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Company Profile

BOARD OF DIRECTORS

Chairman	:	Mr. Mohammad Abdullah
Chief Executive	:	Mr. Shahid Abdullah
Director	:	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Shayan Abdullah Mr. Tajammal Hussain Bokharee
Audit Committee	:	
Chairman		Mr. Amer Abdullah
Member		Mr. Shayan Abdullah
Member		Mr. Yousuf Abdullah
Member		Mr. Tajammal Hussain Bokharee
Human Resource & Remuneration Committee	:	
Chairman		Mr. Yousuf Abdullah
Member		Mr. Shahid Abdullah
Member		Mr. Shayan Abdullah
Chief Financial Officer	:	Mr. Jawwad Faisal
Secretary	:	Mr. Shaukat Mahmud
Auditors	:	Shinewing Hameed Chaudhri & Co., Chartered Accountants
Tax Consultants	:	Mushtaq & Company Chartered Accountants
Legal Advisor	:	Hassan & Hassan Advocates
Bankers	:	Allied Bank Limited, Citi Bank N.A., Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, United Bank Limited
Share Registrar	:	THK Associates (private) Ltd
Registered Office	:	316, Cotton Exchange Building, I. I. Chundrigar Road, Karachi.
Mills	:	Kharianwala, Tehsil and District Sheikhpura Feroze Wattoan, Tehsil and District Sheikhpura Raiwind Road, 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 37th Annual General Meeting of **SAPPHIRE FIBRES LIMITED** will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Saturday the 29th day of October, 2016 at 04:30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of last General Meeting.
2. Consideration of the accounts, balance sheets and the reports of the directors and auditors.
3. Declaration of a dividend.
4. Appointment and fixation of remuneration of auditors.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass the following resolution as special resolution:

"RESOLVED that the Articles of Association of the Company be amended by adding a new sub-Clause 45(a) after the Clause 45 of the Articles of Association of the Company as under:

The provisions and requirements for e-voting as prescribed by the Securities & Exchange Commission of Pakistan for the time being and from time to time shall be deemed to be incorporated in these Articles, notwithstanding the other provisions of these Articles of Association and including anything contradictory therein."

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

By Order of the Board

Karachi.
Dated : 06th October, 2016

(SHAUKAT MAHMUD)
Secretary

NOTES

1. Closure of share transfer books:
Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 23rd October, 2016 to 29th October, 2016 (both days inclusive). Transfers received in order, by THK Associates (Private) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi up to 22nd October, 2016 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 316, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.
4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, THK Associates (Private) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi.
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:

Notice of Annual General Meeting

- 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)2013 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 (in case of corporate entities) are requested to submit the same to the Company, with members' folio number 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.
8. (i) Pursuant to the provisions of the Finance Act 2016 effective July 1, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
1. Rate of tax deduction for filer of income tax return 12.5%
 2. Rate of tax deduction for non-filers of income tax return 20%
- To enable the Company to make tax deduction on the amount of cash dividend @ 12.50% instead of 20%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.5%.
- (ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Notice of Annual General Meeting

Company Name	Folio / CDS Account #	Total Shares	Principal Share Holder		Joint Holder	
			Name and CNIC #	Share Holding Proportions (No of Shares)	Name and CNIC #	Share Holding Proportions (No of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

- (iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or, THK Associates (Private) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business, given in agenda item No.5 of the Notice will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Special Business.

Agenda item No.5 of the Notice – Amendment/change in Articles of Association of the Company

To give effect to the Companies (E-Voting) Regulation 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting. The Board of Directors have recommended to the members to approve and adopt amendment/change in Articles of Association of the Company by inserting a new sub-Clause 45 (a) after the Clause 45 of the Articles of Association of the Company.

Subject to approval of the members the proposed resolution will be considered to be passed by the members as a special resolution.

Status of Investment under Clause 4(2) of the Companies (Investment in Associated Undertakings) Regulations, 2012

Company / Date of Resolution	Amount of Investment approved	Amount of Investment made to date	Reason
Sapphire Electric Company Limited March 24, 2015	Equity Investment upto Rs.3,260 Million	Rs.3,039 Million	The full amount is not yet invested.

Directors' Report to the Shareholders

The Directors of your Company are pleased to present before you their report along with the audited financial statements of the Company for the year ended 30 June 2016.

PERFORMANCE OF THE COMPANY

The performance of your Company remained satisfactory during the year under review despite challenging situation of stagnant demand and reduced selling prices.

FINANCIAL HIGHLIGHTS

	2016	2015
	Rupees in thousand	
Sales & Services	12,478,390	13,347,276
Gross Profit	1,089,719	1,437,824
Profit from operations	1,926,438	1,598,116
Other income	1,633,722	986,570
Profit before tax	1,501,999	1,241,691
Profit after tax	1,401,731	995,854

REVIEW OF OPERATIONS

During the year under review, your Company achieved sales of Rs.12.478 billion as compared to Rs.13.347 billion during last year. The gross profit as a percentage of sales stood at 8.73% against 10.77% in the corresponding period. However, the Company managed to post pre-tax profit of Rs.1.502 billion as compared to Rs.1.242 billion in last year due to improved dividend income.

APPROPRIATION OF PROFIT

	Rupees in thousand
Profit before taxation	1,501,999
Less: Taxation	
For the year	109,137
Prior year	(23,721)
Deferred	14,852
	100,268
Profit after taxation	1,401,731
Other Comprehensive profit	1,290
Add: Un-appropriated profit brought forward	8,730,330
Appropriations:	
Final dividend for the year ended June 30, 2015 (100% i.e Rs.10.00 per share)	(196,875)
	9,936,476
Subsequent Effects	
Proposed final cash dividend for the year	(275,625)
	<u>9,660,851</u>

Directors' Report to the Shareholders

DIVIDEND

The Board of Directors of the company is pleased to recommend a final cash dividend @ 140% for the year ended June 30, 2016. (2015: 100%)

EARNING PER SHARE

The earnings per share (EPS) of current year is Rs.71.20 as compared to Rs. 50.58 for the last year.

FUTURE OUTLOOK

The Textile Industry is expected to remain under pressure due to subdued demand in both international and local markets as well as volatility in cotton prices. Furthermore, manufacturing costs in the country are much higher compared to other textile exporting countries of the region. We expect that the Government will take all necessary steps to provide relief to the textile industry.

In spite of these challenging conditions, your management is making every effort to improve operational efficiency and optimize cost structure to enhance shareholder value.

The Management believes that it is imperative to move towards value added textile products for long term profitable growth. The new Denim Plant of your company which has already started commercial operations is an important initiative in this direction.

SUBSIDIARY COMPANY

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited was incorporated in Pakistan as a public unlisted company under Companies Ordinance, 1984 on 18 January, 2005. Sapphire Fibres Limited has holding of 68.11% (2015: 68.11%) share capital of the subsidiary.

The principal activity of the subsidiary company is to own, operate and maintain a combined cycle power station having net capacity of 212 MW.

RELATED PARTIES

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation of stock exchanges 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 AND 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 specially, with regards to the safety, production, delivery, storage and handling of materials. Your Company always ensures environment preservation and adopts all possible means for environment protection.

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:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. The company has maintained proper books of account.

Directors' Report to the Shareholders

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control, which was in place, is being continuously reviewed by the internal audit and other such procedures. The process of review and monitoring will continue with the object to improve it further .
6. 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 is disclosed as contingent liabilities in the notes to the accounts.
7. There is no doubt about the Company's ability to continue as a going concern.
8. There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
9. The Company has established Management Staff Gratuity Fund for its head office employees which will gradually be applicable at mills also. The company has also introduced Employees Provident Fund for staff, the members of Provident Fund are not eligible for gratuity fund. The value of investment of Gratuity and Provident Fund as on June 30, 2016 are Rs.9.809 million and Rs.33.711 million respectively.
10. The board of directors in compliance with the Code of Corporate Governance has established Audit and Human Resource & Remuneration committees, the names of their members are given in the Company's profile.
11. Operating and financial data and key ratios of six years are annexed.
12. No trades 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.
13. During the year four meetings of the Board of Directors were held. Attendance by each Director is as follows:

Mr. Mohammad Abdullah	4
Mr. Shahid Abdullah	4
Mr. Nadeem Abdullah	3
Mr. Amer Abdullah	2
Mr. Yousuf Abdullah	3
Mr. Tajammal Husain Bokharee	4
Mr. Shayan Abdullah	3
14. During the year four meetings of the Audit Committee were held. Attendance by each Director is as follows:

Mr. Amer Abdullah	2
Mr. Yousuf Abdullah	0
Mr. Shayan Abdullah	4
Mr. Tajammal Hussain Bokharee	4
15. During the year one meeting of the Human Resource and Remuneration Committee was held and attended by all the members.
16. Code of conduct has been developed and are communicated and acknowledged by each Director and employee of the Company.
17. 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.

