

# Contents

## Sapphire Textile Mills Limited

Company Profile	03
Vision / Mission	04
Notice Of Annual General Meeting	05
Directors' Report	08
Six Year Growth At A Glance	15
Review Report	16
Statement Of Compliance	17
Auditor's Report	19
Balance Sheet	20
Profit & Loss Account	21
Statement Of Comprehensive Income	22
Cash Flow Statement	23
Statement Of Changes In Equity	24
Notes To The Financial Statements	25
Pattern Of Share Holdings	67



## Company Profile

### Board Of Directors

<b>Chairman</b>	: Mr. Mohammad Abdullah
<b>Chief Executive</b>	: Mr. Nadeem Abdullah
<b>Director</b>	: Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Nabeel Abdullah Mr. Shayan Abdullah Mr. Nadeem Karamat (Independent Director)

### Audit Committee

Chairman	: Mr. Yousuf Abdullah
Member	: Mr. Nabeel Abdullah
Member	: Mr. Nadeem Karamat

### Human Resource & Remuneration Committee

Chairman	: Mr. Amer Abdullah
Member	: Mr. Nabeel Abdullah
Member	: Mr. Yousuf Abdullah

<b>Chief Financial Officer</b>	: Mr. Abdul Sattar
<b>Secretary</b>	: Mr. Zeeshan
<b>Auditors</b>	: Mushtaq & Company, Chartered Accountants
<b>Management Consultant</b>	: M. Yousuf Adil Saleem & Company, Chartered Accountants
<b>Tax Consultants</b>	: Mushtaq & Company, Chartered Accountants
<b>Legal Advisor</b>	: A. K. Brohi & Company
<b>Bankers</b>	: Allied Bank Limited, Habib Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited, MCB Bank Limited, Citi Bank N.A.
<b>Share Registrar</b>	: Hameed Majeed Associates (Pvt.) Ltd.
<b>Registered Office</b>	: 212, Cotton Exchange Building, I. I. Chundrigar Road, Karachi.
<b>Mills</b>	: S. I. T. E. Kotri, S. I. T. E. Nooriabad, Chunian, District Kasur Feroze Watwan, Bhopattian, Lahore.

## *Vision*

To be one of the premier textile company recognized for leadership in technology, flexibility, responsiveness and quality.

Our customers will share in our success through innovative manufacturing, certifiable quality, exceptional services and creative alliances. Structured to maintain in depth competence and knowledge about our business, our customers and worldwide markets.

Our workforce will be the most efficient in industry through multiple skill learning, the fostering of learning and the fostering of teamwork and the security of the safest work environment possible recognised as excellent citizen in the local and regional community through our financial and human resources support and our sensitivity to the environment.

## *Mission*

Our mission is to be recognised as premier supplier to the markets we serve by providing quality yarns, fabrics and other textile products to satisfy the needs of our customers.

Our mission will be accomplished through excellence in customer service, sales and manufacturing supported by teamwork of all associates.

We will continue our tradition of honesty, fairness and integrity in relationship with our customers, associates, shareholders, community and stakeholders.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 46<sup>th</sup> Annual General Meeting of Sapphire Textile Mills Limited will be held on 24<sup>th</sup> October, 2014 at 03:30 p.m. at Trading Hall, Cotton Exchange Building, I.I. Chundrigar Road, Karachi to transact the following business.

### ORDINARY BUSINESS:

1. To confirm the minutes of last General Meeting.
2. To receive, consider and adopt the Audited Financial Statements together with Directors' and Auditors' Reports for the year ended 30<sup>th</sup> June, 2014.
3. To approve and declare the final dividend of Rs. 10/- per share i.e 100% for the year ended June 30<sup>th</sup>, 2014 as recommended by the Board of Directors.
4. To appoint auditors for the year ending 30<sup>th</sup> June, 2015 and fix their remuneration. The present Auditors, M/s Mushtaq & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.

### SPECIAL BUSINESS:

5. To consider and if thought fit, pass with or without modification(s) the following resolution of the Companies Ordinance, 1984:

**“RESOLVED THAT** the pursuant to Section 193 and Section 196 of the Companies Ordinance 1984 the shareholders' consent be and is hereby accorded to authorize Mr. Nadeem Abdullah son of Mr. Mohammad Abdullah, holding CNIC No.42201-2771651-1, CEO of the Company, to enter into Sale Agreement with Sapphire Fibres Limited, an associated company, for the sale of jointly owned (50% each) industrial Leasehold Land, building along with fittings, fixtures and utilities installed therein on subdivided Plot No. 24 measuring 2666.66 square yards and Plot No. 24/1 measuring 6222.22 square yards both situated at Sector 23, Korangi Industrial Area, Karachi, including all benefits, rights, shares, privileges, deposits, easements, utilities, connections, appurtenant, enjoyed or attached to the said Properties on such terms and conditions as may be approved by the Board of Directors of Sapphire Textile Mills Limited and is further authorized to receive sale consideration and to apply to KMC (KDA Wing) for permission/NOC to assign/transfer the said Property”.

**FURTHER RESOLVED THAT** “MR. NADEEM ABDULLAH holding CNIC No.42201-2771651-1, is hereby authorized to execute, admit, and register the Conveyance Deed of the said Properties and appear before competent Registration Authorities to complete all formalities for the sale and transfer of the Property in favor of the Sapphire Fibres Ltd, including handing over original title documents and vacant peaceful physical possession of the said Property”.

A Statement under Section 160(1) (b) of the Companies Ordinance, 1984, read with S.R.O. 1227/2005 dated December 12<sup>th</sup>, 2005 issued by the Securities and Exchange Commission of Pakistan is annexed to the Notice of the Meeting send to the shareholders.

### OTHER BUSINESS:

6. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi.  
Dated: October 02, 2014

**(ZEESHAN)**  
Secretary

## NOTICE OF ANNUAL GENERAL MEETING

**Note:****1. Closure of share transfer books:**

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 18<sup>th</sup> October, 2014 to 24<sup>th</sup> October, 2014 (both days inclusive). Transfers received in order, by the Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, up to 17<sup>th</sup> October, 2014, will be considered in time for the payment of dividend.

**2. Participation in the annual general meeting:**

A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.

**3. Duly completed instrument of proxy and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 212, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.****4. Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 5th Floor, Karachi Chambers, Hasrat Mohani Road.****5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:****A. 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 identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

**B. 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 accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

**6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2012 dated July 05, 2012, dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.**

Accordingly, Members who have not yet submitted copy of their valid CNIC/NTN are requested to submit the same to the Company, with members' folio no mentioned thereon for updating record.

**7. As per the directions to all Listed Companies by SECP vide Letter No.SM/CDC 2008 dated April 05, 2013, all shareholders and the Company are encouraged to put in place an effective arrangement for Payment of Cash Dividend Electronically (e-Dividend) through mutual co-operation. For this purpose, the members are requested to provide Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch Address to the Company in order to adhere the envisaged guidelines.**

## NOTICE OF ANNUAL GENERAL MEETING

### STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted as at the Annual General Meeting of Sapphire Textile Mills Limited on 24<sup>th</sup> October, 2014 pursuant to S.R.O 1227 / 2005.

#### **BACKGROUND**

The Sapphire Textile Mills Limited ("Company") is a joint owner (50% each with Sapphire Fibres Limited) of the "Investment Property". The Company intends to sell its share in jointly owned property, which Sapphire Fibres Limited (SFL) is interested in buying. Being an associated company there are common Directors hence consent of shareholders is required pursuant to Section 193 of the Companies Ordinance, 1984.

#### **A. Detail of Assets to be Disposed of:**

The said "Investment Property" comprising Industrial Leasehold Land, building along with fittings, fixtures and utilities installed therein is situated on subdivided Plot No.24 measuring 2666.66 square yards and Plot No.24/1 measuring 6222.22 square yards both situated at Sector 23, Korangi Industrial Area, Korangi Township, Karachi.

The "Investment Property" has a Cost of Rs.141,160,297, Book Value of Rs. 131,523,406 and Current Market Price / Fair Value of Rs.155,555,400 (Approx.).

#### **B. Proposed Manner of Disposal of said Assets:**

At Current Market Value in the area determined by the Valuer.

#### **C. Reasons for the Sale and Benefits Expected to Accrue to the Shareholders:**

This is an Investment Property, by sale of said Property Company will generate working capital which will save interest cost resulting in higher profitability.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of the Company have pleasure in submitting their Report together with the audited financial statements of the Company for the year ended June 30, 2014.

### FINANCIAL HIGHLIGHTS

	Rupees in Thousand	
	2014	2013
<b>Sales &amp; Services</b>	<b>25,411,302</b>	<b>25,283,151</b>
<b>Gross Profit</b>	<b>2,788,030</b>	<b>4,204,863</b>
<b>Profit from Operations</b>	<b>1,985,976</b>	<b>3,030,121</b>
<b>Other Income</b>	<b>510,633</b>	<b>394,441</b>
<b>Profit before taxation</b>	<b>1,270,208</b>	<b>2,365,969</b>
<b>Profit after taxation</b>	<b>983,405</b>	<b>2,136,467</b>

### Review of Operations

During the year under review the Company achieved sales of Rs.25.411 billion representing a marginal increase of 0.51% over previous year sales of Rs.25.283 billion. The Gross profit as a percentage of sales declined to 10.97% compared to 16.63% in the last year. The Profit before tax was Rs. 1.270 Billion compared to Rs.2.365 billion in the corresponding year. In the last quarter of the current financial year the Cotton price declined sharply resulting in reduction in the prices of yarn and other textile products which had an adverse effect on the profitability. This coupled with the strengthening of the Pak Rupees in relation to other currencies made the textiles products un-competitive and severely hurt the profitability of the company. A stronger rupee should normally translate into lower energy cost and other input costs, unfortunately this has not happened due to increase in minimum wages as well as increase in tariff of utilities.

Financial cost increased from Rs.664.152 million to Rs.715.768 million from last year. Other income during the year increased to Rs.510.633 million as against Rs.394.441 million in the previous year, due to the realization of profit on short term investment and high rate of return on long-term investment as well as dividend income from Sapphire Electric Company Limited.

Earnings per share is Rs.48.97 as compared to Rs 106.38 per share for the last year.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### Appropriation of Profit

	Rupees In Thousand
Profit Before Taxation	1,270,208
Less: Taxation	
For the year	(211,144)
Prior year	46,157
Deferred	(121,816)
	(286,803)
Profit after taxation	983,405
Loss on remeasurement of staff retirement benefits : Net of tax	(9,219)
Add: Unappropriated profit brought forward - Restated	7,047,755
	8,021,941
<b>Appropriations</b>	
Final dividend for the year ended June 30, 2013 (90% i.e Rs.9 per share)	(180,748)
	(180,748)
Unappropriated Profit Carried Forward	7,841,193
<b>Subsequent Effects</b>	
Proposed Final cash dividend for the year ended June 30, 2014	200,831
	<b>7,640,362</b>

### Earning Per Share

The earnings per share for the year ended June 30, 2014 is Rs.48.97 as compared to Rs.106.38 for last year ended June 30, 2013.

### Dividend

The Board of Directors of the company is pleased to recommend a cash dividend of 100% i.e. Rs.10/- per share for the year ended June 30, 2014. (2013: 210% including 120% of interim dividend).

### BMR and Expansion

The company has planned to set up a fabric processing and printing project in continuation of its policy to expand and modernize production facilities. Construction of factory building has been completed. The erection of machinery is near to completion. The project is expected to commence commercial production during the months of October / November, 2014.

### Future Prospects

The raw material prices are under pressure due to surplus global production. The increase in production of

## DIRECTORS' REPORT TO THE SHAREHOLDERS

raw cotton in countries like India and china is more than Pakistan; therefore, these countries will have a competitive advantage over Pakistan. In addition, these countries are also giving tremendous incentives to their local industry for capacity expansion which is a challenge for Pakistani Industry, especially in a scenario where cost of power and other inputs have increased substantially in Pakistan. In spite of these challenges, the management is making its best efforts to make the operation as efficient as possible.

### Subsidiaries of Sapphire Textile Mills Limited

There are five subsidiaries out of which four are 100% equity owned by Sapphire Textile Mills Limited. The brief of each subsidiary is as follows:

#### 1. Sapphire Home Incorporation

Sapphire Home Incorporation is 100% owned by Sapphire Textile Mills Ltd and was incorporated under the laws of the State of New York in United States of America (USA). There are certain customers in the USA which need goods on landed duty paid basis. Sapphire Home Inc. provides this service for the home textile products for these customers.

#### 2. Sapphire Retail Limited

Sapphire Retail Limited is 100% equity owned subsidiary incorporated under Companies Ordinance, 1984. Sapphire Textile Mills Ltd has made initial investment of Rs.10, 000,000 in the company. The subsidiary is established mainly to carry on the retail business by opening retail stores for ladies and gents Fashion wear textile garments and accessories and trading in textile products.

### Business Diversification

For the purpose of Business Diversification and to meet shortage of electricity in the country the Company has decided to invest in Renewable Energy sector and as such has established the following three (3) subsidiaries:

#### 3. Sapphire Wind Power Company Limited

The Company is 70% owned by Sapphire Textile Mills Ltd and 30% by Alfalah Bank Ltd. It has signed the funding documents with OPIC, USA for providing \$ 95 million debt for the project.

Financial close of the project was declared on 7th July, 2014 and the first tranche of OPIC Funding was released on 27th August, 2014, Sapphire Wind Power Company Limited gave the Notice to proceed to the EPC contractor on 28th August, 2014.

Construction works at the wind farm site have been undertaken and it is expected that the project will commence commercial operation in 15 months i.e. by the end of November, 2015.

#### 4. Sapphire Tech (Pvt.) Limited

Sapphire Tech (Pvt.) Limited is incorporated under Companies Ordinance, 1984. The company has

## DIRECTORS' REPORT TO THE SHAREHOLDERS

made initial investment of Rs.100,000 in the company. The subsidiary is established to setup electric power generation project and sell electric power. It is 100% equity owned.

### 5. Sapphire Solar (Private) Limited

In AGM held on October 29, 2013 the members of the company have approved the acquisition of 100% share Capital of Sapphire Solar (Pvt.) Limited, an associated company. The company had obtained an LOI from Alternative Energy Development Board to set up an IPP, solar energy Project of 10 MW. During the year the company has made investment in the subsidiary of Rs.10,000 for purchase of 100% paid-up share capital.

#### Other Material Investment in Progress:

Sapphire Textile Mills Limited ("the Company") have entered into a Shares Sale & Purchase Agreement dated as of 15th August, 2014 (the "Agreement") with Mr. Shahid Ahmed Khan S/o. Mr. Tufail Ahmed Khan and Mrs. Iffat Khan W/o. Mr. Shahid Ahmed Khan (collectively as the "the Sellers") for the purchase of 100% shares in M/s. Tricon Boston Consulting (Private) Limited from the sellers at the purchase consideration of USD 5,028,200/-. The consummations of the transaction contemplated by the Share Sale & Purchase Agreement are subject to satisfaction of regulatory approval and other conditions precedent specified therein. The transaction is still in progress.

### Board of Directors

The Board of Directors comprises of eight (8) Directors. The election of the Board of Director was due and held on 21st April, 2014 and eight directors including Independent Director Mr. Nadeem Karamat were elected in place of Mr. Mohammad Younas.

During the Year nineteen (19) meetings of the Board of Directors were held. The number of meetings attended by each Director is given hereunder:

Name	NO of Meetings
Mr. Mohammad Abdullah	15
Mr. Shahid Abdullah	10
Mr. Nadeem Abdullah	13
Mr. Amer Abdullah	10
Mr. Yousuf Abdullah	9
Mr. Mohammad Younus	6
Mr. Nabeel Abdullah	11
Mr. Shayan Abdullah	9
Mr. Nadeem Karamat	1

### Directors' Fee

The Board of Directors has fixed meeting fee / remuneration of Rs.50,000 for the Non-Executive Directors (i.e. Non-Functional Directors in the Group) for attending the Board of Directors meeting.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### Audit Committee

The Audit Committee held five (5) meetings during the year. Attendance by each member was as follows:

Name	No of Meetings
Mr. Yousuf Abdullah	4
Mr. Nabeel Abdullah	4
Mr. Shayan Abdullah	3

### Human Resource & Remuneration Committee

The Board of Directors of the Company in compliance to the Code of Corporate Governance has formed a Human Resource & Remuneration Committee and four (4) meetings were held during the year.

### Statement on Corporate and Financial Reporting Frame Work

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the Chief Executive and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and confirms that:

- a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These present fairly its state of affairs, the result of its operations, its cash flows and its changes in equity.
- b) The company has maintained proper books of accounts.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control, which was in place, is being continuously reviewed by the internal audit and has been effectively implemented. The process of review and monitoring continues with the object to improve it further.
- f) All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same are disclosed as contingent liabilities in the notes to the accounts.
- g) There are no doubts about the company's ability to continue as a going concern.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

- h) There has been no material departure from the best practice of Corporate Governance, as required by the listing regulations.
- i) The key operating and financial data and key ratios of six years are annexed.
- j) The Company established Management Staff Gratuity Fund from July 1, 2005 which is initially for the Head office and will gradually be applicable to the other units/mills of the Company. The company has also introduced Employees' Provident Fund for the staff from July 1, 2006. The persons who join the Provident Fund will not be eligible for Gratuity Fund. Provision has been made in the accounts accordingly. The value of investment of Gratuity Fund and Provident Fund as on June 30, 2014 is Rs.107.832 million and Rs.21.116 million respectively.
- k) No trading in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief financial Officer, Company Secretary, their spouses and minor children.

### Code of Conduct

The code of conduct has been developed and has been communicated and acknowledged by each Director and Employee of the company.

### Related Party Transactions

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation of stock exchange in Pakistan. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

### Corporate Environment, Health & Social Responsibility

The Company maintains working conditions which are safe and without risk to the health of all employees and public at large. Our focus remains on improving all aspects of safety especially with regards to the safe, production, delivery, storage and handling of the materials. Your company always ensures environment preservation and adopts all possible means for environment protection.

We maintain our commitment to raise the educational, health and environment standards of the community & made generous donations for health, education and social welfare projects.

### Auditors

The present Auditors, M/s. Mushtaq & Company (Chartered Accountants) retire and being eligible, offers themselves for re-appointment for the year 2014-2015. Audit Committee and Board of Directors have also recommended their appointment as Auditor for the year ending June 30, 2015.

### Pattern of Shareholding

The Pattern of shareholding of the company as at June 30, 2014 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### Subsequent Events

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

### Acknowledgment

The Management would like to place on record its appreciation for the support of Board of Directors, regulatory authorities, shareholders, customers, financial institutions, suppliers and dedication and hard work of the Staff and Workers.

On behalf of the Board

Karachi  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

## SIX YEARS GROWTH AT A GLANCE

(Rupees in Million)

YEARS		2014	2013	2012	2011	2010	2009
Sales		25,411.30	25,283.15	21,490.83	22,937.18	14,428.08	11,744.25
Gross Profit		2,788.03	4,204.86	2,773.40	3,417.77	2,736.05	1,731.37
Profit Before Tax		1,270.21	2,365.97	1,129.94	1,774.04	1,115.61	274.06
Profit After Tax		983.40	2,136.47	1,073.68	1,607.41	1,015.54	179.84
Share Capital		200.83	200.83	200.83	200.83	200.83	200.83
Shareholder's Equity		13,340.62	11,398.28	8,330.89	7,520.94	5,992.07	4,459.86
Fixed Assets - Net		8,247.40	5,943.04	5,357.00	4,900.07	4,029.81	4,092.60
Total Assets		22,050.55	18,842.13	14,056.51	14,393.19	11,579.97	10,189.53
DIVIDEND - Cash	%	100.00	210.00	50.00	50.00	50.00	15.00
RATIOS:							
Profitability							
Gross Profit	%	10.97	16.63	12.91	14.90	18.96	14.74
Profit Before Tax	%	5.00	9.36	5.26	7.73	7.73	2.33
Profit After Tax	%	3.87	8.45	5.00	7.01	7.04	1.53
Return To Shareholders							
R.O.E-Before Tax	%	9.52	20.76	13.56	23.59	18.62	6.15
R.O.E After Tax	%	7.37	18.74	12.89	21.37	16.95	4.03
Basic E.P.S-After Tax	Rs.	48.97	106.38	53.46	80.04	50.57	8.95
Activity							
Sales To Total Assets	Times	1.15	1.34	1.53	1.59	1.25	1.15
Sales To Fixed Assets	Times	3.08	4.25	4.01	4.68	3.58	2.87
Liquidity/Leverage							
Current Ratio		1.40:1	1.49:1	1.44:1	1.27:1	1.09:1	1.91
Debt Equity Ratio	Times	0.18	0.09	0.13	0.13	0.09	0.16
Total Liabilities to Equity.	Times	0.65	0.65	0.69	0.91	0.93	1.28
Break up value per share	Rs.	664.27	567.56	414.82	374.49	298.36	222.07

## REVIEW REPORT TO THE MEMBERS

### ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of **Sapphire Textile Mills Limited** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company'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's statement on internal control covers all the risks and control or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

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

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

KARACHI:  
Date: October 02, 2014

**MUSHTAQ & COMPANY**  
Chartered Accountants  
**Engagement Partner**  
Mushtaq Ahmed Vohra  
FCA

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company **SAPPHIRE TEXTILE MILLS LIMITED** year ended June 30, 2014.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of 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 directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr.Nadeem Karamat
Executive Directors	Mr. Mohammad Abdullah Mr. Nadeem Abdullah Mr. Nabeel Abdullah
Non-Executive Directors	Mr. Shahid Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Shayan Abdullah

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 resident 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 a NBFIs. None of the Directors is a member of a stock exchange.
4. During the year election was held. Mr.Mohammad Younus retired from the office of director of the company and Mr.Nadeem Karamat was elected as an independent director of the company. No casual vacancies occurred in the board of directors.
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 they were approved or amended has been maintained.
7. All the power of board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and board met at least once in every quarter. Written notice of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, majority of Directors of the Company are exempted from the requirement of directors' training program as prescribed by the Code of Corporate Governance and the rest of the Directors are trained.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

10. There was no new appointment of CFO/Company Secretary during the year.
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 of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. As a result of Election of the Board of Directors of the Company, the company has reconstituted an Audit Committee. It comprises three members, of whom one is independent, one is non-executive and one is executive Director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. As a result of Election of the Board of Directors of the Company, the company has re-constituted an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has set up an effective Internal Audit Function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 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(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi  
Dated : October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

## AUDITORS' REPORT TO THE MEMBERS

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

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the 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 verifications, we report that;

- (a) in our opinion, proper books of accounts 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 accounts and are further in accordance with accounting policies consistently applied, except for the change in accounting policy as stated in note 4 to the financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

KARACHI:  
Date: October 02, 2014

**MUSHTAQ & COMPANY**  
Chartered Accountants  
Engagement Partner:  
Mushtaq Ahmed Vohra  
FCA

**BALANCE SHEET**

As at June 30, 2014

			(Re-stated)	(Re-stated)
		2014	2013	July 01, 2012
	Note	Rupees		
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	7	8,080,933,699	5,773,038,211	5,161,762,107
Investment property	8	163,273,406	164,424,860	186,904,254
Intangible assets	9	3,189,494	5,572,830	8,335,030
Long term investments	10	5,346,291,863	3,593,058,918	2,231,675,922
Long term loans and advances	11	70,905,506	43,443,630	36,223,204
Long term deposits and prepayments	12	61,936,668	58,874,594	29,500,666
		<b>13,726,530,636</b>	<b>9,638,413,043</b>	<b>7,654,401,183</b>
<b>CURRENT ASSETS</b>				
Stores, spares and loose tools	13	270,214,278	228,908,839	250,799,409
Stock in trade	14	3,776,222,400	4,908,046,675	3,317,722,811
Trade debts	15	1,224,423,835	1,710,499,789	1,337,067,271
Loans and advances	16	191,781,695	175,007,817	117,723,889
Trade deposits and short term prepayments	17	13,555,061	6,646,973	14,815,702
Other receivables	18	54,051,052	79,063,838	43,639,601
Other financial assets	19	1,915,019,331	1,457,039,126	810,341,353
Tax refunds due from Government	20	781,038,372	535,065,386	434,008,678
Cash and bank balances	21	97,713,627	103,436,686	75,986,808
		<b>8,324,019,651</b>	<b>9,203,715,129</b>	<b>6,402,105,522</b>
<b>TOTAL ASSETS</b>		<b>22,050,550,287</b>	<b>18,842,128,172</b>	<b>14,056,506,705</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized share capital 35,000,000 ordinary shares of Rs.10 each		<b>350,000,000</b>	<b>350,000,000</b>	<b>350,000,000</b>
Issued, subscribed and paid up capital	22	<b>200,831,400</b>	<b>200,831,400</b>	<b>200,831,400</b>
Reserves		<b>13,139,783,777</b>	<b>11,197,451,072</b>	<b>8,130,066,048</b>
		<b>13,340,615,177</b>	<b>11,398,282,472</b>	<b>8,330,897,448</b>
<b>NON-CURRENT LIABILITIES</b>				
Long term financing	23	<b>2,352,644,005</b>	<b>1,001,498,908</b>	<b>1,094,621,651</b>
Deferred liabilities	24	<b>412,834,886</b>	<b>253,860,802</b>	<b>176,363,254</b>
		<b>2,765,478,891</b>	<b>1,255,359,710</b>	<b>1,270,984,905</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	25	<b>2,036,146,471</b>	<b>1,496,888,582</b>	<b>1,099,692,715</b>
Accrued Interest / mark-up	26	<b>100,982,389</b>	<b>68,192,565</b>	<b>70,308,182</b>
Short term borrowings	27	<b>3,201,433,835</b>	<b>4,057,673,933</b>	<b>2,850,756,103</b>
Current portion of long term financing	23	<b>394,749,068</b>	<b>369,206,566</b>	<b>213,468,649</b>
Provision for taxation	28	<b>211,144,456</b>	<b>196,524,344</b>	<b>220,398,703</b>
		<b>5,944,456,219</b>	<b>6,188,485,990</b>	<b>4,454,624,352</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	29			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,050,550,287</b>	<b>18,842,128,172</b>	<b>14,056,506,705</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

## PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2014

	Note	2014	2013
		Rupees	
Sales and services	30	25,411,301,753	25,283,151,486
Cost of sales and services	31	(22,623,272,169)	(21,078,288,927)
<b>Gross profit</b>		<b>2,788,029,584</b>	<b>4,204,862,559</b>
Distribution cost	32	(942,732,494)	(1,075,341,922)
Administrative expenses	33	(239,517,075)	(207,978,602)
Other operating expenses	34	(130,436,886)	(285,862,499)
Other income	35	510,633,288	394,441,259
		(802,053,167)	(1,174,741,764)
<b>Profit from operations</b>		<b>1,985,976,417</b>	<b>3,030,120,795</b>
Finance cost	36	(715,768,385)	(664,151,644)
<b>Profit before taxation</b>		<b>1,270,208,032</b>	<b>2,365,969,151</b>
<b>Taxation</b>			
Current			
- for the year		(211,144,456)	(196,524,344)
- prior year		46,157,048	-
Deferred		(121,815,730)	(32,977,320)
	37	(286,803,138)	(229,501,664)
<b>Profit after taxation for the year</b>		<b>983,404,894</b>	<b>2,136,467,487</b>
<b>Earnings per share - basic and diluted</b>	38	<b>48.97</b>	<b>106.38</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

NADEEM ABDULLAH  
CHIEF EXECUTIVE

MOHAMMAD ABDULLAH  
DIRECTOR

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

	2014	(Re-stated) 2013
	----- Rupees -----	
<b>Profit after taxation for the year</b>	<b>983,404,894</b>	2,136,467,487
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit and loss</b>		
<b>Available for sale investments</b>		
Unrealized gain on remeasurement of available for sale investments	1,240,883,320	1,283,485,376
Reclassification adjustments relating to gain realized on disposal of available for sale investments	(90,645,762)	(23,093,695)
	1,150,237,558	1,260,391,681
<b>Forward foreign currency contracts</b>		
Unrealized gain on remeasurement of forward foreign currency contracts	1,003,061	56,143,973
Reclassification adjustments relating to loss realized on settlement of foreign currency contracts	(2,345,865)	(26,899,054)
	(1,342,804)	29,244,919
<b>Items that may not be reclassified subsequently to profit and loss</b>		
Loss on remeasurement of staff retirement benefits	(9,833,283)	(18,461,246)
Impact of deferred tax	614,600	1,155,563
	(9,218,683)	(17,305,683)
<b>Other comprehensive income for the year</b>	<b>1,139,676,071</b>	1,272,330,917
<b>Total comprehensive income for the year</b>	<b><u>2,123,080,965</u></b>	<b><u>3,408,798,404</u></b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

**CASH FLOW STATEMENT**

For the year ended June 30, 2014

	2014	2013
Note	----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	39 4,289,189,443	1,645,159,821
Long term loans, deposits and prepayments	(30,523,950)	(41,955,919)
Finance cost paid	(690,218,120)	(666,267,261)
Staff retirement benefits - gratuity paid	(56,872,161)	(35,221,375)
Taxes paid	(396,340,282)	(321,455,411)
	(1,173,954,513)	(1,064,899,966)
Net cash generated from operating activities	3,115,234,930	580,259,855
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,912,110,956)	(1,175,367,939)
Investment in associated undertakings / subsidiaries	(637,568,800)	(205,800,000)
Investment others	(760,418,871)	(638,022,822)
Proceeds from disposal of property, plant and equipment	34,108,669	59,627,313
Proceeds from disposal of investment property	-	21,000,000
Proceeds from sale of investments	461,556,434	168,002,719
Dividend received	334,155,654	273,565,156
Profit received on saving account	104,006	201,938
Rental income received	14,952,720	12,804,000
Net cash used in investing activities	(3,465,221,144)	(1,483,989,635)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings - net	(849,131,062)	1,197,941,751
Proceeds from long term financing	1,745,893,016	628,158,674
Repayment of long term financing	(369,205,417)	(565,543,500)
Dividend paid	(183,423,905)	(338,353,346)
Net cash generated from financing activities	344,132,632	922,203,579
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(5,853,582)</b>	<b>18,473,799</b>
Cash and cash equivalents at the beginning of the year	93,961,019	75,487,220
<b>Cash and cash equivalents at the end of the year</b>	<b>88,107,437</b>	<b>93,961,019</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	97,713,627	103,436,686
Book overdrafts - unsecured	(9,606,190)	(9,475,667)
<b>Cash and cash equivalents at the end of the year</b>	<b>88,107,437</b>	<b>93,961,019</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2014

	Reserves				Other Components of equity			Total Equity		
	Share Capital	Capital		Unappropriated Profit	On available for sale investments	On forward foreign exchange contracts	SUB TOTAL			
		Share Premium	Fixed Assets Replacement						General Reserves	Revenue
<b>Balance as at July 01, 2012 - as previously reported</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	5,266,230,588	6,817,432,788	1,335,756,184	(26,899,054)	1,308,857,130	8,327,121,318
Effect of change in accounting policy (note 4)	-	-	-	-	3,776,130	3,776,130	-	-	-	3,776,130
<b>Balance as at July 01, 2012 - restated</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	5,270,006,718	6,821,208,918	1,335,756,184	(26,899,054)	1,308,857,130	8,330,897,448
<b>Total comprehensive income for the year ended June 30, 2013</b>	-	-	-	-	2,119,161,804	2,119,161,804	1,260,391,681	29,244,919	1,289,636,600	3,408,798,404
Profit after taxation for the year	-	-	-	-	2,136,467,487	2,136,467,487	-	-	-	2,136,467,487
Other comprehensive income for the year	-	-	-	-	(17,305,683)	(17,305,683)	1,260,391,681	29,244,919	1,289,636,600	1,272,330,917
<b>Transaction with owners</b>	-	-	-	-	2,119,161,804	2,119,161,804	1,260,391,681	29,244,919	1,289,636,600	3,408,798,404
Final dividend for the year ended June 30, 2012 @ Rs. 5 per share	-	-	-	-	(100,415,700)	(100,415,700)	-	-	-	(100,415,700)
Interim dividend for the year ended June 30, 2013 @ Rs. 12 per share	-	-	-	-	(240,997,680)	(240,997,680)	-	-	-	(240,997,680)
<b>Balance as at June 30, 2013 - restated</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	7,047,755,142	8,598,957,542	2,596,147,865	2,345,865	2,598,493,730	11,398,282,472
<b>Balance as at July 01, 2013 - restated</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	7,047,755,142	8,598,957,542	2,596,147,865	2,345,865	2,598,493,730	11,398,282,472
<b>Total comprehensive income for the year ended June 30, 2014</b>	-	-	-	-	983,404,894	983,404,894	1,150,237,558	(1,342,804)	1,148,894,754	2,123,080,965
Profit after taxation for the year	-	-	-	-	983,404,894	983,404,894	-	-	-	983,404,894
Other comprehensive income for the year	-	-	-	-	(9,218,683)	(9,218,683)	1,150,237,558	(1,342,804)	1,148,894,754	1,139,676,071
<b>Transaction with owners</b>	-	-	-	-	974,186,211	974,186,211	1,150,237,558	(1,342,804)	1,148,894,754	2,123,080,965
Final dividend for the year ended June 30, 2013 @ Rs. 9 per share	-	-	-	-	(180,748,260)	(180,748,260)	-	-	-	(180,748,260)
<b>Balance as at June 30, 2014</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	7,841,193,093	9,392,395,293	3,746,385,423	1,005,061	3,747,388,484	13,340,615,177

The annexed notes from 1 to 48 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

## 1 LEGAL STATUS AND OPERATIONS

Sapphire Textile Mills Limited (the Company) was incorporated in Pakistan on March 11, 1969 as a public limited company under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Karachi Stock Exchange. The registered office of the Company is located at 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and its mills are located at Kotri, Nooriabad, Chunion, Feroze Watwan and Bhopattian Lahore.

