial Statements

for the year ended June 30, 2008

## 2.9 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw materials	
In hand	Weighted average cost
In transit	Cost comprising invoice value and other charges incurred thereon
Work in process and Finished goods	Cost is determined on weighted average method and it comprises of cost of direct materials, labour and appropriate manufacturing overheads.

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sales.

## 2.10 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

## 2.11 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.

## 2.12 Staff retirement gratuity

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

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

## 2.13 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.

## 2.14 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.

## 2.15 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.

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 in the income statement, except in case of items charged or credited to equity in which case it is included in equity.

# Notes to the Financial Statements

for the year ended June 30, 2008

## **2.16 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.

## **2.17 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 transactions.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transactions.

## **2.18 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.

## **2.19 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.

## **2.20 Related party transactions**

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

## **2.21 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.
- Profit on deposits is recognised on time proportionate basis.
- Dividend income on equity investments is recognised when right of receipt is established.

## **2.22 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, 2008

	Note	2008 Rupees	2007 Rupees
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	3.1	7,288,730,491	7,109,146,264
Capital work in progress	3.4	212,376,775	385,397,004
		<b>7,501,107,266</b>	<b>7,494,543,268</b>

## 3.1 Operating assets

Description	Cost as at July 01, 2007	Additions/ (disposals)	Cost as at June 30, 2008	Accumulated depreciation/ amortisation as at July 01, 2007	Adjustments of accumulated depreciation on disposals	Depreciation / amortisation for the year	Accumulated depreciation / amortisation as at June 30, 2008	Written down value as at June 30, 2008	Rate %
Freehold land	249,491,779	6,413,000	255,904,779	-	-	-	-	255,904,779	
Leasehold land	408,500	-	408,500	80,679	-	4,085	84,764	323,736	01
Building on :									
Freehold land	1,536,414,573	296,353,184	1,832,767,757	784,004,902	-	78,052,207	862,057,109	970,710,648	10
Leasehold land	63,897,537	-	63,897,537	23,457,222	-	4,044,031	27,501,253	36,396,284	10
Plant and machinery	11,900,999,316	528,044,392 (20,807,825)	12,408,235,883	6,016,845,743	(17,463,185)	628,968,992	6,628,351,550	5,779,884,333	10
Furniture and fixture	55,324,938	42,748,508 (1,599,313)	96,474,133	22,476,952	(944,290)	3,838,748	25,371,410	71,102,723	10
Office equipment	127,672,443	24,921,807 (2,889,869)	149,704,381	56,716,886	(1,540,227)	8,231,755	63,408,414	86,295,967	10
Vehicles	138,844,629	36,941,810 (18,425,111)	157,361,328	60,325,067	(10,963,433)	19,887,673	69,249,307	88,112,021	20
<b>2008 Rupees</b>	<b>14,073,053,715</b>	<b>935,422,701 (43,722,118)</b>	<b>14,964,754,298</b>	<b>6,963,907,451</b>	<b>(30,911,135)</b>	<b>743,027,491</b>	<b>7,676,023,807</b>	<b>7,288,730,491</b>	
<b>2007 Rupees</b>	<b>14,121,161,377</b>	<b>139,293,583 (187,401,245)</b>	<b>14,073,053,715</b>	<b>6,345,707,956</b>	<b>(149,023,539)</b>	<b>767,223,034</b>	<b>6,963,907,451</b>	<b>7,109,146,264</b>	

	Note	2008 Rupees	2007 Rupees
<b>3.2 Depreciation / amortisation for the year has been allocated as under :</b>			
Cost of goods sold	23	713,990,137	746,492,216
Administrative expenses	25	29,037,354	20,730,818
		<b>743,027,491</b>	<b>767,223,034</b>