Directors' Report to the Shareholders

PATTERN OF SHAREHOLDING

The pattern of share holding of the Company as at 30 June, 2016 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

AUDITORS

The present Auditors, Shinewing Hameed Chaudhri & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment. Audit Committee and Board of Directors have also recommended their appointment as auditors for the year ending 30 June, 2017.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Karachi.
Dated: 06 October, 2016

SHAHID ABDULLAH
Chief Executive

Six Years Growth at a Glance

Years	2016	2015	2014	2013	2012	2011
Rupees in thousand						
Sales	12,478,390	13,347,276	14,905,610	13,892,288	12,811,236	15,452,802
Gross profit	1,089,719	1,437,824	1,563,938	2,274,244	1,964,936	3,309,614
Net profit before taxation	1,501,999	1,241,691	1,498,525	1,318,477	963,189	2,075,095
Net profit after taxation	1,401,731	995,854	1,313,219	1,189,195	866,885	1,924,523
Share capital	196,875	196,875	196,875	196,875	196,875	196,875
Share holder's equity	15,364,415	14,933,421	14,796,769	11,825,240	9,181,962	8,622,786
Fixed assets - net	8,288,598	4,508,868	3,990,234	3,726,879	3,257,771	2,853,444
Total assets	26,526,288	21,503,877	20,099,150	17,265,683	13,100,347	12,819,301
Dividend - Cash	%	100.00	125.00	120.00	50.00	50.00
RATIOS:						
PROFITABILITY						
Gross profit	%	8.73	10.77	10.49	16.37	21.42
Profit before tax	%	12.04	9.30	10.05	9.49	13.43
Profit after tax	%	11.23	7.46	8.81	8.56	12.45
RETURN TO SHAREHOLDERS						
Return on equity before tax	%	9.78	8.31	10.13	11.15	24.07
Return on equity after tax	%	9.12	6.67	8.88	10.06	22.32
Basic earning per share after tax	Rs.	71.20	50.58	66.70	60.40	97.75
ACTIVITY						
Sales to fixed assets	Times	1.51	2.96	3.74	3.73	5.42
Sales to total assets	Times	0.47	0.62	0.74	0.80	1.21
LIQUIDITY/LEVERAGE						
Current ratio		1.10 : 1	1.11 : 1	1.45 : 1	1.33 : 1	1.41 : 1
Debt equity ratio	Times	0.138	0.004	0.004	0.02	0.09
Total liability to equity	Times	0.73	0.44	0.36	0.46	0.49
BREAK UP VALUE PER SHARE	Rs.	780.41	758.52	751.58	600.65	437.98

Review Report to the Members

On Statement of Compliance with best practices of the Code of Corporate Governance

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

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

KARACHI:
Dated : October 06, 2016

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner:
Osman Hameed Chaudhri

Statement of Compliance

With the Code of Corporate Governance

Name of Company **SAPPHIRE FIBRES LIMITED** year ended June 30, 2016.

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No.5.19.24 of the Rule Book of Pakistan Stock Exchange Limited 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. Tajammal Husain Bokharee
Executive Directors	Mr. Mohammad Abdullah Mr. Shahid Abdullah
Non-Executive Directors	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Shayan Abdullah

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
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 or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange. None of the Directors is a member of a stock exchange.
4. During the year 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 powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the board/shareholders.
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 5.19.7 of CCG, Five Directors of the Company are exempted from the requirement of directors' training program as prescribed by the Code of Corporate Governance and the remaining two directors have obtained certificate of Directors' training program. All the Directors are fully conversant with their duties and responsibilities, they were further apprised through orientation courses during the year.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit earlier, including their remuneration and terms and conditions of employment.

Statement of Compliance

With the Code of Corporate Governance

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. The Board has reconstituted Audit Committee. It comprises four members, of whom all are non-executive Directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed 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. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi
Dated: 06 October, 2016

SHAHID ABDULLAH
CHIEF EXECUTIVE

Auditors' Report to the Members

We have audited the annexed balance sheet of **SAPPHIRE FIBRES LIMITED** (the Company) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (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, 2016 and of the profit, total 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 the Central Zakat Fund established under section 7 of the Ordinance.

KARACHI:
Dated : October 06, 2016

SHINewing HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner:
Osman Hameed Chaudhri

Balance Sheet as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	4	8,253,968,815	4,342,003,331
Investment property	5	31,750,000	162,237,097
Intangible assets	6	2,878,869	4,627,824
Long term investments	7	8,782,567,920	10,200,468,290
Long term loans	8	20,000	340,000
Long term deposits		28,236,645	28,221,645
		17,099,422,249	14,737,898,187
Current assets			
Stores, spare parts and loose tools	9	183,035,986	185,025,614
Stock-in-trade	10	2,892,976,240	2,543,316,114
Trade debts	11	1,265,131,685	1,118,913,594
Loans and advances	12	158,626,922	46,086,110
Trade deposits and short term prepayments	13	3,339,843	13,246,526
Short term investments	14	3,403,993,067	1,921,844,053
Other receivables	15	349,536,167	387,465,779
Tax refunds due from Government	16	1,069,011,845	417,883,638
Cash and bank balances	17	101,213,600	132,197,163
		9,426,865,355	6,765,978,591
Total assets		26,526,287,604	21,503,876,778
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital	18	196,875,000	196,875,000
Reserves	19	5,231,064,026	6,006,216,187
Unappropriated profit		9,936,475,908	8,730,329,881
Total equity		15,364,414,934	14,933,421,068
Non current liabilities			
Long term finances	20	2,114,448,632	60,697,585
Staff retirement benefit - gratuity	21	283,847,228	257,188,963
Deferred taxation	22	179,983,406	139,260,190
Long term security deposit		-	2,100,000
		2,578,279,266	459,246,738
Current liabilities			
Trade and other payables	23	1,494,734,160	1,323,817,736
Accrued mark-up / interest	24	71,181,315	73,937,828
Short term borrowings	25	6,894,488,380	4,456,347,830
Current portion of long term finances	20	14,052,666	12,712,666
Provision for taxation		109,136,883	244,392,912
		8,583,593,404	6,111,208,972
Total liabilities		11,161,872,670	6,570,455,710
Contingencies and commitments	26		
Total equity and liabilities		26,526,287,604	21,503,876,778

The annexed notes 1 to 44 form an integral part of these financial statements.

Karachi:
Dated: October 06, 2016

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

Profit and Loss Account

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales	27	12,478,390,364	13,347,275,852
Cost of sales	28	(11,388,671,684)	(11,909,451,443)
Gross profit		1,089,718,680	1,437,824,409
Distribution cost	29	(379,138,764)	(487,085,225)
Administrative expenses	30	(269,453,034)	(248,185,998)
Other income	31	1,633,722,398	986,570,200
Other expenses	32	(148,411,522)	(91,007,598)
Profit from operations		1,926,437,758	1,598,115,788
Finance cost	33	(424,439,095)	(356,424,531)
Profit before taxation		1,501,998,663	1,241,691,257
Taxation	34	(100,268,380)	(245,837,421)
Profit after taxation		1,401,730,283	995,853,836
Earnings per share - basic and diluted	35	71.20	50.58

The annexed notes 1 to 44 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended June 30, 2016

	2016 Rupees	2015 Rupees
Profit after taxation	1,401,730,283	995,853,836
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit and loss:		
Unrealised (loss) / gain due to change in fair value of available for sale investments		
- long term	(739,966,895)	(571,351,227)
- short term	217,020,372	241,838,572
Impact of deferred tax	(26,232,935)	(81,105,479)
Adjustment for gain included in profit and loss account upon sale of available-for-sale investments	(227,062,925)	(177,392,080)
	(776,242,383)	(588,010,214)
Unrealized gain on re-measurement of forward foreign exchange contracts	1,090,222	-
Items that will not be reclassified subsequently to profit and loss:		
Gain / (loss) on remeasurement of staff retirement benefit obligation	928,950	(26,308,442)
Impact of deferred tax	361,794	1,210,885
	1,290,744	(25,097,557)
	(773,861,417)	(613,107,771)
Total comprehensive income for the year	627,868,866	382,746,065

The annexed notes 1 to 44 form an integral part of these financial statements.