The Company is principally engaged in manufacturing and sale of yarn, fabrics, home textile products and processing of fabrics.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 and the requirements of the said directives prevail.

### 2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for measurement of certain financial assets and financial liabilities at fair value and recognition of employee benefits at present value.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee.

## 3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### Property, Plant and equipment

The Company reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

### Stock-in-trade and stores, spares and loose tools

The Company reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 24.2 to these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

### Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

### Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

### Trade debts and other receivables

The Company's management reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

## 4 CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the Company's policy for Staff Retirement Benefits in respect of remeasurements stands amended as follows:

The amount arising as a result of remeasurements are recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarized as below:

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>Impact on Balance Sheet</b>		
Increase / (decrease) in staff retirement benefits	18,461,246	(4,073,539)
(Decrease) / increase in deferred taxation liability	(1,155,563)	297,409
Decrease / (increase) in reserves	17,305,683	(3,776,130)
Decrease / (increase) in unappropriated profit		
Cumulative effect from prior years	-	(3,776,130)
Impact for the year ended June 30, 2013	21,081,813	
<b>Impact on Other Comprehensive Income</b>		
Increase in loss on remeasurement of staff retirement benefits	18,461,246	
Decrease in deferred taxation charge	(1,155,563)	

The effect of change in accounting policy on the statement of cash flows was not material.

### 5 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

#### 5.1 Standards, amendments or interpretations which became effective during the year

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2013:

IAS 19 (Revised), 'Employee benefits' (effective for the periods beginning on or after January 1, 2013). The amendments will make significant changes to the recognition and measurement of defined benefit plan expense. The amendments requires actuarial gains and losses to be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19, and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The impact of change in standards is disclosed in Note 4.

Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period. However, the entity need not to present the related notes in the opening balance sheet as at the beginning of the preceding period.

#### 5.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relates to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

IAS 39 Financial Instruments' Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after January 1, 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

IAS 32, 'Financial Instruments: Presentation' (effective for the periods beginning on or after January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Company is in the process of assessing the impact of this amendment on the Company's financial statements.

- 5.3 There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

### 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 6.1 Property, plant and equipment

##### Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and leasehold land, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 7.1. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the profit and loss account.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

##### Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements is allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

### Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. Capital work-in-progress is recognized as an operating fixed asset when it is made available for intended use.

### 6.2 Investment property

Property held for capital appreciation and rental yield, which is not in the use of the Company is classified as investment property. Investment Property comprises of land and buildings. The company has adopted cost model for its investment property using the same basis as disclosed for measurement of the Company's owned assets.

### 6.3 Intangible assets

Intangible assets acquired by the company are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditures are expensed as incurred.

Amortization is charged to profit and loss account on straight line basis over a period of five years. Amortization on addition is charged from the date the asset is put to use while no amortization is charged from the date the asset is disposed off.

### 6.4 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

#### Investment in subsidiary and associated companies

Investments in subsidiaries and associates are recognized at cost less impairment loss, if any. At each balance sheet date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

#### Investment - available for sale

Investments that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each balance sheet date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments 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 recognized as expense. In respect of available for sale investments, cumulative impairment loss less

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

any impairment loss previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss accounts. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss accounts.

All purchases and sales are recognized on the trade date which is the date that the company commits to purchase or sell the investment, except for sale and purchase of securities in future market which are accounted for at settlement date. Cost of purchase includes transaction cost.

### 6.5 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost accumulated to balance sheet date. Provision for obsolete and slow moving stores, spares and loose tools is determined based on management estimate regarding their future usability.

### 6.6 Stock in trade

Stock-in-trade is stated at the lower of cost and net realizable value, except waste which is valued at net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of raw materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less cost of completion and selling expenses.

Provision for obsolete and slow moving stock in trade is determined based on management estimate regarding their future usability.

### 6.7 Trade debts and other receivables

Trade debts are initially recognized at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision.

### 6.8 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 and balances with banks, net of temporary overdrawn bank balances.

### 6.9 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

### 6.10 Employee benefits

Compensated absences

The company accounts for all accumulated compensated absences in the period in which absences accrue.

Defined benefits plans

The company operates an unfunded gratuity scheme for its permanent employees as per terms of employment who have completed minimum qualifying period of service as defined under the scheme.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. The amount arising as a result of remeasurements are recognized in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

The liability recognized in the balance sheet in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

### Defined Contribution Plan

There is an approved contributory provident fund for staff for which contributions are charged to income for the year.

The Company and the employees make equal monthly contributions to the fund at the rate of 8.33% of basic salary in the case of management staff, and 8.33% of basic salary and cost of living allowance in case of non-management staff. The assets of the fund are held separately under the control of trustees.

### 6.11 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

### 6.12 Taxation

#### Current year

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

#### Deferred tax

Deferred tax is provided using the balance sheet 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 regards, 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 Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized 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 utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the each reporting date.

### 6.13 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which they are approved by the shareholders and therefore, they are accounted for as non-adjusting post balance sheet event.

### 6.14 Provisions

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

### 6.15 Revenue recognition

Revenue from sale of goods is recognized when goods are dispatched to customers and invoices raised.

Return on bank balances is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

All other incomes are recognized on accrual basis.

### 6.16 Government grant

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the entity.

The grants are disclosed as a deduction from the related expense.

### 6.17 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commencing.

### 6.18 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

### 6.19 Impairment

The carrying amount of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account.

### 6.20 Financial instruments

Financial assets

#### 6.20.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

**c) Held to maturity financial assets**

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity. There were no held to maturity investments as at balance sheet date.

**d) Available-for-sale financial assets**

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off within 12 months of the end of the reporting date.

### 6.20.2 Recognition

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. All financial assets are initially recognized at fair value plus transaction costs except for those financial assets which are designated as ‘financial assets at fair value through profit or loss’. ‘Financial assets carried at fair value through profit or loss’ are initially recognized at fair value and transaction costs are charged to the profit and loss account. Financial assets are derecognized when the right to receive cash flows from such assets has expired or have been transferred and the Company has transferred substantially all risks and rewards, incidental to the ownership of such financial assets.

Dividend income from ‘financial assets at fair value through profit or loss’ and ‘available-for-sale financial assets’ is recognized in the profit and loss account when the Company’s right to receive payments is established.

Equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured or determined are stated at cost.

### 6.20.3 Measurement

‘Available-for-sale financial assets’ and ‘financial assets at fair value through profit or loss’ are subsequently measured at fair value whereas ‘held to maturity financial assets’ and ‘loans and receivables’ are subsequently measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ are recognized in the profit and loss account in the period in which they arise.

Changes in the fair value of ‘available-for-sale financial assets’ are recognized in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulative fair value adjustments recognized in other comprehensive income till the time of disposal or impairment are charged to the profit and loss account.

### 6.20.4 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence is identified to exist, the said financial asset or group of financial assets are impaired and an impairment loss is recognized in the profit and loss account for the amount by which the assets’ carrying amount exceed their recoverable amount. Impairment losses of equity instruments, once recognized, are not reversed through the profit and loss account.

### 6.20.5 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 6.20.6 Derivative financial instruments

The Company designates derivative financial instruments as either fair value hedge or cash flow hedge.

#### a) Cash flow Hedges

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect the profit and loss account.

#### b) Fair value hedge and other non-trading derivatives

Fair value hedge represents hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivative that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly. When a derivative financial instrument is not designated in a qualifying hedge relationship, it is accounted for as held for trading and accordingly is categorized as 'financial asset at fair value through profit or loss'.

### 6.20.7 Financial liabilities

These are initially recognized at cost, which is the fair value of the consideration expected to be paid. All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the obliging instrument/ contract.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

### 6.21 Earnings per share - basic and diluted

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

### 6.22 Related party transactions

All transactions with related parties are carried out by the Company at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant notes to the financial statements.

	Note	2014 ----- Rupees -----	2013
<b>7 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	7.1	5,994,977,274	5,416,477,867
Capital work-in-progress	7.4	2,085,956,425	356,560,344
		<u>8,080,933,699</u>	<u>5,773,038,211</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended June 30, 2014

#### 7.1 Operating fixed assets

	2014																	
	Land				On free - hold				On lease - hold				Rupees					
	Free - hold	Lease - hold	Factory building	Labour staff colony and others	Office building	Factory building	Labour staff colony and others	Leased building improvements	Plant & machinery	Electric installations	Fire fighting equipment	Electric equipment	Computers	Office equipments	Mills equipments	Furniture & fixtures	Vehicles	Total
At July 01, 2013																		
Cost	99,885,845	61,495,175	1,149,807,214	261,941,308	184,200,855	232,238,984	38,109,815	50,064,636	7,390,722,133	318,224,644	2,306,250	44,388,601	27,421,902	36,411,662	48,727,135	26,197,479	202,162,490	10,173,606,128
Accumulated depreciation	-	-	(544,480,563)	(94,424,080)	(6,907,552)	(149,333,107)	(15,881,177)	(23,369,721)	(3,665,532,783)	(71,100,649)	(742,209)	(13,915,636)	(14,768,005)	(23,803,941)	(25,344,382)	(11,048,533)	(92,176,124)	(4,157,128,261)
Net book value	99,885,845	61,495,175	605,326,651	167,517,228	177,293,323	82,905,877	22,228,638	21,694,915	3,725,489,350	247,123,995	1,464,042	30,772,965	12,653,897	12,607,721	23,382,753	15,149,126	109,986,366	5,416,477,867
Year ended June 30, 2014																		
Additions	32,021,300	26,844,802	101,446,083	62,460,040	-	30,619,846	-	5,535,060	855,204,111	20,168,268	2,956,185	387,229	8,388,435	1,263,119	300,000	3,025,839	32,114,558	1,182,714,875
Disposals:																		
- Cost	-	-	-	-	-	-	-	-	111,360,039	-	-	-	-	-	75,000	-	14,582,270	126,017,309
- Depreciation	-	-	-	-	-	-	-	-	(91,429,640)	-	-	-	-	-	(71,540)	-	(9,733,118)	(101,234,298)
Depreciation charge for the year	-	-	-	-	-	-	-	-	19,930,399	-	-	-	-	-	3,460	-	4,849,152	24,783,011
Closing net book value - 2014	131,707,145	88,339,977	638,471,409	219,887,037	188,428,657	102,683,482	20,791,413	22,562,166	4,148,222,532	241,959,303	4,038,797	28,072,091	18,004,479	12,557,263	21,336,171	16,536,783	112,779,579	5,994,977,274
As at June 30, 2014																		
Cost	131,707,145	88,339,977	1,250,953,297	324,401,348	184,200,855	262,858,830	38,109,815	55,599,696	8,134,566,205	338,392,912	5,162,435	44,875,830	35,790,337	37,674,781	48,952,135	29,223,318	219,694,778	11,230,303,694
Accumulated depreciation	-	-	(612,481,888)	(104,514,311)	(15,772,198)	(160,175,348)	(17,318,402)	(33,037,540)	(3,985,743,673)	(96,434,609)	(1,123,638)	(16,603,739)	(18,785,858)	(25,117,516)	(27,615,964)	(12,686,535)	(106,915,199)	(5,235,326,420)
Net book value - 2014	131,707,145	88,339,977	638,471,409	219,887,037	188,428,657	102,683,482	20,791,413	22,562,166	4,148,222,532	241,959,303	4,038,797	28,072,091	18,004,479	12,557,263	21,336,171	16,536,783	112,779,579	5,994,977,274
Depreciation rate % per annum	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

  

	2013																	
	Land				On free - hold				On lease - hold				Rupees					
	Free - hold	Lease - hold	Factory building	Labour staff colony and others	Office building	Factory building	Labour staff colony and others	Leased building improvements	Plant & machinery	Electric installations	Fire fighting equipment	Electric equipment	Computers	Office equipments	Mills equipments	Furniture & fixtures	Vehicles	Total
At July 01, 2012																		
Cost	120,593,283	9,180,416	1,101,797,134	261,941,308	184,200,855	232,238,984	30,153,574	48,174,914	6,713,463,358	195,460,123	1,919,340	43,861,451	19,094,477	35,610,412	44,388,601	23,655,450	194,970,801	9,066,581,631
Accumulated depreciation	-	-	(479,817,487)	(65,889,370)	-	(140,121,343)	(14,577,683)	(23,134,885)	(3,376,454,920)	(50,545,957)	(602,276)	(10,298,835)	(11,924,177)	(22,444,461)	(23,007,844)	(9,625,742)	(61,480,070)	(4,329,925,050)
Net book value	120,593,283	9,180,416	621,979,647	176,051,938	-	92,117,641	15,575,891	25,040,029	3,337,008,438	144,914,166	1,317,064	33,862,616	7,170,296	13,165,951	21,380,757	14,029,708	103,490,731	4,736,656,581
Year ended June 30, 2013																		
Additions	-	52,314,759	47,710,080	-	184,200,855	-	7,956,241	1,889,722	774,122,750	122,764,521	286,910	639,000	8,441,222	801,250	4,360,525	2,797,703	35,627,683	1,243,913,121
Disposals:																		
- Cost	-	-	-	-	-	-	-	-	96,663,975	-	-	-	-	-	255,674	-	18,435,894	136,888,624
- Depreciation	-	-	-	-	-	-	-	-	(77,598,618)	-	-	-	-	-	(129,864)	-	(13,648,558)	(91,639,595)
Depreciation charge for the year	-	-	-	-	-	-	-	-	19,265,357	-	-	-	-	-	125,810	-	4,787,336	45,249,029
Closing net book value - 2013	99,885,845	61,495,175	605,026,651	167,517,228	177,293,323	82,905,877	22,228,638	21,694,915	3,725,489,350	247,123,995	1,464,042	30,772,965	12,653,897	12,607,721	23,382,753	15,149,126	109,986,366	5,416,477,867
As at June 30, 2013																		
Cost	99,885,845	61,495,175	1,149,807,214	261,941,308	184,200,855	232,238,984	38,109,815	50,064,636	7,390,722,133	318,224,644	2,306,250	44,388,601	27,421,902	36,411,662	48,727,135	26,197,479	202,162,490	10,173,606,128
Accumulated depreciation	-	-	(544,480,563)	(94,424,080)	(6,907,552)	(149,333,107)	(15,881,177)	(23,369,721)	(3,665,532,783)	(71,100,649)	(742,209)	(13,915,636)	(14,768,005)	(23,803,941)	(25,344,382)	(11,048,533)	(92,176,124)	(4,157,128,261)
Net book value - 2013	99,885,845	61,495,175	605,326,651	167,517,228	177,293,323	82,905,877	22,228,638	21,694,915	3,725,489,350	247,123,995	1,464,042	30,772,965	12,653,897	12,607,721	23,382,753	15,149,126	109,986,366	5,416,477,867

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

7.2 The depreciation charge for the year has been allocated as follows:	Note	2014	2013
		----- Rupees -----	
Cost of sales and services	31	559,980,231	504,008,415
Administrative expenses	33	19,452,226	14,834,391
		<b>579,432,457</b>	<b>518,842,806</b>

## 7.3 Particulars of disposal of operating fixed assets during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Mode of disposal	Particulars of Buyers
<b>Rupees</b>							
<b>Plant and Machinery</b>							
Sketcher	633,828	547,432	86,396	357,265	270,869	Negotiation	Jeelani Auto Industries, Hyderabad
8 Cards	13,000,000	11,011,281	1,988,719	2,393,160	404,441	--- do ---	Jeelani Auto Industries, Hyderabad
2 Cards	4,387,862	3,467,083	920,779	598,290	(322,489)	--- do ---	Jeelani Auto Industries, Hyderabad
Sketcher	1,275,000	1,020,935	254,065	847,458	593,393	--- do ---	Abdul Rehman Khan, Janranwala
4 Air Compressor	883,884	585,609	298,275	88,136	(210,139)	--- do ---	Abdul Rehman Khan, Janranwala
Lath machine	26,667	25,869	798	16,949	16,151	--- do ---	Abdul Rehman Khan, Janranwala
Air Condition - Chiller	1,607,618	1,381,994	225,624	16,949	(208,675)	--- do ---	Abdul Rehman Khan, Janranwala
2 Set Simplex frame	6,981,085	6,000,522	980,563	1,600,000	619,437	--- do ---	Zain International, Lahore.
Mach Coner Type 7-II	2,520,782	2,394,038	126,744	668,644	541,900	--- do ---	Noshad Textile Machinery, Faisalabad
Bale opener, Beater & Condensor	4,596,379	4,155,457	440,922	52,542	(388,380)	--- do ---	Noshad Textile Machinery, Faisalabad
Draw frame	133,937	133,556	381	57,797	57,416	--- do ---	Noshad Textile Machinery, Faisalabad
Auto Plucker	585,853	472,211	113,642	84,746	(28,896)	--- do ---	Abdul Hafeez, Faisalabad.
Step Cleaner	707,472	641,768	65,704	84,746	19,042	--- do ---	Abdul Hafeez, Faisalabad.
2 Draw frame	3,177,530	2,852,197	325,333	211,864	(113,469)	--- do ---	Abdul Hafeez, Faisalabad.
2 Combers	1,400,000	1,243,659	156,341	169,491	13,150	--- do ---	Abdul Hafeez, Faisalabad.
4 Combers	3,336,206	3,018,368	317,838	423,729	105,891	--- do ---	Abdul Hafeez, Faisalabad.
Blow room Machinery parts	5,852,686	5,537,399	315,287	394,069	78,782	--- do ---	Noshad Textile Machinery, Faisalabad
3 Ring Frame	2,931,749	2,709,123	222,626	508,475	285,849	--- do ---	S.A.Traders, Faisalabad
2 Ring Frame	1,954,499	1,807,351	147,148	338,983	191,835	--- do ---	S.A.Traders, Faisalabad
5 Ring Frame EJM-128 Complete	8,937,631	7,027,625	1,910,006	2,264,957	354,951	--- do ---	Noon Textile Mills Ltd, Lahore
2 Ring Frame EJM 128 Complete	3,331,176	2,354,702	976,474	1,111,294	134,820	--- do ---	Green House (Pvt) Ltd., Faisalabad
13 Sets Tsudakoma Air Jet Looms	43,098,195	33,041,461	10,056,734	13,000,000	2,943,266	--- do ---	Arragon International, Karachi.
	111,360,039	91,429,640	19,930,399	25,289,544	5,359,145		
<b>Mills equipment</b>							
Bale Press	39,000	37,201	1,799	25,424	23,625	Negotiation	Abdul Rehman Khan, Janranwala
Weigh Bridge	36,000	34,339	1,661	33,898	32,237	--- do ---	Abdul Rehman Khan, Janranwala
	75,000	71,540	3,460	59,322	55,862		
<b>Vehicles</b>							
Santro	561,480	444,839	116,641	210,000	93,359	Negotiation	Saima Faisal, Karachi.
Honda Civic	1,336,000	1,008,832	327,168	700,000	372,832	--- do ---	Muneet Kumar, Karachi.
Suzuki Alto	496,000	444,129	51,871	215,000	163,129	--- do ---	Muhammad anwar Abbasi, Karachi.
Suzuki Cultus	620,000	480,099	139,901	400,000	260,099	--- do ---	Malik Aleem, Karachi.
Suzuki Cultus	568,100	502,017	66,083	225,000	158,917	--- do ---	Abdul Hameed Niaz, Karachi.
Suzuki Liana	1,169,000	688,349	480,651	550,000	69,349	--- do ---	Faisal Riaz, Karachi.
Fork Lifter	1,525,054	1,231,879	293,175	1,280,654	987,479	--- do ---	S.A. Traders, Faisalabad.
Toyota Hilux Pickup	759,000	720,577	38,423	300,000	261,577	--- do ---	Muhammad Ameen, Sheikhpura.
Toyota Corrolla	1,426,000	665,467	760,533	900,000	139,467	--- do ---	Asif Ali, Kasur.
Suzuki Cultus	682,000	465,909	216,091	400,000	183,909	--- do ---	Abdul Rasheed, Faisalabad.
Honda Citi	850,911	621,344	229,567	1,050,000	820,433	Insurance claim	Adamjee Insurance Company Limited, Karachi.
Daihatsu Cuore	912,000	300,757	611,243	650,000	38,757	Negotiation	Nabeel Riaz, Lahore.
Daihatsu Cuore	723,750	355,763	367,987	400,000	32,013	--- do ---	Mr.Muhammad Aslam Mehtab, Lahore
Daihatsu Cuore	464,000	379,667	84,333	300,000	215,667	--- do ---	Mr.Muhammad Shahzad Khan, Lahore
Honda 125	98,000	11,161	86,839	63,000	(23,839)	Insurance claim	Adamjee Insurance Company Limited, Karachi.
Honda Citi	1,371,935	649,017	722,918	800,000	77,082	Negotiation	Muhammad Omeir Zahid, Lahore.
Daihatsu Cuore	504,470	382,696	121,774	300,000	178,226	--- do ---	Asif Ali, Kasoor.
Daihatsu Cuore	514,570	380,616	133,954	400,000	266,046	--- do ---	Kashif Iqbal, Tobateksingh
	14,582,270	9,733,118	4,849,152	9,143,654	4,294,502		
	126,017,309	101,234,298	24,783,011	34,492,520	9,709,509		

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

7.4 Capital work-in-progress	Note	2014	2013
		----- Rupees -----	
Advance for Land		-	24,619,802
Civil works and Buildings		529,638,866	230,850,196
Plant and machinery		1,440,917,314	93,004,666
Electric installations		84,901,000	3,518,800
Fire fighting equipment		1,580,220	1,994,720
Office equipments		-	217,760
Mills equipments		17,490,163	30,000
Furniture & Fixtures		3,343,460	2,324,400
Un-allocated expenditure	7.6	8,085,402	-
		<b>2,085,956,425</b>	<b>356,560,344</b>

7.5 During the year, the borrowing cost amounting Rs.46.552 million (2013: Rs.1.079 million) has been capitalized in the cost of operating fixed assets and Capital work in progress which was charged at rate range from 8.90% to 10.93% (2013: 8.90%) per annum.

7.6 Un-allocated expenditure

Salaries, wages and benefits	6,833,736	-
Stores consumed	9,881	-
Travelling and conveyance	600,656	-
Legal and professional	37,700	-
Communication	30,121	-
Insurance	37,644	-
Miscellaneous	426,782	-
Finance costs	108,882	-
	<b>8,085,402</b>	<b>-</b>

7.6.1 It represents directly attributable costs incurred on construction/acquisition of property, plant and equipment. These costs will be allocated to the respective items of property, plant and equipment on completion.

### 8 INVESTMENT PROPERTY

	Land		Building on	Total
	Leasehold	Freehold	Leasehold land	
	----- Rupees -----			
Net carrying value as at July 01, 2013				
Opening net book value (NBV)	121,160,317	31,750,000	11,514,543	164,424,860
Depreciation charged	-	-	(1,151,454)	(1,151,454)
Balance as at June 30, 2014 (NBV)	121,160,317	31,750,000	10,363,089	163,273,406
Gross carrying value as at June 30, 2014				
Cost	121,160,317	31,750,000	19,999,980	172,910,297
Accumulated depreciation	-	-	(9,636,891)	(9,636,891)
Net book value - June 30, 2014	121,160,317	31,750,000	10,363,089	163,273,406
Net carrying value as at July 01, 2012				
Opening net book value (NBV)	142,360,317	31,750,000	12,793,937	186,904,254
Disposal	(21,200,000)	-	-	(21,200,000)
Depreciation charged	-	-	(1,279,394)	(1,279,394)
Balance as at June 30, 2013 (NBV)	121,160,317	31,750,000	11,514,543	164,424,860
Depreciation rate % per annum	-	-	10	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

- 8.1 The investment property includes company's 50% share valuing Rs.141,160,297 represents cost of jointly controlled leasehold land measuring 8,888.88 square yards with building thereon located at sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of Company and Sapphire Fibres Limited (related party).
- 8.2 In the opinion of the Directors the market value of investment property as on June 30, 2014 is not materially different from the book value.

		2014	2013
	Note	----- Rupees -----	
8.3	The depreciation charge for the year has been allocated as follows:		
	Other operating expenses	1,151,454	1,279,394
9	<b>INTANGIBLE ASSETS</b> (Computer software)		
	Net carrying value as at July 01, 2013		
	Net book value as at July 01, 2013	5,572,830	8,335,030
	Amortization	(2,383,336)	(2,762,200)
	<b>Net book value at June 30, 2014</b>	<b>3,189,494</b>	<b>5,572,830</b>
	<b>Gross carrying value at June 30, 2014</b>		
	Cost	17,951,617	17,951,617
	Accumulated amortization	(14,762,123)	(12,378,787)
	<b>Net book value as at June 30, 2014</b>	<b>3,189,494</b>	<b>5,572,830</b>
	Amortization rate % per annum	20	20
9.1	<b>Amortization charge for the year has been allocated as follows:</b>		
	Other operating expenses	2,383,336	2,762,200
10	<b>LONG TERM INVESTMENTS</b>		
	<b>Related parties - at cost:</b>		
	Subsidiaries - unlisted	690,631,300	147,020,000
	- foreign	986,000	986,000
		<b>691,617,300</b>	<b>148,006,000</b>
	Associates - listed	8,461,851	8,461,851
	- unlisted	467,514,425	355,439,791
		<b>475,976,276</b>	<b>363,901,642</b>
	<b>Other companies - Available for sale</b>	<b>4,178,698,287</b>	<b>3,081,151,276</b>
		<b>5,346,291,863</b>	<b>3,593,058,918</b>

All investments have a face value of Rs. 10 per share unless stated otherwise.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

2014	2013	Name of Company	2014	2013
Number of Shares			----- Rupees -----	
<b>10.1 Investments in subsidiary companies - unlisted</b>				
68,052,130	10,000,000	<b>Sapphire Wind Power Company Limited (SWPCL)</b> Equity Interest Held 70%(2013:100% ) Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs.9 (2013: Rs.9.31) per share.  Share deposit money	680,521,300	100,000,000
			-	47,020,000
			<b>680,521,300</b>	<b>147,020,000</b>
10,000	-	<b>Sapphire Tech (Pvt) Limited</b> Equity Interest Held 100% Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs.4.73 per share.	100,000	-
1,000	-	<b>Sapphire Solar (Pvt) Limited</b> Equity Interest Held 100% Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs.-597.42 per share.	10,000	-
1,000,000	-	<b>Sapphire Retail Limited</b> Equity Interest Held 100% Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs.9.4 per share.	10,000,000	-
			<b>690,631,300</b>	<b>147,020,000</b>
<b>10.2 Investments in subsidiary company - foreign</b>				
200	200	<b>Sapphire Home Inc. - USA</b> Equity Interest Held 100%(200 shares of USD\$50 per share) Break up value on the basis of un-audited accounts for the year ended June 30, 2014 Rs. 19,416 (2013: Rs.23,110) per share.	986,000	986,000
<b>10.3 Investments in associates - listed</b>				
313,295	313,295	<b>Reliance Cotton Spinning Mills Limited</b> Equity Interest Held 3.04% Fair value of the ordinary shares as at June 30, 2014 amounted to Rs.27.225 million (2013: Rs.16.388 million).	8,461,851	8,461,851

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013	Name of Company	2014	2013
	Number of Shares			----- Rupees -----	
<b>10.4 Investments in associates - unlisted</b>					
	4,234,500	1,550,000	<b>Sapphire Power Generation Limited</b> Equity Interest Held 26.43% (2013:16.54%) Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs.69.73 (2013: Rs.85.67) per share.	<b>113,705,500</b>	19,748,000
	6,000,000	6,000,000	<b>Sapphire Electric Company Limited</b> Equity Interest Held 1.42% Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs.15.54 (2013: Rs.16.11) per share.	<b>60,000,000</b>	60,000,000
	10,000	10,000	<b>Sapphire Holding Limited</b> Equity Interest Held 0.05% Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs. 26.55(2013: Rs.21.88) per share.	<b>100,000</b>	100,000
	23,500,000	23,500,000	<b>Sapphire Dairies (Private) Limited</b> Equity Interest Held 22.38% Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs. 9.94 (2013: Rs.10.16) per share.	<b>235,000,000</b>	235,000,000
<b>10.5</b>	3,675	3,675	<b>Creadore A/S Denmark</b> 3,675 shares of Danish Krone (DKK) 1000 per Equity Interest Held 49% Break up value on the basis of audited accounts for the year ended April 30, 2014 DKK 953.89 (2013: DKK 639.17) equivalent to Rs.17,294(2013: Rs.11,038) per share.	<b>58,708,925</b>	40,591,791
				<b>467,514,425</b>	355,439,791
<b>10.5 Movement in the account of Creadore A/S Denmark</b>			<b>Note</b>	<b>2014</b>	<b>2013</b>
Carrying value at the beginning of the year				<b>40,591,791</b>	14,248,566
Reversal of impairment loss during the year			<b>35.2</b>	<b>18,117,134</b>	26,343,225
Carrying value at the end of the year				<b>58,708,925</b>	40,591,791
<b>10.6 Other companies - Available for sale</b>					
			<b>Quoted</b>		
13,580,540	12,345,946	MCB Bank Limited		<b>728,470,245</b>	728,470,245
		Add: Adjustment arising from measurement at fair value		<b>3,364,079,806</b>	2,266,532,795
				<b>4,092,550,051</b>	2,995,003,040
			<b>Unquoted</b>		
7,055,985	7,055,985	Novelty Enterprises (Pvt) Limited		<b>86,148,236</b>	86,148,236
				<b>4,178,698,287</b>	3,081,151,276
<b>10.7</b>			The Company has pledged 900,000 share of MCB with Bank Alfalah Limited (related party) on behalf of SWPCL (subsidiary company) as security for issue of bank guarantee of USD \$ 1,732,500 in favour of National Transmission and Despatch Company Limited.		
<b>10.8</b>			The Company has pledged 9.400 million shares of MCB with financial institution as security for issue of irrevocable Standby letter of credit in favour of a financial institution of USD \$ 18.550 million for equity injection in SWPCL in accordance with Shareholders Contribution Agreement.		