# Notes to the Financial Statements

for the year ended June 30, 2008

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

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Particulars
<b>Plant and machinery</b> (Sold by negotiation)	2,542,814	2,134,517	408,297	400,000	Al-Qadir Textile Mills Limited, 6-K.M.,Jehlum Road, Chakwal.
	5,085,628	4,276,074	809,554	800,000	Khurshid Spinning Mills Limited, 35 K.M.,Sheikhupura Road, Faisalabad.
	3,666,667	3,009,311	657,356	275,000	Muhammad Shahid, Samundri Road, Faisalabad.
	4,390,839	3,709,473	681,366	698,400	H.A.Haq Spinning Mills (Pvt) Limited, P-9/2, Montgomery Bazar, Faisalabad.
	5,085,627	4,311,272	774,355	700,000	Chiragh Textile Mills (Pvt) Limited, 6 K.M.,Manga Raiwind Road, Raiwind.
	36,250	22,538	13,712	67,000	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-
	20,807,825	17,463,185	3,344,640	2,940,400	
<b>Furniture and fixture</b> (Sold by negotiation)	1,599,313	944,290	655,023	317,750	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-
<b>Office equipment</b> (Sold by negotiation)	341,969	49,396	292,573	259,067	Liberty Electronics, Shop # 41, National Hospital Market, Faisalabad.
	1,645,000	989,456	655,544	612,000	Siemens Enterprises Communications (Pvt) Limited, 15-A, State Life Building, Sir Agha Khan Road, Lahore.
	558,000	301,984	256,016	125,000	DWP Technologies (Pvt) Limited, 5-Zafar Ali Road, Gulberg-V, Lahore.
	79,000	23,755	55,245	5,000	Ghulam Hussain (Ex employee)
	265,900	175,636	90,264	63,500	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-
	2,889,869	1,540,227	1,349,642	1,064,567	
<b>Vehicles</b> (Sold by negotiation)	859,969	523,136	336,833	335,833	Samina Imran, P-6, Arif Street, Bilal Road, Civil Lines, Faisalabad.
	1,467,445	1,286,080	181,365	191,365	Faiz Ali, Lilla Town, Tehsil Pind Dadan Khan, Distt. Jehlum.
	1,270,944	791,578	479,366	480,000	Saad Hafeez Bhatti, Bilal Road, Civil Lines, Faisalabad.
	449,130	350,722	98,408	100,076	Muhammad Ayub, House # P-322/2, Street # 9, Raza abad, Faisalabad.
	756,724	563,519	193,205	235,000	Mrs. Azra Zahid, House # 37/A, New Civil Lines, Race Course Road, Faisalabad.
	64,290	38,176	26,114	26,580	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-
<b>Vehicles</b> (Insurance claim)	1,127,237	640,770	486,467	892,000	The Premier Insurance Company of Pakistan Limited, 23 Shahrah-e-Quaid-e-Azam, Lahore.
<b>Vehicles</b> (Sold under Company policy)	608,186	444,435	163,751	163,751	Munir Ahmed (Employee)
	975,244	652,680	322,564	322,564	Saeed Ahmed (Employee)
	756,944	532,936	224,008	228,400	Mujahid Hussain (Employee)
	763,494	519,828	243,666	243,666	Muhammad Zafar Iqbal Rana (Employee)
	627,875	431,134	196,741	196,741	Saqib Hanif (Employee)
	1,413,002	310,860	1,102,142	1,102,142	Mujahid Ali (Ex employee)
	1,009,280	309,513	699,767	699,767	Tasadduq Shams (Ex employee)
	616,790	456,024	160,766	160,766	Muhammad Hanif Shad (Ex employee)
	1,320,574	464,842	855,732	871,579	Jamil-ur-Rehman (Ex employee)
	399,970	237,506	162,464	165,363	Safdar Zahid (Ex employee)
	999,204	622,330	376,874	405,865	Masood Arshad (Ex employee)
	1,485,284	873,869	611,415	611,415	Rana Naveed Ijaz (Ex employee)
	376,585	178,552	198,033	198,033	Nadeem Ahmed Shah (Ex employee)
	1,076,940	734,943	341,997	356,994	Particulars of purchasers are not required to be mentioned as book value of each asset is less than Rs. 50,000/-
	18,425,111	10,963,433	7,461,678	7,987,900	
<b>2008 Rupees</b>	<b>43,722,118</b>	<b>30,911,135</b>	<b>12,810,983</b>	<b>12,310,617</b>	
<b>2007 Rupees</b>	<b>187,401,245</b>	<b>149,023,539</b>	<b>38,377,706</b>	<b>36,861,820</b>	

# Notes to the Financial Statements

for the year ended June 30, 2008

	2008 Rupees	2007 Rupees
<b>3.4 Capital work in progress</b>		
Building on freehold land	99,204,208	92,249,476
Plant and machinery	1,000,000	2,750,000
Advances against property, plant and equipment		
Building on freehold land	48,762,638	29,404,881
Plant and machinery	61,779,433	238,466,404
Furniture and fixture	-	21,459,634
Office equipment	-	1,066,609
Vehicles	1,630,496	-
	112,172,567	290,397,528
	212,376,775	385,397,004

## 4. INTANGIBLE ASSETS

Description	Cost as at July 01, 2007	Additions	Cost as at June 30, 2008	Accumulated amortisation as at July 01, 2007	Amortisation for the year	Accumulated amortisation as at June 30, 2008	Written down value as at June 30, 2008
	Rupees						
<b>Computer softwares</b>	28,014,408	2,678,441	30,692,849	10,250,860	5,883,872	16,134,732	14,558,117
2007	24,113,649	3,900,759	28,014,408	4,822,729	5,428,131	10,250,860	17,763,548

	2008 Rupees	2007 Rupees
<b>5. INVESTMENT IN ASSOCIATE</b>		
Allied Bank Limited (ABL) - Quoted 204,455,088 (2007 : 170,379,240) ordinary shares of Rs.10/- each. Ownership interest 31.63% (2007 : 31.63%)	6,210,231,815	6,210,231,815
Share of post acquisition changes in equity	3,626,921,500	2,680,301,250
Less : Dividend received during the year	(511,137,720)	(354,956,750)
	9,326,015,595	8,535,576,315

5.1 The fair value of investment in associate is Rs. 17,434 million (2007 : Rs. 23,674 million).

5.2 The financial year end of ABL is December 31. The latest available financial results of associate as of March 31, 2008 have been used for the purpose of application of equity method.