Cash Flow Statement

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	36	(167,482,322)	2,044,746,852
Staff retirement benefit paid		(53,268,134)	(44,410,812)
Finance cost paid		(407,967,299)	(306,804,216)
Taxes paid		(307,430,419)	(197,293,159)
Workers' profit participation fund paid		(65,277,387)	(83,860,355)
Long term loans - net		320,000	(147,000)
Long term deposits - net		(15,000)	(399,360)
Long term security deposit		(2,100,000)	-
Net cash (used in) / generated from operating activities		(1,003,220,561)	1,411,831,950
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,342,822,448)	(874,973,926)
Proceeds from disposal of operating fixed assets		74,699,046	13,927,456
Proceeds from disposal of investment property		150,000,000	-
Investment in Subsidiary Company		-	(23,804,296)
Increase in long and short term investments		(1,225,275,041)	(2,439,918,067)
Proceeds from sale of long and short term investments		524,700,132	372,727,639
Proceeds from sale of stores and spares		2,029,883	2,657,162
Dividend and interest income received		1,509,815,961	815,914,319
Net cash used in investing activities		(3,306,852,467)	(2,133,469,713)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		2,065,783,880	8,039,000
- repaid		(10,692,833)	(160,904,749)
Dividend paid		(196,347,251)	(245,465,435)
Short term borrowings - net		2,420,345,669	1,102,249,500
Net cash generated from financing activities		4,279,089,465	703,918,316
Net decrease in cash and cash equivalents		(30,983,563)	(17,719,447)
Cash and cash equivalents - at beginning of the year		132,197,163	149,916,610
Cash and cash equivalents - at end of the year		101,213,600	132,197,163

The annexed notes 1 to 44 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended June 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

Sapphire Fibres Limited (the Company) was incorporated in Pakistan on June 5, 1979 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn, fabrics and garments. The registered office of the Company is located at 316, Cotton Exchange Building, Karachi and its mills are located at Raiwind Road Lahore, Feroze Wattoan and Kharianwala in district Sheikhpura.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for available for sale investments & derivative financial instruments which have been marked to market and staff retirement benefit - gratuity which is stated at present value of defined benefit obligation.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest rupees unless otherwise specified.

2.4 New and amended standards and interpretations

2.4.1 Standards, amendments to approved accounting standards effective in current year

New and amended standards mandatory for the first time for the financial year beginning from July 1, 2015:

- (a) IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.
- (b) IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard only affects the disclosures in the Company's financial statements.

2.4.2 Standards, interpretations and amendments to approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and are, therefore, not detailed in these financial statements.

2.4.3 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2015 and have not been early adopted by the Company:

- (a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.

Notes to the Financial Statements

For the year ended June 30, 2016

- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.
- (c) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable to annual periods beginning on or after January 1, 2016. The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Notes – confirmation that the notes do not need to be presented in a particular order. Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards / accounting policies are not required for these amendments. These amendments likely to only affects the disclosures in the Company's financial statements.
- (d) Amendments to IAS 7, 'Statement of cash flows' are applicable for annual periods beginning on or after January 1, 2017. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a material impact on the Company's financial statements.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

- (i) Estimate of useful lives and residual values of property, plant & equipment, intangible assets and investment property [notes 3.1, 3.2 and 3.3]
- (ii) Classification and valuation of investments [note 3.4]
- (iii) Provision for obsolete and slow moving stores, spares and loose tools [note 3.5]
- (iv) Net realisable values of stock-in-trade [note 3.6]
- (v) Provision for doubtful debts [note 3.7]
- (vi) Provision for employees' retirement benefits [note 3.15]
- (vii) Provision for taxation [note 3.16]

Notes to the Financial Statements

For the year ended June 30, 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 4.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account.

Impairment

The Company assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.

Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalised and apportioned to the respective items of property, plant and equipment on completion.

3.2 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Company comprises of freehold land, leasehold land and buildings on leasehold land and is valued using the cost model i.e. at cost less accumulated depreciation and any impairment losses, if any.

Notes to the Financial Statements

For the year ended June 30, 2016

Depreciation is calculated by applying reducing balance method at the rates stated in note 5. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged from the month in which the property is disposed off.

Cost of investment property is determined on the same basis as used for Company's owned assets.

3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Cost of the intangible asset (i.e. computer softwares) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Subsequent expenditure

Expenditure which enhance or extend the performance of computer softwares beyond its original specification and useful life are recognised as capital improvement and added to the original cost of the softwares. Costs associated with maintaining computer softwares are recognised as an expense as and when incurred.

Amortisation

Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight-line method at rates stated in note 6. Amortisation on additions to intangible assets is charged from the date in which an asset is put to use and on disposal upto the date of disposal.

3.4 Investments

Classification of investment is made on the basis of intended purposes for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Regular purchases and sales of investments are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the investment. All investments are initially recognised at fair value plus transaction costs except for 'investments at fair value through profit or loss'. Investments at fair value through profit or loss' are initially recognised at fair value and related transaction costs are charged to the profit and loss account.

(a) Investments at fair value through profit or loss

These are held for trading investment. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in profit or loss account.

(b) Held to maturity financial assets

Investments with fixed or determinable payments and fixed maturity in respect of which the Company has positive intent and ability to hold till maturity. Held to maturity investments are measured at amortised cost using the effective interest rate method. There were no held to maturity investments as at the reporting date.

(c) Investments in Subsidiary and Associated Companies

Investments in Subsidiary and Associates are carried at cost less impairment, if any. Impairment losses are recognised as an expense. At each reporting date, the Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognised as an expense in profit and loss account.

(d) Available for sale

Investments, which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial recognition these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are

Notes to the Financial Statements

For the year ended June 30, 2016

determined to be impaired, at that time cumulative gain or loss previously reported in other comprehensive income is included in current period's profit and loss account.

The Company uses latest stock exchange quotations to determine the fair value of its quoted investments.

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

3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost which is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

3.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realisable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials	- weighted average cost
Raw materials in transit	- cost accumulated to the reporting date
Work-in-process	- cost of direct materials and appropriate manufacturing overheads
Finished goods	- lower of average cost and net realisable value
Waste	- net realisable value

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

3.7 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

3.8 Government grants

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 Company.

Government grant towards research and development activities is recognised in profit and loss account as deduction from the relevant expenses on matching basis.

3.9 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include long term & short term investments, long term loans, deposits, trade debts, loans and advances, other receivables, bank balances, long term finances, long term security deposit, trade & other payables, accrued mark-up / interest and short term borrowings. All financial assets and

Notes to the Financial Statements

For the year ended June 30, 2016

liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.10 Derivative financial instruments and hedging activities

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

(a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that is designated and qualify as cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised 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

Fair value hedge represents a hedge of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as fair value hedge is 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.

3.11 Offsetting of financial instruments

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 recognised amounts and there is an intention to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

3.12 Impairment

(a) Financial assets

The Company assesses at end of each reporting date, 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 recognised in the profit and loss account for the amount by which the assets' carrying amounts exceed their recoverable amounts. Impairment losses of equity instruments, once recognised are not reversed through profit or loss account.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand and balances with banks.

3.14 Borrowings

These are recognised initially at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings as interest expense.

Notes to the Financial Statements

For the year ended June 30, 2016

3.15 Employees' retirement benefits

(a) Defined contribution plan

The Company operates a defined contribution plan through an approved provident fund (the Fund) for its management staff. Equal monthly contributions are made both by the Company and employees at the rate of 8.33% of the basic salary to the Fund.

(b) Defined benefit plan

The Company operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service.

Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2016 on the basis of projected unit credit method by an Independent Actuary. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements is recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

3.16 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

3.17 Trade and other payables

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

3.18 Provisions

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

3.19 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into

Notes to the Financial Statements

For the year ended June 30, 2016

Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

3.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- revenue from sale is recognised on delivery / despatch of goods to customers;
- export rebate is accounted for on accrual basis;
- dividend income from investments is recognised when the Company's right to receive dividend is established; and
- return on bank deposits are accounted for on time proportion basis.

3.21 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalised up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account.

3.22 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognised in the period in which they are approved.