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013
<b>11 Long term loans and advances</b>			
<b>Loan to employees - unsecured (considered good)</b>			
Executives	11.3	87,539,265	50,389,866
Other employees		<u>17,814,751</u>	<u>17,316,355</u>
		<b>105,354,016</b>	67,706,221
Current portion of loans shown under current assets	16	<u>34,448,510</u>	<u>24,262,591</u>
		<b>70,905,506</b>	<b>43,443,630</b>
<b>11.1</b>	All the loans are granted to the employees, free of interest in accordance with their terms of employment.		
<b>11.2</b>	Maximum amount due from executives during the year, calculated by reference to month-end balances, was Rs.89,358,817 (2013: Rs.57,511,181).		
<b>11.3 Movement in loans to executives</b>			
Balance at the beginning of the year		50,389,866	35,147,515
Amount disbursed during the year		<u>59,671,312</u>	<u>28,615,000</u>
		<b>110,061,178</b>	63,762,515
Amount recovered during the year		<u>22,521,913</u>	<u>13,372,649</u>
Balance at the end of the year		<b>87,539,265</b>	<b>50,389,866</b>
<b>12 Long term deposits and prepayments</b>			
Security deposits			
- WAPDA		57,148,446	56,898,846
- SNGPL		1,097,000	1,097,000
- PTCL		179,843	179,843
- Others	12.1	<u>2,406,795</u>	<u>698,905</u>
		<b>60,832,084</b>	58,874,594
Prepayments		<u>1,104,584</u>	-
		<b>61,936,668</b>	<b>58,874,594</b>
<b>12.1</b>	It includes an amount of Rs.36,000 (2013: Rs.36,000) deposit with Yousuf Agencies (Private) Limited - related party.		
<b>13 Stores, spares and loose tools</b>			
Stores		145,620,043	107,976,327
Spares - in hand		<u>141,991,427</u>	<u>116,440,786</u>
Spares - in transit		<u>4,237,225</u>	<u>25,275,591</u>
		<b>146,228,652</b>	141,716,377
Loose tools		<u>265,383</u>	<u>294,554</u>
		<b>292,114,078</b>	249,987,258
Provision for slow moving stores, spares and loose tools	13.1	<u>(21,899,800)</u>	<u>(21,078,419)</u>
		<b>270,214,278</b>	<b>228,908,839</b>
<b>13.1 Provision for slow moving stores, spares and loose tools</b>			
Balance at the beginning of the year		21,078,419	-
Provision made during the year	34	<u>821,381</u>	<u>21,078,419</u>
Balance at the end of the Year		<b>21,899,800</b>	<b>21,078,419</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013
<b>14 Stock-in-trade</b>			
Raw material - in hand		2,618,242,324	3,687,487,096
Raw material - in transit		67,556,714	9,327,825
		<u>2,685,799,038</u>	<u>3,696,814,921</u>
Work in process		299,835,103	347,731,791
Finished goods		769,317,241	851,296,208
Waste		21,271,018	12,203,755
		<u>790,588,259</u>	<u>863,499,963</u>
		<u>3,776,222,400</u>	<u>4,908,046,675</u>
<b>14.1</b>	Stock in trade as at June 30, 2014 includes items valued at Net Realizable value (NRV) as follows. The write down to NRV amounting Rs.340.892 million (2013: Rs. Nil) has been recognized in cost of goods sold and the disclosure is in accordance with the requirements of IAS 2.		
	<b>Cost</b>		
Raw material		2,259,462,454	-
Work in process		159,029,078	-
Finished goods		420,455,376	-
		<u>2,838,946,908</u>	<u>-</u>
	<b>Net Realizable value</b>		
Raw material		1,976,116,188	-
Work in process		149,411,445	-
Finished goods		372,526,843	-
		<u>2,498,054,476</u>	<u>-</u>
<b>15 Trade debts</b>			
<b>Secured - considered good</b>			
Foreign debts - against export		463,858,166	1,066,142,844
Provision for doubtful debts	15.4	(3,878,456)	(3,878,456)
		<u>459,979,710</u>	<u>1,062,264,388</u>
<b>Unsecured - considered good</b>			
Domestic debts	15.1 & 15.2	900,901,988	770,678,976
Waste		20,908,352	29,693,818
Others		6,985,773	4,543,921
		<u>928,796,113</u>	<u>804,916,715</u>
Provision for doubtful debts	15.4	(164,351,988)	(156,681,314)
		<u>764,444,125</u>	<u>648,235,401</u>
Balance at the end of the year		<u>1,224,423,835</u>	<u>1,710,499,789</u>
<b>15.1</b>	Domestic debts include amount of Rs.57,426,390 (2013: Rs.70,086,203) receivable against indirect export sales.		
<b>15.2</b>	<b>Trade debts include the following amounts due from related parties:</b>		
	<b>Domestic debts</b>		
Diamond Fabrics Limited		1,617	930,035
Sapphire Fibres Limited		1,286,369	765,830
Sapphire Finishing Mills Limited		21,773,476	38,672,155
Reliance Cotton Spinning Mills Limited		-	236,028
		<u>23,061,462</u>	<u>40,604,048</u>
<b>15.3</b>	<b>The aging of trade debts receivable from related parties as at balance sheet date are as under:</b>		
Not past due		17,663,627	30,875,283
Past due 0 - 30 days		5,396,968	9,369,848
Past due 31 - 60 days		867	358,916
		<u>23,061,462</u>	<u>40,604,048</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013
<b>15.4 Provision for doubtful debts</b>			
Balance at the beginning of the year		160,559,770	129,976,669
Provision made during the year	34	12,000,000	30,583,101
Bad debts written-off during the year		(4,329,326)	-
Balance at the end of the year		<u>168,230,444</u>	<u>160,559,770</u>
<b>16 Loans and advances</b>			
Considered good			
Advances - unsecured			
- to suppliers		76,779,474	100,612,903
- to contractors		511,314	743,197
- to excise and taxation	16.1	58,141,001	44,930,416
- to others		18,593,413	2,247,800
		<u>154,025,202</u>	<u>148,534,316</u>
Current portion of long term loans			
- due from executives		22,624,064	15,153,260
- due from other employees		11,824,446	9,109,331
	11	<u>34,448,510</u>	<u>24,262,591</u>
Short term loans to employees		3,307,983	2,210,910
		<u>191,781,695</u>	<u>175,007,817</u>
<b>16.1</b> This represents 50% payment made to Excise and Taxation Department of Government of Sindh against levy of Infrastructure Fee. (refer to note 25.5)			
<b>17 Trade deposits and short term prepayments</b>			
Security deposits		1,166,445	631,445
Prepayments		12,388,616	6,015,528
		<u>13,555,061</u>	<u>6,646,973</u>
<b>18 Other receivables</b>			
Claims receivable from insurance companies		3,120	15,568,063
Receivable from related parties against shared expenses	18.1	4,696,352	19,150,602
Export rebate receivable		46,531,684	41,096,658
Receivable against sales of fixed assets		872,285	168,000
Dividend receivable		944,550	734,650
Unrealized gain on measurement of forward foreign currency contracts		1,003,061	2,345,865
		<u>54,051,052</u>	<u>79,063,838</u>
<b>18.1 Receivable from related parties against shared expenses</b>			
Amer Cotton Mills (Private) Limited		513,508	382,033
Diamond Fabrics Limited		714,940	-
Reliance Cotton Spinning Mills Limited		3,094,924	2,224,175
Sapphire Dairies (Private) Limited		-	26,584
Sapphire Fibres Limited		199,387	1,763,120
Sapphire Finishing Mills Limited		-	1,664,544
Sapphire Power Generation Limited		173,593	102,028
Sapphire Wind Power Company Limited		-	12,988,118
		<u>4,696,352</u>	<u>19,150,602</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 19 Other financial assets - available for sale

2014	2013	Name of Company	Cost	Fair value	
				2014	2013
Number of shares				Rupees	
74,800	74,800	Aisha Steel Limited	748,748	643,280	676,192
-	590,000	Bank Al-Falah Limited	-	-	10,749,800
3,903,346	2,416,497	Bank Al-Habib Limited	98,768,184	175,572,503	65,704,553
5,333,500	9,385,000	Fatima Fertilizer Company Limited	105,536,090	154,671,500	233,029,550
274,617	2,670,017	Fauji Fertilizer Company Limited	23,127,429	30,825,758	286,839,926
972,295	972,295	Gulshan Spinning Mills Limited	17,441,370	3,305,803	4,326,713
13,312,444	6,090,944	Hub Power Company Limited	765,679,211	781,972,961	375,506,698
419,800	419,800	Oil and Gas Development Co Limited	91,768,106	109,685,344	96,029,250
382,252	244,252	Pakistan Oilfields Limited	141,798,400	219,527,324	121,483,620
1,009,800	549,000	Pakistan Petroleum Limited	182,997,587	226,538,532	116,157,420
545,908	457,380	Pakistan State Oil Limited	104,848,588	212,276,326	146,535,404
			<b>1,532,713,713</b>	<b>1,915,019,331</b>	<b>1,457,039,126</b>

### 20 Tax refunds due from Government

	Note	2014	2013
		Rupees	
Income tax		579,232,339	410,342,575
Sales tax receivable		201,806,033	120,917,116
Excise duty receivable		-	3,805,695
		<b>781,038,372</b>	<b>535,065,386</b>

### 21 Cash and bank balances

	Note	2014	2013
		Rupees	
With banks on:			
- current accounts		55,582,474	63,125,322
- current accounts - USD	21.1	2,203,630	5,969,111
- current accounts - Euro	21.2	35,700,496	31,525,854
		<b>93,486,600</b>	<b>100,620,287</b>
Cash in hand		<b>4,227,027</b>	<b>2,816,399</b>
		<b>97,713,627</b>	<b>103,436,686</b>

21.1 Cash at bank on USD account of US \$ 22,361 (2013: US\$ 60,539).

21.2 Cash at bank on EURO account of EURO 265,510 (2013: EURO 244,671).

### 22 Issued, subscribed and paid-up capital

2014	2013		2014	2013
Number of shares			Rupees	
6,206,740	6,206,740	Ordinary shares of Rs. 10 each allotted for consideration paid in cash	62,067,400	62,067,400
13,876,400	13,876,400	Ordinary shares of Rs. 10 each issued as bonus shares	138,764,000	138,764,000
<b>20,083,140</b>	<b>20,083,140</b>		<b>200,831,400</b>	<b>200,831,400</b>

22.1 The Company has only one class of shares which carry no right to fixed income.

22.2 6,211,849 (2013: 6,200,849) shares of the Company are held by associated companies as at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

23	Long term financing	Note	2014	2013
			----- Rupees -----	
	<b>Loans from banking companies - secured</b>			
	Allied Bank Limited	23.1	75,000,000	100,000,000
	Allied Bank Limited	23.2	75,000,000	100,000,000
	Allied Bank Limited	23.3	75,000,000	100,000,000
	Allied Bank Limited	23.4	75,000,000	100,000,000
	Allied Bank Limited	23.5	122,023,757	130,158,674
	Allied Bank Limited	23.6	75,000,000	100,000,000
	Allied Bank Limited	23.7	74,324,800	-
	Allied Bank Limited	23.8	19,189,249	-
	Allied Bank Limited	23.9	80,207,685	-
	Allied Bank Limited	23.10	100,506,746	-
	Allied Bank Limited	23.11	197,064,000	-
	Allied Bank Limited	23.12	202,297,536	-
	Allied Bank Limited	23.13	100,000,000	-
	Allied Bank Limited	23.14	100,000,000	-
	Bank Alfalah Limited - Related Party	23.15	170,000,000	-
	Bank Alfalah Limited - Related Party	23.16	75,000,000	-
	Habib Bank Limited	23.17	8,334,300	25,000,300
	Habib Bank Limited	23.18	8,620,000	14,872,000
	Habib Bank Limited	23.19	21,875,000	34,375,000
	Habib Bank Limited	23.20	103,125,000	140,625,000
	Habib Bank Limited	23.21	28,780,000	-
	Habib Bank Limited	23.22	30,484,000	-
	Habib Bank Limited	23.23	18,243,000	-
	Habib Bank Limited	23.24	20,358,000	-
	Habib Bank Limited	23.25	44,749,000	-
	Habib Bank Limited	23.26	168,288,000	-
	Habib Bank Limited	23.27	76,731,000	-
	Habib Bank Limited	23.28	4,300,000	-
	Habib Bank Limited	23.29	34,670,000	-
	Habib Bank Limited	23.30	65,700,000	-
	Habib Metropolitan Bank Limited	23.31	-	2,125,000
	MCB Bank Limited	23.32	6,594,000	15,382,000
	Meezan Bank Limited	23.33	-	100,000,000
	Meezan Bank Limited	23.34	174,000,000	174,000,000
	Samba Bank Limited	23.35	9,375,000	16,875,000
	Standard Chartered Bank Pakistan Limited	23.36	135,000,000	-
	United Bank Limited	23.37	30,978,000	40,186,000
	United Bank Limited	23.38	105,048,000	131,316,000
	United Bank Limited	23.39	14,527,000	21,790,500
	United Bank Limited	23.40	22,000,000	24,000,000
			<b>2,747,393,073</b>	<b>1,370,705,474</b>
	Less: Current portion shown under current liabilities		<b>(394,749,068)</b>	<b>(369,206,566)</b>
			<b>2,352,644,005</b>	<b>1,001,498,908</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Lenders	Security	Mark-up rate p.a (%)	No. of installments outstanding	Date of final repayment
23.1	ABL- LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.75%	12 Quarterly	Jun 2017
23.2	ABL- LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.75%	12 Quarterly	May 2017
23.3	ABL - LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.50%	12 Quarterly	Mar 2017
23.4	ABL - LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.50%	12 Quarterly	Apr 2017
23.5	ABL - LTFF	The loan is secured against exclusive hypothecation charge of Rs.158 million on the specific plant & machinery of the Company.	8.90%	15 Quarterly	Mar 2018
23.6	ABL - LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Company.	3 Months KIBOR plus 0.50%	12 Quarterly	May 2017
23.7	ABL - LTFF	The loan is secured against exclusive hypothecation charge of Rs.90 million on the specific plant & machinery of the company.	8.90%	16 Quarterly	Oct 2018
23.8	ABL - LTFF	The loan is secured against exclusive hypothecation charge of Rs.24 million on the specific plant & machinery of the company.	8.90%	20 Quarterly	Nov 2020
23.9	ABL- LTFF	The loan is secured against exclusive hypothecation charge of Rs.96 million on the specific plant & machinery of the company.	8.90%	20 Quarterly	Nov 2020
23.10	ABL- LTFF	The loan is secured against exclusive hypothecation charge of Rs.119 million on the specific plant & machinery of the company.	8.90%	20 Quarterly	Dec 2020
23.11	ABL- LTFF	The loan is secured against exclusive hypothecation charge of Rs.233 million on the specific plant & machinery of the company.	8.90%	20 Quarterly	Dec 2020
23.12	ABL- LTFF	The loan is secured against exclusive hypothecation charge of Rs.239 million on the specific plant & machinery of the company.	8.90%	20 Quarterly	Jan 2021
23.13	ABL- LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the company.	3 Months KIBOR plus 50 bps	16 Quarterly	Sep 2018
23.14	ABL- LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the company.	3 Months KIBOR plus 50 bps	16 Quarterly	Jan 2019
23.15	BAFL - LTL	The loan is secured against exclusive hypothecation charge of Rs.200 million on the specific plant & machinery of the company.	3 Months KIBOR plus 50 bps	16 Quarterly	Apr 2019
23.16	BAFL - LTL	The loan is secured against exclusive hypothecation charge of Rs.90 million on the specific plant & machinery of the company.	3 Months KIBOR plus 50 bps	16 Quarterly	Apr 2019
23.17	HBL - LTF-EOP	The term loan is secured against hypothecation of plant and machinery at unit no. 6 of the Company.	7%	1 Semi-annually	Sep 2014
23.18	HBL - LTF-EOP	The loan is secured against first specific hypothecation charge on plant and machinery of Rs. 53.2 million of Unit No. 5 of the Company.	7%	3 Semi-annually	Dec 2015
23.19	HBL-Non-LTFF	The term loan is secured against hypothecation of plant and machinery at Unit No. 5 of the Company.	3 Months KIBOR plus 150 bps	7 Quarterly	Jan 2016
23.20	HBL-Non-LTFF	The term loan is secured against hypothecation of plant and machinery at Unit No. 5 of the Company.	3 Months KIBOR plus 150 bps	11 Quarterly	Jan 2017

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Lenders	Security	Mark-up rate p.a (%)	No. of installments outstanding	Date of final repayment
23.21 to 23.29	HBL - LTFF	The loan is secured against exclusive hypothecation charge of Rs. 687 million on the specific plant & machinery of the company.	8.90%	20 Quarterly	Apr 2021
23.30	HBL - LTFF	The loan is secured against exclusive hypothecation charge of Rs. 687 million on the specific plant & machinery of the company.	8.90%	20 Quarterly	Feb 2021
23.31	HMBL - LTF - EOP	The loan is secured against exclusive charge on specific plant and machinery of Rs. 23 million of Unit No. 6 of the Company.	7%	Paid during the year	Aug 2013
23.32	MCB - LTFF	The loan is secured against 1st registered hypothecation charge for Rs. 54 million over present & future plant & machinery of Unit No.1 of the Company.	9.7%	3 Quarterly	Jan 2015
23.33	MBL - Non-LTF	The loan is secured against first pari passu charge over fixed assets of amounting to Rs. 534 million of Unit No. 6 of the Company.	3 Months KIBOR plus 50 bps	Paid during the year	Jun 2014
23.34	MBL - Musharka	The loan is secured against first pari passu charge over fixed assets of amounting to Rs.174 million of Unit No. 6 of the Company.	3 Months KIBOR plus 50 bps	16 Quarterly	May 2018
23.35	SAMBA - Non-LTF	The term loan is secured against exclusive hypothecation charge over plant and machinery at Unit No. 4 of the Company.	3 Months KIBOR plus 150 bps	5 Quarterly	Jul 2015
23.36	SCB - LTL	The loan is secured against exclusive hypothecation charge of Rs.200 million on the specific plant & machinery of the company.	3 Month KIBOR plus 0.25%	18 Quarterly	Dec 2017
23.37	UBL - LTFF	The loan is secured against first exclusive hypothecation charge of Rs.185 million on imported machinery of Unit No.6 of the Company.	10.20%	14 Quarterly	Dec 2017
23.38	UBL - LTFF	The loan is secured against first exclusive hypothecation charge of Rs.375 million on imported machinery of Unit No.6 of the Company.	10.20%	16 Quarterly	Jun 2018
23.39	UBL - LTL	The loan is secured against first exclusive hypothecation charge of Rs. 200 million over plant and machinery of Unit No.5 of the Company.	3 Months KIBOR plus 1.5%	8 Quarterly	Jun 2016
23.40	UBL - LTFF	The loan is secured against first exclusive hypothecation charge of Rs. 375 million over plant and machinery of Unit No.6 of the Company.	9.40%	11 Quarterly	Jan 2017

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014	(Re-stated) 2013
		----- Rupees -----	
<b>24 Deferred liabilities</b>			
Deferred taxation	24.1	183,330,183	62,129,053
Staff retirement benefits - gratuity	24.2	229,504,703	191,731,749
		<u>412,834,886</u>	<u>253,860,802</u>
<b>24.1 Deferred taxation</b>			
<b>Deferred tax credits / (debits) arising in respect of:</b>			
<b>Taxable temporary differences (deferred tax liabilities)</b>			
Accelerated tax depreciation allowances		203,671,740	154,434,026
<b>Deductible temporary differences (deferred tax assets)</b>			
Staff retirement benefits - gratuity		(14,344,503)	(11,958,827)
Provision for doubtful debts and advances		-	(53,271,647)
Provision for repair and maintenances (Generator overhauling)		(4,628,273)	(4,259,522)
Provision for stores, spares and loose tools		(1,368,781)	(1,319,383)
Tax credit		-	(16,452,932)
Tax under section 113		-	(5,042,662)
		<u>(20,341,557)</u>	<u>(92,304,973)</u>
		<u>183,330,183</u>	<u>62,129,053</u>

24.1.1 In view of applicability of presumptive tax regime on major portion of taxable income, deferred tax liability has been worked out after taking effect of income covered under presumptive tax regime.

	2014	(Re-stated) 2013
	----- Rupees -----	
<b>24.2 Staff retirement benefits</b>		
<b>Movement in the net liability recognized in the Balance sheet</b>		
Opening net liability	191,731,749	146,055,958
Expense for the year in profit and loss account	84,811,832	62,435,920
Remeasurement recognized in other comprehensive income	9,833,283	18,461,246
	<u>286,376,864</u>	<u>226,953,124</u>
Benefits paid during the year	(56,872,161)	(35,221,375)
Closing net liability	<u>229,504,703</u>	<u>191,731,749</u>
<b>Expense recognized in the profit and loss account</b>		
Current service cost	64,679,998	43,448,645
Interest cost	20,131,834	18,987,275
	<u>84,811,832</u>	<u>62,435,920</u>
<b>Movement in the present value of defined benefit obligation</b>		
Present value of defined benefit obligation	191,731,749	146,055,958
Current service cost	64,679,998	43,448,645
Interest cost	20,131,834	18,987,275
Actuarial loss	9,833,283	18,461,246
Benefits paid	(56,872,161)	(35,221,375)
	<u>229,504,703</u>	<u>191,731,749</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

Historical information	2014	2013	2012	2011	2010
	----- R U P E E S -----				
Present value of defined benefit obligation	<u>229,504,703</u>	<u>191,731,749</u>	<u>146,055,958</u>	<u>131,743,627</u>	<u>98,840,720</u>
Experience adjustments on plan liabilities	<u>(9,833,283)</u>	<u>(18,461,246)</u>	<u>14,383,827</u>	<u>(8,172,015)</u>	<u>6,390,954</u>

Expected gratuity expenses charged to profit and loss for the year ending June 30, 2015 works out Rs.101,473,848.

### General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

### Principal actuarial assumption

Following are a few important actuarial assumption used in the valuation.

	2014	2013
Discount rate	13.25	10.50
Expected rate of increase in salary	12.25	9.50

### Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions by 100 basis point.

	Increase in assumptions	Decrease in assumptions
	----- Rupees in 000 -----	
Discount rate	<u>218,132</u>	<u>242,404</u>
Increase in future salaries	<u>243,134</u>	<u>217,254</u>

25	Trade and other payables	Note	2014	2013
			----- Rupees -----	
	Trade creditors	25.1	274,596,158	268,063,137
	Accrued liabilities	25.2	873,887,314	758,137,048
	Advances from customers	25.3	543,843,294	106,543,346
	Custom duty payable		-	3,262,068
	Workers' profit participation fund	25.4	62,615,970	124,669,920
	Workers' welfare fund		127,954,270	107,549,926
	Sindh development and maintenance infrastructure fee	25.5	143,508,042	117,840,366
	Unclaimed dividend		2,120,501	4,796,146
	Tax deducted at source		9,017	-
	Others		7,611,905	6,026,625
			<u>2,036,146,471</u>	<u>1,496,888,582</u>

### 25.1 These balances include the following amounts due to related parties:

Amer Cotton Mills (Private) Limited	54,156	83,312
Diamond Fabrics Limited	190,500	66,243
Reliance Cotton Spinning Mills Limited	2,605,979	28,681,565
Sapphire Fibres Limited	25,494,175	29,198,133
Sapphire Finishing Mills Limited	33,309	80,400
	<u>28,378,119</u>	<u>58,109,653</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013 ----- Rupees -----
<b>25.2</b>	<b>These balances include the following amounts due to related parties:</b>		
	Sapphire Power Generation Limited	<u>30,705,631</u>	<u>21,906,864</u>
<b>25.3</b>	<b>These balances include the following amounts received from related parties:</b>		
	Creadore A/S Denmark	<u>166,196,240</u>	<u>21,017,791</u>
<b>25.4</b>	<b>Workers' profit participation fund</b>		
	Balance at the beginning of the year	124,669,920	57,506,205
	Allocation for the year	34 <u>62,615,970</u>	124,669,920
	Interest on funds utilized in the Company's business	36 <u>34,429,392</u>	3,476,296
		<u>97,045,362</u>	128,146,216
		<u>221,715,282</u>	185,652,421
	Less: Payments during the year	<u>(159,099,312)</u>	<u>(60,982,501)</u>
	Balance at the end of the year	<u>62,615,970</u>	<u>124,669,920</u>
<b>25.5</b>	The Company had filed a suit against levy of Infrastructure fee, decision of the Honourable Sindh High Court dated 17 September 2008 in which the imposition of levy of infrastructure cess before 28 December 2006 had been declared as void and invalid. However, the Excise and Taxation Department had filed an appeal before the Honourable Supreme Court of Pakistan against the order of the Honourable Sindh High Court. During the preceding year, the Honourable Supreme Court of Pakistan had disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of the appeal hence the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On May 31, 2011, the High Court of Sindh had granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released up to December 27, 2006 and any bank guarantee / security furnished on consignment released after December 27, 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner. In the light of interim relief the Company has paid 50% of the amount of Infrastructure cess payable from December 27, 2006 to May 31, 2011. Subsequent imports of the Company be released against 50% payment of Infrastructure cess to Excise and Taxation Department and furnishing of bank guarantee of balance amount. However the full amount of Infrastructure Cess form component of cost of imported items and provision recorded in books. Bank guarantees amounting to Rs.59.823 million (2013: Rs.49.823 million) have been provided to the department.		
<b>26</b>	<b>Accrued interest / mark-up</b>	<b>2014</b>	<b>2013</b>
	Accrued interest / mark-up on secured:	----- Rupees -----	----- Rupees -----
	- long term financing	48,901,138	21,459,679
	- short term borrowings	52,081,251	46,732,886
		<u>100,982,389</u>	<u>68,192,565</u>
<b>26.1</b>	Accrued mark-up includes amounting Rs. 447,218 due to Bank Alfalah Limited - related party.		

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014	2013
	Note	----- Rupees -----	-----
<b>27 Short term borrowings</b>			
Short term loans		<b>2,608,844,552</b>	3,090,000,000
Running finance under mark-up arrangements		<b>582,983,093</b>	958,198,266
		<b>3,191,827,645</b>	4,048,198,266
Book overdrafts	<b>27.2</b>	<b>9,606,190</b>	9,475,667
		<b>3,201,433,835</b>	4,057,673,933
<b>27.1</b>	Aggregate facilities amounting to Rs.15,820 million (2013: Rs.16,245 million) were available to the Company from banking companies. These are secured against hypothecation charge on stock in trade, book debts, plant & machinery and export bills under collection. These carry mark up ranging from 0.77% to 2.33% (2013: Nil) on foreign currency loans and 8.65% to 11.94% (2013: 8.70% to 11.41%) on local currency loans per annum payable quarterly. These facilities are renewable on various expiry dates. Short term borrowing includes amounting Rs. 147.201 million due to Bank Alfalah Limited (related party).		
<b>27.2</b>	This represents cheques issued by the Company in excess of balance at banks which remained unrepresented till June 30, 2014.		
<b>28 Provision for taxation</b>			
Balance at the beginning of the year		<b>196,524,344</b>	220,398,703
Provision made for current year - net		<b>164,987,408</b>	196,524,344
		<b>361,511,752</b>	416,923,047
Less: Adjusted advance tax during the year against completed assessments		<b>(150,367,296)</b>	(220,398,703)
		<b>211,144,456</b>	196,524,344
<b>29 Contingencies and commitments</b>			
<b>Contingencies</b>			
<b>29.1</b>	Guarantees issued by banks on behalf of the Company	<b>252,587,385</b>	234,237,767
<b>29.2</b>	Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at June 30, 2014 the value of these cheques amounted to Rs.91.311 million (2013: Rs.50.139 million)		
<b>29.3</b>	The Company had filed a suit No.204 of 2011 against Enshaa NLC Development (Pvt) Limited before the Honourable Sindh High Court, Sindh seeking declarations, possession, permanent injunction and/or recession and damage in respect of the reservation contract followed by an agreement executed between parties whereby the defendants are liable to construct the project. The matter is pending for hearing and opinion of the legal advisor of the company is favorable and there is no likelihood of unfavorable outcome or any potential loss.		
<b>29.4</b>	The Company had filed a petition against Mohammad Farooq Textile Mills Limited for recovery of Rs. 9.135 million under section 305 of Companies Ordinance, 1984 in the Honourable Sindh High Court, Sindh, praying that the honourable court may be pleased to pass the orders regarding winding up the liquidation of the company, to appoint provisional manager or official liquidator, to restrain the officers of the company from disposing of the assets of the company till final adjudication, to grant any other relief deemed to be appropriate and to grant cost.		
<b>29.5</b>	The Company had filed a suit No. RA 233 of 2011 against Indus Steel Pipe Factory (Pvt) Limited before the Honourable Sindh High Court, Sindh to review the decision regarding dispute of title of land, as a result the court has issued order to remand the case for deciding the controversy strictly in accordance with law after considering the report of the revenue authorities which has been placed on record and after deciding the objection of either parties. Currently the case is pending in the Honourable Court of District Judge Jamshoro, Kotri.		
<b>29.6</b>	The Company had filed a suit in Honourable Sindh High Court against the levy of GIDC. The Sindh High Court had granted an interim stay and restraining the Sui Southern Gas Company Limited from charging any amount of GIDC over and above Rs. 13 per MMBTU. The Honourable Islamabad High Court in a case declared the GIDC as unconstitutional and asked the distribution companies to return the amount already collected. The Honourable Supreme Court of Pakistan declared the levy GIDC as unconstitutional. The company is in process of filing application to Court for refund. However, the company has provided the provision of GIDC amounted to Rs.87.641 million (2013:Rs. 35.145 million).		
<b>29.7</b>	The Company had obtained stay order from Honourable Lahore High Court, Lahore against levy of 2% additional EQL Surcharge and electric duty on self power generation amounted to Rs.7.362 million (2013:Rs.3.351 million) and Rs. 16.839 million (2013:Rs. 12.760 million) respectively.		
<b>29.8</b>	Also refer to content of note 10.7 and 10.8		

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014		2013				
		----- Rupees -----						
<b>Commitments</b>								
<b>29.9</b>	Confirmed letter of credit in respect of:							
	- plant and machinery			<b>38,845,624</b>	1,030,756,555			
	- raw material			<b>35,234,533</b>	51,660,249			
	- stores and spares			<b>9,083,376</b>	16,782,566			
				<b>83,163,533</b>	1,099,199,370			
<b>30</b>	<b>Sales and services - net</b>							
		Export Sales		Local Sales		Total		
	Note	2014	2013	2014	2013	2014	2013	
		Rupees						
	Yarn	30.1	12,220,006,954	11,823,884,345	2,975,846,655	3,261,494,297	15,195,853,609	15,085,378,642
	Fabric	30.2	6,247,568,452	5,403,534,317	1,238,695,907	1,833,729,800	7,486,264,359	7,237,264,117
	Home textile products		2,514,217,798	2,558,885,115	13,103,426	12,616,999	2,527,321,224	2,571,502,114
	Raw material		29,972,989	-	28,872,321	70,801,568	58,845,310	70,801,568
	Waste	30.3	97,050,349	132,094,294	194,178,538	188,049,662	291,228,887	320,143,956
	Services		-	8,646,226	-	-	-	8,646,226
			<b>21,108,816,542</b>	19,927,044,297	<b>4,450,696,847</b>	5,366,692,326	<b>25,559,513,389</b>	25,293,736,623
	Export rebate						27,724,535	37,082,120
	Duty drawback	30.5					836,455	1,537,984
	Processing income						13,567,745	17,379,533
	Less: Sales tax						(190,340,371)	(66,584,774)
							<b>25,411,301,753</b>	25,283,151,486
<b>30.1</b>	<b>Export sales - Yarn</b>							
	Direct export						<b>8,813,797,482</b>	9,681,347,002
	In-direct export						<b>3,406,209,472</b>	2,142,537,343
							<b>12,220,006,954</b>	11,823,884,345
<b>30.2</b>	<b>Export sales - Fabric</b>							
	Direct export						<b>4,931,674,994</b>	4,268,520,704
	In-direct export						<b>1,315,893,458</b>	1,135,013,613
							<b>6,247,568,452</b>	5,403,534,317
<b>30.2.1</b>	Local sales of Fabric includes sales of Lawn Rs.722,500 ( 2013: Rs. 111,132,352).							
<b>30.3</b>	Waste sales includes comber noil sales Rs.96,730,959 (2013:Rs.132,025,430).							
<b>30.4</b>	Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.217.939 million (2013: Rs.11.538 million) has been included in export sales.							
<b>30.5</b>	The duty drawback has been given by Ministry of Textile Industries from government of Pakistan vide S.R.O 3(1)TID/09-P-I Dated 1st September 2009 in order to encourage the exporters.							