	March 31, 2008 Rupees in million	March 31, 2007 Rupees in million
<b>5.3 Summarised financial information of associate</b>		
Aggregate amount of :		
- Assets	332,687	263,329
- Liabilities	311,556	245,371
- Revenue (from April 01 to March 31)	22,421	19,232
- Profit (from April 01 to March 31)	4,083	4,680

# Notes to the Financial Statements

for the year ended June 30, 2008

	2008 Rupees	2007 Rupees
<b>6. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	261,391,710	132,311,625
Spare parts		
In hand	399,482,074	307,666,754
In transit	75,983,172	50,645,141
	475,465,246	358,311,895
Loose tools	2,469,976	2,304,470
	<b>739,326,932</b>	<b>492,927,990</b>
<b>7. STOCK IN TRADE</b>		
Raw materials		
In hand	2,247,967,515	788,096,142
In transit	547,808,547	182,588,615
	2,795,776,062	970,684,757
Work in process	284,880,362	222,725,744
Finished goods	1,086,626,688	1,297,784,099
Wastes	6,028,175	4,066,683
	<b>4,173,311,287</b>	<b>2,495,261,283</b>
<b>8. TRADE DEBTS</b>		
Considered good		
Local – Secured	27,930,000	28,476,198
– Unsecured	91,835,478	87,898,437
Foreign – Secured	9,373,236	2,812,985
	<b>129,138,714</b>	<b>119,187,620</b>
<b>9. LOANS AND ADVANCES</b>		
Considered good		
Loans		
Employees		
Executives	4,928,244	7,960,998
Others	5,967,423	9,307,766
	10,895,667	17,268,764
Advances		
Suppliers and contractors	42,640,148	89,753,352
Income tax	617,097,757	565,081,016
Letters of credit fee, margin and expenses	240,784,421	3,889,137
	<b>911,417,993</b>	<b>675,992,269</b>
<b>10. OTHER RECEIVABLES</b>		
Custom duty refundable	491,877,851	324,972,560
Sales tax refundable	215,886,369	57,461,494
Claims	97,763,278	144,299,739
Other	3,305,026	3,285,177
	<b>808,832,524</b>	<b>530,018,970</b>

# Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
<b>11. CASH AND BANK BALANCES</b>			
Cash in hand		59,970,054	28,753,652
Cash at banks			
In current accounts		55,786,358	161,620,444
In deposit accounts		128,803,417	107,105,743
		184,589,775	268,726,187
		244,559,829	297,479,839
<b>12. TRADE AND OTHER PAYABLES</b>			
Creditors	12.1	118,823,153	85,276,386
Accrued liabilities	12.1	194,376,076	176,736,224
Advances from customers		31,088,047	12,805,526
Capital expenditure payable		37,116,657	5,306,504
Bills payable		2,843,147,306	1,627,566,782
Workers' profit participation fund	12.2	43,775,726	16,203,542
Workers' welfare fund		12,543,362	9,745,517
Unclaimed dividend		12,956,399	12,970,022
Other		16,344,410	15,755,760
		3,310,171,136	1,962,366,263
<b>12.1 These include following amounts due to related parties of the Company:</b>			
Creditors		–	129,800
Accrued liabilities		180,000	180,000
		180,000	309,800
<b>12.2 Workers' profit participation fund</b>			
Opening balance		16,203,542	35,637,204
Interest on funds utilised in the Company's business		952,236	1,751,593
		17,155,778	37,388,797
Paid to the fund		(17,155,778)	(37,388,797)
		–	–
Allocation for the year		43,775,726	16,203,542
		43,775,726	16,203,542
<b>13. SHORT TERM BANK BORROWINGS</b>			
Secured			
Running finances		1,593,165,939	515,635,537
Term finances		709,000,000	1,285,274,460
		2,302,165,939	1,800,909,997

**13.1** These facilities are secured against first pari passu hypothecation charge over current assets of the Company and carry markup ranging from 12.66% to 13.61% per annum (2007: 9.43% to 10.20% per annum). The aggregate un-availed short term borrowing facilities available to the Company are Rs. 2,327 million (2007: Rs. 2,797 million).

# Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
<b>14. LONG TERM FINANCING</b>			
Secured			
From banking companies			
Demand finance I	14.1	269,000,000	403,500,000
Demand finance II	14.2	800,000,000	–
Term finance I	14.3	112,500,000	225,000,000
Term finance II	14.4	1,250,000,000	1,250,000,000
Term finance III	14.5	450,000,000	450,000,000
Syndicated term finance	14.6	1,701,875,000	2,382,625,000
From financial institution			
Term finance		–	200,000,000
		<b>4,583,375,000</b>	<b>4,911,125,000</b>
Less : Current portion		<b>1,240,250,000</b>	<b>977,750,000</b>
		<b>3,343,125,000</b>	<b>3,933,375,000</b>

#### Demand finance I

**14.1** It is repayable in 8 equal half yearly installments commenced from December 29, 2006 and ending on June 29, 2010. It is secured by way of first charge over present and future fixed assets of Textile Plant-I of the Company ranking pari passu with the charge created in respect of demand finance II (Refer Note 14.2). It carries markup at three months KIBOR plus 100 basis points payable quarterly in arrears (2007 : six months KIBOR plus 115 basis points payable half yearly in arrears).

#### Demand finance II

**14.2** It is repayable in 6 equal half yearly installments commencing from June 30, 2010 and ending on December 30, 2012. It is secured by way of first charge over present and future fixed assets of Textile Plant-I of the Company ranking pari passu with the charge created in respect of demand finance I (Refer Note 14.1). It carries markup at three months KIBOR plus 50 basis points payable quarterly in arrears.

#### Term finance I

**14.3** It is repayable in 8 equal half yearly installments commenced from November 27, 2005 and ending on May 27, 2009. It is secured by way of specific charge over fixed assets of Textile Plant-II of the Company. It carries markup at six months KIBOR plus 100 basis points payable half yearly in arrears.

#### Term finance II

**14.4** It is repayable in 8 equal half yearly installments commencing from December 26, 2008 and ending on June 26, 2012. It is secured by way of first charge over present and future fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of syndicated term finance (Refer Note 14.6) and long term murabaha (Refer Note 15.1). It carries markup at three months KIBOR plus 110 basis points payable quarterly in arrears (2007 : six months KIBOR plus 175 basis points payable half yearly in arrears).

#### Term finance III

**14.5** It is repayable in 8 equal half yearly installments commencing from December 28, 2009 and ending on June 28, 2013. It is secured by way of first pari passu charge over the fixed assets of Textile Plant-III of the Company. It carries markup at three months KIBOR plus 110 basis points payable quarterly in arrears.

#### Syndicated term finance

**14.6** The finance is obtained from a consortium of banks and is repayable in 8 equal half yearly installments commenced from February 10, 2007 and ending on August 10, 2010. It is secured by way of first charge over fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of term finance II (Refer Note 14.4) and long term murabaha (Refer Note 15.1). It carries mark up at six months KIBOR plus 100 basis points payable half yearly in arrears.

# Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
<b>15. LONG TERM MURABAHA</b>			
Secured			
From banking company			
Murabaha term finance	15.1	750,000,000	1,050,000,000
Less : Current portion		300,000,000	300,000,000
		<b>450,000,000</b>	<b>750,000,000</b>

- 15.1** It is repayable in 8 equal half yearly installments commenced from February 07, 2007 and ending on August 07, 2010. It is secured by way of first charge over present and future fixed assets of Polyester Plant of the Company ranking pari passu with the charges created in respect of term finance II (Refer Note 14.4) and syndicated term finance (Refer Note 14.6). It carries markup at three months KIBOR plus 110 basis points (2007 : six months KIBOR plus 175 basis points) payable half yearly in arrears.

		2008 Rupees	2007 Rupees
<b>16. DEFERRED TAXATION</b>			
<b>16.1</b>	Opening balance	1,272,554,972	987,601,055
	Provided during the year	262,898,165	284,953,917
		<b>1,535,453,137</b>	<b>1,272,554,972</b>
<b>16.2</b>	<b>This comprises of the following :</b>		
	Deferred tax liabilities		
	Difference in tax and accounting bases of property, plant and equipment	1,314,581,939	1,236,148,708
	Investment in associate	311,578,378	116,267,225
	Deferred tax asset		
	Staff retirement gratuity	(90,707,180)	(79,860,961)
		<b>1,535,453,137</b>	<b>1,272,554,972</b>

# Notes to the Financial Statements

for the year ended June 30, 2008

## 17. STAFF RETIREMENT GRATUITY

### 17.1 General description

The scheme provides terminal benefits for all permanent employees of the Company who attain the minimum qualifying period. Annual charge is based on actuarial valuation, carried out as at June 30, 2008 using Projected Unit Credit Method.

	Note	2008 Rupees	2007 Rupees
<b>17.2 The amount recognised in the balance sheet is as follows :</b>			
Present value of defined benefit obligation		253,516,940	256,986,645
Cumulative net unrecognised actuarial losses		(1,253,187)	(28,812,471)
		<b>252,263,753</b>	<b>228,174,174</b>
<b>17.3 Movement in net liability recognised</b>			
Opening liability		228,174,174	201,229,200
Liability transferred to associated undertaking		–	(582,000)
Liability transferred to accrued liabilities		(4,296,500)	–
Expenses recognised in profit and loss account	17.3.1	66,601,868	52,992,401
Paid during the year		(38,215,789)	(25,465,427)
		<b>252,263,753</b>	<b>228,174,174</b>
<b>17.3.1 Expenses recognised in profit and loss account</b>			
Current service cost		40,458,373	34,286,919
Interest cost		25,698,665	18,705,482
Actuarial losses recognised		444,830	–
		<b>66,601,868</b>	<b>52,992,401</b>