3.23 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. 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.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2016 Rupees	2015 Rupees
Operating fixed assets	4.1	7,568,105,475	3,811,921,872
Capital work-in-progress	4.4	685,863,340	530,081,459
		<u>8,253,968,815</u>	<u>4,342,003,331</u>

Notes to the Financial Statements

For the year ended June 30, 2016

4.1 Operating fixed assets

	Equipment											Arms and ammunition	Tools	Total			
	Freehold land	Leasehold land	Residential buildings and others on freehold land	Leased office improvements	Factory buildings on freehold land	Plant and machinery	Electric installations	Fire fighting	Office	Mills	Electric/gas				Computer hardware	Vehicles	Furniture and fixtures
At July 1, 2014																	
Cost	275,049,327	6,000,000	553,237,104	19,272,656	836,373,092	5,215,689,459	151,317,322	1,033,577	18,084,803	28,445,975	21,184,111	12,784,499	125,450,944	34,251,929	149,886	248,579	7,298,573,283
Accumulated depreciation	-	-	120,479,997	17,307,595	458,482,465	2,763,199,049	41,847,595	641,809	13,981,123	19,470,283	7,811,477	8,028,561	64,571,272	18,643,916	123,822	197,921	3,534,786,905
Net book value	275,049,327	6,000,000	432,757,107	1,965,061	377,890,607	2,452,490,410	109,469,727	391,768	4,103,680	8,975,692	13,372,634	4,755,938	60,879,672	15,608,013	26,064	50,658	3,763,786,358
Year ended June 30, 2015																	
Opening net book value	275,049,327	6,000,000	432,757,107	1,965,061	377,890,607	2,452,490,410	109,469,727	391,768	4,103,680	8,975,692	13,372,634	4,755,938	60,879,672	15,608,013	26,064	50,658	3,763,786,358
Additions	34,328,800	91,253,250	1,383,308	3,699,088	28,202,881	198,933,044	19,930,188	-	1,287,317	90,000	649,532	690,697	16,555,713	5,004,407	-	-	402,008,225
Disposals:																	
- cost	172,220	-	-	-	-	36,957,405	-	-	-	-	-	-	4,083,900	-	-	-	41,213,525
- accumulated depreciation	172,220	-	-	-	-	(28,939,646)	-	-	-	-	-	-	(3,606,623)	-	-	-	(32,546,269)
Depreciation charge	-	-	21,678,202	454,664	39,766,597	251,789,570	11,595,283	39,177	480,344	899,819	1,341,965	1,541,406	13,748,280	1,862,476	2,806	5,066	345,205,455
Closing net book value	309,205,907	97,253,250	412,462,213	5,209,485	366,326,891	2,391,616,125	117,804,632	352,591	4,910,653	8,165,873	12,680,201	3,905,229	63,209,828	18,749,944	23,458	45,592	3,811,921,872
At June 30, 2015																	
Cost	309,205,907	97,253,250	554,620,412	22,971,744	864,575,973	5,377,665,098	171,247,510	1,033,577	19,372,120	28,535,975	21,833,643	13,475,196	137,922,757	39,256,336	149,886	248,579	7,659,387,963
Accumulated depreciation	-	-	142,158,199	17,762,259	498,249,082	2,986,048,973	53,442,878	680,986	14,461,467	20,370,102	9,153,442	9,569,967	74,712,929	20,506,392	126,428	202,987	3,847,446,091
Net book value	309,205,907	97,253,250	412,462,213	5,209,485	366,326,891	2,391,616,125	117,804,632	352,591	4,910,653	8,165,873	12,680,201	3,905,229	63,209,828	18,749,944	23,458	45,592	3,811,921,872
Year ended June 30, 2016																	
Opening net book value	309,205,907	97,253,250	412,462,213	5,209,485	366,326,891	2,391,616,125	117,804,632	352,591	4,910,653	8,165,873	12,680,201	3,905,229	63,209,828	18,749,944	23,458	45,592	3,811,921,872
Additions	5,530,000	9,460,000	138,422,512	5,664,901	1,259,299,978	2,544,062,266	173,141,723	-	-	4,770,988	-	2,903,399	42,028,670	1,756,130	-	-	4,187,040,567
Disposals:																	
- cost	-	-	51,343,484	-	-	23,211,854	-	-	-	-	-	-	8,741,900	-	-	-	85,984,762
- accumulated depreciation	-	-	(5,344,708)	-	-	(14,762,534)	-	-	-	(1,885,733)	-	-	(6,352,048)	-	-	-	(28,345,023)
Depreciation charge	-	-	45,998,776	-	-	8,449,320	-	-	-	-	801,791	-	2,389,852	-	-	-	57,639,739
Closing net book value	314,735,907	106,713,250	483,377,243	9,508,777	1,576,792,666	4,660,006,285	277,590,400	317,331	4,419,588	12,042,732	10,632,060	5,447,887	87,929,566	18,529,598	21,112	41,033	7,568,105,475
At June 30, 2016																	
Cost	314,735,907	106,713,250	641,699,440	28,636,645	2,123,875,951	7,898,515,510	344,389,233	1,033,577	19,372,120	33,306,963	19,146,119	16,378,595	171,209,527	41,012,466	149,886	248,579	11,760,423,768
Accumulated depreciation	-	-	158,322,197	19,127,868	547,083,265	3,238,509,225	66,798,833	716,246	14,952,532	21,264,231	8,514,059	10,930,708	83,279,941	22,482,868	128,774	207,546	4,192,318,293
Net book value	314,735,907	106,713,250	483,377,243	9,508,777	1,576,792,666	4,660,006,285	277,590,400	317,331	4,419,588	12,042,732	10,632,060	5,447,887	87,929,566	18,529,598	21,112	41,033	7,568,105,475
Depreciation rate (% - per annum)	5	20	10	10	10	10	10	10	10	10	10	30	20	10	10	10	10

Notes to the Financial Statements

For the year ended June 30, 2016

4.2	Depreciation charge has been allocated as follows:	Note	2016 Rupees	2015 Rupees
	Cost of goods manufactured	28.1	353,434,543	326,127,042
	Administrative expenses	30	18,722,881	18,682,236
	Un-allocated capital expenditure	4.4.1	1,059,801	396,177
			373,217,225	345,205,455

4.3 The details of operating fixed assets disposed-off is as follows:

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to:
----- Rupees -----							
Assets having net book value exceeding Rs.50,000 each							
Office Building	51,343,484	5,344,708	45,998,776	59,321,250	13,322,474	Negotiation	Sapphire Finishing Mills Ltd. (an Associated Company)
Plant and machinery							
Rieter cards	22,610,513	14,300,225	8,310,288	10,000,000	1,689,712	Negotiation	Reliance Cotton Spinning Mills Ltd. (an Associated Company)
Knitting Machine	601,341	462,309	139,032	200,000	60,968	Negotiation	----- do -----
	23,211,854	14,762,534	8,449,320	10,200,000	1,750,680		
Electric equipment	2,687,524	1,885,733	801,791	609,244	(192,547)	Negotiation	Mr. Javed Iqbal, Lahore.
Vehicles							
Honda Civic	1,283,000	1,165,903	117,097	600,000	482,903	Negotiation	Mr. Tauqir Ahmed , Lahore
Honda Civic	1,973,000	1,256,448	716,552	716,552	-	Negotiation	Mr. Muhammad Amjad Choudhary , Lahore
Honda City	1,488,000	826,931	661,069	1,150,000	488,931	Insurance claim	Adamjee Insurance Company Ltd.
Cuore	474,000	418,797	55,203	300,000	244,797	Negotiation	Mr.Amjad Iqbal, Lahore.
Cuore	464,000	413,711	50,289	300,000	249,711	Negotiation	Mr.Navid Ahmed Butt, Lahore.
Cuore	709,000	515,396	193,604	385,000	191,396	Negotiation	Mr.Amir Farooq, Lahore.
Cuore	709,000	503,457	205,543	300,000	94,457	Negotiation	Mr. Jameel Ahmed, Lahore.
Suzuki Cultus	704,000	575,892	128,108	400,000	271,892	Negotiation	Mr. Tahir Nazir, Lahore.
Suzuki Cultus	868,000	621,201	246,799	400,000	153,201	Negotiation	Muhammad Adnan, Lahore.
	8,672,000	6,297,736	2,374,264	4,551,552	2,177,288		
Various assets having net book value upto Rs.50,000 each							
	69,900	54,312	15,588	17,000	1,412		
June 30, 2016	85,984,762	28,345,023	57,639,739	74,699,046	17,059,307		
June 30, 2015	41,213,525	32,546,269	8,667,256	13,927,456	5,260,200		