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013
<b>31 Cost of sales and services</b>			
Raw material consumed	31.1	16,705,749,011	16,044,009,088
Cost of raw material sold	31.2	69,096,361	78,348,633
Packing material consumed		321,577,764	293,464,725
Stores and spares consumed		574,247,609	614,393,903
Salaries, wages and benefits	31.3 & 31.4	1,582,756,255	1,351,245,154
Fuel, power and water		1,898,687,269	1,573,353,093
Other manufacturing expenses	31.5	572,537,140	681,752,419
Repair and maintenance		73,196,324	81,930,258
Vehicle running expenses		30,860,366	27,268,964
Travelling and conveyance		21,090,664	21,994,967
Insurance expenses		57,328,865	68,520,186
Rent, rates and taxes		5,429,311	6,136,766
Fees and subscription		6,583,198	4,780,450
Communication expenses		9,369,890	6,428,166
Printing and stationery		2,129,692	1,804,744
Legal and professional charges		7,205,323	4,417,016
Depreciation	7.2	559,980,231	504,008,415
Miscellaneous expenses		4,638,504	4,775,813
		<u>22,502,463,777</u>	<u>21,368,632,760</u>
<b>Work in process</b>			
Opening stock		347,731,791	325,046,975
Closing stock	14	(299,835,103)	(347,731,791)
		<u>47,896,688</u>	<u>(22,684,816)</u>
<b>Cost of goods manufactured</b>		<u>22,550,360,465</u>	<u>21,345,947,944</u>
<b>Finished goods</b>			
Opening balance		863,499,963	595,840,946
Closing stock	14	(790,588,259)	(863,499,963)
		<u>22,623,272,169</u>	<u>21,078,288,927</u>
<b>31.1 Raw material consumed</b>			
Opening balance		3,687,487,096	2,384,449,421
Purchases		15,636,504,239	17,347,046,763
		<u>19,323,991,335</u>	<u>19,731,496,184</u>
Closing stock	14	(2,618,242,324)	(3,687,487,096)
		<u>16,705,749,011</u>	<u>16,044,009,088</u>
<b>31.2</b>	It includes Salaries, wages & benefits, Insurance and Finance cost amounting Rs.611,472 (2013:Rs.693,351), Rs.1,222,944 (2013: Rs.1,386,701) and Rs.6,114,722 (2013: Rs.6,933,507) respectively.		
<b>31.3</b>	Salaries, wages and benefits include Rs.84,811,832 (2013:Rs.62,435,920) in respect of post employment benefits - gratuity.		
<b>31.4</b>	Salaries, wages and benefits include Rs.4,540,855 (2013:Rs.3,905,873) in respect of provident fund contribution.		

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013 -----
<b>31.5 Other manufacturing expenses</b>			
Cotton dyeing, bleaching and bale pressing charges		173,745,316	159,289,964
Yarn dyeing and bleaching charges		51,586,537	32,316,518
Fabric dyeing, bleaching, knitting and processing charges		275,012,205	418,825,442
Yarn doubling charges		4,146,303	5,977,159
Stitching, spinning and other charges		54,213,613	43,817,195
Designer and Embroidery charges		13,833,166	21,526,141
		<b>572,537,140</b>	<b>681,752,419</b>
<b>32 Distribution cost</b>			
<b>On export sales</b>			
Export development surcharge		45,292,115	37,988,892
Insurance		9,803,710	10,246,496
Commission		275,731,633	403,953,701
Ocean freight and forwarding		342,106,569	394,719,766
		<b>672,934,027</b>	<b>846,908,855</b>
<b>On local sales</b>			
Inland freight and handling		40,651,502	36,913,267
Commission		37,119,949	23,241,595
		<b>77,771,451</b>	<b>60,154,862</b>
<b>Other distribution cost</b>			
Salaries and benefits	32.1	82,045,704	73,391,461
Rent and utilities		5,995,453	2,458,928
Communication		11,639,695	11,495,522
Travelling, conveyance and entertainment		60,044,440	47,393,369
Repair and maintenance		1,623,895	1,838,141
Fees and subscription		1,986,040	3,234,705
Samples and advertising		16,425,130	22,689,898
Exhibition expenses		9,605,233	12,157,412
Printing and stationery		1,554,555	2,789,485
Others		1,106,871	927,284
		<b>192,027,016</b>	<b>178,376,205</b>
Grant received from TDAP	32.2	-	(10,098,000)
		<b>942,732,494</b>	<b>1,075,341,922</b>

32.1 Salaries and benefits include Rs.3,490,575 (2013:Rs.3,168,869) in respect of provident fund contribution.

32.2 This represents amount received from Trade Development Authority of Pakistan under Trade Policy 2009-2010 to provide assistance to socially and environmentally compliant and ISO Certified companies for setting up business office abroad.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014	2013
		----- Rupees -----	
<b>33 Administrative expenses</b>			
Directors' remuneration		22,800,000	21,050,000
Directors' meeting fee		50,000	-
Salaries and benefits	33.1	107,483,063	95,097,638
Rent, rates and utilities		9,506,209	10,209,036
Communication		5,802,788	4,134,870
Printing and stationery		2,687,400	2,203,042
Travelling, conveyance and entertainment		21,498,263	20,156,163
Motor vehicle expenses		10,971,306	9,857,100
Repair and maintenance		8,113,042	5,360,564
Insurance expense		1,550,764	2,275,443
Legal and professional charges		18,435,336	14,010,772
Fees and subscription		2,769,990	3,674,921
Computer expenses		6,690,928	4,399,724
Advertisement		156,720	172,100
Depreciation	7.2	19,452,226	14,834,391
Others		1,549,040	542,838
		<b>239,517,075</b>	<b>207,978,602</b>
<b>33.1</b>	Salaries and benefits include Rs.4,434,415 (2013:Rs.3,649,666) in respect of provident fund contribution.		
<b>34 Other operating expenses</b>			
Workers' profit participation fund	25.4	62,615,970	124,669,920
Workers' welfare fund		25,922,613	48,285,085
Auditors' remuneration	34.1	2,738,224	2,427,020
Donations	34.2	19,021,089	40,345,194
Depreciation on investment property	8.3	1,151,454	1,279,394
Amortization of intangible asset	9.1	2,383,336	2,762,200
Provision for doubtful debts	15.4	12,000,000	30,583,101
Provision for stores, spares and loose tools	13.1	821,381	21,078,419
Loss on disposal of investment property		-	200,000
Loan to employee written off due to demise		-	5,361,565
Sales tax on zero rated under amnesty scheme		-	7,089,833
Realized loss on measurement of derivative financial instruments - net		3,782,819	1,780,768
		<b>130,436,886</b>	<b>285,862,499</b>
<b>34.1 Auditors' remuneration</b>			
Audit fee		1,397,550	1,270,500
Half yearly review fee		366,025	366,025
Code of corporate governance review fee		85,850	78,045
Other certification / services		875,049	660,769
Out of pocket expenses		13,750	51,681
		<b>2,738,224</b>	<b>2,427,020</b>
<b>34.2 Donations include the following in which a director is interested:</b>			
<b>Name of director</b>	<b>Interest in donee</b>	<b>Name and address of donee</b>	
Mr. Mohammad Abdullah	Director	<b>Abdullah Foundation</b>	<b>17,050,000</b>
Mr. Shahid Abdullah	Director	312, Cotton Exchange Building,	<b>36,500,000</b>
Mr. Yousuf Abdullah	Director	I.I. Chundrigar Road, Karachi.	
Mr. Nadeem Abdullah	Director		
Mr. Amer Abdullah	Director		
Mr. Mohammad Abdullah	Trustee	<b>Jamal-ud-din Fatima Charitable Trust</b>	<b>600,000</b>
Mr. Shahid Abdullah	Trustee	149, Cotton Exchange Building,	<b>380,000</b>
Mr. Nadeem Abdullah	Trustee	I.I. Chundrigar Road, Karachi.	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014	2013
	Note	----- Rupees -----	-----
<b>35 Other income</b>			
<b>Income from financial assets</b>			
Dividend income:			
- from other companies		315,729,328	273,900,851
- from associated companies	35.1	18,636,226	398,955
Gain on sale of investments		106,427,221	45,525,760
Profit on saving account		104,006	201,938
Reversal of impairment of investment in an associated company	35.2	18,117,134	26,343,225
Exchange gain on foreign currency account		1,381,617	901,053
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment - net		9,325,658	14,378,284
Rental income		14,952,720	13,854,000
Custom duty written back		3,262,068	-
Credit balances written back		2,447,929	-
Scrap sales [Net of sales tax aggregating Rs.3.787 million (2013: Rs.3.119 million)]		20,249,381	18,937,193
		<u>510,633,288</u>	<u>394,441,259</u>
<b>35.1 Dividend income from associated companies</b>			
Sapphire Electric Company Limited		18,000,000	-
Reliance Cotton Spinning Mills Limited	35.3	635,354	397,215
Sapphire Fibres Limited	35.4	725	1,740
SFL Limited	35.5	147	-
		<u>18,636,226</u>	<u>398,955</u>
<b>35.2</b>	Previously charged impairment losses are being reversed because of better performance by associated company's operations and recovery of accumulated losses. Reversal of impairment is restricted to the actual impairment charged in prior years.		
<b>35.3</b>	Sapphire Textile Mills Limited distributed shares of Reliance Cotton Spinning Mills Limited as Stock dividend @ 4.50% for the year ended June 30, 2008. The dividend of amounting Rs. 8,764 (2013: Rs. 5,596) representing number of shares 4,382 (2013:4,477) which were not transferred by shareholders at that time.		
<b>35.4</b>	Sapphire Textile Mills Limited distributed shares of Sapphire Fibres Limited as Stock dividend @ 10% for the year ended September 30,1991. This amount represents dividend of 145 shares which were not transferred by shareholders at that time.		
<b>35.5</b>	Sapphire Fibres Limited issued shares of SFL Limited as Stock dividend in ratio of 1:1 for the year ended June 30, 2011 . SFL Limited issued bonus shares @ 2% for the year ended June 30, 2012. The amount represents dividend of 147 shares which were not transferred by shareholders.		
<b>36 Finance cost</b>			
Interest / mark-up on :			
- short term finances		393,100,507	436,717,146
- long term loans		146,369,091	126,553,078
- workers' profit participation fund	25.4	34,429,392	3,476,296
Bank charges, commission and others charges		149,108,954	97,405,124
Exchange gain on foreign currency loan		(7,239,559)	-
		<u>715,768,385</u>	<u>664,151,644</u>
<b>36.1</b>	Finance cost includes amounting Rs. 5,623,687 charged by Bank Al-Falah Limited (related party) on borrowings obtained.		
<b>37 Taxation</b>			
Current			
- for the year		211,144,456	196,524,344
- prior year		(46,157,048)	-
Deferred		121,815,730	32,977,320
		<u>286,803,138</u>	<u>229,501,664</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013
	----- Rupees -----	
<b>37.1 Relationship between taxation expense and accounting profit</b>		
Profit before taxation	<u>1,270,208,032</u>	2,365,969,151
Tax at the applicable rate of 34% (2013: 35%)	431,870,731	828,089,203
Tax effect of inadmissible expenses	-	(46,479,189)
Tax effect of income taxed at a lower rate	(12,405,725)	(440,495,833)
Reduction in rate	(2,484,788)	(3,946,831)
Prior year tax effect	(46,157,048)	-
Tax credit effect	(84,020,032)	(107,665,686)
	<u>286,803,138</u>	<u>229,501,664</u>
<b>38 Earnings per shares</b>	2014	2013
Profit after taxation for the year	<u>983,404,894</u>	<u>2,136,467,487</u>
Weighted average number of ordinary shares	<u>20,083,140</u>	<u>20,083,140</u>
Earnings per share - basic and diluted	<u>48.97</u>	<u>106.38</u>
<b>38.1</b> There is no dilutive effect on basic earnings per share.		
<b>39 Cash generated from operations</b>	2014	2013
	----- Rupees -----	
Profit before taxation	1,270,208,032	2,365,969,151
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation on operating fixed assets	579,432,457	518,842,806
Depreciation on investment property	1,151,454	1,279,394
Gain on sale of investments	(106,427,221)	(45,525,760)
Amortization of intangible assets	2,383,336	2,762,200
Gain on sale of property, plant and equipment	(9,325,658)	(14,378,284)
Loss on sale of investment property	-	200,000
Dividend income - others	(315,729,328)	(273,900,851)
Dividend income - associates	(18,636,226)	(398,955)
Provision for gratuity	84,811,832	62,435,920
Provision for doubtful debts	12,000,000	30,583,101
Custom duty written back	(3,262,068)	-
Creditors written back	(2,447,929)	-
Provision for stores, spares and loose tools	821,381	21,078,419
Reversal of impairment on investment in an associated company	(18,117,134)	(26,343,225)
Loan to employee written-off due to demise	-	5,361,565
Exchange differences	(7,239,559)	-
Finance cost	723,007,944	664,151,644
Profit on saving account	(104,006)	(201,938)
Rental income	(14,952,720)	(13,854,000)
	<u>907,366,555</u>	<u>932,092,036</u>
Operating cash flow before changes in working capital	<u>2,177,574,587</u>	<u>3,298,061,187</u>
<b>Changes in working capital</b>		
(Increase) / Decrease in current assets		
Stores, spare and loose tools	(42,126,820)	812,151
Stock-in-trade	1,131,824,275	(1,590,323,864)
Trade debts	474,075,954	(404,015,619)
Loans and advances	(16,773,878)	(57,283,928)
Trade deposits and short term prepayments	(6,908,088)	8,168,729
Other receivables	23,879,882	(32,343,722)
	<u>1,563,971,325</u>	<u>(2,074,986,253)</u>
<b>Increase in current liabilities</b>		
Trade and other payables	<u>547,643,531</u>	<u>422,084,887</u>
	<u>4,289,189,443</u>	<u>1,645,159,821</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 40 Related party disclosures

The related parties comprise associated companies (due to common directorship), wholly owned subsidiaries, directors and key management personnel. Amounts due to / from related parties are shown in the relevant notes to the financial statements and remuneration of key management personnel is disclosed in note 43. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Nature of transaction	Relationship with the Company	2014	2013
		----- Rupees -----	
<u>Sales, services provided, rental income and reimbursement of expenses</u>			
Amer Cotton Mills (Private) Limited	Related party	134,928	266,475
Creadore A/S, Denmark	Associate	426,011,024	570,904,714
Diamond Fabrics Limited	Related party	94,947,019	63,867,464
Reliance Cotton Spinning Mills Limited	Associate	2,380,537	484,579
Sapphire Fibres Limited	Related party	3,345,522	54,201,280
Sapphire Finishing Mills Limited	Related party	311,763,076	718,033,245
Sapphire Home Inc.	Subsidiary	-	28,796,602
		<b>838,582,106</b>	<b>1,436,554,359</b>
<u>Donations</u>			
Abdullah Foundation	Related party	17,050,000	36,500,000
Jamal-ud-din Fatima Charitable Trust	Related party	600,000	380,000
		<b>17,650,000</b>	<b>36,880,000</b>
<u>Rent and other expenses</u>			
Yousuf Agencies (Private) Limited	Related party	2,855,172	2,822,214
<u>Purchases, services received, markup and reimbursement of expenses</u>			
Amer Cotton Mills (Private) Limited	Related party	4,569,264	294,000
Bank Alfalah Limited	Related party	5,401,253	-
Diamond Fabrics Limited	Related party	1,493,415	1,426,600
Reliance Cotton Spinning Mills Limited	Associate	127,182,302	156,221,111
Sapphire Fibres Limited	Related party	483,444,640	214,235,811
Sapphire Finishing Mills Limited	Related party	3,916,042	6,754,550
Sapphire Power Generation Limited	Associate	256,050,294	419,059,990
		<b>882,057,210</b>	<b>797,992,062</b>
<u>Expenses charged by</u>			
Sapphire Fibres Limited	Related party	1,286,061	134,260
Amer Cotton Mills (Private) Limited	Related party	35,970	-
		<b>1,322,031</b>	<b>134,260</b>
<u>Contribution to provident fund</u>			
Sapphire Textile Mills Limited - Employees Provident Fund	Retirement benefit fund	12,465,845	10,724,408
<u>Expenses charged to</u>			
Amer Cotton Mills (Private) Limited	Related party	736,311	3,034,837
Diamond Fabrics Limited	Related party	912,619	290,651
Reliance Cotton Spinning Mills Limited	Associate	3,310,383	2,224,175
Sapphire Dairies (Private) Limited	Associate	13,441	26,584
Sapphire Electric Company Limited	Associate	2,542	-
Sapphire Fibres Limited	Related party	1,887,740	8,303,771
Sapphire Finishing Mills Limited	Related party	3,154,841	1,664,543
Sapphire Power Generation Limited	Associate	13,441	102,028
Sapphire Wind Power Company Limited	Subsidiary	13,124,004	16,184,135
		<b>23,155,322</b>	<b>31,830,724</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

Nature of transaction	Relationship with the Company	2014	2013
		----- Rupees -----	
<u>Sale of property, plant and equipment</u> Sapphire Fibres Ltd	Related party	-	16,039,375
<u>Purchase of property, plant and equipment</u> Neelum Textile Mills (Private) Limited	Related party	500,000	-
<u>Long term and short term loans obtained</u> Bank Alfalah Limited	Related party	530,737,000	-
<u>Share deposit money</u>			
Sapphire Wind Power Company Limited	Subsidiary	533,501,300	60,800,000
Sapphire Dairies (Private) Ltd	Associate	-	145,000,000
Sapphire Solar (Private) Ltd	Subsidiary	10,000	-
Sapphire Tech (Private) Ltd	Subsidiary	100,000	-
Sapphire Retail Limited	Subsidiary	10,000,000	-
Sapphire Power Generation Limited	Associate	93,957,500	-
		<b>637,568,800</b>	<b>205,800,000</b>
<u>Shares received</u>			
Sapphire Wind Power Company Limited	Subsidiary	580,521,300	14,000,000
Sapphire Dairies (Private) Ltd	Associate	-	185,000,000
Sapphire Solar (Private) Ltd	Subsidiary	10,000	-
Sapphire Tech (Private) Ltd	Subsidiary	100,000	-
Sapphire Retail Limited	Subsidiary	10,000,000	-
Sapphire Power Generation Limited	Associate	93,957,500	-
		<b>684,588,800</b>	<b>199,000,000</b>
<u>Dividend paid</u>			
Amer Tex (Pvt) Ltd.	Related party	10,065,312	13,390,411
Diamond Limited	Related party	-	2,274,345
Galaxy Agencies (pvt) Ltd.	Related party	4,541,499	8,578,387
Nadeem Enterprises (pvt) Ltd.	Related party	5,276,178	9,966,114
Neelum Textile Mills (pvt) Ltd.	Related party	2,585,196	6,392,098
Reliance Cotton Spinning Mills Ltd.	Associate	902,007	1,703,791
Sapphire Agencies (pvt) Ltd.	Related party	20,144,412	38,483,766
Sapphire Holding Limited	Associate	2,381,742	-
Sapphire Power Generation Ltd.	Associate	2,552,778	4,821,914
		<b>48,449,124</b>	<b>85,610,826</b>
<u>Dividend received</u>			
Reliance Cotton Spinning Mills Limited	Associate	635,354	397,215
Sapphire Fibres Limited	Related party	725	1,740
SFL Limited	Related party	147	-
Sapphire Electric Company Limited	Associate	18,000,000	-
		<b>18,636,226</b>	<b>398,955</b>
<b>41 Number of employees</b>		<b>2014</b>	<b>2013</b>
<b>Number of employees at June 30</b>			
- Permanent		5,621	5,685
- Contractual		77	683
<b>Average number of employees during the year</b>			
- Permanent		5,708	5,579
- Contractual		75	487

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013
	----- Rupees -----	
<b>42 Plant capacity and actual production</b>		
<b>Spinning units</b>		
Total number of spindles installed	126,931	122,410
Average number of spindles worked	122,933	119,201
Total number of rotors installed	3,120	3,111
Average number of rotors worked	3,065	3,041
Number of shifts worked per day	3	3
Total days worked	360	360
Installed capacity after conversion into 20/s lbs.	90,973,529	87,648,336
Actual production after conversion into 20/s lbs	114,258,578	89,079,562
<b>Weaving unit</b>		
Total number of looms installed	299	300
Average number of looms worked	299	290
Number of shifts worked per day	3	3
Total days worked	360	360
Installed capacity at 50 picks per inch of fabric square meters	100,456,657	102,273,135
Actual production converted at 50 picks per inch of fabric square meters	103,829,499	98,573,323
<b>Home Textile Product unit</b>		
The capacity of this unit is undeterminable due to multi product involving varying processes of manufacturing and run length of order lots.		
<b>43 Remuneration of chief executive, directors and executives</b>		
<b>Chief Executive</b>		
Remuneration	8,040,000	6,833,500
Rent and utilities	3,960,000	3,416,500
	<u>12,000,000</u>	<u>10,250,000</u>
Number of person	<u>1</u>	<u>1</u>
<b>Director</b>		
Remuneration	7,220,000	7,200,000
Rent and utilities	3,580,000	3,600,000
	<u>10,800,000</u>	<u>10,800,000</u>
Number of persons	<u>2</u>	<u>2</u>
Meeting fee	50,000	-
Number of persons	<u>1</u>	<u>-</u>
<b>Executives</b>		
Managerial remuneration	115,520,694	94,934,991
House rent	54,241,760	43,260,797
Cost of living allowance	77,000	88,900
Bonus	17,257,387	15,921,150
Medical	2,704,538	2,198,547
Utilities	6,750,905	5,600,942
Leave encashment and other benefits	12,732,882	11,421,448
	<u>209,285,166</u>	<u>173,426,776</u>
Number of persons	<u>98</u>	<u>87</u>
Number of executives provided with the Company maintained cars	<u>91</u>	<u>86</u>

The Chief Executive and two Directors were also provided with cars maintained by the Company and telephones at residence.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013		
	----- Rupees '000 -----			
<b>44 Provident fund related disclosures</b>				
<b>44.1</b> The following information is based on audited financial statements of the Fund as at June 30, 2014				
Size of the fund - Total assets	108,033	91,094		
Cost of investments made	100,600	85,009		
Fair value of investments	107,832	88,391		
Percentage of Investments made	93%	93%		
<b>44.2</b> The break-up of fair value of investments is as follows:				
	2014	2013	2014	2013
	----- Percentage -----		----- Rupees '000 -----	
National Saving Schemes	0%	20%	-	17,999
Government Securities	100%	80%	107,832	70,392
	<u>100%</u>	<u>100%</u>	<u>107,832</u>	<u>88,391</u>

**44.3** The investments out of provident fund have made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

### 45 FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- 45.1** - Credit risk  
**45.2** - Liquidity risk  
**45.3** - Market risk

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

#### 45.1 Credit risk

##### 45.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs.7,594.136 million (2013:Rs.6,517.171 million), financial assets which are subject to credit risk aggregate to Rs.7,496.423 million (2013:Rs.6,413.735 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2014	2013
	----- Rupees -----	
Long term investments	4,178,698,287	3,081,151,276
Long term loans and advances	105,354,016	67,706,221
Long term deposits	61,936,668	58,874,594
Trade debts	1,224,423,835	1,710,499,789
Loans and advances	3,307,983	2,210,910
Trade deposits and short term prepayments	1,166,445	631,445
Other receivables	6,516,307	35,621,315
Short term investments	1,915,019,331	1,457,039,126
Cash and bank balances	97,713,627	103,436,686
	<u>7,594,136,499</u>	<u>6,517,171,362</u>

##### 45.1.2 The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows.

	2014	2013
Domestic	764,444,125	648,235,401
Export	459,979,710	1,062,264,388
	<u>1,224,423,835</u>	<u>1,710,499,789</u>

The majority of export debts of the Company are situated in Asia, Europe, Australia and North America.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013
	----- Rupees -----	
<b>45.1.3 The maximum exposure to credit risk for debts at the reporting date by type of product is as follows:</b>		
Yarn	681,186,671	955,568,332
Fabric	457,146,810	558,483,137
Home textile product	57,793,985	144,160,161
Waste	20,908,352	43,103,585
Processing services	402,244	3,179,170
Others	6,985,773	6,005,404
	<b>1,224,423,835</b>	<b>1,710,499,789</b>

**45.1.4 The aging of trade debts at the reporting date is as follows:**

Not past due	736,596,588	1,442,595,893
Past due 0 - 30 days	327,318,721	207,726,559
Past due 31 - 60 days	33,736,048	31,789,795
Past due 61 - 90 days	12,008,594	2,484,890
Past due 91 - 1 year	87,359,083	20,263,127
More than one year	27,404,801	5,639,525
	<b>1,224,423,835</b>	<b>1,710,499,789</b>

Credit quality of counter parties is assessed based on historical default rates. All receivables past due are considered good. The management believes that allowance for impairment of receivables past due is not necessary, as these comprise amounts due from old customers, which have been re-negotiated from time to time and are also considered good.

**45.2 Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credits facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credits lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2 0 1 4				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	2,747,393,073	3,679,836,224	655,785,483	2,651,159,738	372,891,003
Trade and other payables	1,220,831,848	1,220,831,848	1,220,831,848	-	-
Accrued interest / mark-up	100,982,389	100,982,389	100,982,389	-	-
Short term borrowings	3,191,827,645	3,299,730,898	3,299,730,898	-	-
	<b>7,261,034,955</b>	<b>8,301,381,359</b>	<b>5,277,330,618</b>	<b>2,651,159,738</b>	<b>372,891,003</b>
	2 0 1 3				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	1,370,705,474	1,616,663,413	480,296,540	1,136,366,872	-
Trade and other payables	1,161,692,876	1,161,692,876	1,161,692,876	-	-
Accrued interest / mark-up	68,192,565	68,192,565	68,192,565	-	-
Short term borrowings	4,048,198,266	4,060,543,694	4,060,543,694	-	-
	<b>6,648,789,181</b>	<b>6,907,092,548</b>	<b>5,770,725,675</b>	<b>1,136,366,872</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

45.2.1 The contractual cash flow relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-end. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

### 45.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments.

#### 45.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials, stores & spares parts and export of goods mainly denominated in US Dollar, Euro, Japanese Yen and Swiss Frank. The Company's exposure to foreign currency risk for US Dollar, Euro, Japanese Yen and Swiss Frank is as follows:

	2 0 1 4				
	Rupees	US \$	EURO	JPY	CHF
Trade debts	(459,979,710)	(4,276,633)	(286,267)	-	-
Bank balances	(37,904,126)	(22,361)	(265,510)	-	-
<b>Gross Balance sheet exposure</b>	<b>(497,883,836)</b>	<b>(4,298,994)</b>	<b>(551,777)</b>	-	-
Outstanding letters of credit	83,163,533	396,749	326,464	-	-
Forward exchange contracts	207,828,439	-	1,550,000	-	-
<b>Net Exposures</b>	<b>(206,891,864)</b>	<b>(3,902,245)</b>	<b>1,324,687</b>	-	-
	2 0 1 3				
	Rupees	US \$	EURO	JPY	CHF
Trade debts	(1,062,264,388)	(9,436,579)	(833,643)	-	-
Bank balances	(37,494,965)	(60,539)	(244,671)	-	-
<b>Gross Balance sheet exposure</b>	<b>(1,099,759,353)</b>	<b>(9,497,118)</b>	<b>(1,078,314)</b>	-	-
Outstanding letters of credit	1,099,199,370	1,350,114	3,609,501	127,805,116	3,553,214
Forward exchange contracts	701,654,635	5,100,000	1,550,000	-	-
<b>Net Exposures</b>	<b>701,094,652</b>	<b>(3,047,004)</b>	<b>4,081,187</b>	<b>127,805,116</b>	<b>3,553,214</b>

The following significant exchange rates have been applied:

	Reporting date rate	
	2014	2013
US \$ to Rupees	98.55 / 98.75	98.60 / 98.80
Euro to Rupees	134.46 / 134.73	128.85 / 129.11

#### Sensitivity analysis

A 10 percent strengthening of the Rupees against US Dollar and Euro at June 30, would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Equity	Profit & loss
	Rupees	
<b>As at June 30, 2014</b>		
Effect in US Dollar	-	(42,366,586)
Effect in Euro	-	(7,419,194)
<b>As at June 30, 2013</b>		
Effect in US Dollar	-	(93,641,583)
Effect in Euro	-	(13,894,076)

10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variable remain content.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 45.3.2 Interest rate risk

At the reporting date, the profit, interest and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	2014	2013	2014	2013
	Effective rate		Carrying Amount	
	----- Rupees -----			
<b>Fixed rate instruments</b>				
Financial liabilities				
Long term financing	7.00% to 10.20%	7.00% to 10.20%	1,469,491,073	383,039,974
Short term borrowings	8.65%	8.70% to 8.90%	800,000,000	800,000,000
<b>Variable rate instruments</b>				
Financial liabilities				
Long term financing	10.42% to 11.67%	9.58% to 10.58%	1,277,902,000	987,665,500
Short term borrowings				
- foreign currency loan	0.77% to 2.23%	-	1,350,715,606	-
- local currency loan	8.65% to 11.94%	9.52% to 11.41%	1,041,112,039	3,248,198,266

#### Fair value sensitivity analysis for fixed rate instruments

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

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the balance sheet date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit and loss 100 bps	
	Increase	Decrease
	----- Rupees -----	
<b>As at June 30, 2014</b>		
Cash flow sensitivity - variable rate instruments	23,190,140	(23,190,140)
<b>As at June 30, 2013</b>		
Cash flow sensitivity - variable rate instruments	42,358,638	(42,358,638)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

### 45.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in ordinary shares of listed Companies. To manage its price risk arising from aforesaid investments, the company diversify its portfolio and continuously monitor developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in share prices of listed companies at the balance sheet date would have increased / decreased the Company's unrealized gain on 'available for sale' investments as follows:

	2014	2013
	----- Rupees -----	
Effect on equity	600,756,938	445,204,217
Effect on investments	600,756,938	445,204,217

The sensitivity analysis prepared is not necessarily indicative of the effects on equity / investments of the Company.

### 45.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013
	----- Rupees -----	
<b>45.5 Financial instruments by Category</b>		
<b>FINANCIAL ASSETS</b>		
<b>Loans and receivables</b>		
Long term loans and advances	105,354,016	67,706,221
Long term deposits	61,936,668	58,874,594
Trade debts	1,224,423,835	1,710,499,789
Loans and advances	3,307,983	2,210,910
Trade deposits and short term prepayments	1,166,445	631,445
Other receivables	6,516,307	35,621,315
Cash and bank balances	97,713,627	103,436,686
	<u>1,500,418,881</u>	<u>1,978,980,960</u>
<b>At fair value through Other Comprehensive Income</b>		
Long term investments	4,092,550,051	2,995,003,040
Short term investments	1,915,019,331	1,457,039,126
	<u>6,007,569,382</u>	<u>4,452,042,166</u>
<b>Long term investment at cost</b>		
Long term investments	<u>86,148,236</u>	<u>86,148,236</u>
<b>FINANCIAL LIABILITIES</b>		
<b>At amortized Cost</b>		
Long term loans	2,747,393,073	1,370,705,474
Trade and other payables	1,220,831,848	1,161,692,876
Accrued Interest / mark-up	100,982,389	68,192,565
Short term borrowings	3,191,827,645	4,048,198,266
	<u>7,261,034,955</u>	<u>6,648,789,181</u>

## 45.6 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1. Quoted market price (unadjusted) in an active market for identical instrument.
- Level 2. Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	----- Rupees -----		
<b>As at June 30, 2014</b>			
<b>Assets carried at fair value</b>			
Available for sale investments	6,007,569,382	-	86,148,236
Forward exchange contracts used for hedging	-	1,003,061	-
	<u>6,007,569,382</u>	<u>1,003,061</u>	<u>86,148,236</u>
<b>As at June 30, 2013</b>			
<b>Assets carried at fair value</b>			
Available for sale investments	4,452,042,166	-	86,148,236
Forward exchange contracts used for hedging	-	2,345,865	-
	<u>4,452,042,166</u>	<u>2,345,865</u>	<u>86,148,236</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 45.7 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company manages its capital risk monitoring its debts levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ('long term loans' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under share capital and reserves.

	2014	2013
	----- Rupees -----	
Total borrowings	5,948,826,908	5,428,379,407
Less: Cash and bank balances	97,713,627	103,436,686
<b>Net debt</b>	<b>5,851,113,281</b>	<b>5,324,942,721</b>
Total equity	13,340,615,177	11,411,812,025
<b>Total capital</b>	<b>19,191,728,458</b>	<b>16,736,754,746</b>
	Percentage	
<b>Gearing ratio</b>	<b>30.49</b>	<b>31.82</b>

### 46 Non adjusting event after balance sheet date

The board of directors in its meeting held on October 02, 2014 proposed cash dividend of Rs. 200,831,400(2013: Rs.180,748,260 ) at the rate of Rs. 10 (2013: Rs.9) per ordinary share of Rs.10 each. Proposed dividend is subject to approval by shareholders at the forth coming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the period of payment.

### 47 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and comparison. However, no significant reclassification has been made in these financial statements.