	2008	2007
<b>17.4 Principal actuarial assumptions used</b>		
Discount rate	12% per annum	10% per annum
Expected rate of increase in salary	11% per annum	9% per annum
Expected average remaining working life time of participating employees	7 years	7 years

17.5 Trend information	2008	2007	2006	2005	2004
	Rupees				
Present value of defined benefit obligation	253,516,940	256,986,645	207,838,685	216,163,071	161,307,999
Experience adjustment on obligation	(27,114,454)	22,202,986	(24,200,347)	38,444,699	(12,787,908)

# Notes to the Financial Statements

for the year ended June 30, 2008

	2008 Rupees in million	2007 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 expansion project of Polyester Plant and obtained a stay order from the Honourable Sindh High Court, Karachi against submission of bank guarantees in favour of Collector of Customs.	<b>195.330</b>	195.330
<b>(ii)</b> Guarantee given to Collector of Customs against differential of custom duty on import of raw material. The matter is under adjudication before the Collector of Customs, Karachi.	<b>4.698</b>	4.698
<b>(iii)</b> Guarantee given to Chief Controller of Imports and Exports against difference of Import License Fee. The matter is pending in the Honourable Sindh High Court, Karachi.	<b>2.806</b>	2.806
<b>(iv)</b> Guarantee given to Market Committee against claim of market committee fee on cotton purchase. The case was remanded back to District Co-ordination Officer (DCO) by the Honourable Lahore High Court, Lahore.	<b>0.589</b>	0.589
<b>(v)</b> Guarantee given to Sui Northern Gas Pipelines Limited against supply of gas.	<b>93.103</b>	–
<b>18.1.2</b> Demand of Collector of Customs against differential of duty on import of acrylic fibre. Permanent injunction granted by the Honourable Sindh High Court, Karachi till the decision of the suit.	<b>7.409</b>	7.409
<b>18.1.3</b> Demand of Collector of Customs against custom duty on import of machinery. Matter is pending in the Honourable Sindh High Court, Karachi.	<b>6.567</b>	6.567
<b>18.2 Commitments</b>		
<b>18.2.1</b> Under contracts for capital expenditure	<b>147.728</b>	181.313
<b>18.2.2</b> Under letters of credit for :		
Capital expenditure	<b>706.967</b>	572.072
Raw materials and spare parts	<b>255.940</b>	646.684

# Notes to the Financial Statements

for the year ended June 30, 2008

			2008 Rupees	2007 Rupees
<b>19.</b>	<b>SHARE CAPITAL</b>			
	<b>Authorised capital</b>			
	<b>2008</b>	<b>2007</b>		
	<b>Number of shares</b>			
	<b>500,000,000</b>	500,000,000	Ordinary shares of Rs.10/- each	<b>5,000,000,000</b>
				5,000,000,000
	<b>Issued, subscribed and paid up capital</b>			
	<b>2008</b>	<b>2007</b>		
	<b>Number of shares</b>			
	<b>200,000,000</b>	200,000,000	Ordinary shares of Rs.10/- each fully paid in cash	<b>2,000,000,000</b>
				2,000,000,000
	<b>50,000,000</b>	50,000,000	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	<b>500,000,000</b>
				500,000,000
	<b>60,506,995</b>	60,506,995	Ordinary shares of Rs.10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Court.	<b>605,069,950</b>
				605,069,950
	<b>310,506,995</b>	310,506,995		<b>3,105,069,950</b>
				3,105,069,950

**19.1** Number of shares held by an associated undertaking in the share capital of the Company is 61,153,335 (2007 : 60,570,835).

			2008 Rupees	2007 Rupees
<b>20.</b>	<b>CAPITAL RESERVES</b>			
			<b>1,000,000,000</b>	1,000,000,000
			<b>72,017,550</b>	72,017,550
			<b>71,388,900</b>	65,597,900
			<b>1,143,406,450</b>	1,137,615,450
<b>21.</b>	<b>REVENUE RESERVES</b>			
			<b>1,921,673,099</b>	1,886,873,099
			<b>4,534,108,586</b>	2,986,204,341
			<b>6,455,781,685</b>	4,873,077,440

# Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
<b>22. SALES</b>			
Local		21,447,433,139	16,267,891,001
Export		109,886,252	62,470,549
		21,557,319,391	16,330,361,550
Less : Commission and brokerage		7,407,454	7,445,308
		21,549,911,937	16,322,916,242
<b>23. COST OF GOODS SOLD</b>			
Raw materials consumed		15,990,237,182	12,664,473,334
Packing materials		203,572,829	157,402,473
Salaries, wages and benefits		439,087,176	392,017,291
Staff retirement benefits		46,360,196	36,886,924
Stores and spare parts		333,481,092	224,254,953
Fuel and power		1,407,487,304	1,055,880,439
Insurance		21,756,123	24,713,072
Depreciation of property, plant and equipment	3.2	713,990,137	746,492,216
Other		60,190,843	56,504,985
		19,216,162,882	15,358,625,687
Work in process			
Opening stock		222,725,744	175,637,414
Closing stock		(284,880,362)	(222,725,744)
		(62,154,618)	(47,088,330)
Cost of goods manufactured		19,154,008,264	15,311,537,357
Finished goods			
Opening stock		1,301,850,782	682,718,193
Closing stock		(1,092,654,863)	(1,301,850,782)
		209,195,919	(619,132,589)
		19,363,204,183	14,692,404,768
<b>24. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and benefits		46,045,786	34,504,352
Staff retirement benefits		5,889,552	4,686,078
Freight and forwarding		77,235,687	63,575,939
Travelling and conveyance		3,272,657	2,013,538
Vehicles running and maintenance		4,461,004	4,252,776
Postage and telecommunication		1,101,248	938,303
Other		6,351,104	5,823,927
		144,357,038	115,794,913

# Notes to the Financial Statements

for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
<b>25. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		18,000,000	18,000,000
Salaries and benefits		143,894,801	127,345,200
Staff retirement benefits		14,352,120	11,419,399
Travelling and conveyance		33,241,926	31,252,871
Vehicles running and maintenance		9,932,804	10,799,730
Fuel and power		10,734,957	7,342,726
Postage and telecommunication		10,535,905	11,549,897
Printing and stationery		4,765,986	4,735,126
Repairs and maintenance		19,306,288	19,329,207
Fees, subscription and periodicals		5,562,221	4,843,813
Rent, rates and taxes		5,224,332	3,818,467
Legal and professional		20,192,500	942,688
Entertainment		4,906,182	4,370,246
Auditors' remuneration	25.1	1,445,000	1,225,000
Advertisement		897,435	1,478,729
Insurance		569,950	470,006
Donations	25.2	175,000	181,758
Depreciation / amortisation of property, plant and equipment	3.2	29,037,354	20,730,818
Amortisation of intangible assets	4	5,883,872	5,428,131
Other		11,809,305	9,256,727
		<b>350,467,938</b>	<b>294,520,539</b>
<b>25.1 Auditors' remuneration</b>			
Audit fee		1,200,000	1,000,000
Other services		245,000	225,000
		<b>1,445,000</b>	<b>1,225,000</b>
<b>25.2</b>	No director or his / her spouse had any interest in the donees' fund.		
<b>26. OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund		43,775,726	16,203,542
Loss on disposal of property, plant and equipment		500,366	1,515,886
Workers' welfare fund		12,588,982	17,631,899
Balances written off - net		1,910,364	–
		<b>58,775,438</b>	<b>35,351,327</b>
<b>27. FINANCE COST</b>			
Markup / interest on :			
Long term financing		504,310,972	574,997,062
Long term murabaha		96,000,164	138,955,014
Short term bank borrowings		266,534,584	204,139,117
Workers' profit participation fund		952,236	1,751,593
Bank charges and commission		3,124,654	2,555,835
Exchange differences		–	3,271,880
		<b>870,922,610</b>	<b>925,670,501</b>
<b>28. OTHER OPERATING INCOME</b>			
Scrap sales		54,265,197	27,810,042
Profit on deposits		965,600	483,425
Balances written back - net		–	613,645
Exchange differences		502,201	–
Other		279,844	402,508
		<b>56,012,842</b>	<b>29,309,620</b>

# Notes to the Financial Statements

for the year ended June 30, 2008

	2008 Rupees	2007 Rupees
<b>29. PROVISION FOR TAXATION</b>		
Current		
For the year	267,323,789	132,484,377
For prior years	1,057,373	(158,256,496)
Deferred		
For the year	145,603,940	279,441,267
For prior years	112,815,225	–
	<b>526,800,327</b>	<b>253,669,148</b>

## 29.1 Reconciliation between accounting profit and tax expense

Profit before taxation	2,109,504,572	1,768,635,814
Tax on accounting profit at the applicable tax rate of 35%	738,326,600	619,022,535
Tax effect of :		
Share of profit of associate not chargeable to tax	(451,957,450)	(518,053,200)
Income chargeable to tax at special rate	52,205,135	18,684,896
Expenses that are inadmissible in determining taxable profit / unrealized profits	74,353,444	345,607,547
Adjustments of prior years in respect of :		
Current tax	1,057,373	(158,256,496)
Deferred tax	112,815,225	–
Minimum tax brought forward	–	(53,336,134)
	<b>526,800,327</b>	<b>253,669,148</b>

	2008	2007
<b>30. EARNINGS PER SHARE – BASIC</b>		
Profit for the year (Rupees)	1,582,704,245	1,514,966,666
Weighted average number of ordinary shares	310,506,995	310,506,995
Earnings per share – Basic (Rupees)	5.10	4.88