Notes to the Financial Statements

For the year ended June 30, 2016

4.4 Capital work-in-progress	Note	2016 Rupees	2015 Rupees
Buildings		112,389,415	323,836,651
Plant and machinery		302,858,011	133,279,432
Furniture and fixtures		-	1,609,824
Un-allocated capital expenditure	4.4.1	-	22,296,250
Advance payments against:			
- land - leasehold		211,031,800	5,860,000
- factory / office building		40,980,105	30,185,300
- plant and machinery		5,035,858	13,014,002
- computer hardware		13,568,151	-
		270,615,914	49,059,302
		685,863,340	530,081,459
4.4.1 Un-allocated capital expenditure			
Opening balance		22,296,250	-
Add: expenditure incurred during the year			
- salaries, wages and benefits		87,060,873	8,491,438
- travelling and conveyance		14,271,315	4,171,338
- vehicles running and maintenance		2,679,412	285,569
- communication		919,868	206,101
- consultancy charges		49,848,317	4,913,602
- legal and professional		-	634,044
- stores consumed		1,794,257	2,899,298
- borrowing cost		9,455,272	-
- depreciation		1,059,801	396,177
- other charges		5,160,855	298,683
- loss on trial run operations	4.4.4	5,992,038	-
		178,242,008	22,296,250
		200,538,258	22,296,250
Less: expenditure allocated during the year to:			
- factory buildings on freehold land		66,996,328	-
- plant and machinery		133,541,930	-
		200,538,258	-
Closing balance		-	22,296,250

Notes to the Financial Statements

For the year ended June 30, 2016

4.4.2 These represent directly attributable costs incurred on construction of property, plant and equipment. These costs have been allocated to factory buildings on freehold land and plant and machinery upon capitalisation of new plant.

4.4.3 Borrowing cost at the rates ranging from 2.5% to 4% per annum amounting Rs.38.929 million has been included in the cost of plant and machinery.

4.4.4 Results of trial run operations

June 28, 2016
to June 30, 2016
Rupees

Local sales - fabric	425,000
Less: sales tax	67,857
Sales - net	357,143
Cost of sales	
Raw materials consumed	14,089,716
Salaries, wages and benefits	877,593
General stores consumed	2,265,741
Dyes and chemicals consumed	6,955,442
Processing charges	89,322
Fuel and power	746,394
Others	9,820
Work-in-process at the end of trial run operations	(16,688,734)
Finished goods at the end of trial run operations	(985,630)
	7,359,664
Gross loss	(7,002,521)
Other income	1,010,483
Net loss on trial run operations	(5,992,038)

4.4.5 Results of trial run operations of new manufacturing plant of Denim fabric, having capacity of 8,280,000 meters per annum, have been capitalized along with the cost of the plant.

Notes to the Financial Statements

For the year ended June 30, 2016

5. INVESTMENT PROPERTY

	Freehold land	Leasehold land	Buildings on leasehold land	Total
	----- Rupees -----			
At July 1, 2014				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	9,636,891	9,636,891
Net book value	31,750,000	121,160,317	10,363,089	163,273,406
Year ended June 30, 2015				
Opening net book value	31,750,000	121,160,317	10,363,089	163,273,406
Depreciation charge	-	-	1,036,309	1,036,309
Closing net book value	31,750,000	121,160,317	9,326,780	162,237,097
At June 30, 2015				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	10,673,200	10,673,200
Net book value	31,750,000	121,160,317	9,326,780	162,237,097
Year ended June 30, 2016				
Opening net book value	31,750,000	121,160,317	9,326,780	162,237,097
Disposals				
- Cost	-	121,160,317	19,999,980	141,160,297
- Accumulated depreciation	-	-	(11,217,262)	(11,217,262)
	-	121,160,317	8,782,718	129,943,035
Depreciation charge	-	-	544,062	544,062
Closing net book value	31,750,000	-	-	31,750,000
At June 30, 2016				
Cost	31,750,000	-	-	31,750,000
Accumulated depreciation	-	-	-	-
Net book value	31,750,000	-	-	31,750,000
Depreciation rate (% per annum)			10	

- 5.1 Depreciation charge has been grouped under other expenses (note 32).
- 5.2 In the opinion of the directors, the market value of investment property at the reporting date has not changed materially from last year.
- 5.3 Leasehold land and buildings on leasehold land represent the Company's share (50%) of jointly controlled leasehold land with buildings thereon located at Sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of the Company and Sapphire Textile Mills Limited (an Associated Company). During the year, the said leasehold land and buildings on leasehold land have been sold to M/s. Soorty Enterprises, Karachi, against a total consideration of Rs.150 million. This resulted in gain amounted Rs.20.057 million which has been booked in other income (note 31).

Notes to the Financial Statements

For the year ended June 30, 2016

6. INTANGIBLE ASSETS	Note	2016 Rupees	2015 Rupees
These represent computer software licenses.			
Net carrying value as at July 1,			
Opening net book value		4,627,824	2,871,886
Additions for the year		-	3,186,267
Amortisation for the year		(1,748,955)	(1,430,329)
Net book value as at June 30,		<u>2,878,869</u>	<u>4,627,824</u>
Gross carrying value as at June 30,			
Cost		22,565,021	22,565,021
Accumulated amortisation		19,686,152	17,937,197
Net book value		<u>2,878,869</u>	<u>4,627,824</u>
Amortisation rate (% per annum)		<u>20</u>	<u>20</u>
7. LONG TERM INVESTMENTS			
Subsidiary Company - at cost	7.1	3,039,008,316	3,039,008,316
Associated Companies - at cost	7.2	165,761,769	165,761,769
Others - available for sale	7.3	5,577,797,835	6,995,698,205
		<u>8,782,567,920</u>	<u>10,200,468,290</u>
7.1 Subsidiary Company- unquoted			
Sapphire Electric Company Limited (SECL)			
288,782,600 ordinary shares of			
Rs.10 each	7.1.1	<u>3,039,008,316</u>	<u>3,039,008,316</u>
Equity held: 68.11%			
Break-up value per share on the basis of un-audited financial statements Rs.21.02 (2015: Rs.18.87)			
7.1.1 The Company has pledged 172,446,420 shares of SECL with a financial institution under Share Pledge Agreement dated April 16, 2007 and Working Capital Support Agreement dated August 13, 2010 as security against financing facilities advanced to SECL.			
7.2 Associated Companies- Quoted			
		2016	2015
		Rupees	Rupees
Reliance Cotton Spinning Mills Limited			
138,900 ordinary shares of Rs.10 each		1,306,269	1,306,269
Equity held: 1.35%			
Fair value: Rs.11.420 million (2015: Rs.12.900 million)			
SFL Limited			
10,199 ordinary shares of Rs.10 each		100,000	100,000
Equity held: 0.051%			
Fair value: Rs.1.020 million (2015: Rs.0.632 million)			
		<u>1,406,269</u>	<u>1,406,269</u>

Notes to the Financial Statements

For the year ended June 30, 2016

Associated Companies- unquoted	2016 Rupees	2015 Rupees
Sapphire Power Generation Limited		
2,824,500 ordinary shares of Rs.10 each	64,355,500	64,355,500
Equity held: 17.63%		
Break-up value per share on the basis of un-audited financial statements Rs.91.55 (2015: Rs.85.09)		
Sapphire Dairies (Private) Limited		
10,000,000 ordinary shares of Rs.10 each	100,000,000	100,000,000
Equity held: 9.52%		
Break-up value per share on the basis of un-audited financial statements Rs.9.81 (2015: Rs.9.86)		
	165,761,769	165,761,769

7.2.1 The existence of significant influence by the Company is evidenced by the representation on the board of directors of abovementioned Associated Companies.