### 48 Date of authorization for issue

These financial statements were approved by the Board of Directors and authorized for issue on October 02, 2014.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

## PATTERN OF SHAREHOLDING

AS AT 30TH JUNE, 2014

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
360	1	100	6,617
54	101	500	15,719
33	501	1,000	25,786
38	1,001	5,000	72,699
13	5,001	10,000	95,410
2	10,001	15,000	25,583
1	15,001	20,000	18,000
2	20,001	25,000	41,623
2	25,001	30,000	55,500
2	30,001	35,000	67,500
2	35,001	40,000	73,283
2	40,001	45,000	87,000
1	45,001	50,000	46,617
1	65,001	70,000	62,167
2	70,001	75,000	143,942
1	75,001	80,000	75,400
1	90,001	95,000	93,241
1	95,001	100,000	96,300
1	105,001	110,000	107,500
1	115,001	120,000	118,109
1	130,001	135,000	131,000
1	145,001	150,000	146,500
1	175,001	180,000	175,500
1	200,001	205,000	201,800
1	210,001	215,000	211,100
1	260,001	265,000	264,638
1	270,001	275,000	272,594
1	375,001	380,000	378,057
1	495,001	500,000	496,183
1	500,001	505,000	504,611
1	560,001	565,000	564,522
1	585,001	590,000	586,242
2	605,001	610,000	1,216,045
1	630,001	635,000	633,185
1	635,001	640,000	635,506
2	695,001	700,000	1,400,000
1	740,001	745,000	743,123
1	920,001	925,000	924,088
1	1,270,001	1,275,000	1,273,289
1	1,575,001	1,580,000	1,575,106
1	2,075,001	2,080,000	2,077,128
1	2,105,001	2,110,000	2,106,659
1	2,235,001	2,240,000	2,238,268
<b>545</b>			<b>20,083,140</b>

\* Note: There is no shareholding in the slab not mentioned

## PATTERN OF SHAREHOLDING

AS AT 30TH JUNE, 2014

### CATEGORIES OF SHAREHOLDERS

Particulars	No. of Shares Held	Percentage %
Directors, CEO, and their Spouses and Minor Children	12,187,996	60.69
Associated Companies, Undertakings and Related Parties	6,211,849	30.93
NIT & ICP	929,970	4.63
Banks, Development Finance Institutions, Non-Banking Financial Institutions	44,629	0.22
Insurance Company	96,300	0.48
Others Companies	25,862	0.13
Modarabas & Mutual Funds	8,890	0.04
General Public (Local)	577,644	2.88
	<b>20,083,140</b>	<b>100.00</b>

## PATTERN OF SHAREHOLDING

AS AT 30TH JUNE, 2014

<b>A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>	<b>NO OF SHARES</b>
Reliance Cotton Spinning Mills Limited	100,223
Sapphire Agencies (Pvt.) Limited	2,331,509
Amer Tex (Pvt.) Limited	1,129,368
Sapphire Power Generation Limited	283,642
Neelum Textile Mills (Private) Limited	419,094
Galaxy Agencies (Pvt.) Limited	504,611
Salman Ismail (SMC-Private) Limited	592,522
Nadeem Enterprise (Pvt.) Limited	586,242
Sapphire Holding Limited	264,638
<b>B) NIT &amp; ICP</b>	
Trustee National Investement (Unit) Trust	924,088
National Investment Trust Limited	5,882
<b>C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN</b>	
<b><u>DIRECTORS &amp; THEIR SPOUSES</u></b>	
Mr. Mohammad Abdullah	606,982
Mr. Yousuf Abdullah	2,120,042
Mr. Amer Abdullah	2,109,628
Mr. Shahid Abdullah	396,057
Mr. Nabeel Abdullah	700,000
Mr. Shayan Abdullah	700,000
Mr. Nadeem Karamat	500
Mrs. Shamshad Begum	636,563
Mrs. Ambareen Amer	811,006
Mrs. Usma Yousuf	107,500
Mrs. Shireen Shahid	1,706,106
<b><u>CHIEF EXECUTIVE OFFICER &amp; HIS SPOUSE</u></b>	
Mr. Nadeem Abdullah	1,348,689
Mrs. Noshaba Nadeem	944,923

## PATTERN OF SHAREHOLDING

AS AT 30TH JUNE, 2014

<b>D) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS &amp; MUTUAL FUNDS</b>	
<b><u>BANKS</u></b>	
National Bank of Pakistan	129
Deutsche Bank Suisse S.A	44,500
<b><u>INSURANCE COMPANY</u></b>	
EFU Life Assurance Ltd	96,300
<b><u>MODARABAS</u></b>	
M/s Guardian Leasing Modaraba	8,890
<b>E) SHAREHOLDERS HOLDING 05% OR MORE</b>	
Mr. Yousuf Abdullah	2,120,042
Mr. Amer Abdullah	2,109,628
Mr. Nadeem Abdullah	1,348,689
Mrs. Shireen Shahid	1,706,106
Sapphire Agencies (Pvt.) Limited	2,331,509
Amer Tex (Pvt.) Limited	1,129,368
<b>F) TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN</b>	<b>NIL</b>

# Contents

## Sapphire Textile Mills Limited Consolidated Accounts

Directors' Report	73
Auditor's Report	74
Balance Sheet	75
Profit & Loss Account	76
Statement Of Comprehensive Income	77
Cash Flow Statement	78
Statement Of Changes In Equity	79
Notes To The Financial Statements	80
Form of Proxy	127



## DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of Board of Directors of Holding Company of **Sapphire Wind Power Company Limited, Sapphire Tech (Pvt) Limited, Sapphire Solar (Private) Limited, Sapphire Home Incorporation, and Sapphire Retail Limited**, it is my pleasure to present Director's Report with Audited Consolidated Financial Statement and Auditor's report thereon for the year ended June 30, 2014.

### **Sapphire Wind Power Company Limited**

The Company is 70% owned by Sapphire Textile Mills Ltd and 30% by Alfalah Bank Ltd. It has signed the funding documents with OPIC, USA for providing \$ 95 million debt for the project.

Financial close of the project was declared on 7th July, 2014 and the first tranche of OPIC Funding was released on 27th August, 2014, Sapphire Wind Power Company Limited gave the Notice to proceed to the EPC contractor on 28th August, 2014.

Construction works at the wind farm site have been undertaken and it is expected that the project will commence commercial operation in 15 months i.e. by the end of November, 2015.

### **Sapphire Tech (Pvt.) Limited**

Sapphire Tech (Pvt.) Limited is incorporated under Companies Ordinance, 1984. The company has made initial investment of Rs.100,000 in the company. The subsidiary is established to setup electric power generation project and sell electric power. It is 100% equity owned.

### **Sapphire Solar (Private) Limited**

In AGM held on October 29, 2013 the members of the company have approved the acquisition of 100% share Capital of Sapphire Solar (Pvt.) Limited, an associated company. The company had obtained an LOI from Alternative Energy Development Board to set up an IPP, solar energy Project of 10 MW. During the year the company has made investment in the subsidiary of Rs.10,000 for purchase of 100% paid-up share capital.

### **Sapphire Home Incorporation**

Sapphire Home Incorporation is 100% owned by Sapphire Textile Mills Ltd and was incorporated under the laws of the State of New York in United States of America (USA). There are certain customers in the USA which need goods on landed duty paid basis. Sapphire Home Inc. provides this service for the home textile products for these customers.

### **Sapphire Retail Limited**

Sapphire Retail Limited is 100% equity owned subsidiary incorporated under Companies Ordinance, 1984. Sapphire Textile Mills Ltd has made initial investment of Rs.10,000,000 in the company. The subsidiary is established mainly to carry on the retail business by opening retail stores for ladies and gents Fashion wear textile garments and accessories and trading in textile products.

### **Clarification To Qualification In Audit Report**

In their Report to the Members, Auditors have stated that Consolidated Financial Statements include un-audited figures pertaining to a Subsidiary Company, Sapphire Home Incorporation. The Subsidiary Company is incorporated under the laws of the State of New York in United States of America (USA). The governing laws does not require audit of financial statements of the Subsidiary Company. Hence, we have used un-audited financial statements of the Subsidiary Company to prepare Consolidated Financial Statements.

on behalf of the Board

Karachi  
Dated : October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Sapphire Textile Mills Limited** (the holding company) and its subsidiary companies (together referred to as group) as at June 30, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of **Sapphire Textile Mills Limited**. The financial statements of Sapphire Wind Power Company Limited, Sapphire Retail Limited, Sapphire Solar (Pvt.) Limited, Sapphire Tech (Pvt.) Limited were audited by other firms of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of Sapphire Home, Inc. (subsidiary company) for the year ended June 30, 2014 were un-audited. Hence, total assets and total liabilities of Rs. 3,883,172 and Rs. Nil respectively as at June 30, 2014 and net loss of Rs. 736,701 for the year ended June 30, 2014 relating to such subsidiary company have been incorporated in these consolidated financial statements by the management using the un-audited financial statements.

In our opinion, except for the effect of any adjustments that may have been required due to the un-audited figures in respect of Sapphire Home, Inc. (subsidiary company) as referred in previous paragraph of the report, the consolidated financial statements present fairly the financial position of **Sapphire Textile Mills Limited** and its subsidiary companies as at June 30, 2014 and the results of their operations for the year then ended.

KARACHI:  
Date: October 02, 2014

**MUSHTAQ & COMPANY**  
Chartered Accountants  
**Engagement Partner**  
Mushtaq Ahmed Vohra  
F.C.A

**CONSOLIDATED BALANCE SHEET**

As at June 30, 2014

	Note	2014	(Re-stated) 2013	(Re-stated) July 01, 2012
		Rupees		
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	7	8,354,069,498	5,873,220,775	5,237,750,406
Investment property	8	163,273,406	164,424,860	186,904,254
Intangible assets	9	3,766,739	5,572,830	8,335,030
Long term investments	10	5,021,770,687	3,696,798,731	2,337,996,885
Long term loans and advances	11	70,905,506	43,443,630	36,223,204
Long term deposits and prepayments	12	210,370,915	58,874,594	29,500,666
		<b>13,824,156,751</b>	<b>9,842,335,420</b>	<b>7,836,710,445</b>
<b>CURRENT ASSETS</b>				
Stores, spares and loose tools	13	270,214,278	228,908,839	250,799,409
Stock in trade	14	3,776,222,400	4,908,046,675	3,328,915,934
Trade debts	15	1,224,423,835	1,710,499,789	1,309,908,251
Loans and advances	16	191,781,695	182,730,917	125,446,989
Trade deposits and short term prepayments	17	13,555,061	6,646,973	14,845,702
Other receivables	18	57,005,083	66,075,720	37,235,618
Other financial assets	19	1,915,019,331	1,457,039,126	810,341,353
Tax refunds due from Government	20	781,906,641	535,114,113	434,008,968
Cash and bank balances	21	683,194,598	109,763,176	101,542,626
		<b>8,913,322,922</b>	<b>9,204,825,328</b>	<b>6,413,044,850</b>
<b>TOTAL ASSETS</b>		<b>22,737,479,673</b>	<b>19,047,160,748</b>	<b>14,249,755,295</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized share capital		350,000,000	350,000,000	350,000,000
35,000,000 ordinary shares of Rs.10 each				
Issued, subscribed and paid up capital	22	200,831,400	200,831,400	200,831,400
Reserves		13,439,345,719	11,394,793,674	8,317,411,326
Equity attributable to holders of parent company		13,640,177,119	11,595,625,074	8,518,242,726
Non-controlling interest		259,526,886	-	-
<b>Total Equity</b>		<b>13,899,704,005</b>	<b>11,595,625,074</b>	<b>8,518,242,726</b>
<b>NON-CURRENT LIABILITIES</b>				
Long term financing	23	2,352,644,005	1,001,498,908	1,094,621,651
Deferred liabilities	24	417,488,978	257,995,752	179,467,460
		<b>2,770,132,983</b>	<b>1,259,494,660</b>	<b>1,274,089,111</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	25	2,157,032,937	1,500,443,606	1,102,268,513
Accrued Interest / mark-up	26	100,982,389	68,192,565	70,308,182
Short term borrowings	27	3,203,733,835	4,057,673,933	2,850,979,411
Current portion of long term financing	23	394,749,068	369,206,566	213,468,649
Provision for taxation	28	211,144,456	196,524,344	220,398,703
		<b>6,067,642,685</b>	<b>6,192,041,014</b>	<b>4,457,423,458</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	29			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,737,479,673</b>	<b>19,047,160,748</b>	<b>14,249,755,295</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended June 30, 2014

	Note	2014 Rupees	2013
Sales and services	30	25,411,301,753	25,296,639,461
Cost of sales and services	31	(22,623,272,169)	(21,090,324,992)
<b>Gross profit</b>		<b>2,788,029,584</b>	4,206,314,469
Distribution cost	32	(942,782,782)	(1,076,926,506)
Administrative expenses	33	(267,553,630)	(254,581,529)
Other operating expenses	34	(132,365,195)	(286,584,430)
Other income	35	473,889,564	371,110,015
		(868,812,043)	(1,246,982,450)
<b>Profit from operations</b>		<b>1,919,217,541</b>	2,959,332,019
Finance cost	36	(715,768,723)	(664,169,700)
		1,203,448,818	2,295,162,319
Share of profit of Associated Companies		49,912,949	64,183,909
<b>Profit before taxation</b>		<b>1,253,361,767</b>	2,359,346,228
<b>Taxation</b>			
Current			
- for the year		(211,146,921)	(196,565,272)
- prior year		46,157,048	-
Deferred		(122,334,872)	(34,008,064)
	37	(287,324,745)	(230,573,336)
<b>Profit after taxation for the year</b>		<b>966,037,022</b>	2,128,772,892
<b>Attributable to:</b>			
Shareholders of Parent Company		966,285,192	2,128,772,892
Non- controlling interest		(248,170)	-
		<b>966,037,022</b>	<b>2,128,772,892</b>
<b>Earnings per share - attributable to the Shareholder of parent company</b>	38	<b>48.10</b>	106.00

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended June 30, 2014

	2014	(Re-stated) 2013
	----- Rupees -----	
<b>Profit after taxation for the year</b>	<b>966,037,022</b>	<b>2,128,772,892</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit and loss</b>		
<b>Available for sale investments</b>		
Unrealized gain on remeasurement of available for sale investments	1,240,883,320	1,283,485,376
Reclassification adjustments relating to gain realized on disposal of available for sale investments	(90,645,762)	(23,093,695)
Unrealized gain on remeasurement of available for sale investments - associates	801,603	236,639
	<b>1,151,039,161</b>	<b>1,260,628,320</b>
<b>Forward foreign currency contracts</b>		
Unrealized gain on remeasurement of forward foreign currency contracts	1,003,061	56,143,973
Reclassification adjustments relating to loss realized on settlement of foreign currency contracts	(2,345,865)	(26,899,054)
Unrealized gain on remeasurement of available for sale investments - associates	28,236	71,548
	<b>(1,314,568)</b>	<b>29,316,467</b>
Exchange difference on translation of foreign operations	<b>2,252,424</b>	<b>325,734</b>
<b>Items that may not be reclassified subsequently to profit and loss</b>		
Loss on remeasurement of staff retirement benefits	(9,833,283)	(18,461,246)
Impact of deferred tax	614,600	1,155,563
Loss on remeasurement of staff retirement benefits - associates	(459,836)	-
	<b>(9,678,519)</b>	<b>(17,305,683)</b>
Share of increase in reserves of associated companies under equity method	<b>99,556,541</b>	<b>17,057,998</b>
<b>Other comprehensive income for the year</b>	<b>1,241,855,039</b>	<b>1,290,022,836</b>
<b>Total comprehensive income for the year</b>	<b>2,207,892,061</b>	<b>3,418,795,728</b>
<b>Attributable to:</b>		
Shareholders of Parent Company	<b>2,208,140,231</b>	<b>3,418,795,728</b>
Non- controlling interest	<b>(248,170)</b>	<b>-</b>
	<b>2,207,892,061</b>	<b>3,418,795,728</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended June 30, 2014

	2014	2013
Note	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	39 4,369,228,908	1,589,302,772
Long term loans, deposits and prepayments	(178,419,697)	(41,955,919)
Finance cost paid	(690,218,458)	(666,285,317)
Staff retirement benefits - gratuity paid	(56,872,161)	(35,221,375)
Taxes paid	(397,162,289)	(321,544,776)
	<b>(1,322,672,605)</b>	<b>(1,065,007,387)</b>
Net cash generated from operating activities	<b>3,046,556,303</b>	<b>524,295,385</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,084,849,028)	(1,199,581,223)
Investment in associated undertakings	(77,585,452)	(144,608,381)
Subsidiary acquisition	26,868	-
Investment others	(760,418,871)	(638,022,822)
Proceeds from disposal of property, plant and equipment	34,108,669	59,627,313
Proceeds from disposal of investment property	-	21,000,000
Proceeds from sale of investments	461,556,434	168,048,719
Dividend received	315,529,064	273,173,537
Profit received on saving account	104,006	201,938
Rental income received	14,952,720	12,804,000
Net cash used in investing activities	<b>(3,096,575,590)</b>	<b>(1,447,356,919)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings - net	(849,131,062)	1,197,941,751
Proceeds from long term financing	1,745,893,016	628,158,674
Repayment of long term financing	(369,205,417)	(565,543,500)
Exchange difference on translation of foreign operation	2,252,424	325,734
Issuance of shares - net	276,935,130	-
Dividend paid	(183,423,905)	(338,353,346)
Net cash generated from financing activities	<b>623,320,186</b>	<b>922,529,313</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>573,300,899</b>	<b>(532,221)</b>
Cash and cash equivalents at the beginning of the year	<b>100,287,509</b>	<b>100,819,730</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>673,588,408</b>	<b>100,287,509</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	<b>683,194,598</b>	<b>109,763,176</b>
Book overdrafts - unsecured	<b>(9,606,190)</b>	<b>(9,475,667)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>673,588,408</b>	<b>100,287,509</b>

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2014

	Reserves				Other Components of equity				SUB TOTAL	Non-Controlling Interest	Total	Total Equity
	Capital		Revenue		Unrealized gain / (loss)		Exchange difference on translation of foreign operations					
	Share Premium	Fixed Assets Replacement	General Reserves	Unappropriated Profit	On forward foreign exchange contracts	On available for sale investments	On forward foreign exchange contracts	On available for sale investments				
<b>Balance as at July 01, 2012 - as previously reported</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	5,445,873,161	6,997,075,361	1,343,088,685	439,837	1,316,559,835	-	8,514,466,596	8,514,466,596
Effect of change in accounting policy (note4)	-	-	-	-	3,776,130	3,776,130	-	-	-	-	3,776,130	3,776,130
<b>Balance as at July 01, 2012 - restated</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	5,449,649,291	7,000,851,491	1,343,088,685	439,837	1,316,559,835	-	8,518,242,726	8,518,242,726
<b>Total comprehensive income for the year ended June 30, 2013</b>	-	-	-	-	17,057,998	17,057,998	-	-	-	-	17,057,998	17,057,998
Profit after taxation for the year	-	-	-	-	2,128,772,892	2,128,772,892	-	-	-	-	2,128,772,892	2,128,772,892
Other comprehensive income for the year	-	-	-	-	(17,305,683)	(17,305,683)	1,260,628,320	325,734	1,290,270,521	-	1,272,964,838	1,272,964,838
Share of increase in reserves of associated companies under equity method	-	-	-	-	2,111,467,209	2,111,467,209	1,260,628,320	325,734	1,290,270,521	-	3,401,737,730	3,401,737,730
<b>Transaction with owners</b>	-	-	-	-	-	-	-	-	-	-	-	-
Final dividend for the year ended June 30, 2012 @ Rs. 5 per share	-	-	-	-	(100,415,700)	(100,415,700)	-	-	-	-	(100,415,700)	(100,415,700)
Interim dividend for the year ended June 30, 2013 @ Rs. 12 per share	-	-	-	-	(240,997,680)	(240,997,680)	-	-	-	-	(240,997,680)	(240,997,680)
<b>Balance as at June 30, 2013 - restated</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	7,236,761,118	8,787,963,318	2,603,717,005	765,571	2,606,830,356	-	11,595,625,074	11,595,625,074
<b>Balance as at July 01, 2013 - restated</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	7,236,761,118	8,787,963,318	2,603,717,005	765,571	2,606,830,356	-	11,595,625,074	11,595,625,074
<b>Total comprehensive income for the year ended June 30, 2014</b>	-	-	-	-	99,556,541	99,556,541	-	-	-	-	99,556,541	99,556,541
Profit after taxation for the year	-	-	-	-	966,285,192	966,285,192	-	-	-	-	966,285,192	966,285,192
Other comprehensive income for the year	-	-	-	-	(9,678,519)	(9,678,519)	1,151,039,161	2,252,424	1,151,977,017	-	1,142,298,498	1,142,298,498
Share of increase in reserves of associated companies under equity method	-	-	-	-	956,606,873	956,606,873	1,151,039,161	2,252,424	1,151,977,017	-	2,108,583,690	2,108,583,690
<b>Transaction with owners</b>	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares of subsidiary - SWPCL	-	-	-	-	27,461,890	27,461,890	-	-	-	-	27,461,890	27,461,890
Share issuance cost of subsidiary - SWPCL	-	-	-	-	(10,301,816)	(10,301,816)	-	-	-	-	(10,301,816)	(10,301,816)
Final dividend for the year ended June 30, 2013 @ Rs. 9 per share	-	-	-	-	(180,748,260)	(180,748,260)	-	-	-	-	(180,748,260)	(180,748,260)
<b>Balance as at June 30, 2014</b>	200,831,400	156,202,200	65,000,000	1,330,000,000	8,129,336,146	9,680,538,346	3,754,756,166	3,017,995	3,758,807,373	259,526,866	13,889,704,005	13,889,704,005

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 1 THE GROUP AND ITS OPERATIONS

The Group comprises of:

#### **Sapphire Textile Mills Limited - the Holding Company**

Sapphire Textile Mills Limited (the Company) was incorporated in Pakistan on March 11, 1969 as a public limited company under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Karachi Stock Exchange. The registered office of the Company is located at 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and its mills are located at Kotri, Nooriabad, Chunian, Feroze Watwan and Bhopattian Lahore.

The Company is principally engaged in manufacturing and sale of yarn, fabrics, home textile products and processing of fabrics.

#### **Sapphire Wind Power Company Limited - the subsidiary company [ Holding - 70% ( 2013:100% )]**

Sapphire Wind Power Company Limited (the 'Company') was incorporated in Pakistan as an unlisted public company limited by shares under the Companies Ordinance, 1984 on December 27, 2006. The company is a subsidiary of a listed company, Sapphire Textile Mills Limited (the 'holding company'). The address of the registered office of the company is 212, Cotton Exchange Building, I.I. Chundrigar Road, Karachi and the company's project is being set up at Jhimpir, District Thatta, Sindh on land that is leased to the company by Alternative Energy Development Board ('AEDB'), Government of Pakistan.

The company's principal objective is to carry on the business of supplying general electric power and to setup and operate wind power generation projects to generate, accumulate, distribute and supply electricity.

The company is currently in the process of setting up an approximately 50 MW wind power station at the abovementioned location. The company's tariff has been determined by National Electric Power Regulatory Authority (NEPRA) through order dated November 21, 2013. Further, NEPRA has issued a Generation License to the company on July 27, 2012 for a term of twenty years.

During the year, the company has signed the Project Agreements including Implementation Agreement ('IA') with Government of Pakistan, the Energy Purchase Agreement ('EPA') with National Transmission and Despatch Company Limited ('NTDC'), the Finance Agreement with Overseas Private Investment Corporation ('OPIC'), United States of America, the Engineering, Procurement & Construction ('EPC') and Warranty Period Operations and Maintenance ('WP O&M') Contracts for the execution of the EPC works necessary for the Project. Consequently, subsequent to reporting date, the company has achieved the Financial Closing on July 7, 2014 as per the terms of the IA. Resultantly, the IA and EPA are fully effective from the Financial Closing date of July 7, 2014.

During the year, the Subsidiary company has issued further share capital of amounting Rs.872,173,310. Out of which 580,521,300 were subscribed by Parent company, Resultantly, the shareholding of Parent company reduced to 70%.

#### **Sapphire Home Inc - USA - the subsidiary (Holding 100%)**

The company was incorporated in USA. The company is principally engaged in marketing services in United States of America. The registered office of the company is located at 1430, Broadway, Suite 1805, New York, NY 10018.

#### **Sapphire Retail Limited - the subsidiary company (Holding 100%)**

Sapphire Retail Limited (the 'company') was incorporated in Pakistan as an unlisted public company limited by shares under the Companies Ordinance, 1984 on June 11, 2014. The company is a wholly owned subsidiary of a listed company, Sapphire Textile Mills Limited (the 'holding company'). The address of the registered office of the company is 7 A/K Main Boulevard, Gulberg-II, Lahore. The company is principally engaged in carrying out manufacturing of textile products by processing the textile goods in own or outside manufacturing facilities and to operate retail outlets to sell the same in Pakistan and abroad. The company is in set up phase and has not yet commenced commercial operations. As of June 30, 2014, the company has not received certificate to

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

commence business. However, subsequent to the year end, it has received certificate to commence business on July 11, 2014.

### **Sapphire Solar (Private) Limited - the subsidiary company (Holding 100%)**

Sapphire Solar Power (Private) Limited (the Company) is incorporated in Pakistan on March 06, 2013 under the Companies Ordinance, 1984 as a private company limited by shares. The principal activity of the Company is power generation by means of solar energy and other alternative energy sources. The registered office of the Company is situated at 307, Cotton Exchange Building, I.I. Chundrigar Road Karachi in the province of Sindh. The project for development of solar energy is at its planning stage. During the year, the Holding company has purchased the 100% share holding of the company.

### **Sapphire Tech (Private) Limited - the subsidiary company (Holding 100%)**

Sapphire Tech (Private) Limited (the Company) is a private limited company incorporated in Pakistan on November 5, 2013, under the Companies Ordinance, 1984. The Company is a wholly owned subsidiary of Sapphire Textile Mills Limited. The registered office of the Company is located at 307 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. The main business of the Company is to set up and operate electrical power generation project for distribution, selling and supply of electric power.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 and the requirements of the said directives prevail.

### **2.2 Basis of preparation**

These financial statements have been prepared under the historical cost convention except for measurement of certain financial assets and financial liabilities at fair value and recognition of employee benefits at present value.

### **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee.

## **3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT**

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### **Property, Plant and equipment**

The Group reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### Stock-in-trade and stores, spares and loose tools

The Group reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

### Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 24.2 to these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

### Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

### Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

### Trade debts and other receivables

The Group's management reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

## 4 CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the Group's policy for Staff Retirement Benefits in respect of remeasurements stands amended as follows:

The amount arising as a result of remeasurements are recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Group's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarized as below:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	June 30, 2013 Rupees	June 30, 2012 Rupees
<b>Impact on Balance Sheet</b>		
Increase / (decrease) in staff retirement benefits	18,461,246	(4,073,539)
(Decrease) / increase in deferred taxation liability	(1,155,563)	297,409
Decrease / (increase) in reserves	17,305,683	(3,776,130)
Decrease / (increase) in unappropriated profit		
Cumulative effect from prior years		(3,776,130)
Impact for the year ended June 30, 2013	21,081,813	
<b>Impact on Other Comprehensive Income</b>		
Increase in loss on remeasurement of staff retirement benefits	18,461,246	
Decrease in deferred taxation charge	(1,155,563)	

The effect of change in accounting policy on the statement of cash flows was not material.

### 5 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

#### 5.1 Standards, amendments or interpretations which became effective during the year

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2013:

**IAS 19 (Revised), 'Employee benefits' (effective for the periods beginning on or after January 1, 2013).** The amendments will make significant changes to the recognition and measurement of defined benefit plan expense. The amendments requires actuarial gains and losses to be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19, and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The impact of change in standards is disclosed in Note 4.

**Amendment to IAS 1, 'Financial statement presentation'** regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period. However, the entity need not to present the related notes in the opening balance sheet as at the beginning of the preceding period.

#### 5.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Group

**IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2015).** IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relates to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Group is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Group's financial assets.

**IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014.** This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group shall apply this amendment from July 01, 2014 and this will only affect the disclosures in the Group's financial statements in the event of impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

**IAS 39 Financial Instruments' Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)** (effective for annual periods beginning on or after January 1, 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

**IAS 32, 'Financial Instruments: Presentation'** (effective for the periods beginning on or after January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

### 5.3 Exemption from applicability of certain interpretations to standards

SECP through SRO 24(1)/2012 dated January 16, 2012 has granted exemption from the application of International Financial Reporting Interpretation Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' and IFRIC 12 'Service Concession Arrangements' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 or IFRIC 12 on the results of the companies.

Under IFRIC 4, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease under IAS 17 'Leases'. The subsidiary company - Sapphire Wind Power Company Limited's wind power plant's control due to purchase of total output by NTDC appears to fall under the scope of IFRIC 4. The company is yet to assess its impact on the financial statements. Currently, it has no effect on the profit or loss of the Group for the year as the Group has not yet commenced commercial operations.

5.4 There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Group and therefore have not been presented here.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 6.1 Basis of Consolidation

#### Subsidiaries

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies.

Subsidiaries are those entities in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from date of control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value held by the Holding Company is eliminated against the Holding Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

All material intra-group balances, transactions and resulting unrealized profits / losses are eliminated.

#### Investments in associates

Entities in which the Group has significant influence but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognised at cost. The consolidated financial statements include the associates' share of profit or loss and movements in other comprehensive income, after adjustments to align the accounting

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit and loss of associates is recognised in the profit and loss account. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted Investee, the carrying amount of that investment is reduced to nil and the recognition of further losses is discontinued.

The carrying amount of investments in associates is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of the investments. A reversal of impairment loss is recognised in the profit and loss account.

### Translation of the financial statements of foreign subsidiary

The financial statements of foreign subsidiary of which the functional currency is different from that used in preparing the Group's consolidated financial statements are translated in functional currency of the Group. Balance sheet items are translated at the exchange rate at the balance sheet date and profit and loss account items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange difference on translating foreign operation in consolidated reserves.

## 6.2 Property, plant and equipment

### Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land and leasehold land, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 7.1. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the profit and loss account.

The Group reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

### Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements is allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

### Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. Capital work-in-progress is recognized as an operating fixed asset when it is made available for intended use.

### 6.3 Investment property

Property held for capital appreciation and rental yield, which is not in the use of the Group is classified as investment property. Investment Property comprises of land and buildings. The Group has adopted cost model for its investment property using the same basis as disclosed for measurement of the Group's owned assets.

### 6.4 Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditures are expensed as incurred.

Amortization is charged to profit and loss account on straight line basis over a period of five years. Amortization on addition is charged from the date the asset is put to use while no amortization is charged from the date the asset is disposed off.

### 6.5 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

#### Investment - available for sale

Investments that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each balance sheet date, the Group reviews the carrying amounts of the investments to assess whether there is any indication that such investments 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 recognized as expense. In respect of available for sale investments, cumulative impairment loss less any impairment loss previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss accounts. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss accounts.

All purchases and sales are recognized on the trade date which is the date that the Group commits to purchase or sell the investment, except for sale and purchase of securities in future market which are accounted for at settlement date. Cost of purchase includes transaction cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 6.6 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost accumulated to balance sheet date. Provision for obsolete and slow moving stores, spares and loose tools is determined based on management estimate regarding their future usability.

### 6.7 Stock in trade

Stock-in-trade is stated at the lower of cost and net realizable value, except waste which is valued at net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of raw materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less cost of completion and selling expenses.

Provision for obsolete and slow moving stock in trade is determined based on management estimate regarding their future usability.

### 6.8 Trade debts and other receivables

Trade debts are initially recognized at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision.

### 6.9 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 and balances with banks, net of temporary overdrawn bank balances.

### 6.10 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in current liabilities to the extent of the amount remaining unpaid.

### 6.11 Employee benefits

#### Compensated absences

The Group accounts for all accumulated compensated absences in the period in which absences accrue.

#### Defined benefits plans

The Group operates an unfunded gratuity scheme for its permanent employees as per terms of employment who have completed minimum qualifying period of service as defined under the scheme.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. The amount arising as a result of remeasurements are recognized in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The liability recognized in the balance sheet in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### Defined Contribution Plan

There is an approved contributory provident fund for staff for which contributions are charged to income for the year.

The Group and the employees make equal monthly contributions to the fund at the rate of 8.33% of basic salary in the case of management staff, and 8.33% of basic salary and cost of living allowance in case of non-management staff. The assets of the fund are held separately under the control of trustees.