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

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

	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	2008 Rupees			2007 Rupees		
Remuneration	5,454,540	10,909,080	114,862,292	4,775,004	9,550,008	72,801,890
House rent allowance	–	–	–	270,000	540,000	13,814,383
Utilities allowance	–	–	–	477,504	955,008	1,955,264
Medical allowance	545,460	1,090,920	11,486,351	477,492	954,984	7,280,159
Reimbursable expenses for vehicles running	–	–	10,859,864	–	–	9,153,081
	<b>6,000,000</b>	<b>12,000,000</b>	<b>137,208,507</b>	<b>6,000,000</b>	<b>12,000,000</b>	<b>105,004,777</b>
Number of persons	1	2	103	1	2	53

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. 1,526,467/- (2007 : Rs. 1,311,448/-). The Directors have waived off their meeting fee.

# Notes to the Financial Statements

for the year ended June 30, 2008

## 32. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transaction	2008 Rupees	2007 Rupees
Associated Undertakings	Rent	2,040,000	2,040,000
	Sale of goods	–	485,572,152
	Purchase of goods	–	9,649,745
	Dividend received	511,137,720	354,956,750
	Staff retirement gratuity	–	582,000
	Expenses incurred	–	388,163
	Expenses reimbursed	–	835,450
Key management personnel	Rent	120,000	120,000
	Staff retirement gratuity	–	2,450,000
	Disposal of vehicle under Company car policy	–	603,374
		2008 M. Tons	2007 M. Tons

## 33. PLANT CAPACITY AND ACTUAL PRODUCTION

Annual production capacity  
(350 days – 3 shifts)

Polyester Staple Fibre / Polyester Chips	208,600	208,600
Yarn converted into 20/s count (Spindles installed 133,778 (2007 : 132,301))	41,107	40,978

Actual production

Polyester Staple Fibre / Polyester Chips	189,930	169,461
Yarn converted into 20/s count (Spindles worked 132,296 (2007 : 130,839))	45,435	42,818

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, 2008

## 34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 34.1 Interest / markup rate risk management

Interest / markup rate risk arises from the possibility that changes in interest / markup rates will affect the value of financial instruments.

	Effective interest rate	Interest / markup bearing		Non-interest / markup bearing		Total	Total
		Maturity within one year	Maturity after one year	Maturity within one year	Maturity after one year	2008	2007
						Rupees	Rupees
<b>Financial assets</b>							
Long term deposits		-	-	-	3,485,600	3,485,600	3,270,100
Trade debts		-	-	129,138,714	-	129,138,714	119,187,620
Loans and advances		-	-	10,895,667	-	10,895,667	17,268,764
Other receivables		-	-	98,107,679	-	98,107,679	144,624,291
Cash and bank balances	5	128,803,417	-	115,756,412	-	244,559,829	297,479,839
		128,803,417	-	353,898,472	3,485,600	486,187,489	581,830,614
<b>Financial Liabilities</b>							
Long term financing	11.17 to 14.92	1,240,250,000	3,343,125,000	-	-	4,583,375,000	4,911,125,000
Long term murabaha	11.35	300,000,000	450,000,000	-	-	750,000,000	1,050,000,000
Trade and other payables		-	-	3,222,764,001	-	3,222,764,001	1,923,611,678
Markup / interest payable		-	-	151,581,167	-	151,581,167	194,407,205
Short term bank borrowings	12.7	2,302,165,939	-	-	-	2,302,165,939	1,800,909,997
		3,842,415,939	3,793,125,000	3,374,345,168	-	11,009,886,107	9,880,053,880
<b>Off balance sheet items</b>							
Contracts for capital expenditure		-	-	147,728,000	-	147,728,000	181,313,000
Letters of credit for:							
Capital expenditure		-	-	706,967,000	-	706,967,000	572,072,000
Raw materials and spare parts		-	-	255,940,000	-	255,940,000	646,684,000
Bank guarantees		-	-	-	296,526,000	296,526,000	203,423,000
		-	-	1,110,635,000	296,526,000	1,407,161,000	1,603,492,000

### 34.2 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. Out of the total financial assets of Rs. 486.187 million (2007 : Rs. 581.831 million), the financial assets which are subject to credit risk amounted to Rs. 91.835 million (2007 : Rs. 87.898 million). The management monitors and limits Company's exposure of credit risk through monitoring and review of customers credit exposure and conservative estimates of provisions for doubtful receivables. The Company is not exposed to significant concentration of credit risk.

### 34.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2008, the total foreign currency risk exposure amounted to Rs. 1,513.254 million (2007 : Rs. 1,074.586 million).

### 34.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

# Notes to the Financial Statements

for the year ended June 30, 2008

**34.5 Fair values of financial assets and financial liabilities**

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

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

**34.6 Capital 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.

**35. DATE OF AUTHORISATION FOR ISSUE**

The financial statements were authorised for issue as at September 06, 2008 by the Board of Directors of the Company.