7.3 Others - available for sale	2016 Rupees	2015 Rupees
Quoted		
MCB Bank Limited		
18,648,786 (2015: 18,811,786) ordinary shares of Rs.10 each - cost	907,119,613	915,047,933
Adjustment arising from re-measurement to fair value	3,195,986,282	3,771,344,194
	4,103,105,895	4,686,392,127
Habib Bank Limited		
7,244,196 (2015: 10,600,000) ordinary shares of Rs.10 each - cost	1,217,073,609	1,869,400,894
Adjustment arising from re-measurement to fair value	214,089,753	411,189,106
	1,431,163,362	2,280,590,000
Term finance certificates - Habib Bank Limited		
150 (2015: Nil) Term finance certificates of Rs.100,000 each - cost	15,000,000	-
Adjustment arising from re-measurement to fair value	(187,500)	-
	14,812,500	-
	5,549,081,757	6,966,982,127

Notes to the Financial Statements

For the year ended June 30, 2016

Unquoted - at cost	Note	2016 Rupees	2015 Rupees
Novelty Enterprises (Private) Limited 2,351,995 (2015: 2,351,995) ordinary shares of Rs.10 each		28,716,078	28,716,078
		5,577,797,835	6,995,698,205
8. LONG TERM LOANS - Secured			
Loans due from			
- executives	8.1 & 8.2	490,000	480,000
- other employees		246,500	503,000
	8.3	736,500	983,000
Less: recoverable within one year and grouped under current assets			
- executives		490,000	240,000
- other employees		226,500	403,000
		716,500	643,000
		20,000	340,000
8.1 Reconciliation of carrying amount of loans to executives:			
Balance at the beginning of the year		480,000	-
Add: disbursements		500,000	500,000
Less: repayments		490,000	20,000
Balance at the end of the year		490,000	480,000
8.2	The maximum amount outstanding at the end of any month during the year ended June 30, 2016 from executives aggregated to Rs.0.920 million (2015: Rs.0.500 million).		
8.3	These represent interest free loans provided to executives and other employees as per terms of employment. These loans are granted for various purposes and are recoverable in monthly instalments which vary from case to case. Loans are secured against employees' vested retirement benefits.		
9. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2016 Rupees	2015 Rupees
Stores		99,912,226	75,329,918
Spare parts		70,869,763	84,650,254
Loose tools		112,514	149,966
Items in transit		14,113,267	30,028,369
		185,007,770	190,158,507
Less: provision for slow moving items	9.1	1,971,784	5,132,893
		183,035,986	185,025,614

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
9.1 Provision for slow moving items			
Balance at beginning of the year		5,132,893	5,171,403
Add: provision made during the year		251,106	35,854
Less: reversal made during the year		3,412,215	74,364
Balance at end of the year		<u>1,971,784</u>	<u>5,132,893</u>
10. STOCK-IN-TRADE			
Raw materials:			
- at mills	10.1	1,612,021,059	1,589,187,471
- in transit		544,853,839	267,273,283
- at third party's premises	10.2	43,362,451	20,900,625
		<u>2,200,237,349</u>	<u>1,877,361,379</u>
Work-in-process		176,994,465	156,135,025
Finished goods:			
- at mills	10.3	445,178,549	463,084,018
- at third party's premises		70,565,877	46,735,692
		<u>515,744,426</u>	<u>509,819,710</u>
		<u>2,892,976,240</u>	<u>2,543,316,114</u>
10.1	Included in the preceding years raw materials items costing Rs.1,179.635 million which were stated at their replacement cost aggregated Rs.1,082.957 million. The amount charged to cost of goods manufactured in respect of raw materials written down to their replacement cost was Rs.96.678 million.		
10.2	This stock is lying for processing and finishing.		
10.3	Included in the preceding years finished goods items costing Rs.338.501 million which were stated at their net realisable value aggregated Rs.337.862 million. The amount charged to cost of sales in respect of stocks written down to their realisable cost was Rs.0.639 million.		
11. TRADE DEBTS			
	Note	2016 Rupees	2015 Rupees
Consider good			
Unsecured			
- local		277,882,696	225,794,190
- indirect export		32,637,962	30,030,709
	11.1	<u>310,520,658</u>	<u>255,824,899</u>
Secured - export		954,611,027	863,088,695
Considered doubtful			
Unsecured - export		22,884,456	22,192,280
		<u>1,288,016,141</u>	<u>1,141,105,874</u>
Less: provision for doubtful debts		22,884,456	22,192,280
		<u>1,265,131,685</u>	<u>1,118,913,594</u>

Notes to the Financial Statements

For the year ended June 30, 2016

11.1	These include the following amounts due from Associated Companies:	2016 Rupees	2015 Rupees
	Diamond Fabrics Limited	31,924,223	16,305,124
	Reliance Cotton Spinning Mills Limited	2,126,405	69,748
	Sapphire Textile Mills Limited	15,186,331	18,399,620
	Sapphire Retails Limited	-	1,078,517
		49,236,959	35,853,009

11.2 The ageing of trade debts at June 30, is as follows:

	Associate Companies		Others	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Not past due	5,255,977	898,664	833,491,493	724,047,551
Past due 1-30 days	43,880,197	33,720,203	238,925,688	220,257,996
Past due 31-60 days	95,130	842,728	37,653,741	18,824,076
Past due 61-90 days	-	-	4,076,518	3,272,658
Past due 91-365 days	5,655	391,414	9,254,852	22,956,480
Past due one year	-	-	92,492,434	93,701,824
	49,236,959	35,853,009	1,215,894,726	1,083,060,585

12. LOANS AND ADVANCES

- Considered good	Note	2016 Rupees	2015 Rupees
Current portion of long term loans to employees	8	716,500	643,000
Advances to:			
- suppliers and contractors		70,372,799	40,241,341
- employees		3,200,100	3,536,500
- others		81,616,760	1,574,411
		155,189,659	45,352,252
Letters of credit		2,720,763	90,858
		158,626,922	46,086,110

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits		419,000	5,000
Prepayments	13.1	2,920,843	13,241,526
		3,339,843	13,246,526

13.1 Included in the preceding year balance was an amount of Rs.7.864 million paid to Sapphire Power Generation Limited (an Associated Company) for purchase of electricity. This amount has been adjusted during the year against electricity bills.

Notes to the Financial Statements

For the year ended June 30, 2016

14. SHORT TERM INVESTMENTS - Available for sale - Quoted

2016 No. of shares / certificates	2015	Name of the investee company	Market value		Cost	
			2016	2015	2016	2015
----- Rupees -----						
1,650,000	1,450,000	Bank Al-Habib Limited	71,148,000	63,727,500	51,781,275	43,376,819
230,000	230,000	Faysal Bank Limited	3,015,300	3,615,600	2,891,767	2,891,767
5,429,404	-	Habib Bank Limited	1,072,633,054	-	1,068,132,096	-
186,500	186,500	Habib Sugar Mills Limited	6,963,910	7,803,160	6,397,292	6,397,292
10,500	10,500	Haji Muhammad Ismail Mills Limited	36,750	32,550	126,000	126,000
2,500,000	-	Hum Television Network Limited	25,700,000	-	25,395,025	-
100,000	-	IGI Insurance Limited	19,082,000	-	24,684,626	-
313,311	304,656	Meezan Balance Fund	4,962,847	4,469,304	2,812,684	2,675,588
1,302	1,302	NIB Bank Limited	2,487	2,630	13,734	13,733
144,000	144,000	Nishat Chunian Power Limited	7,568,640	8,553,600	6,309,276	6,309,276
150,000	150,000	Nishat Power Limited	7,576,500	8,781,000	5,286,560	5,286,560
-	25,000	Oil and Gas Development Co. Limited	-	4,481,000	-	6,309,869
355,000	355,000	Pakistan State Oil Company Limited	133,288,300	136,955,450	87,340,904	87,340,904
-	100,000	Sui Southern Gas Company Limited	-	4,270,000	-	2,542,541
400,000	-	TPL Properties Limited	5,000,000	-	5,000,000	-
143	143	Trust Investment Bank Limited	132	215	660	660
1,037,800	200,000	United Bank Limited	183,607,576	34,184,000	180,362,851	32,659,278
45,600	45,600	Attock Petroleum Limited	19,951,824	25,865,232	12,153,848	12,153,848
237,575	221,000	Charat Packaging Limited	81,196,008	41,693,860	31,815,418	29,494,918
625,000	-	Crescent Steel & Allied Products Ltd.	71,631,250	-	52,616,540	-
700,000	765,000	D.G Khan Cement Company Limited	133,343,000	109,219,050	81,272,992	87,395,677
934,800	-	Dawood Hercules Corporation Limited	139,163,676	-	113,586,580	-
1,351,900	755,000	Engro Corporation Limited	450,142,143	224,084,000	286,536,856	101,833,633
1,429,500	200,000	Engro Fertilizers Limited	92,174,160	17,738,000	92,759,205	10,554,619
1,500,000	1,500,000	Fauji Cement Company Limited	53,700,000	52,305,000	15,223,571	15,223,571
2,400,000	6,200,000	Fatima Fertilizer Company Limited	81,456,000	242,234,000	49,931,929	129,004,684
-	2,000,000	Fauji Fertilizer Company Limited	-	298,840,000	-	181,504,837
500	500	First Punjab Modaraba	2,360	2,685	2,942	2,942
18,900	-	The General Tyre and Rubber Co.	3,364,011	-	2,933,133	-
77,500	127,500	Honda Atlas Cars (Pakistan) Limited	27,829,475	27,881,700	17,952,470	29,534,720
134	134	KASB Modaraba	335	441	-	-
3,500,000	3,500,000	K-Electric Limited	28,210,000	29,470,000	28,885,940	28,885,940
-	52,000	Lalpir Power Limited	-	1,586,000	-	1,235,323
303,000	303,000	Lucky Cement Limited	196,498,530	157,444,860	117,777,538	117,777,538
100,000	100,000	Nishat Mills Limited	10,790,000	11,423,000	9,115,972	9,115,972
100,000	100,000	Packages Limited	63,622,000	59,408,000	25,060,500	25,060,500
-	55,000	Pakistan Oilfields Limited	-	22,210,100	-	18,257,448
1,343,400	1,500,000	Pakistan Petroleum Limited	208,294,170	246,390,000	253,879,437	283,473,705
50,000	-	Thal Limited	14,151,000	-	12,136,292	-
1,332,500	700,000	The Hub Power Company Limited	159,979,949	65,499,000	109,300,476	44,250,530
52,052	36,400	The Searle Company Limited	27,907,680	11,673,116	2,571,486	1,843,486
			3,403,993,067	1,921,844,053	2,782,047,875	1,322,534,178
Add: Adjustment arising from re-measurement to fair value					621,945,192	599,309,875
Market value					3,403,993,067	1,921,844,053