### 6.12 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

### 6.13 Taxation

#### Current year

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

The profits and gains of the Subsidiary company - Sapphire Wind Power Company Limited (SWPCL) derived from electric power generation are exempt from tax in terms of Clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause (11A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the subsidiary company (SWPCL) is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the statement of comprehensive income on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

#### Deferred tax

Deferred tax is provided using the balance sheet 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 regards, 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 Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized 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 utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the each reporting date.

### 6.14 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which they are approved by the shareholders and therefore, they are accounted for as non-adjusting post balance sheet event.

### 6.15 Provisions

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 6.16 Revenue recognition

Revenue from sale of goods is recognized when goods are dispatched to customers and invoices raised.

Return on bank balances is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income and entitlement of bonus shares are recognized when right to receive such dividend and bonus shares is established.

All other incomes are recognized on accrual basis.

### 6.17 Government grant

These represent transfer of resources from government, government agencies and similar bodies, in return for the past or future compliances with certain conditions relating to the operating activities of the entity.

The grants are disclosed as a deduction from the related expense.

### 6.18 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its' commencing.

### 6.19 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

### 6.20 Impairment

The carrying amount of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account.

### 6.21 Financial instruments

#### Financial assets

#### 6.21.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

### c) Held to maturity financial assets

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity. There were no held to maturity investments as at balance sheet date.

### d) Available-for-sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off within 12 months of the end of the reporting date.

#### 6.21.2 Recognition

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. All financial assets are initially recognized at fair value plus transaction costs except for those financial assets which are designated as ‘financial assets at fair value through profit or loss’. ‘Financial assets carried at fair value through profit or loss’ are initially recognized at fair value and transaction costs are charged to the profit and loss account. Financial assets are derecognized when the right to receive cash flows from such assets has expired or have been transferred and the Group has transferred substantially all risks and rewards, incidental to the ownership of such financial assets.

Dividend income from ‘financial assets at fair value through profit or loss’ and ‘available-for-sale financial assets’ is recognized in the profit and loss account when the Group’s right to receive payments is established.

Equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured or determined are stated at cost.

#### 6.21.3 Measurement

‘Available-for-sale financial assets’ and ‘financial assets at fair value through profit or loss’ are subsequently measured at fair value whereas ‘held to maturity financial assets’ and ‘loans and receivables’ are subsequently measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ are recognized in the profit and loss account in the period in which they arise.

Changes in the fair value of ‘available-for-sale financial assets’ are recognized in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulative fair value adjustments recognized in other comprehensive income till the time of disposal or impairment are charged to the profit and loss account.

#### 6.21.4 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence is identified to exist, the said financial asset or group of financial assets are impaired and an impairment loss is recognized in the profit and loss account for the amount by which the assets' carrying amount exceed their recoverable amount. Impairment losses of equity instruments, once recognized, are not reversed through the profit and loss account.

### 6.21.5 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

### 6.21.6 Derivative financial instruments

The Group designates derivative financial instruments as either fair value hedge or cash flow hedge.

#### a) Cash flow Hedges

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect the profit and loss account.

#### b) Fair value hedge and other non-trading derivatives

Fair value hedge represents hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivative that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly. When a derivative financial instrument is not designated in a qualifying hedge relationship, it is accounted for as held for trading and accordingly is categorized as 'financial asset at fair value through profit or loss'.

### 6.21.7 Financial liabilities

These are initially recognized at cost, which is the fair value of the consideration expected to be paid. All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the obliging instrument/ contract.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

### 6.22 Earnings per share - basic and diluted

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

### 6.23 Segment reporting

Segment reporting is based on the operating (business) segment of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Group's other component. An operating segment's operating results are reviewed by the CEO to make decision about

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment assets consist primarily of Property, plant and equipment, inventories, trade debts, loans and advances and cash & bank balances. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate.

The business segments are engaged in providing products and services which are subject to risks and rewards which differ from the risk and reward of other segment, segments reported are Spinning, Weaving, Processing, Home textile products, Power generation and Dyeing & Finishing, which also reflects the management structure of Group.

### 6.24 Related party transactions

All transactions with related parties are carried out by the Group at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant notes to the financial statements.

	Note	2014 ----- Rupees -----	2013 -----
<b>7</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating fixed assets	7.1 6,007,190,843	5,416,553,075
	Capital work-in-progress	7.4 2,346,878,655	456,667,700
		<b>8,354,069,498</b>	<b>5,873,220,775</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

7.2	The depreciation charge for the year has been allocated as follows:	Note	2014	2013
			----- Rupees -----	
	Cost of sales and services	31	559,980,231	504,008,415
	Administrative expenses	33	20,451,100	14,853,410
			<b>580,431,331</b>	<b>518,861,825</b>

### 7.3 Particulars of disposal of operating fixed assets during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Profit / (loss)	Mode of disposal	Particulars of Buyers
<b>Rupees</b>							
<b>Plant and Machinery</b>							
Sketcher	633,828	547,432	86,396	357,265	270,869	Negotiation	Jeelani Auto Industries, Hyderabad
8 Cards	13,000,000	11,011,281	1,988,719	2,393,160	404,441	--- do ---	Jeelani Auto Industries, Hyderabad
2 Cards	4,387,862	3,467,083	920,779	598,290	(322,489)	--- do ---	Jeelani Auto Industries, Hyderabad
Sketcher	1,275,000	1,020,935	254,065	847,458	593,393	--- do ---	Abdul Rehman Khan, Janranwala
4 Air Compressor	883,884	585,609	298,275	88,136	(210,139)	--- do ---	Abdul Rehman Khan, Janranwala
Lath machine	26,667	25,869	798	16,949	16,151	--- do ---	Abdul Rehman Khan, Janranwala
Air Condition - Chiller	1,607,618	1,381,994	225,624	16,949	(208,675)	--- do ---	Abdul Rehman Khan, Janranwala
2 Set Simplex frame	6,981,085	6,000,522	980,563	1,600,000	619,437	--- do ---	Zain International, Lahore.
Mach Coner Type 7-II	2,520,782	2,394,038	126,744	668,644	541,900	--- do ---	Noshad Textile Machinery, Faisalabad
Bale opener, Beater & Condensor	4,596,379	4,155,457	440,922	52,542	(388,380)	--- do ---	Noshad Textile Machinery, Faisalabad
Draw frame	133,937	133,556	381	57,797	57,416	--- do ---	Noshad Textile Machinery, Faisalabad
Auto Plucker	585,853	472,211	113,642	84,746	(28,896)	--- do ---	Abdul Hafeez, Faisalabad.
Step Cleaner	707,472	641,768	65,704	84,746	19,042	--- do ---	Abdul Hafeez, Faisalabad.
2 Draw frame	3,177,530	2,852,197	325,333	211,864	(113,469)	--- do ---	Abdul Hafeez, Faisalabad.
2 Combers	1,400,000	1,243,659	156,341	169,491	13,150	--- do ---	Abdul Hafeez, Faisalabad.
4 Combers	3,336,206	3,018,368	317,838	423,729	105,891	--- do ---	Abdul Hafeez, Faisalabad.
Blow room Machinery parts	5,852,686	5,537,399	315,287	394,069	78,782	--- do ---	Noshad Textile Machinery, Faisalabad
3 Ring Frame	2,931,749	2,709,123	222,626	508,475	285,849	--- do ---	S.A.Traders, Faisalabad
2 Ring Frame	1,954,499	1,807,351	147,148	338,983	191,835	--- do ---	S.A.Traders, Faisalabad
5 Ring Frame EJM-128 Complete	8,937,631	7,027,625	1,910,006	2,264,957	354,951	--- do ---	Noon Textile Mills Ltd, Lahore
2 Ring Frame EJM 128 Complete	3,331,176	2,354,702	976,474	1,111,111	134,637	--- do ---	Green House (Pvt) Ltd., Faisalabad
13 Sets Tsudakoma Air Jet Looms	43,098,195	33,041,461	10,056,734	13,000,000	2,943,266	--- do ---	Arragon International, Karachi.
	111,360,039	91,429,640	19,930,399	25,289,361	5,358,962		
<b>Mills equipment</b>							
Bale Press	39,000	37,201	1,799	25,424	23,625	Negotiation	Abdul Rehman Khan, Janranwala
Weigh Bridge	36,000	34,339	1,661	33,898	32,237	--- do ---	Abdul Rehman Khan, Janranwala
	75,000	71,540	3,460	59,322	55,862		
<b>Vehicles</b>							
Sanro	561,480	444,839	116,641	210,000	93,359	Negotiation	Saima Faisal,Karachi.
Honda Civic	1,336,000	1,008,832	327,168	700,000	372,832	--- do ---	Muneet Kumar, Karachi.
Suzuki Alto	496,000	444,129	51,871	215,000	163,129	--- do ---	Muhammad anwar Abbasi, Karachi.
Suzuki Cultus	620,000	480,099	139,901	400,000	260,099	--- do ---	Malik Aleem, Karachi.
Suzuki Cultus	568,100	502,017	66,083	225,000	158,917	--- do ---	Abdul Hameed Niaz, Karachi.
Suzuki Liana	1,169,000	688,349	480,651	550,000	69,349	--- do ---	Faisal Riaz, Karachi.
Fork Lifter	1,525,054	1,231,879	293,175	1,280,654	987,479	--- do ---	S.A. Traders, Faisalabad.
Toyota Hilux Pickup	759,000	720,577	38,423	300,000	261,577	--- do ---	Muhammad Ameen, Sheikhpura.
Toyota Corrolla	1,426,000	665,467	760,533	900,000	139,467	--- do ---	Asif Ali, Kasur.
Suzuki Cultus	682,000	465,909	216,091	400,000	183,909	--- do ---	Abdul Rasheed, Faisalabad.
Honda Citi	850,911	621,344	229,567	1,050,000	820,433	Insurance claim	Adamjee Insurance Company Limited,Karachi
Daihatsu Cuore	912,000	300,757	611,243	650,000	38,757	Negotiation	Nabeel Riaz, Lahore.
Daihatsu Cuore	723,750	355,763	367,987	400,000	32,013	--- do ---	Mr.Muhammad Aslam Mehtab, Lahore
Daihatsu Cuore	464,000	379,667	84,333	300,000	215,667	--- do ---	Mr.Muhammad Shahzad Khan, Lahore
Honda 125	98,000	11,161	86,839	63,000	(23,839)	Insurance claim	Adamjee Insurance Company Limited,Karachi
Honda Citi	1,371,935	649,017	722,918	800,000	77,082	Negotiation	Muhammad Omeir Zahid, Lahore.
Daihatsu Cuore	504,470	382,696	121,774	300,000	178,226	--- do ---	Asif Ali, Kasoor.
Daihatsu Cuore	514,570	380,615	133,955	400,000	266,045	--- do ---	Kashif Iqbal, Tobateksingh
	14,582,270	9,733,117	4,849,153	9,143,654	4,294,501		
	126,017,309	101,234,298	24,783,011	34,492,337	9,709,326		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

7.4 Capital work-in-progress	Note	2014	2013
		----- Rupees -----	
Advance for Land		-	24,619,802
Civil works and Buildings		535,378,272	236,548,570
Plant and machinery		1,442,131,351	93,004,666
Electric installations		84,901,000	3,518,800
Fire fighting equipment		1,580,220	1,994,720
Office equipments		-	217,760
Mills equipments		17,490,163	30,000
Furniture & Fixtures		3,343,460	2,324,400
Un-allocated expenditure	7.6	262,054,189	94,408,982
		<b>2,346,878,655</b>	<b>456,667,700</b>

7.5 During the year, the borrowing cost amounting Rs.46.552 million (June 30, 2013: Rs.1.079 million) has been capitalized in the cost of operating fixed assets and Capital work in progress which was charged at rate range from 8.90% to 10.93% (2013: 8.90%) per annum.

### 7.6 Un-allocated expenditure

Salaries, wages and benefits	25,867,601	12,679,627
Stores consumed	9,881	-
Travelling and conveyance	21,158,397	11,187,132
Consultancy charges	77,784,116	44,871,859
Legal and professional	89,639,903	17,733,086
Communication	130,140	100,019
Vehicle running expenses	698,300	698,300
Fee and subscription	39,818,957	5,957,718
Rent	1,403,030	-
Insurance	3,528,998	-
Miscellaneous	1,418,643	991,861
Finance costs	596,223	189,380
	<b>262,054,189</b>	<b>94,408,982</b>

7.6.1 It represents directly attributable costs incurred on construction/acquisition of property, plant and equipment. These costs will be allocated to the respective items of property, plant and equipment on completion.

### 8 INVESTMENT PROPERTY

	Land		Building on	Total
	Leasehold	Freehold	Leasehold land	
	----- Rupees -----			
<b>Net carrying value as at July 01, 2013</b>				
Opening net book value (NBV)	121,160,317	31,750,000	11,514,543	164,424,860
Depreciation charged	-	-	(1,151,454)	(1,151,454)
<b>Balance as at June 30, 2014 (NBV)</b>	<b>121,160,317</b>	<b>31,750,000</b>	<b>10,363,089</b>	<b>163,273,406</b>
<b>Gross carrying value as at June 30, 2014</b>				
Cost	121,160,317	31,750,000	19,999,980	172,910,297
Accumulated depreciation	-	-	(9,636,891)	(9,636,891)
<b>Net book value - June 30, 2014</b>	<b>121,160,317</b>	<b>31,750,000</b>	<b>10,363,089</b>	<b>163,273,406</b>
Net carrying value as at July 01, 2012				
Opening net book value (NBV)	142,360,317	31,750,000	12,793,937	186,904,254
Disposal	(21,200,000)	-	-	(21,200,000)
Depreciation charged	-	-	(1,279,394)	(1,279,394)
<b>Balance as at June 30, 2013 (NBV)</b>	<b>121,160,317</b>	<b>31,750,000</b>	<b>11,514,543</b>	<b>164,424,860</b>
<b>Depreciation rate % per annum</b>	<b>-</b>	<b>-</b>	<b>10</b>	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

8.1 The investment property includes Holding Company's 50% share valuing Rs.141,160,297 represents cost of jointly controlled leasehold land measuring 8,888.88 square yards with building thereon located at sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of Company and Sapphire Fibres Limited (related party).

8.2 In the opinion of the Directors the market value of investment property as on June 30, 2014 is not materially different from the book value.

		2014	2013
		----- Rupees -----	
<b>8.3 The depreciation charge for the year has been allocated as follows: Note</b>			
Other operating expenses	<b>34</b>	<u>1,151,454</u>	1,279,394
<b>9 INTANGIBLE ASSETS</b>			
Computer software	<b>9.1</b>	<u>3,189,494</u>	5,572,830
Good will	<b>9.3</b>	<u>577,245</u>	-
		<u><b>3,766,739</b></u>	<u>5,572,830</u>
<b>9.1 Computer software</b>			
<b>Net carrying value as at July 01, 2013</b>			
Net book value as at July 01, 2013		<u>5,572,830</u>	8,335,030
Amortization		<u>(2,383,336)</u>	(2,762,200)
<b>Net book value as at June 30, 2014</b>		<u><b>3,189,494</b></u>	<u>5,572,830</u>
<b>Gross carrying value as at June 30, 2014</b>			
Cost		<u>17,951,617</u>	17,951,617
Accumulated amortization		<u>(14,762,123)</u>	(12,378,787)
<b>Net book value as at June 30, 2014</b>		<u><b>3,189,494</b></u>	<u>5,572,830</u>
Amortization rate % per annum		<u>20</u>	20
<b>9.2 Amortization charge for the year has been allocated as follows:</b>			
Other operating expenses	<b>34</b>	<u>2,383,336</u>	2,762,200
<b>9.3</b> It represents excess of the amount paid by the holding company over fair value of net assets of Sapphire Solar (Private) Limited on its acquisition.			
<b>10 LONG TERM INVESTMENTS</b>			
<b>Related parties</b>			
Associates - listed	<b>10.1</b>	<u>55,002,766</u>	49,811,354
- unlisted	<b>10.2</b>	<u>788,069,634</u>	565,836,101
		<u>843,072,400</u>	615,647,455
<b>Other companies - Available for sale</b>	<b>10.5</b>	<u>4,178,698,287</u>	3,081,151,276
		<u><b>5,021,770,687</b></u>	<u>3,696,798,731</u>

All investments have a face value of Rs.10 per share unless stated otherwise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013	Name of Company	2014	2013
	Number of Shares			----- Rupees -----	
<b>10.1 Investments in associates - listed</b>					
	313,295	313,295	<b>Reliance Cotton Spinning Mills Limited (RCML)</b>	8,461,851	8,461,851
			Equity Interest Held 3.04%		
			Share of post acquisition profit	47,167,505	41,741,122
			Less: Dividend received during the year	(626,590)	(391,619)
			Fair value of the ordinary shares as at June 30, 2014 amounted to Rs.27.225 million (2013: Rs.16.388 million).		
				<b>55,002,766</b>	<b>49,811,354</b>
<b>10.2 Investments in associates - unlisted</b>					
	4,234,500	1,550,000	<b>Sapphire Power Generation Limited (SPGL)</b>	113,705,500	19,748,000
			Equity Interest Held 26.43% (2013:16.54%)		
			Share of post acquisition profit	281,512,862	167,865,773
			Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs.93.33 (2013: Rs.121.04) per share.		
				<b>395,218,362</b>	<b>187,613,773</b>
	6,000,000	6,000,000	<b>Sapphire Electric Company Limited (SECL)</b>	60,000,000	60,000,000
			Equity Interest Held 1.42%		
			Share of post acquisition profit	51,260,831	36,632,203
			Less: Dividend received during the year	(18,000,000)	
			Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs.15.54 (2013: Rs.16.11) per share.		
				<b>93,260,831</b>	<b>96,632,203</b>
	10,000	10,000	<b>Sapphire Holding Limited (SHL)</b>	100,000	100,000
			Equity Interest Held 0.05%		
			Share of post acquisition profit	2,701,172	2,199,738
			Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs. 285.33 (2013: Rs.229.97) per share.		
				<b>2,801,172</b>	<b>2,299,738</b>
	23,500,000	23,500,000	<b>Sapphire Dairies (Private) Limited (SDL)</b>	235,000,000	235,000,000
			Equity Interest Held 22.38%		
			Share of post acquisition (loss) / profit	(1,450,467)	3,698,596
			Break up value on the basis of audited accounts for the year ended June 30, 2014 Rs. 9.94 (2013: Rs.10.16) per share.		
				<b>233,549,533</b>	<b>238,698,596</b>
	3,675	3,675	<b>Creadore A/S Denmark (CD)</b>	58,708,925	58,708,925
			3,675 shares of Danish Krone (DKK) 1000 per Equity Interest Held 49%		
			Share of Post acquisition profit / (loss)	4,530,811	(18,117,134)
			Break up value on the basis of audited accounts for the year ended April 30, 2014 DKK 953.89 (2013: DKK 639.17) equivalent to Rs.17,294 (2013: Rs.11,038) per share.		
				<b>63,239,736</b>	<b>40,591,791</b>
				<b>788,069,634</b>	<b>565,836,101</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 10.3 Summarised financial information of equity accounted Investee

	JUNE 30, 2014					APRIL 30, 2014
	RCML	SPGL	SECL	SHL	SDL	CD
	----- Rupees in thousand -----					
<b>Assets</b>	4,203,199	1,895,652	22,412,896	5,925,815	1,293,073	600,219
<b>Liabilities</b>	2,396,313	400,063	15,822,133	192,690	249,553	471,159
<b>Revenue</b>	4,243,955	737,584	16,211,645	4,986	597,344	873,608
<b>Profit / (loss) after tax</b>	125,558	60,223	1,033,808	761,199	(23,124)	41,620
	JUNE 30, 2013					APRIL 30, 2013
	RCML	SPGL	SECL	SHL	SDL	CD
	----- Rupees in thousand -----					
Assets	3,281,305	1,227,627	21,523,829	4,866,086	1,281,882	461,999
Liabilities	1,644,961	93,363	14,694,809	245,189	215,959	379,159
Revenue	3,853,608	867,768	16,867,439	2,238	555,478	1,026,386
Profit / (loss) after tax	308,875	88,913	1,474,870	754,523	(18,761)	49,970

10.4 The share of profit / loss after acquisition is recognised based on financial statements as at June 30, 2014 except Creadore A/S, Denmark whose financial year ended on April 30, 2014.

2014	2013	Name of Company	2014	2013
Number of Shares			----- Rupees -----	

### 10.5 Other companies - Available for sale

		2014	2013
<b>Quoted</b>			
13,580,540	12,345,946	MCB Bank Limited	728,470,245
		Add: Adjustment arising from measurement at fair value	2,266,532,795
			4,092,550,051
			2,995,003,040
<b>Unquoted</b>			
7,055,985	7,055,985	Novelty Enterprises (Pvt) Limited	86,148,236
			4,178,698,287
			3,081,151,276

10.6 The Group has pledged 900,000 share of MCB with Bank Alfalah Limited (related party) as security for issue of bank guarantee of US \$ 1,732,500 in favour of National Transmission and Despatch Company Limited.

10.7 The Group has pledged 9.400 million shares of MCB with financial institution as security for issue of irrevocable Standby letter of credit in favour of a financial institution of US \$ 18.550 million for equity injection in SWPCL in accordance with Shareholders Contribution Agreement.

11	Long term loans and advances	Note	2014	2013
			----- Rupees -----	
	<b>Loan to employees - unsecured (considered good)</b>			
	Executives	11.3	87,539,265	50,389,866
	Other employees		17,814,751	17,316,355
			105,354,016	67,706,221
	Current portion of loans shown under current assets	16	34,448,510	24,262,591
			70,905,506	43,443,630

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

<b>11.1</b>	All the loans are granted to the employees, free of interest in accordance with their terms of employment.			
<b>11.2</b>	Maximum amount due from executives during the year, calculated by reference to month-end balances, was Rs.89,358,817 (2013: Rs.57,511,181).			
<b>11.3</b>	<b>Movement in loans to executives</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
			----- Rupees -----	
	Balance at the beginning of the year		50,389,866	35,147,515
	Amount disbursed during the year		<u>59,671,312</u>	<u>28,615,000</u>
			110,061,178	63,762,515
	Amount recovered during the year		<u>22,521,913</u>	<u>13,372,649</u>
	Balance at the end of the year		<u><u>87,539,265</u></u>	<u><u>50,389,866</u></u>
<b>12</b>	<b>Long term deposits and prepayments</b>			
	<b>Security deposits</b>			
	- WAPDA		57,148,446	56,898,846
	- SNGPL		1,097,000	1,097,000
	- PTCL		179,843	179,843
	- Others	12.1	<u>2,945,295</u>	<u>698,905</u>
			61,370,584	58,874,594
	<b>Prepayments</b>			
	- Loan transaction cost	12.2	<u>141,575,677</u>	-
	- Prepaid rent	12.3	<u>6,320,070</u>	-
	- Others		<u>1,104,584</u>	-
			149,000,331	-
			<u><u>210,370,915</u></u>	<u><u>58,874,594</u></u>
<b>12.1</b>	It includes an amount of Rs.36,000 (2013: Rs.36,000) deposit with Yousuf Agencies (Private) Limited - related party and includes Rs. 538,500 represents 110 percent cash margin deposit kept by bank for issuance of bank guarantee of USD 5,000 on behalf of Subsidiary Company Sapphire Solar (Private) Limited in favour of Alternative Energy Development Board (AEDB) for a period of three years.			
<b>12.2</b>	This represents transaction costs incurred in respect of debt financing of USD 95 million by Overseas Private Investment Corporation ('OPIC') in pursuance of the Finance Agreement dated March 31, 2014. The loan is secured by way of a first priority security interest over all current and future assets of the subsidiary company Sapphire Wind Power Company Limited (SWPCL). As at year end, the subsidiary company has not yet availed any loan from OPIC.			
<b>12.3</b>	This represents prepaid portion of rentals to AEDB for a period up to January 31, 2018 for a 20 year lease of 1,372 acres of land, situated in Jhimpir, District Thatta. The aforementioned land has been allocated to the subsidiary company by AEDB out of the total land leased for a period of thirty years from Government of Pakistan ('GoP') for Wind Power Generation Projects under the Master Lease Deed dated February 13, 2008. The Subsidiary company (SWPCL), in order to gain access to the land for conducting feasibility/other associated studies had signed an Agreement to Lease with AEDB dated September 21, 2008. However, the formal site sub-lease agreement has been signed during the year on March 11, 2014. The term of site sub-lease has commenced from this date and will end with the term of the EPA.			
<b>13</b>	<b>Stores, spares and loose tools</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
			----- Rupees -----	
	Stores		145,620,043	107,976,327
	Spares - in hand		<u>141,991,427</u>	<u>116,440,786</u>
	Spares - in transit		<u>4,237,225</u>	<u>25,275,591</u>
			146,228,652	141,716,377
	Loose tools		<u>265,383</u>	<u>294,554</u>
			292,114,078	249,987,258
	Provision for slow moving stores, spares and loose tools	13.1	<u>(21,899,800)</u>	<u>(21,078,419)</u>
			<u><u>270,214,278</u></u>	<u><u>228,908,839</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013 -----
<b>13.1 Provision for slow moving stores, spares and loose tools</b>			
Balance at the beginning of the year		21,078,419	-
Provision made during the year	34	821,381	21,078,419
Balance at the end of the Year		<u>21,899,800</u>	<u>21,078,419</u>
<b>14 Stock-in-trade</b>			
Raw material - in hand		2,618,242,324	3,687,487,096
Raw material - in transit		67,556,714	9,327,825
		<u>2,685,799,038</u>	<u>3,696,814,921</u>
Work in process		299,835,103	347,731,791
Finished goods		769,317,241	851,296,208
Waste		21,271,018	12,203,755
		<u>790,588,259</u>	<u>863,499,963</u>
		<u>3,776,222,400</u>	<u>4,908,046,675</u>
<b>14.1</b>			
Stock in trade as at June 30, 2014 includes items valued at Net Realizable value (NRV) as follows. The write down to NRV amounting Rs.340.892 million (2013: Rs. Nil) has been recognized in cost of goods sold and the disclosure is in accordance with the requirements of IAS 2.			
<b>Cost</b>			
Raw material		2,259,462,454	-
Work in process		159,029,078	-
Finished goods		420,455,376	-
		<u>2,838,946,908</u>	<u>-</u>
<b>Net Realizable value</b>			
Raw material		1,976,116,188	-
Work in process		149,411,445	-
Finished goods		372,526,843	-
		<u>2,498,054,476</u>	<u>-</u>
<b>15 Trade debts</b>			
<b>Secured - considered good</b>			
Foreign debts - against export		463,858,166	1,066,142,844
Provision for doubtful debts	15.4	(3,878,456)	(3,878,456)
		<u>459,979,710</u>	<u>1,062,264,388</u>
<b>Unsecured - considered good</b>			
Domestic debts	15.1 & 15.2	900,901,988	770,678,976
Waste		20,908,352	29,693,818
Others		6,985,773	4,543,921
		<u>928,796,113</u>	<u>804,916,715</u>
Provision for doubtful debts	15.4	(164,351,988)	(156,681,314)
		<u>764,444,125</u>	<u>648,235,401</u>
Balance at the end of the year		<u>1,224,423,835</u>	<u>1,710,499,789</u>
<b>15.1</b>			
Domestic debts include amount of Rs.57,426,390 (2013: Rs.70,086,203) receivable against indirect export sales.			
<b>15.2 Trade debts include the following amounts due from related parties:</b>			
<b>Domestic debts</b>			
Diamond Fabrics Limited		1,617	930,035
Sapphire Fibres Limited		1,286,369	765,830
Sapphire Finishing Mills Limited		21,773,476	38,672,155
Reliance Cotton Spinning Mills Limited		-	236,028
		<u>23,061,462</u>	<u>40,604,048</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013
<b>15.3 The aging of trade debts receivable from related parties as at balance sheet date are as under:</b>			
Not past due		17,663,627	30,875,283
Past due 0 - 30 days		5,396,968	9,369,848
Past due 31 - 60 days		867	358,916
		<u>23,061,462</u>	<u>40,604,048</u>
<b>15.4 Provision for doubtful debts</b>			
Balance at the beginning of the year		160,559,770	129,976,669
Provision made during the year	34	12,000,000	30,583,101
Bad debts written-off during the year		(4,329,326)	-
Balance at the end of the year		<u>168,230,444</u>	<u>160,559,770</u>
<b>16 Loans and advances</b>			
Considered good			
Advances - unsecured			
- to suppliers		76,782,248	100,612,903
- to contractors		511,314	743,197
- to excise and taxation	16.1	58,141,001	44,930,416
- lease land		-	7,723,100
- to others		18,590,639	2,247,800
		154,025,202	156,257,416
Current portion of long term loans			
- due from executives		22,624,064	15,153,260
- due from other employees		11,824,446	9,109,331
	11	34,448,510	24,262,591
Short term loans to employees		3,307,983	2,210,910
		<u>191,781,695</u>	<u>182,730,917</u>
<b>16.1</b> This represents 50% payment made to Excise and Taxation Department of Government of Sindh against levy of Infrastructure Fee. (refer to note 25.5)			
<b>17 Trade deposits and short term prepayments</b>			
Security deposits		1,166,445	631,445
Prepayments		12,388,616	6,015,528
		<u>13,555,061</u>	<u>6,646,973</u>
<b>18 Other receivables</b>			
Claims receivable from insurance companies		3,120	15,568,063
Receivable from related parties against shared expenses	18.1	4,696,352	6,162,484
Export rebate receivable		46,531,684	41,096,658
Receivable against sales of fixed assets		872,285	168,000
Dividend receivable		944,550	734,650
Unrealized gain on measurement of forward foreign currency contracts		1,003,061	2,345,865
Others		2,954,031	-
		<u>57,005,083</u>	<u>66,075,720</u>
<b>18.1 Receivable from related parties against shared expenses</b>			
Amer Cotton Mills (Private) Limited		513,508	382,033
Diamond Fabrics Limited		714,940	-
Reliance Cotton Spinning Mills Limited		3,094,924	2,224,175
Sapphire Dairies (Private) Limited		-	26,584
Sapphire Fibres Limited		199,387	1,763,120
Sapphire Finishing Mills Limited		-	1,664,544
Sapphire Power Generation Limited		173,593	102,028
		<u>4,696,352</u>	<u>6,162,484</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 19 Other financial assets - available for sale

2014	2013		----- 2014 -----	2013
Number of shares		Name of Company	Cost	Fair value
			----- Rupees -----	
74,800	74,800	Aisha Steel Limited	748,748	643,280
-	590,000	Bank Al-Falah Limited	-	10,749,800
3,903,346	2,416,497	Bank Al-Habib Limited	98,768,184	175,572,503
5,333,500	9,385,000	Fatima Fertilizer Company Limited	105,536,090	154,671,500
274,617	2,670,017	Fauji Fertilizer Company Limited	23,127,429	30,825,758
972,295	972,295	Gulshan Spinning Mills Limited	17,441,370	3,305,803
13,312,444	6,090,944	Hub Power Company Limited	765,679,211	781,972,961
419,800	419,800	Oil and Gas Development Co Limited	91,768,106	109,685,344
382,252	244,252	Pakistan Oilfields Limited	141,798,400	219,527,324
1,009,800	549,000	Pakistan Petroleum Limited	182,997,587	226,538,532
545,908	457,380	Pakistan State Oil Limited	104,848,588	212,276,326
			<b>1,532,713,713</b>	<b>1,915,019,331</b>
				1,457,039,126

### 20 Tax refunds due from Government

	2014	2013
	----- Rupees -----	
Income tax	579,548,875	410,386,315
Sales tax receivable	202,357,766	120,922,103
Excise duty receivable	-	3,805,695
	<b>781,906,641</b>	<b>535,114,113</b>

### 21 Cash and bank balances

	Note	2014	2013
		----- Rupees -----	
With banks on:			
- current accounts		637,180,273	64,829,821
- current accounts - USD	21.1	6,086,802	10,591,102
- current accounts - Euro	21.2	35,700,496	31,525,854
		<b>678,967,571</b>	<b>106,946,777</b>
Cash in hand		4,227,027	2,816,399
		<b>683,194,598</b>	<b>109,763,176</b>

21.1 Cash at bank on USD account of US \$ 61,764 (2013: US\$ 107,415).

21.2 Cash at bank on EURO account of EURO 265,510 (2013: EURO 244,671).

### 22 Issued, subscribed and paid-up capital

2014	2013		2014	2013
Number of shares			----- Rupees -----	
6,206,740	6,206,740	Ordinary shares of Rs. 10 each allotted for consideration paid in cash	62,067,400	62,067,400
13,876,400	13,876,400	Ordinary shares of Rs. 10 each issued as bonus shares	138,764,000	138,764,000
<b>20,083,140</b>	<b>20,083,140</b>		<b>200,831,400</b>	<b>200,831,400</b>