**36. NON - ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on September 06, 2008 proposed dividend at the rate of Rs. 1.5 per share amounting to Rs. 465.760 million (2007 : Nil) for the year ended June 30, 2008 subject to the approval of the members at the forthcoming Annual General Meeting to be held on October 15, 2008 and approved transfer of an amount of Rs. 60 million (2007 : Rs. 34.800 million) to general reserve for the year ended June 30, 2008.

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

Chief Executive Officer

Director

# Pattern of Shareholding

as at June 30, 2008

Number of Shareholders	Having Shares		Shares Held
	From	To	
350	1	100	17,855
1167	101	500	278,457
549	501	1000	394,230
492	1001	5000	1,079,428
96	5001	10000	692,150
37	10001	15000	457,180
23	15001	20000	419,823
14	20001	25000	330,083
12	25001	30000	344,209
12	30001	35000	390,505
8	35001	40000	302,225
3	40001	45000	132,700
1	50001	55000	52,500
2	55001	60000	115,600
4	60001	65000	250,500
2	65001	70000	134,875
1	70001	75000	75,000
1	75001	80000	80,000
1	85001	90000	87,375
2	95001	100000	200,000
1	100001	105000	101,000
1	110001	115000	112,375
3	120001	125000	372,000
3	130001	135000	400,163
1	190001	195000	194,500
1	195001	200000	200,000
1	200001	205000	200,500
1	205001	210000	210,000
1	260001	265000	261,500
1	335001	340000	337,000
1	345001	350000	347,125
1	430001	435000	430,500
1	435001	440000	438,250
1	560001	565000	561,125
1	670001	675000	674,000
1	1815001	1820000	1,818,530
1	1870001	1875000	1,873,237
1	2140001	2145000	2,141,300
4	2185001	2190000	8,748,568
1	4490001	4495000	4,494,000
1	5725001	5730000	5,729,875
1	8570001	8575000	8,572,337
2	8575001	8580000	17,150,166
1	10580001	10585000	10,582,500
1	11750001	11755000	11,753,434
1	14770001	14775000	14,773,861
1	17070001	17075000	17,071,958
1	18975001	18980000	18,975,817
1	56015001	56020000	56,015,283
1	58975001	58980000	58,978,061
1	61150001	61155000	61,153,335
<b>2,816</b>			<b>310,506,995</b>

# Categories of Shareholders

as at June 30, 2008

Categories of Shareholders	Number	Shares held	Percentage	
<b>Associated Companies, Undertakings and Related Parties</b>				
Ibrahim Agencies (Pvt) Ltd.	1	61,153,335	19.6947	
<b>NIT &amp; ICP</b>				
National Bank of Pakistan Trustee Deptt.	1	3,691,767	1.1889	
Investment Corporation of Pakistan	1	1,413	0.0005	
<b>Directors, Chief Executive Officer and their spouse and minor children</b>				
Sheikh Mukhtar Ahmed	Director	1	18,975,817	6.1112
Mrs. Iqbal Begum	Director	1	17,071,958	5.4981
Mr. Mohammad Naeem Mukhtar	(CEO)	1	56,015,283	18.0399
Mrs. Ghazala Naeem	Director	1	14,773,861	4.7580
Mr. Mohammad Waseem Mukhtar	Director	1	58,978,061	18.9941
Mrs. Bina Sheikh	Director	1	11,753,434	3.7852
Mr. Shahid Amin	Director	1	500	0.0002
<b>Banks, DFIs, NBFIs and Leasing Companies</b>	23	598,825	0.1929	
<b>Insurance Companies</b>	7	2,282,204	0.7350	
<b>Modarabas and Mutual Funds/Others</b>	18	713,436	0.2298	
<b>Joint Stock Companies</b>	40	1,057,357	0.3405	
<b>Genral Public</b>				
a. Local	2,686	51,431,621	16.5637	
b. Foreign	32	12,008,123	3.8673	
Shareholders holdings ten percent or more voting interest of the Company	–	–	–	
	<b>2,816</b>	<b>310,506,995</b>	<b>100.0000</b>	



# Form of Proxy

Ibrahim Fibres Limited

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 22nd Annual General Meeting of the company to be held on October 15, 2008 at 11.00 AM at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

**AFFIX  
REVENUE STAMP  
OF RS. 5/-**

**Witness: (1)**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
C.N.I.C No. \_\_\_\_\_

Signature : \_\_\_\_\_  
*(The signature should agree with the Specimen Registered with the Company)*

**Witness: (2)**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
C.N.I.C No. \_\_\_\_\_

Folio No. \_\_\_\_\_  
CDC A/c No. \_\_\_\_\_  
No. of shares held \_\_\_\_\_  
Distinctive Numbers \_\_\_\_\_

**IMPORTANT:**

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

**FOR CDC ACCOUNT HOLDERS /CORPORATE ENTITIES:**

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

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary,  
**Ibrahim Fibres Limited**  
Ibrahim Centre,  
GK-7/59, Bagh-e-Zehra Street, Kharadar,  
Karachi-74000, Pakistan.