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
15. OTHER RECEIVABLES			
Advance income tax		311,587,090	285,394,430
Export rebate		28,974,111	31,573,155
Dividend receivable		5,367,381	68,335,555
Insurance claim receivable		-	647,580
Unrealised gain on remeasurement of forward contracts		1,090,222	-
Accrued mark-up on term finance certificates		377,386	-
Others		2,139,977	1,515,059
		349,536,167	387,465,779
16. TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax		866,134,110	234,817,286
Income tax		243,631,777	183,066,352
Excise duty		11,122,102	11,122,102
Less: provision for doubtful tax refunds		(51,876,144)	(11,122,102)
		1,069,011,845	417,883,638
17. CASH AND BANK BALANCES			
Cash-in-hand	17.1	2,928,899	3,391,274
Balances with banks on:			
- current accounts	17.2	87,937,763	119,011,062
- term deposit account (TDA)	17.3	6,040,000	6,040,000
- dividend account		4,306,938	3,754,827
		98,284,701	128,805,889
		101,213,600	132,197,163

17.1 Cash-in-hand includes Rs.0.438 million (2015: Rs.0.395 million) advanced to employees for various expenses.

17.2 These include foreign currency deposits amounting to US.\$ 562,072 (2015: US.\$ 578,738).

17.3 Effective rates of profit on TDA, during the year, ranged from 3.75% to 5.25% (2015: 6.50% to 7.00%) per annum. The maturity period of the TDA is one year from the date of original issue. This deposit is under bank's lien as security of bank guarantee issued on behalf of the Company.

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016 ----- Numbers -----	2015		2016 Rupees	2015 Rupees
11,775,000	11,775,000	Ordinary shares of Rs.10 each fully paid in cash	117,750,000	117,750,000
7,912,500	7,912,500	Ordinary shares of Rs.10 each issued as fully paid bonus shares	79,125,000	79,125,000
19,687,500	19,687,500		196,875,000	196,875,000

18.1 10,196,896 (2015: 10,196,896) ordinary shares of Rs. 10 each are held by Associated Companies as at year-end.

Notes to the Financial Statements

For the year ended June 30, 2016

19. RESERVES	Note	2016 Rupees	2015 Rupees
Capital reserve - share premium	19.1	145,740,000	145,740,000
General reserve		1,183,845,000	1,183,845,000
Unrealised gain on available for sale investments		3,900,388,804	4,676,631,187
Unrealised gain on hedging instruments		1,090,222	-
		<u>5,231,064,026</u>	<u>6,006,216,187</u>
19.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued.			
20. LONG TERM FINANCES - Secured	Note	2016 Rupees	2015 Rupees
From banking companies:			
- NIB Bank Limited	20.1	83,425,418	73,410,251
- Allied Bank Limited	20.2	814,247,100	-
- United Bank Limited	20.3	1,002,568,780	-
- MCB Bank Limited	20.4	228,260,000	-
		<u>2,128,501,298</u>	73,410,251
Less: current portion grouped under current liabilities		<u>14,052,666</u>	12,712,666
		<u>2,114,448,632</u>	<u>60,697,585</u>
20.1 The Company has arranged long term finance facilities amounting Rs.150 million from NIB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. During the preceding year, the bank against the said facility disbursed Rs.84.315 million in five tranches of different amounts and each tranche is repayable in 12 equal semi-annual instalments commenced from September, 2014. During the current year, the bank against the said facility has further disbursed Rs.20.708 million in four tranches of different amounts and each tranche is repayable in 32 equal quarterly instalments commencing from December, 2017. These finances carry mark-up at the rates ranging from 3.00% to 9.40% (June 30, 2015: 5.50% to 9.40%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.			
20.2 The Company, during the year, has arranged long term finance facilities amounting Rs.1,000 million from Allied Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility has disbursed Rs.814.247 million in ten tranches of different amounts and each tranche is repayable in 32 equal quarterly instalments commencing from different months of the financial year 2018. These finances carry mark-up at the rate of 2.65% per annum and are secured against first pari passu charge of Rs.1,333 million with 25% margin over the fixed and movable assets including plant and machinery of the Company.			
20.3 The Company, during the year, has arranged long term finance facilities amounting Rs.1,500 million from United Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility has disbursed Rs.1,002.569 million in seventeen tranches of different amounts and each tranche is repayable in 32 equal quarterly instalments commencing from December, 2017. These finances carry mark-up at the rates of 2.50% and 3.50% per annum and are secured against first charge of Rs.2,000 million with 25% margin over the specific plant and machinery of the Company.			
20.4 The Company, during the year, has arranged long term finance facilities amounting Rs.850 million from MCB Bank Limited to retire import documents of plant and machinery. The bank against the said facility has disbursed Rs.228.260 million in seven tranches of different amounts and each tranche is repayable in 16 equal semi-annual instalments commencing from different months of financial year 2018. These finances carry mark-up at the rate of 6.75% to 6.98%			

Notes to the Financial Statements

For the year ended June 30, 2016

per annum and are secured against first charge of Rs.1,134 million over the specific plant and machinery of the Company. Subsequent to the year end, this finance facility has been approved under SBP scheme for imported plant and machinery.

21. STAFF RETIREMENT BENEFIT - Gratuity

The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2016 Rupees	2015 Rupees
21.1 Amount recognised in the balance sheet		
Net liability at the beginning of the year	257,188,963	210,997,693
Charge to profit and loss account	80,855,349	64,293,640
Remeasurement recognised in other comprehensive income	(928,950)	26,308,442
Payments made during the year	(53,268,134)	(44,410,812)
Net liability at the end of the year	<u>283,847,228</u>	<u>257,188,963</u>
21.2 Movement in the present value of defined benefit obligation		
Balance at beginning of the year	257,188,963	210,997,693
Current service cost	58,376,247	39,278,662
Interest cost	22,479,102	25,014,978
Benefits paid	(53,268,134)	(44,410,812)
Remeasurements on obligation	(928,950)	26,308,442
Balance at end of the year	<u>283,847,228</u>	<u>257,188,963</u>
21.3 Expense recognised in profit and loss account		
Current service cost	58,376,247	39,278,662
Interest cost	22,479,102	25,014,978
	<u>80,855,349</u>	<u>64,293,640</u>
21.4 Remeasurements recognised in other comprehensive income		
Experience loss	1,433,661	26,308,442
Actuarial gains	(2,362,611)	-
	<u>(928,950)</u>	<u>26,308,442</u>
21.5 Actuarial assumptions used		
Discount rate	7.25%	9.75%
Expected rate of increase in future salaries	6.25%	8.75%
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