22.1 The Holding Company has only one class of shares which carry no right to fixed income.

22.2 6,211,849 (2013: 6,200,849) shares of the Holding Company are held by associated companies as at the balance sheet date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

23	Long term financing	Note	2014	2013
			----- Rupees -----	
	<b>Loans from banking companies - secured</b>			
	Allied Bank Limited	23.1	75,000,000	100,000,000
	Allied Bank Limited	23.2	75,000,000	100,000,000
	Allied Bank Limited	23.3	75,000,000	100,000,000
	Allied Bank Limited	23.4	75,000,000	100,000,000
	Allied Bank Limited	23.5	122,023,757	130,158,674
	Allied Bank Limited	23.6	75,000,000	100,000,000
	Allied Bank Limited	23.7	74,324,800	-
	Allied Bank Limited	23.8	19,189,249	-
	Allied Bank Limited	23.9	80,207,685	-
	Allied Bank Limited	23.10	100,506,746	-
	Allied Bank Limited	23.11	197,064,000	-
	Allied Bank Limited	23.12	202,297,536	-
	Allied Bank Limited	23.13	100,000,000	-
	Allied Bank Limited	23.14	100,000,000	-
	Bank Alfalah Limited - Related Party	23.15	170,000,000	-
	Bank Alfalah Limited - Related Party	23.16	75,000,000	-
	Habib Bank Limited	23.17	8,334,300	25,000,300
	Habib Bank Limited	23.18	8,620,000	14,872,000
	Habib Bank Limited	23.19	21,875,000	34,375,000
	Habib Bank Limited	23.20	103,125,000	140,625,000
	Habib Bank Limited	23.21	28,780,000	-
	Habib Bank Limited	23.22	30,484,000	-
	Habib Bank Limited	23.23	18,243,000	-
	Habib Bank Limited	23.24	20,358,000	-
	Habib Bank Limited	23.25	44,749,000	-
	Habib Bank Limited	23.26	168,288,000	-
	Habib Bank Limited	23.27	76,731,000	-
	Habib Bank Limited	23.28	4,300,000	-
	Habib Bank Limited	23.29	34,670,000	-
	Habib Bank Limited	23.30	65,700,000	-
	Habib Metropolitan Bank Limited	23.31	-	2,125,000
	MCB Bank Limited	23.32	6,594,000	15,382,000
	Meezan Bank Limited	23.33	-	100,000,000
	Meezan Bank Limited	23.34	174,000,000	174,000,000
	Samba Bank Limited	23.35	9,375,000	16,875,000
	Standard Chartered Bank Pakistan Limited	23.36	135,000,000	-
	United Bank Limited	23.37	30,978,000	40,186,000
	United Bank Limited	23.38	105,048,000	131,316,000
	United Bank Limited	23.39	14,527,000	21,790,500
	United Bank Limited	23.40	22,000,000	24,000,000
			<b>2,747,393,073</b>	<b>1,370,705,474</b>
	Less: Current portion shown under current liabilities		<b>(394,749,068)</b>	<b>(369,206,566)</b>
			<b>2,352,644,005</b>	<b>1,001,498,908</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Lenders	Security	Mark-up rate p.a (%)	No. of installments outstanding	Date of final repayment
23.1	ABL- LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.75%	12 Quarterly	Jun 2017
23.2	ABL- LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.75%	12 Quarterly	May 2017
23.3	ABL - LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.50%	12 Quarterly	Mar 2017
23.4	ABL - LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.50%	12 Quarterly	Apr 2017
23.5	ABL - LTF	The loan is secured against exclusive hypothecation charge of Rs.158 million on the specific plant & machinery of the Holding Company.	8.90%	15 Quarterly	Mar 2018
23.6	ABL - LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 0.50%	12 Quarterly	May 2017
23.7	ABL - LTF	The loan is secured against exclusive hypothecation charge of Rs.90 million on the specific plant & machinery of the Holding Company.	8.90%	16 Quarterly	Oct 2018
23.8	ABL - LTF	The loan is secured against exclusive hypothecation charge of Rs.24 million on the specific plant & machinery of the Holding Company.	8.90%	20 Quarterly	Nov 2020
23.9	ABL - LTF	The loan is secured against exclusive hypothecation charge of Rs.96 million on the specific plant & machinery of the Holding Company.	8.90%	20 Quarterly	Nov 2020
23.10	ABL- LTF	The loan is secured against exclusive hypothecation charge of Rs.119 million on the specific plant & machinery of the Holding Company.	8.90%	20 Quarterly	Dec 2020
23.11	ABL- LTF	The loan is secured against exclusive hypothecation charge of Rs.233 million on the specific plant & machinery of the Holding Company.	8.90%	20 Quarterly	Dec 2020
23.12	ABL- LTF	The loan is secured against exclusive hypothecation charge of Rs.239 million on the specific plant & machinery of the Holding Company.	8.90%	20 Quarterly	Jan 2021
23.13	ABL- LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 50 bps	16 Quarterly	Sep 2018
23.14	ABL- LTL	The loan is secured against exclusive hypothecation charge of Rs.118 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 50 bps	16 Quarterly	Jan 2019
23.15	BAFL - LTL	The loan is secured against exclusive hypothecation charge of Rs.200 million on the specific plant & machinery of the company.	3 Months KIBOR plus 50 bps	16 Quarterly	Apr 2019
23.16	BAFL - LTL	The loan is secured against exclusive hypothecation charge of Rs.90 million on the specific plant & machinery of the Holding Company.	3 Months KIBOR plus 50 bps	16 Quarterly	Apr 2019
23.17	HBL - LTF-EOP	The term loan is secured against hypothecation of plant and machinery at unit no. 6 of the Holding Company.	7%	1 Semi-annually	Sep 2014

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Lenders	Security	Mark-up rate p.a (%)	No. of installments outstanding	Date of final repayment
23.18	HBL - LTF-EOP	The loan is secured against first specific hypothecation charge on plant and machinery of Rs. 53.2 million of Unit No. 5 of the Holding Company.	7%	3 Semi-annually	Dec 2015
23.19	HBL-Non-LTFF	The term loan is secured against hypothecation of plant and machinery at Unit No. 5 of the Holding Company.	3 Months KIBOR plus 150 bps	7 Quarterly	Jan 2016
23.20	HBL-Non-LTFF	The term loan is secured against hypothecation of plant and machinery at Unit No. 5 of the Holding Company.	3 Months KIBOR plus 150 bps	11 Quarterly	Jan 2017
23.21 to 23.29	HBL - LTFF	The loan is secured against exclusive hypothecation charge of Rs. 687 million on the specific plant & machinery of the Holding Company.	8.90%	20 Quarterly	Apr 2021
23.30	HBL - LTFF	The loan is secured against exclusive hypothecation charge of Rs. 687 million on the specific plant & machinery of the Holding Company.	8.90%	20 Quarterly	Feb 2021
23.31	HMBL - LTF - EOP	The loan is secured against exclusive charge on specific plant and machinery of Rs. 23 million of Unit No. 6 of the Holding Company.	7%	Paid during the year	Aug 2013
23.32	MCB - LTFF	The loan is secured against 1st registered hypothecation charge for Rs. 54 million over present & future plant & machinery of Unit No.1 of the Holding Company.	9.7%	3 Quarterly	Jan 2015
23.33	MBL - Non-LTF	The loan is secured against first pari passu charge over fixed assets of amounting to Rs. 534 million of Unit No. 6 of the Holding Company.	3 Months KIBOR plus 50 bps	Paid during the year	Jun 2014
23.34	MBL - Musharka	The loan is secured against first pari passu charge over fixed assets of amounting to Rs.174 million of Unit No. 6 of the Holding Company.	3 Months KIBOR plus 50 bps	16 Quarterly	May 2018
23.35	SAMBA - Non-LTF	The term loan is secured against exclusive hypothecation charge over plant and machinery at Unit No. 4 of the Holding Company.	3 Months KIBOR plus 150 bps	5 Quarterly	Jul 2015
23.36	SCB - LTL	The loan is secured against exclusive hypothecation charge of Rs.200 million on the specific plant & machinery of the Holding Company.	3 Month KIBOR plus 0.25%	18 Quarterly	Dec 2017
23.37	UBL - LTFF	The loan is secured against first exclusive hypothecation charge of Rs.185 million on imported machinery of Unit No.6 of the Holding Company.	10.20%	14 Quarterly	Dec 2017
23.38	UBL - LTFF	The loan is secured against first exclusive hypothecation charge of Rs.375 million on imported machinery of Unit No.6 of the Holding Company.	10.20%	16 Quarterly	Jun 2018
23.39	UBL - LTL	The loan is secured against first exclusive hypothecation charge of Rs. 200 million over plant and machinery of Unit No.5 of the Holding Company.	3 Months KIBOR plus 1.5%	8 Quarterly	Jun 2016
23.40	UBL - LTFF	The loan is secured against first exclusive hypothecation charge of Rs. 375 million over plant and machinery of Unit No.6 of the Holding Company.	9.40%	11 Quarterly	Jan 2017
					(Re-stated) 2013
			<b>Note</b>	<b>2014</b>	----- Rupees -----
<b>24</b>	<b>Deferred liabilities</b>				
	Deferred taxation		<b>24.1</b>	<b>187,984,275</b>	66,264,003
	Staff retirement benefits - gratuity		<b>24.2</b>	<b>229,504,703</b>	191,731,749
				<b>417,488,978</b>	<b>257,995,752</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

24.1 Deferred taxation	Note	2014	(Re-stated) 2013
		----- Rupees -----	
<b>Deferred tax credits / (debits) arising in respect of:</b>			
<b>Taxable temporary differences (deferred tax liabilities)</b>			
Accelerated tax depreciation allowances		203,671,740	154,434,026
Investment in associates		4,654,092	4,134,950
		<b>208,325,832</b>	<b>158,568,976</b>
<b>Deductible temporary differences (deferred tax assets)</b>			
Staff retirement benefits - gratuity		(14,344,503)	(11,958,827)
Provision for doubtful debts and advances		-	(53,271,647)
Provision for repair and maintenances (Generator overhauling)		(4,628,273)	(4,259,522)
Provision for stores, spares and loose tools		(1,368,781)	(1,319,383)
Tax credit		-	(16,452,932)
Tax under section 113		-	(5,042,662)
		<b>(20,341,557)</b>	<b>(92,304,973)</b>
		<b>187,984,275</b>	<b>66,264,003</b>

24.1.1 In view of applicability of presumptive tax regime on major portion of taxable income, deferred tax liability has been worked out after taking effect of income covered under presumptive tax regime.

### 24.2 Staff retirement benefits

#### Movement in the net liability recognized in the Balance sheet

Opening net liability	191,731,749	146,055,958
Expense for the year in profit and loss account	84,811,832	62,435,920
Remeasurement recognized in other comprehensive income	9,833,283	18,461,246
	<b>286,376,864</b>	<b>226,953,124</b>
Benefits paid during the year	(56,872,161)	(35,221,375)
Closing net liability	<b>229,504,703</b>	<b>191,731,749</b>

#### Expense recognized in the profit and loss account

Current service cost	64,679,998	43,448,645
Interest cost	20,131,834	18,987,275
	<b>84,811,832</b>	<b>62,435,920</b>

#### Movement in the present value of defined benefit obligation

Present value of defined benefit obligation	191,731,749	146,055,958
Current service cost	64,679,998	43,448,645
Interest cost	20,131,834	18,987,275
Actuarial loss	9,833,283	18,461,246
Benefits paid	(56,872,161)	(35,221,375)
	<b>229,504,703</b>	<b>191,731,749</b>

Historical information	2014	2013	2012	2011	2010
----- R U P E E S -----					
Present value of defined benefit obligation	<b>229,504,703</b>	191,731,749	146,055,958	131,743,627	98,840,720
Experience adjustments on plan liabilities	<b>(9,833,283)</b>	(18,461,246)	14,383,827	(8,172,015)	6,390,954

Expected gratuity expenses charged to profit and loss for the year ending June 30, 2015 works out Rs.101,473,848.

#### General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method.

#### Principal actuarial assumption

Following are a few important actuarial assumption used in the valuation.	2014	2013
	%	%
Discount rate	13.25	10.50
Expected rate of increase in salary	12.25	9.50

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions by 100 basis point.

		Increase in assumptions	Decrease in assumptions
		----- Rupees in 000 -----	
		2014	2013
Discount rate		218,132	242,404
Increase in future salaries		243,134	217,254
		----- Rupees -----	
<b>25 Trade and other payables</b>	<b>Note</b>		
Trade creditors	25.1	384,084,303	270,056,887
Accrued liabilities	25.2	874,860,404	758,761,071
Advances from customers	25.3	543,843,294	106,543,346
Custom duty payable		-	3,262,068
Workers' profit participation fund	25.4	62,615,970	124,669,920
Workers' welfare fund		127,954,270	107,549,926
Sindh development and maintenance infrastructure fee	25.5	143,508,042	117,840,366
Unclaimed dividend		2,120,501	4,796,146
Commitment fee payable		10,423,611	-
Tax deducted at source		9,017	-
Others		7,613,525	6,963,876
		<u>2,157,032,937</u>	<u>1,500,443,606</u>
<b>25.1 These balances include the following amounts due to related parties:</b>			
Amer Cotton Mills (Private) Limited		54,156	83,312
Diamond Fabrics Limited		190,500	66,243
Reliance Cotton Spinning Mills Limited		2,605,979	28,681,565
Sapphire Fibres Limited		25,494,175	29,198,133
Sapphire Finishing Mills Limited		33,309	80,400
Nadeem Abdullah		4,866,880	-
		<u>33,244,999</u>	<u>58,109,653</u>
<b>25.2 These balances include the following amounts due to related parties:</b>			
Sapphire Power Generation Limited		<u>30,705,631</u>	21,906,864
<b>25.3 These balances include the following amounts received from related parties:</b>			
Creadore A/S Denmark		<u>166,196,240</u>	21,017,791
<b>25.4 Workers' profit participation fund</b>			
Balance at the beginning of the year		124,669,920	57,506,205
Allocation for the year	34	62,615,970	124,669,920
Interest on fund utilized in the Group's business	36	34,429,392	3,476,296
		<u>97,045,362</u>	128,146,216
		221,715,282	185,652,421
Less: Payments during the year		(159,099,312)	(60,982,501)
Balance at the end of the year		<u>62,615,970</u>	124,669,920
<b>25.5</b>			
The Holding Company had filed a suit against levy of Infrastructure fee, decision of the Honourable Sindh High Court dated 17 September 2008 in which the imposition of levy of infrastructure cess before 28 December 2006 had been declared as void and invalid. However, the Excise and Taxation Department had filed an appeal before the Honourable Supreme Court of Pakistan against the order of the Honourable Sindh High Court. During the preceding year, the Honourable Supreme Court of Pakistan had disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of the appeal hence the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On May 31, 2011, the High Court of Sindh had granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment			

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

released up to December 27, 2006 and any bank guarantee / security furnished on consignment released after December 27, 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner. In the light of interim relief the Company has paid 50% of the amount of Infrastructure cess payable from December 27, 2006 to May 31, 2011. Subsequent imports of the Company be released against 50% payment of Infrastructure cess to Excise and Taxation Department and furnishing of bank guarantee of balance amount. However the full amount of Infrastructure Cess form component of cost of imported items and provision recorded in books. Bank guarantees amounting to Rs.59.823 million (2013: Rs.49.823 million) have been provided to the department.

- 25.6 This represents commitment fee payable to Overseas Private Investment Corporation (OPIC) in accordance with Finance Agreement with Sapphire Wind Power Company Limited dated March 31, 2014.

	2014	2013
	----- Rupees -----	
<b>26 Accrued interest / mark-up</b>	<b>Note</b>	
Accrued interest / mark-up on secured:		
- long term financing	48,901,138	21,459,679
- short term borrowings	52,081,251	46,732,886
	<u>100,982,389</u>	<u>68,192,565</u>

- 26.1 Accrued mark-up includes amounting Rs. 447,218 due to Bank Alfalah Limited - related party.

<b>27 Short term borrowings</b>		
<b>Banks</b>		
Short term loans		3,090,000,000
Running finance under mark-up arrangements		958,198,266
		<u>3,191,827,645</u>
Book overdrafts	27.2	9,475,667
		<u>3,201,433,835</u>
<b>Short term loan from Directors</b>		<u>2,300,000</u>
		<u>3,203,733,835</u>
		<u>4,057,673,933</u>

- 27.1 Aggregate facilities amounting to Rs.15,820 million (2013: Rs.16,245 million) were available to the Group from banking companies. These are secured against hypothecation charge on stock in trade, book debts, plant & machinery and export bills under collection. These carry mark up ranging from 0.77% to 2.33% (2013: Nil) on foreign currency loans and 8.65% to 11.94% (2013: 8.70% to 11.41%) on local currency loans per annum payable quarterly. These facilities are renewable on various expiry dates. Short term borrowing includes amounting Rs.147.201 million due to Bank Alfalah Limited (related party).

- 27.2 This represents cheques issued by the Group in excess of balance at banks which remained unrepresented till June 30, 2014.

	2014	2013
	----- Rupees -----	
<b>28 Provision for taxation</b>	<b>Note</b>	
Balance at the beginning of the year	196,524,344	220,398,703
Provision made for current year - net	164,989,873	196,565,272
	<u>361,514,217</u>	416,963,975
Less: Adjusted advance tax during the year against completed assessments	(150,369,761)	(220,439,631)
	<u>211,144,456</u>	<u>196,524,344</u>

### 29 Contingencies and commitments

#### Contingencies

- 29.1 Guarantees issued by banks on behalf of the Group

<u>253,081,635</u>	<u>234,237,767</u>
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- 29.2 Sapphire Wind Power Company Limited and Sapphire Solar Limited has provided guarantee amounting USD 250,000 (2013: USD 125,000) and USD 5,000 in favour of Alternative Energy Development Board respectively.

- 29.3 Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties leviable on imports. As at June 30, 2014 the value of these cheques amounted to Rs.91.311 million (2013: Rs.50.139 million) .

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

- 29.4 The Holding Company had filed a suit No.204 of 2011 against Enshaa NLC Development (Pvt) Limited before the Honourable Sindh High Court, Sindh seeking declarations, possession, permanent injunction and/or recession and damage in respect of the reservation contract followed by an agreement executed between parties whereby the defendants are liable to construct the project. The matter is pending for hearing and opinion of the legal advisor of the company is favorable and there is no likelihood of unfavorable outcome or any potential loss.
- 29.5 The Holding Company had filed a petition against Mohammad Farooq Textile Mills Limited for recovery of Rs. 9.135 million under section 305 of Companies Ordinance, 1984 in the Honourable Sindh High Court, Sindh, praying that the honourable court may be pleased to pass the orders regarding winding up the liquidation of the company, to appoint provisional manager or official liquidator, to restrain the officers of the company from disposing of the assets of the company till final adjudication, to grant any other relief deemed to be appropriate and to grant cost.
- 29.6 The Holding Company had filed a suit No. RA 233 of 2011 against Indus Steel Pipe Factory (Pvt) Limited before the Honourable Sindh High Court, Sindh to review the decision regarding dispute of title of land, as a result the court has issued order to remand the case for deciding the controversy strictly in accordance with law after considering the report of the revenue authorities which has been placed on record and after deciding the objection of either parties if pending.
- 29.7 The Holding Company had filed a suit in Honourable Sindh High Court against the levy of GIDC. The Sindh High Court has granted an interim stay and restraining the Sui Southern Gas Company Limited from charging any amount of GIDC over and above Rs. 13 per MMBTU. The Honourable Islamabad High Court in a case declared the GIDC as unconstitutional and asked the distribution companies to return the amount already collected. The Honourable Supreme Court of Pakistan declared the levy GIDC as unconstitutional. The company is in process of filing application to Court for refund. However, the company has provided the provision of GIDC amounted to Rs.87.641 million (2013:Rs. 35.145 million).
- 29.8 The Holding Company had obtained stay order from Honourable Lahore High Court, Lahore against levy of 2% additional EQL Surcharge and electric duty on self power generation amounted to Rs.7.362 million (2013:Rs.3.351 million) and Rs. 16.839 million (2013:Rs. 12.760 million) respectively.
- 29.9 Also refer to contents to note 10.6 and 10.7.

<b>Commitments</b>	<b>2014</b>	<b>2013</b>
	----- Rupees -----	----- Rupees -----
29.10 Confirmed letter of credit in respect of:		
- plant and machinery	<b>38,845,624</b>	1,030,756,555
- raw material	<b>35,234,533</b>	51,660,249
- stores and spares	<b>9,083,376</b>	16,782,566
	<b><u>83,163,533</u></b>	<b><u>1,099,199,370</u></b>
29.11 Commitments in respect of expenditure contracted by SWPCL but not incurred as at June 30, 2014 amounts to Rs Nil million (2013: Rs 13.103 million).		

- 29.12 The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	<b>2014</b>	<b>2013</b>
	----- Rupees -----	----- Rupees -----
Later than one year but not later than five years	<b>5,488,000</b>	-
Later than five years	<b>75,647,945</b>	-
	<b><u>81,135,945</u></b>	<b><u>-</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 30 Sales and services - net

Note	Export Sales		Local Sales		Total		
	2014	2013	2014	2013	2014	2013	
	Rupees						
Yarn	30.1	12,220,006,954	11,823,884,345	2,975,846,655	3,261,494,297	15,195,853,609	15,085,378,642
Fabric	30.2	6,247,568,452	5,403,534,317	1,238,695,907	1,833,729,800	7,486,264,359	7,237,264,117
Home textile products		2,514,217,798	2,572,373,090	13,103,426	12,616,999	2,527,321,224	2,584,990,089
Raw material		29,972,989	-	28,872,321	70,801,568	58,845,310	70,801,568
Waste	30.3	97,050,349	132,094,294	194,178,538	188,049,662	291,228,887	320,143,956
Services		-	8,646,226	-	-	-	8,646,226
		<b>21,108,816,542</b>	<b>19,940,532,272</b>	<b>4,450,696,847</b>	<b>5,366,692,326</b>	<b>25,559,513,389</b>	<b>25,307,224,598</b>
Export rebate						27,724,535	37,082,120
Duty drawback	30.5					836,455	1,537,984
Processing income						13,567,745	17,379,533
Less: Sales tax						(190,340,371)	(66,584,774)
						<b>25,411,301,753</b>	<b>25,296,639,461</b>
<b>30.1 Export sales - Yarn</b>							
Direct export						8,813,797,482	9,681,347,002
In-direct export						3,406,209,472	2,142,537,343
						<b>12,220,006,954</b>	<b>11,823,884,345</b>
<b>30.2 Export sales - Fabric</b>							
Direct export						4,931,674,994	4,268,520,704
In-direct export						1,315,893,458	1,135,013,613
						<b>6,247,568,452</b>	<b>5,403,534,317</b>

30.2.1 Local sales of Fabric includes sales of Lawn Rs.722,500 ( 2013: Rs. 111,132,352).

30.3 Waste sales includes comber noil sales Rs.96,730,959 (2013:Rs.132,025,430).

30.4 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.217.939 million (2013: Rs.11.538 million) has been included in export sales.

30.5 The duty drawback has been given by Ministry of Textile Industries from government of Pakistan vide S.R.O 3(1)TID/09-P-I Dated 1st September 2009 in order to encourage the exporters.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014	2013
		----- Rupees -----	
<b>31 Cost of sales and services</b>			
Raw material consumed	31.1	16,705,749,011	16,056,045,153
Cost of raw material sold	31.2	69,096,361	78,348,633
Packing material consumed		321,577,764	293,464,725
Stores and spares consumed		574,247,609	614,393,903
Salaries, wages and benefits	31.3 & 31.4	1,582,756,255	1,351,245,154
Fuel, power and water		1,898,687,269	1,573,353,093
Other manufacturing expenses	31.5	572,537,140	681,752,419
Repair and maintenance		73,196,324	81,930,258
Vehicle running expenses		30,860,366	27,268,964
Travelling and conveyance		21,090,664	21,994,967
Insurance expenses		57,328,865	68,520,186
Rent, rates and taxes		5,429,311	6,136,766
Fees and subscription		6,583,198	4,780,450
Communication expenses		9,369,890	6,428,166
Printing and stationery		2,129,692	1,804,744
Legal and professional charges		7,205,323	4,417,016
Depreciation	7.2	559,980,231	504,008,415
Miscellaneous expenses		4,638,504	4,775,813
		<u>22,502,463,777</u>	<u>21,380,668,825</u>
<b>Work in process</b>			
Opening stock		347,731,791	325,046,975
Closing stock	14	(299,835,103)	(347,731,791)
		<u>47,896,688</u>	<u>(22,684,816)</u>
<b>Cost of goods manufactured</b>		<u>22,550,360,465</u>	<u>21,357,984,009</u>
<b>Finished goods</b>			
Opening balance		863,499,963	595,840,946
Closing stock	14	(790,588,259)	(863,499,963)
		<u>22,623,272,169</u>	<u>21,090,324,992</u>
<b>31.1 Raw material consumed</b>			
Opening balance		3,687,487,096	2,392,839,065
Purchases		15,636,504,239	17,350,693,184
		<u>19,323,991,335</u>	<u>19,743,532,249</u>
Closing stock	14	(2,618,242,324)	(3,687,487,096)
		<u>16,705,749,011</u>	<u>16,056,045,153</u>
<b>31.2</b>	It includes Salaries, wages & benefits, Insurance and Finance cost amounting Rs.611,472 (2013:Rs.693,351), Rs.1,222,944 (2013: Rs.1,386,701) and Rs.6,114,722 (2013: Rs.6,933,507) respectively.		
<b>31.3</b>	Salaries, wages and benefits include Rs.84,811,832 (2013:Rs.62,435,920) in respect of post employment benefits - gratuity.		
<b>31.4</b>	Salaries, wages and benefits include Rs.4,531,916 (2013:Rs.3,905,873) in respect of provident fund contribution.		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 ----- Rupees -----	2013
<b>31.5 Other manufacturing expenses</b>			
Cotton dyeing, bleaching and bale pressing charges		173,745,316	159,289,964
Yarn dyeing and bleaching charges		51,586,537	32,316,518
Fabric dyeing, bleaching, knitting and processing charges		275,012,205	418,825,442
Yarn doubling charges		4,146,303	5,977,159
Stitching, spinning and other charges		54,213,613	43,817,195
Designer and Embroidery charges		13,833,166	21,526,141
		<b>572,537,140</b>	<b>681,752,419</b>
<b>32 Distribution cost</b>			
<b>On export sales</b>			
Export development surcharge		45,292,115	37,988,892
Insurance		9,803,710	10,246,496
Commission		275,731,633	403,953,701
Ocean freight and forwarding		342,106,569	394,719,766
		<b>672,934,027</b>	<b>846,908,855</b>
<b>On local sales</b>			
Inland freight and handling		40,651,502	36,913,267
Commission		37,119,949	23,241,595
		<b>77,771,451</b>	<b>60,154,862</b>
<b>Other distribution cost</b>			
Salaries and benefits	32.1	82,045,704	73,391,461
Rent and utilities		6,045,741	4,043,512
Communication		11,639,695	11,495,522
Travelling, conveyance and entertainment		60,044,440	47,393,369
Repair and maintenance		1,623,895	1,838,141
Fees and subscription		1,986,040	3,234,705
Samples and advertising		16,425,130	22,689,898
Exhibition expenses		9,605,233	12,157,412
Printing and stationery		1,554,555	2,789,485
Others		1,106,871	927,284
		<b>192,077,304</b>	<b>179,960,789</b>
Grant received from TDAP	32.2	-	(10,098,000)
		<b>942,782,782</b>	<b>1,076,926,506</b>

32.1 Salaries and benefits include Rs.3,339,400 (2013:Rs.3,168,869) in respect of provident fund contribution.

32.2 This represents amount received from Trade Development Authority of Pakistan under Trade Policy 2009-2010 to provide assistance to socially and environmentally compliant and ISO Certified companies for setting up business office abroad.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014	2013
	Note	----- Rupees -----	
<b>33 Administrative expenses</b>			
Directors' remuneration		22,800,000	21,050,000
Directors' meeting fee		50,000	-
Salaries and benefits	33.1	109,638,398	96,459,538
Rent, rates and utilities		11,579,209	12,968,436
Communication		5,802,788	4,134,870
Printing and stationery		2,727,778	2,203,042
Travelling, conveyance and entertainment		24,483,886	28,575,150
Motor vehicle expenses		11,644,953	10,309,237
Repair and maintenance		9,061,282	6,591,874
Insurance expense		1,505,225	2,651,880
Legal and professional charges		34,408,095	43,144,095
Fees and subscription		2,777,120	3,674,921
Computer expenses		6,690,928	4,399,724
Advertisement		156,720	172,100
Security expenses		1,723,300	2,251,200
Depreciation	7.2	20,451,100	14,853,410
Others		2,052,848	1,142,052
		<u>267,553,630</u>	<u>254,581,529</u>
<b>33.1</b>	Salaries and benefits include Rs.4,429,672 (2013:Rs.3,649,666) in respect of provident fund contribution.		
<b>34 Other operating expenses</b>			
Workers' profit participation fund	25.4	62,615,970	124,669,920
Workers' welfare fund		25,922,613	48,285,085
Auditors' remuneration	34.1	4,569,142	3,123,951
Donations	34.2	19,021,089	40,370,194
Depreciation on investment property	8.3	1,151,454	1,279,394
Amortization of intangible asset	9.2	2,383,336	2,762,200
Provision for doubtful debts	15.4	12,000,000	30,583,101
Provision for stores, spares and loose tools	13.1	821,381	21,078,419
Exchange loss		97,391	-
Loss on disposal of investment property		-	200,000
Loan to employee written off due to demise		-	5,361,565
Sales tax on zero rated under amnesty scheme		-	7,089,833
Realized loss on measurement of derivative financial instruments - net		3,782,819	1,780,768
		<u>132,365,195</u>	<u>286,584,430</u>
<b>34.1 Auditors' remuneration</b>			
<b>Mushtaq &amp; Co.</b>			
Audit fee		1,397,550	1,270,500
Half yearly review fee		366,025	366,025
Code of corporate governance review fee		85,850	78,045
Other certification / services		875,049	660,769
Out of pocket expenses		13,750	51,681
		2,738,224	2,427,020
<b>A.F.Ferguson &amp; Co.</b>			
Audit fee		400,000	125,000
Other assurance services		1,250,000	100,000
Taxation services		52,174	425,000
Out of pocket expenses		68,744	46,931
		1,770,918	696,931
<b>Hameed Chaudhri &amp; Co.</b>			
Audit fee		30,000	-
<b>M.Yousuf Adil Saleem &amp; Co.</b>			
Audit fee		30,000	-
		<u>4,569,142</u>	<u>3,123,951</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

			2014	2013
			----- Rupees -----	
<b>34.2</b>	<b>Donations include the following in which a director is interested:</b>	<b>Note</b>		
	<b>Name of director</b>	<b>Interest in donee</b>	<b>Name and address of donee</b>	
	Mr. Mohammad Abdullah	Director	<b>Abdullah Foundation</b>	<b>17,050,000</b>
	Mr. Shahid Abdullah	Director	312, Cotton Exchange Building,	<b>36,500,000</b>
	Mr. Yousuf Abdullah	Director	I.I. Chundrigar Road, Karachi.	
	Mr. Nadeem Abdullah	Director		
	Mr. Amer Abdullah	Director		
	Mr. Mohammad Abdullah	Trustee	<b>Jamal-ud-din Fatima Charitable Trust</b>	<b>600,000</b>
	Mr. Shahid Abdullah	Trustee	149, Cotton Exchange Building,	<b>380,000</b>
	Mr. Nadeem Abdullah	Trustee	I.I. Chundrigar Road, Karachi.	
<b>35</b>	<b>Other income</b>			
	<b>Income from financial assets</b>			
	Dividend income:			
	- from other companies		<b>315,729,328</b>	273,900,851
	- from associated companies	<b>35.1</b>	<b>9,636</b>	7,336
	Gain on sale of investments		<b>106,427,221</b>	45,525,760
	Profit on saving account		<b>104,006</b>	201,938
	Exchange gain		-	3,449,600
	Exchange gain on foreign currency account		<b>1,381,617</b>	855,053
	<b>Income from non-financial assets</b>			
	Gain on sale of property, plant and equipment - net		<b>9,325,658</b>	14,378,284
	Rental income		<b>14,952,720</b>	13,854,000
	Custom duty written-back		<b>3,262,068</b>	-
	Credit balance written-back		<b>2,447,929</b>	-
	Scrap sales [Net of sales tax aggregating Rs.3.787 million (2013: Rs.3.119 million)]		<b>20,249,381</b>	18,937,193
			<b>473,889,564</b>	371,110,015
<b>35.1</b>	<b>Dividend income from associated companies</b>			
	Reliance Cotton Spinning Mills Limited	<b>35.2</b>	<b>8,764</b>	5,596
	Sapphire Fibres Limited	<b>35.3</b>	<b>725</b>	1,740
	SFL Limited	<b>35.4</b>	<b>147</b>	-
			<b>9,636</b>	7,336
<b>35.2</b>	Sapphire Textile Mills Limited distributed shares of Reliance Cotton Spinning Mills Limited as Stock dividend @ 4.50% for the year ended June 30, 2008. The dividend of amounting Rs. 8,764 (2013: Rs. 5,596) representing number of shares 4,382 (2013:4,477) which were not transferred by shareholders at that time.			
<b>35.3</b>	Sapphire Textile Mills Limited distributed shares of Sapphire Fibres Limited as Stock dividend @ 10% for the year ended September 30, 1991. This amount represents dividend of 145 shares which were not transferred by shareholders at that time.			
<b>35.4</b>	Sapphire Fibres Limited issued shares of SFL Limited as Stock dividend in ratio of 1:1 for the year ended June 30, 2011. SFL Limited issued bonus shares @ 2% for the year ended June 30, 2012. The amount represents dividend of 147 shares which were not transferred by shareholders.			
<b>36</b>	<b>Finance cost</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
			----- Rupees -----	
	Interest / mark-up on :			
	- short term finances		<b>393,100,507</b>	436,717,146
	- long term loans		<b>146,369,091</b>	126,553,078
	- workers' profit participation fund	<b>25.4</b>	<b>34,429,392</b>	3,476,296
	Bank charges, commission and others charges		<b>149,109,292</b>	97,423,180
	Exchange gain on foreign currency loan		<b>(7,239,559)</b>	-
			<b>715,768,723</b>	664,169,700
<b>36.1</b>	Finance cost includes amounting Rs. 5,401,253 charged by Bank Al-Falah Limited (related party) on borrowings obtained.			

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013
	----- Rupees -----	
<b>37 Taxation</b>		
Current		
- for the year	211,146,921	196,565,272
- prior year	(46,157,048)	-
Deferred	122,334,872	34,008,064
	<b>287,324,745</b>	<b>230,573,336</b>
<b>37.1 Relationship between taxation expense and accounting profit</b>		
Profit before taxation	<b>1,253,361,767</b>	<b>2,359,346,228</b>
Tax at the applicable rate of 34% ( 2013: 35%)	<b>426,143,001</b>	825,771,180
Tax effect of inadmissible expenses	-	(43,089,494)
Tax effect of income taxed at a lower rate	(6,156,388)	(440,495,833)
Reduction in rate	(2,484,788)	(3,946,831)
Prior year tax effect	(46,157,048)	-
Tax credit effect	(84,020,032)	(107,665,686)
	<b>287,324,745</b>	<b>230,573,336</b>
<b>38 Earnings per shares</b>	<b>2014</b>	<b>2013</b>
Profit after taxation for the year	<b>Rupees 966,037,022</b>	<b>2,128,772,892</b>
Weighted average number of ordinary shares	<b>Number 20,083,140</b>	<b>20,083,140</b>
Earnings per share - basic and diluted	<b>Rupees 48.10</b>	<b>106.00</b>
<b>38.1</b> There is no dilutive effect on basic earnings per share.		
<b>39 Cash generated from operations</b>		
Profit before taxation and share of profit of associated companies	<b>1,203,448,818</b>	2,295,162,319
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation on operating fixed assets	<b>580,431,331</b>	518,861,825
Depreciation on investment property	<b>1,151,454</b>	1,279,394
Gain on sale of investments	<b>(106,427,221)</b>	(45,525,760)
Amortization of intangible assets	<b>2,383,336</b>	2,762,200
Gain on sale of property, plant and equipment	<b>(9,325,658)</b>	(14,378,284)
Loss on sale of investment property	-	200,000
Dividend income - others	<b>(315,729,328)</b>	(273,900,851)
Dividend income - associates	<b>(9,636)</b>	(7,336)
Provision for gratuity	<b>84,811,832</b>	62,435,920
Provision for doubtful debts	<b>12,000,000</b>	30,583,101
Custom duty written-back	<b>(3,262,068)</b>	-
Credit balances written-back	<b>(2,447,929)</b>	-
Provision for stores, spares and loose tools	<b>821,381</b>	21,078,419
Loan to employee written-off due to demise	-	5,361,565
Exchange differences	<b>(7,239,559)</b>	(3,449,600)
Finance cost	<b>723,008,282</b>	664,169,700
Profit on saving account	<b>(104,006)</b>	(201,938)
Rental income	<b>(14,952,720)</b>	(13,854,000)
	<b>945,109,491</b>	955,414,355
Operating cash flow before changes in working capital	<b>2,148,558,309</b>	3,250,576,674
<b>Changes in working capital</b>		
(Increase) / Decrease in current assets		
Stores, spare and loose tools	<b>(42,126,820)</b>	812,151
Stock-in-trade	<b>1,131,824,275</b>	(1,579,130,741)
Trade debts	<b>474,075,954</b>	(431,174,639)
Loans and advances	<b>(9,050,778)</b>	(57,283,928)
Trade deposits and short term prepayments	<b>(6,908,088)</b>	8,198,729
Other receivables	<b>7,937,733</b>	(25,759,587)
	<b>1,555,752,276</b>	(2,084,338,015)
<b>Increase in current liabilities</b>		
Trade and other payables	<b>664,918,323</b>	423,064,113
	<b>4,369,228,908</b>	<b>1,589,302,772</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 40 Related party disclosures

The related parties comprise associated companies (due to common directorship), directors and key management personnel. Amounts due to / from related parties are shown in the relevant notes to the financial statements and remuneration key management personnel has been disclosed in note 44. The Group in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Nature of transaction	Relationship with the Company	2014	2013
		----- Rupees -----	
<u>Sales, services provided, rental income and reimbursement of expenses</u>			
Amer Cotton Mills (Private) Limited	Related party	134,928	266,475
Creadore A/S, Denmark	Associate	426,011,024	570,904,714
Diamond Fabrics Limited	Related party	94,947,019	63,867,464
Reliance Cotton Spinning Mills Limited	Associate	2,380,537	484,579
Sapphire Fibres Limited	Related party	3,345,522	54,201,280
Sapphire Finishing Mills Limited	Related party	311,763,076	718,033,245
		<b>838,582,106</b>	<b>1,407,757,757</b>
<u>Donations</u>			
Abdullah Foundation	Related party	17,050,000	36,500,000
Jamal-ud-din Fatima Charitable Trust	Related party	600,000	380,000
		<b>17,650,000</b>	<b>36,880,000</b>
<u>Rent and other expenses</u>			
Yousuf Agencies (Private) Limited	Related party	2,855,172	2,822,214
<u>Purchases, services received, markup and reimbursement of expenses</u>			
Amer Cotton Mills (Private) Limited	Related party	4,569,264	294,000
Bank Alfalah Limited	Related party	5,401,253	-
Diamond Fabrics Limited	Related party	1,493,415	1,426,600
Reliance Cotton Spinning Mills Limited	Associate	127,182,302	156,221,111
Sapphire Fibres Limited	Related party	483,444,640	214,235,811
Sapphire Finishing Mills Limited	Related party	3,916,042	6,754,550
Sapphire Power Generation Limited	Associate	256,050,294	419,059,990
		<b>882,057,210</b>	<b>797,992,062</b>
<u>Expenses charged by</u>			
Sapphire Fibres Limited	Related party	1,286,061	134,260
Amer Cotton Mills (Private) Limited	Related party	35,970	-
		<b>1,322,031</b>	<b>134,260</b>
<u>Contribution to provident fund</u>			
Sapphire Textile Mills Limited - Employees Provident Fund	Retirement benefit fund	12,300,988	10,724,408
<u>Expenses charged to</u>			
Amer Cotton Mills (Private) Limited	Related party	736,311	3,034,837
Diamond Fabrics Limited	Related party	912,619	290,651
Reliance Cotton Spinning Mills Limited	Associate	3,310,383	2,224,175
Sapphire Dairies (Private) Limited	Associate	13,441	26,584
Sapphire Electric Company Limited	Associate	2,542	-
Sapphire Fibres Limited	Related party	1,887,740	8,303,771
Sapphire Finishing Mills Limited	Related party	3,154,841	1,664,543
Sapphire Power Generation Limited	Associate	13,441	102,028
		<b>10,031,318</b>	<b>15,646,589</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

Nature of transaction	Relationship with the Company	2014	2013
		----- Rupees -----	
<u>Sale of property, plant and equipment</u>			
Sapphire Fibres Ltd	Related party	-	16,039,375
<u>Purchase of property, plant and equipment</u>			
Neelum Textile Mills (Private) Limited	Related party	500,000	-
<u>Long term and short term loans obtained</u>			
Bank Alfalah Limited	Related party	530,737,000	-
Nadeem Abdullah	Chief Executive	400,000	-
Mohammad Abdullah	Director	800,000	-
		<b>531,937,000</b>	-
<u>Share deposit money</u>			
Sapphire Dairies (Private) Ltd	Associate	-	145,000,000
Sapphire Power Generation Limited	Associate	93,957,500	-
		<b>93,957,500</b>	145,000,000
<u>Shares received</u>			
Sapphire Dairies (Private) Ltd	Associate	-	185,000,000
Sapphire Power Generation Limited	Associate	93,957,500	-
		<b>93,957,500</b>	185,000,000
<u>Dividend paid</u>			
Amer Tex (Pvt) Ltd.	Related party	10,065,312	13,390,411
Diamond Limited	Related party	-	2,274,345
Galaxy Agencies (pvt) Ltd.	Related party	4,541,499	8,578,387
Nadeem Enterprises (pvt) Ltd.	Related party	5,276,178	9,966,114
Neelum Textile Mills (pvt) Ltd.	Related party	2,585,196	6,392,098
Reliance Cotton Spinning Mills Ltd.	Associate	902,007	1,703,791
Sapphire Agencies (pvt) Ltd.	Related party	20,144,412	38,483,766
Sapphire Holding Limited	Associate	2,381,742	-
Sapphire Power Generation Ltd.	Associate	2,552,778	4,821,914
		<b>48,449,124</b>	85,610,826
<u>Dividend received</u>			
Reliance Cotton Spinning Mills Limited	Associate	635,354	397,215
Sapphire Fibres Limited	Related party	725	1,740
SFL Limited	Related party	147	-
		<b>636,226</b>	398,955

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 41 SEGMENT ANALYSIS 41.1 SEGMENT RESULTS

	Spinning	Weaving	Processing and Home Textile	Power Generation	Dyeing and Finishing	Elimination of inter segment transaction	Total
Rupees							
For the year ended June 30, 2014							
Sales and services - net	16,921,155,280	8,070,398,446	2,729,694,746	-	-	(2,309,946,719)	25,411,301,753
Cost of sales and services	(15,574,995,810)	(7,066,255,454)	(2,291,244,314)	-	(723,310)	2,309,946,719	(22,623,272,169)
Gross Profit	1,346,159,470	1,004,142,992	438,450,432	-	(723,310)	-	2,788,029,584
Distribution cost	(493,084,528)	(289,572,578)	(160,125,676)	-	-	-	(942,782,782)
Administrative expenses	(179,730,238)	(41,946,969)	(18,659,698)	(27,216,725)	-	-	(267,553,630)
Finance cost	(591,554,657)	(96,559,924)	(27,653,803)	(339)	-	-	(715,768,723)
	(1,264,369,423)	(428,079,471)	(206,439,177)	(27,217,064)	-	-	(1,926,105,135)
Profit / (loss) before taxation and unallocated income and expenses	81,790,047	576,063,521	232,011,255	(27,217,064)	(723,310)	-	861,924,449
Depreciation	386,285,174	168,126,754	24,729,237	998,874	291,292	-	580,431,331
For the year ended June 30, 2013							
Sales and services - net	16,541,009,618	7,903,377,272	3,067,258,636	-	-	(2,215,006,065)	25,296,639,461
Cost of sales and services	(13,748,859,645)	(6,978,156,302)	(2,577,962,602)	-	(352,508)	2,215,006,065	(21,090,324,992)
Gross Profit	2,792,149,973	925,220,970	489,296,034	-	(352,508)	-	4,206,314,469
Distribution cost	(649,313,024)	(240,354,906)	(187,258,576)	-	-	-	(1,076,926,506)
Administrative expenses	(159,260,866)	(38,705,791)	(15,087,739)	(41,527,133)	-	-	(254,581,529)
Finance cost	(510,914,848)	(114,149,476)	(39,087,318)	(18,058)	-	-	(664,169,700)
	(1,319,488,738)	(393,210,173)	(241,433,633)	(41,545,191)	-	-	(1,995,677,735)
Profit / (loss) before taxation and unallocated income and expenses	1,472,661,235	532,010,797	247,862,401	(41,545,191)	(352,508)	-	2,210,636,734
Depreciation	338,204,196	164,810,768	15,827,842	19,019	-	-	518,861,825
Reconciliation of operating results with profit after tax is as follows:							
Rupees							
Total results for reportable segments							
Other operating expenses						861,924,449	2,210,636,734
Other operating income						(132,365,195)	(286,584,430)
Share of profit of associated companies						473,889,564	371,110,015
Profit before taxation						49,912,949	64,183,909
Taxation						1,253,361,767	2,359,346,228
Profit for the year						(287,324,745)	(230,573,336)
						966,037,022	2,128,772,892

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 41.2 SEGMENT ASSETS AND LIABILITIES

	Spinning	Weaving	Processing and Home Textile	Power Generation	Dyeing and Finishing	Total
<b>As at June 30, 2014</b>						
Segment assets	7,978,897,402	2,967,920,804	1,004,424,532	996,990,145	1,850,327,203	14,798,560,086
Segment Liabilities	15,659,710,812	2,646,624,811	1,856,113,572	371,825,654	1,158,013,552	21,692,288,401
<b>As at June 30, 2013</b>						
Segment assets	8,601,726,897	3,018,457,023	1,333,533,124	109,610,163	58,808,161	13,122,135,368
Segment Liabilities	14,176,904,299	2,352,462,328	1,695,484,077	3,555,024	(352,509)	18,228,053,219
<b>Reconciliation of segment assets and liabilities with total assets and liabilities in the balance sheet is as follows:</b>						
					2014	2013
					----- Rupees -----	
<b>Total for reportable segments assets</b>					14,798,560,086	13,122,135,368
<b>Unallocated assets</b>					7,938,919,587	5,925,025,380
<b>Total assets as per balance sheet</b>					22,737,479,673	19,047,160,748
<b>Total for reportable segments liabilities</b>					21,692,288,401	18,228,053,219
<b>Unallocated liabilities</b>					1,045,191,272	819,107,529
<b>Total liabilities as per balance sheet</b>					22,737,479,673	19,047,160,748

### 41.3 Revenue from major products

The analysis of the Group's revenue from external customers for its products is given in note 30 to these financial statements.

### 41.4 Information about major customers

Revenue from major customers of Weaving and Processing & Home Textile segments for the year ended June 30, 2014 is Rs.2,580.661 (2013: Rs.1,769.650 million) and Rs.2,320.093 million (2013: Rs.1,881.44 million), where as in Spinning segment there is no major customer whose revenue accounts for more than 10% of total Spinning segment's revenue.

### 41.5 Geographical information

The Group's revenue from external customers by geographical location is detailed below:

	2014	2013
	----- Rupees -----	
Domestic sales	4,273,924,221	5,338,119,755
Export sales	21,137,377,532	19,958,519,706
	25,411,301,753	25,296,639,461

The Group mainly exports its products to Asia, Europe, Australia and North America.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

<b>42</b>	<b>Number of employees</b>	<b>2014</b>	<b>2013</b>
	<b>Number of employees at June 30</b>		
	- Permanent	<u>5,627</u>	<u>5,686</u>
	- Contractual	<u>82</u>	<u>685</u>
	<b>Average number of employees during the year</b>		
	- Permanent	<u>5,708</u>	<u>5,579</u>
	- Contractual	<u>75</u>	<u>487</u>
<b>43</b>	<b>Plant capacity and actual production</b>		
	<b>Spinning units</b>		
	Total number of spindles installed	126,931	122,410
	Average number of spindles worked	122,933	119,201
	Total number of rotors installed	3,120	3,111
	Average number of rotors worked	3,065	3,041
	Number of shifts worked per day	3	3
	Total days worked	360	360
	Installed capacity after conversion into 20/s lbs.	90,973,529	87,648,336
	Actual production after conversion into 20/s lbs	114,258,578	89,079,562
	<b>Weaving unit</b>		
	Total number of looms installed	299	300
	Average number of looms worked	299	290
	Number of shifts worked per day	3	3
	Total days worked	360	360
	Installed capacity at 50 picks per inch of fabric square meters	100,456,657	102,273,135
	Actual production converted at 50 picks per inch of fabric square meters	103,829,499	98,573,323
	<b>Home Textile Product unit</b>		
	The capacity of this unit is undeterminable due to multi product involving varying processes of manufacturing and run length of order lots.		
<b>44</b>	<b>Remuneration of chief executive, directors and executives</b>	<b>2014</b>	<b>2013</b>
		----- Rupees -----	
	<b>Chief Executive</b>		
	Remuneration	8,040,000	6,833,500
	Rent and utilities	<u>3,960,000</u>	<u>3,416,500</u>
		<u>12,000,000</u>	<u>10,250,000</u>
	Number of person	<u>1</u>	<u>1</u>
	<b>Director</b>		
	Remuneration	7,220,000	7,200,000
	Rent and utilities	<u>3,580,000</u>	<u>3,600,000</u>
		<u>10,800,000</u>	<u>10,800,000</u>
	Number of persons	<u>2</u>	<u>2</u>
	Meeting Fee	<u>50,000</u>	-
	Number of persons	<u>1</u>	-
	<b>Executives</b>		
	Managerial remuneration	119,299,973	98,552,991
	House rent	55,942,438	44,888,897
	Cost of living allowance	77,000	88,900
	Bonus	17,592,387	16,457,150
	Medical	3,044,244	2,463,154
	Utilities	6,911,662	5,754,843
	Leave encashment and other benefits	<u>12,983,750</u>	<u>11,559,648</u>
		<u>215,851,454</u>	<u>179,765,583</u>
	Number of persons	<u>101</u>	<u>88</u>
	Number of executives provided with the Group maintained cars	<u>93</u>	<u>87</u>

The Chief Executive and two Directors were also provided with cars maintained by the Group and telephones at residence.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014	2013
		----- Rupees '000	-----
<b>45</b>	<b>Provident fund related disclosures</b>		
<b>45.1</b>	The following information is based on audited financial statements of the Fund as at June 30, 2014		
	Size of the fund - Total assets	108,033	91,094
	Cost of investments made	100,600	85,009
	Fair value of investments	107,832	88,391
	Percentage of Investments made	93%	93%

		2014	2013	2014	2013
		----- Percentage -----	-----	----- Rupees '000 -----	-----
<b>45.2</b>	The break-up of fair value of investments is as follows:				
	National Saving Schemes	0%	20%	-	17,999
	Government Securities	100%	80%	107,832	70,392
		<u>100%</u>	<u>100%</u>	<u>107,832</u>	<u>88,391</u>

**45.3** The investments out of provident fund have made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

### 46 FINANCIAL INSTRUMENTS

The Group has exposures to the following risks from its use of financial instruments:

- 46.1** - Credit risk
- 46.2** - Liquidity risk
- 46.3** - Market risk

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

#### 46.1 Credit risk

##### 46.1.1 Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments, other receivables, other financial assets and cash and bank balances. Out of total financial assets of Rs.8,328.052 million (2013:Rs.6,517.171 million), financial assets which are subject to credit risk aggregate to Rs.7,644.857 million (2013:Rs.6,562.269 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2014	2013
	----- Rupees -----	-----
Long term investments	4,178,698,287	3,081,151,276
Long term loans and advances	105,354,016	67,706,221
Long term deposits	210,370,915	58,874,594
Trade debts	1,224,423,835	1,710,499,789
Loans and advances	3,307,983	2,210,910
Trade deposits and short term prepayments	1,166,445	631,445
Other receivables	9,470,338	35,621,315
Short term investments	1,915,019,331	1,457,039,126
Cash and bank balances	683,194,598	103,436,686
	<u>8,331,005,748</u>	<u>6,517,171,362</u>

##### 46.1.2 The maximum exposure to credit risk for trade debts at the reporting date by geographical region is as follows.

Domestic	764,444,125	648,235,401
Export	459,979,710	1,062,264,388
	<u>1,224,423,835</u>	<u>1,710,499,789</u>

The majority of export debts of the Group are situated in Asia, Europe, Australia and North America.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

2014                      2013  
----- Rupees -----

### 46.1.3 The maximum exposure to credit risk for debts at the reporting date by type of product is as follows:

Yarn	681,186,671	955,568,332
Fabric	457,146,810	558,483,137
Home textile product	57,793,985	144,160,161
Waste	20,908,352	43,103,585
Processing services	402,244	3,179,170
Others	6,985,773	6,005,404
	<u>1,224,423,835</u>	<u>1,710,499,789</u>

### 46.1.4 The aging of trade debts at the reporting date is as follows:

Not past due	736,596,588	1,442,595,893
Past due 0 - 30 days	327,318,721	207,726,559
Past due 31 - 60 days	33,736,048	31,789,795
Past due 61 - 90 days	12,008,594	2,484,890
Past due 91 - 1 year	87,359,083	20,263,127
More than one year	27,404,801	5,639,525
	<u>1,224,423,835</u>	<u>1,710,499,789</u>

Credit quality of counter parties is assessed based on historical default rates. All receivables past due are considered good. The management believes that allowance for impairment of receivables past due is not necessary, as these comprise amounts due from old customers, which have been re-negotiated from time to time and are also considered good.

### 46.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credits facilities. The Group's treasury department maintains flexibility in funding by maintaining availability under committed credits lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	2014				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	2,747,393,073	3,679,836,224	655,785,483	2,651,159,738	372,891,003
Trade and other payables	1,341,718,314	1,341,718,314	1,341,718,314	-	-
Accrued interest / mark-up	100,982,389	100,982,389	100,982,389	-	-
Short term borrowings	3,194,127,645	3,299,730,898	3,299,730,898	-	-
	<u>7,384,221,421</u>	<u>8,422,267,825</u>	<u>5,398,217,084</u>	<u>2,651,159,738</u>	<u>372,891,003</u>
	2013				
	Carrying amount	Contractual cash flow	Up to 1 year	Between 1 to 5 years	5 years and above
	Rupees				
Long term financing	1,370,705,474	1,616,663,413	480,296,540	1,136,366,872	-
Trade and other payables	1,165,247,900	1,165,247,900	1,165,247,900	-	-
Accrued interest / mark-up	68,192,565	68,192,565	68,192,565	-	-
Short term borrowings	4,048,198,266	4,060,543,694	4,060,543,694	-	-
	<u>6,652,344,205</u>	<u>6,910,647,572</u>	<u>5,774,280,699</u>	<u>1,136,366,872</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

46.2.1 The contractual cash flow relating to the above financial liabilities have been determined on the basis of mark-up / interest rates effective at the respective year-end. The rates of mark-up / interest have been disclosed in the respective notes to these financial statements.

### 46.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments.

#### 46.3.1 Currency risk

The Group is exposed to currency risk on import of raw materials, stores & spares parts and export of goods mainly denominated in US Dollar, Euro, Japanese Yen and Swiss Frank. The Group's exposure to foreign currency risk for US Dollar, Euro, Japanese Yen and Swiss Frank is as follows:

	2014				
	Rupees	US \$	EURO	JPY	CHF
Trade debts	(459,979,710)	(4,276,633)	(286,267)	-	-
Bank balances	(41,787,298)	(61,764)	(265,510)	-	-
<b>Gross Balance sheet exposure</b>	<b>(501,767,008)</b>	<b>(4,338,397)</b>	<b>(551,777)</b>	-	-
Outstanding letters of credit	83,163,533	396,749	326,464	-	-
Forward exchange contracts	207,828,439	-	1,550,000	-	-
<b>Net Exposures</b>	<b>(210,775,036)</b>	<b>(3,941,648)</b>	<b>1,324,687</b>	-	-

  

	2013				
	Rupees	US \$	EURO	JPY	CHF
Trade debts	(1,062,264,388)	(9,436,579)	(833,643)	-	-
Bank balances	(37,494,965)	(60,539)	(244,671)	-	-
<b>Gross Balance sheet exposure</b>	<b>(1,099,759,353)</b>	<b>(9,497,118)</b>	<b>(1,078,314)</b>	-	-
Outstanding letters of credit	1,099,199,370	1,350,114	3,609,501	127,805,116	3,553,214
Forward exchange contracts	701,654,635	5,100,000	1,550,000	-	-
<b>Net Exposures</b>	<b>701,094,652</b>	<b>(3,047,004)</b>	<b>4,081,187</b>	<b>127,805,116</b>	<b>3,553,214</b>

The following significant exchange rates have been applied:

	Reporting date rate	
	2014	2013
US \$ to Rupees	98.55 / 98.75	98.60 / 98.80
Euro to Rupees	134.46 / 134.73	128.85 / 129.11

#### Sensitivity analysis

A 10 percent strengthening of the Rupees against US Dollar and Euro at June 30, would have increase / (decrease) equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Equity	Profit & loss
	Rupees	
<b>As at June 30, 2014</b>		
Effect in US Dollar	-	(42,754,902)
Effect in Euro	-	(7,419,194)
<b>As at June 30, 2013</b>		
Effect in US Dollar	-	(93,641,583)
Effect in Euro	-	(13,894,076)

10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variable remain constant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 46.3.2 Interest rate risk

At the reporting date, the profit, interest and mark-up rate profile of the Group's significant financial assets and liabilities is as follows:

	2014	2013	2014	2013
	Effective rate		Carrying Amount	
	----- Rupees -----			
<b>Fixed rate instruments</b>				
Financial liabilities				
Long term financing	7.00% to 10.20%	7.00% to 10.20%	1,469,491,073	383,039,974
Short term borrowings	8.65%	8.70% to 8.90%	800,000,000	800,000,000
<b>Variable rate instruments</b>				
Financial liabilities				
Long term financing	10.42% to 11.67%	9.58% to 10.58%	1,277,902,000	987,665,500
Short term borrowings - foreign currency loan	0.77% to 2.23%	-	1,350,715,606	-
Short term borrowings - local currency loan	8.65% to 11.94%	9.52% to 11.41%	1,043,412,039	3,248,198,266

#### Fair value sensitivity analysis for fixed rate instruments

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

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in mark-up / interest rates at the balance sheet date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit and loss 100 bps	
	Increase	Decrease
	----- Rupees -----	
<b>As at June 30, 2014</b>		
Cash flow sensitivity - variable rate instruments	26,286,176	(26,286,176)
<b>As at June 30, 2013</b>		
Cash flow sensitivity - variable rate instruments	42,358,638	(42,358,638)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Group.

### 46.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group's investment in ordinary shares of listed Companies. To manage its price risk arising from aforesaid investments, the company diversify its portfolio and continuously monitor developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movements.

A 10% increase / decrease in share prices of listed companies at the balance sheet date would have increased / decreased the Group's unrealized gain on 'available for sale' investments as follows:

	2014	2013
	----- Rupees -----	
Effect on equity	600,756,938	445,204,217
Effect on investments	600,756,938	445,204,217

The sensitivity analysis prepared is not necessarily indicative of the effects on equity / investments of the Company.

### 46.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

46.5 Financial instruments by Category	2014	2013
	----- Rupees -----	
<b>FINANCIAL ASSETS</b>		
<b>Loans and receivables</b>		
Long term loans and advances	105,354,016	67,706,221
Long term deposits	210,370,915	58,874,594
Trade debts	1,224,423,835	1,710,499,789
Loans and advances	3,307,983	2,210,910
Trade deposits and short term prepayments	1,166,445	631,445
Other receivables	9,470,338	35,621,315
Cash and bank balances	683,194,598	103,436,686
	<b>2,237,288,130</b>	<b>1,978,980,960</b>
<b>At fair value through Other Comprehensive Income</b>		
Long term investments	4,092,550,051	2,995,003,040
Short term investments	1,915,019,331	1,457,039,126
	<b>6,007,569,382</b>	<b>4,452,042,166</b>
<b>Long term investment at cost</b>		
Long term investments	86,148,236	86,148,236
<b>FINANCIAL LIABILITIES</b>		
<b>At amortized Cost</b>		
Long term loans	2,747,393,073	1,370,705,474
Trade and other payables	1,341,718,314	1,165,247,900
Accrued Interest / mark-up	100,982,389	68,192,565
Short term borrowings	3,194,127,645	4,057,673,933
	<b>7,384,221,421</b>	<b>6,661,819,872</b>

### 46.6 Fair value hierarchy

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1. Quoted market price (unadjusted) in an active market for identical instrument.
- Level 2. Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	----- Rupees -----		
<b>As at June 30, 2014</b>			
<b>Assets carried at fair value</b>			
Available for sale investments	6,007,569,382	-	86,148,236.00
Forward exchange contracts used for hedging	-	1,003,061	-
	<b>6,007,569,382</b>	<b>1,003,061</b>	<b>86,148,236</b>
<b>As at June 30, 2013</b>			
<b>Assets carried at fair value</b>			
Available for sale investments	4,452,042,166	-	86,148,236
Forward exchange contracts used for hedging	-	2,345,865	-
	<b>4,452,042,166</b>	<b>2,345,865</b>	<b>86,148,236</b>

### 46.7 Capital risk management

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company manages its capital risk monitoring its debts levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ('long term loans' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under share capital & reserves

	2014	2013
	----- Rupees -----	
Total borrowings	5,951,126,908	5,428,379,407
Less: Cash and bank balances	683,194,598	109,763,176
<b>Net debt</b>	<b>5,267,932,310</b>	<b>5,318,616,231</b>
Total equity	13,640,177,119	11,595,625,074
<b>Total capital</b>	<b>18,908,109,429</b>	<b>16,914,241,305</b>
	Percentage	
<b>Gearing ratio</b>	<b>27.86</b>	<b>31.44</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2014

**47 Non adjusting event after balance sheet date**

The board of directors in its meeting held on October 02, 2014 proposed cash dividend of Rs. 200,831,400 (2013: Rs.180,748,260 ) at the rate of Rs.10 (2013: Rs.9) per ordinary share of Rs.10 each. Proposed dividend is subject to approval by shareholders at the forth coming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the period of payment.

**48 Corresponding figures**

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and comparison. However, no significant reclassification has been made in these financial statements.

**49 Date of authorization for issue**

These financial statements were approved by the Board of Directors of Holding Company and authorized for issue on October 02, 2014.

Karachi:  
Dated: October 02, 2014

**NADEEM ABDULLAH**  
CHIEF EXECUTIVE

**MOHAMMAD ABDULLAH**  
DIRECTOR

# Form of Proxy

I / we \_\_\_\_\_  
 of \_\_\_\_\_  
 a member(s) of **SAPPHIRE TEXTILE MILLS LIMITED** and a holder of \_\_\_\_\_ Ordinary Shares,  
 do hereby appoint \_\_\_\_\_  
 of \_\_\_\_\_  
 or failing him/her \_\_\_\_\_  
 of \_\_\_\_\_

a member of **SAPPHIRE TEXTILE MILLS LIMITED**, vide Registered Folio No. \_\_\_\_\_ as my/our Proxy to act on my/our behalf at 46th Annual General Meeting of the Company to be held on Friday the 24th October, 2014 at 3:30 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Signature \_\_\_\_\_

(Signature should agree with the specimen signature registered with the Company)

REVENUE  
STAMP OF  
RS.5/-

## NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp of Rs.5/-
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.
3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of the Company atleast 48 hours before the time of holding the meeting.
5. In case of CDC account holder :
  - 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 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 meeting.
  - iv) In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the company.

## Witness :

Name \_\_\_\_\_

Address \_\_\_\_\_

NIC No. \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

NIC No. \_\_\_\_\_