Notes to the Financial Statements

For the year ended June 30, 2016

21.6 Sensitivity analysis for actuarial assumptions

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

	Change in assumption	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	1.00%	<u>264,278,940</u>	<u>306,481,576</u>
Increase in future salaries	1.00%	<u>307,269,017</u>	<u>263,207,722</u>

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

21.7 Based on actuary's advice, the expected charge for the year ending June 30, 2017 amounts to Rs.80.180 million.

21.8 The weighted average duration of defined benefit obligation is 7 years.

21.9 Expected maturity analysis of undiscounted retirement benefit plan:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	----- Rupees -----				
As at June 30, 2016	<u>54,047,133</u>	<u>89,784,830</u>	<u>113,524,874</u>	<u>1,652,131,991</u>	<u>1,909,488,828</u>

21.10 Historical information:

	2016	2015	2014	2013	2012
	----- Rupees -----				
Present value of defined benefit obligation	<u>283,847,228</u>	<u>257,188,963</u>	<u>210,997,693</u>	<u>169,798,106</u>	<u>131,457,117</u>
Experience adjustment on obligation / actuarial gains	<u>(928,950)</u>	<u>26,308,442</u>	<u>26,530,765</u>	<u>21,615,599</u>	<u>(6,461,224)</u>

Notes to the Financial Statements

For the year ended June 30, 2016

22. DEFERRED TAXATION - Net	2016 Rupees	2015 Rupees
The balance of deferred tax is in respect of following major temporary differences		
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowance	63,409,969	46,640,856
- re-measurement of investments	131,444,924	105,211,989
	194,854,893	151,852,845
Deductible temporary differences arising in respect of:		
- staff retirement benefit - gratuity	13,674,057	11,484,974
- provision for slow moving inventory	94,989	209,338
- provision for doubtful debts	1,102,441	898,343
	14,871,487	12,592,655
	179,983,406	139,260,190

22.1 The Company's income of the current year is chargeable to tax under presumptive tax regime of the Income Tax Ordinance, 2001. However, deferred tax liability / (asset) is recognised as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

23. TRADE AND OTHER PAYABLES	Note	2016 Rupees	2015 Rupees
Trade creditors	23.1	502,519,099	231,822,929
Bills payable	23.2	118,407,129	281,818,633
Advance payments		100,371,972	15,634,413
Accrued expenses	23.3	395,528,202	465,749,013
Sindh government infrastructure fee	23.4	125,568,863	105,679,579
Workers' profit participation fund	23.5	74,560,444	63,843,959
Workers' welfare fund	23.6	171,633,177	143,300,208
Unclaimed dividend		4,324,852	3,797,103
Unrealised loss on re-measurement of forward exchange contracts		-	5,933,174
Others		1,820,422	6,238,725
		1,494,734,160	1,323,817,736

23.1 These include Rs.23.284 million (2015: Rs.18.660 million) which pertains to Associated Companies.

23.2 These are secured against import documents.

23.3 These include Rs. 18.602 million (2015: Nil) which pertains to Associated Companies.

23.4 This provision has been recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Company has contested this issue in the Sindh High Court (the High Court). The Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to

Notes to the Financial Statements

For the year ended June 30, 2016

December 28, 2006 as illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2016, the Company has provided bank guarantees aggregating Rs.101.950 million (2015: Rs.81.950 million) in favour of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Company's favour.

	Note	2016 Rupees	2015 Rupees
23.5 Workers' profit participation fund			
Balance at beginning of the year		63,843,959	80,682,780
Add: interest on funds utilised by the Company		1,433,428	3,177,575
		<u>65,277,387</u>	<u>83,860,355</u>
Less: payments made during the year		65,277,387	83,860,355
		-	-
Add: allocation for the year		74,560,444	63,843,959
Balance at end of the year		<u>74,560,444</u>	<u>63,843,959</u>
23.6 Workers' welfare fund			
Balance at beginning of the year		143,300,208	119,039,502
Add: charge for the year		28,332,969	24,260,706
Balance at end of the year		<u>171,633,177</u>	<u>143,300,208</u>
24. ACCRUED MARK-UP / INTEREST			
Mark-up / interest accrued on:			
- long term finances		14,787,824	1,674,565
- short term borrowings		56,393,491	72,263,263
		<u>71,181,315</u>	<u>73,937,828</u>
25. SHORT TERM BORROWINGS			
Running / cash finances - secured	25.1	5,654,340,234	3,703,110,067
Running Musharaka finance - secured		1,240,148,146	751,161,469
Temporary bank overdraft - unsecured	25.2	-	2,076,294
		<u>6,894,488,380</u>	<u>4,456,347,830</u>

25.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.10,704 million (2015: Rs.8,550 million). These finance facilities, during the year, carried mark-up at the rates ranged from 2.80% to 8.22% (2015: 5.30% to 11.94%) per annum. The aggregate short term finance facilities are secured

Notes to the Financial Statements

For the year ended June 30, 2016

against hypothecation charge of Rs.24,576 million (2015: Rs.17,590 million) over current and fixed assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Included in short term finances Rs.579.10 million (U.S.\$ 5.531 million) [2015: Rs.597.93 million (U.S.\$ 5.502 million and Euro 0.337 million)] representing foreign currency loans obtained from various banks. The rates of mark-up on these finance facilities ranged from 1.10% to 3.50% (2015: 1.33% to 4.00%) per annum.

Short term finance facilities available from various commercial banks under mark-up arrangements on Group basis aggregate to Rs.Nil (2015: Rs.174 million).

Facilities available for opening letters of credit and guarantees aggregate to Rs.8,480 million (2015: Rs.8,467 million) out of which the amount remained unutilised at the year-end was Rs.7,097 million (2015: Rs.6,622 million). These facilities are secured against lien on shipping documents, hypothecation charge on current and fixed assets of the Company, cash margins and counter guarantee by the Company.

Facilities available for opening letters of credit and discounting of local & foreign bills from various commercial banks on Group basis aggregate to Rs. Nil (2015: Rs.2,020 million) and are secured against lien over export documents / bills, lien over import documents & commodities, lien over discrepant documents negotiated under letters of credits / contracts and trust receipts.

Abovementioned facilities are expiring on various dates upto April 30, 2017.

25.2 This book overdraft balance had arisen due to unrepresented cheques.

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.223.296 million (2015: Rs.203.296 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

26.1.2 Claims not acknowledged as debt

During the financial year 2014, it was discovered that there were unauthorised withdrawals of funds from one of the Company's bank account maintained with National Bank of Pakistan (NBP) using forged signatures on cheques from cheque books issued by the Bank's staff without the Company's authority. On becoming aware of the matter, an FIR was lodged in addition to taking up the matter with the bank. Based on the advice of its legal counsel, the management believed that the Company had no liability whatsoever in respect of such net unauthorised withdrawals of funds accumulating to Rs.33.157 million inclusive of mark-up and other charges. Furthermore, the Company filed a suit on March 21, 2014 in the honourable Sindh High Court, which granted a stay order on April 08, 2014 in favour of the Company whereby the bank had been restrained from placing the Company's name in the State Bank Credit Information Bureau (CIB) list of defaulter and prevented from taking coercive action against the Company.

During the year, the Company paid an amount of Rs.14.871 million to NBP in respect of mark-up and other charges as a settlement of this case.

Notes to the Financial Statements

For the year ended June 30, 2016

26.2 Commitments	Note	2016 Rupees	2015 Rupees
Commitments in respect of :			
- letters of credit for capital expenditure		<u>383,657,523</u>	<u>760,637,594</u>
- letters of credit for purchase of raw materials and stores, spare parts & chemicals		<u>157,215,284</u>	<u>173,185,247</u>
- capital expenditure other than letters of credit		<u>36,907,280</u>	<u>863,988,931</u>
- foreign currency forward contract		<u>141,432,994</u>	<u>313,580,000</u>
- foreign bills discounted		<u>680,036,430</u>	<u>426,138,453</u>
27. SALES - Net			
Export:			
Yarn	27.1	7,447,282,182	8,253,157,446
Fabric		345,456,843	414,295,650
Garments		2,037,429,605	2,104,746,028
Waste	27.2	207,865,303	207,505,421
		<u>10,038,033,933</u>	<u>10,979,704,545</u>
Local:			
Yarn		2,166,896,843	2,057,413,286
Fabric		52,191,379	25,075,529
Garments		13,896,880	24,856,665
Raw materials		41,825,395	50,571,019
Waste	27.2	168,809,813	188,491,592
Others		9,382,350	3,606,247
		<u>2,453,002,660</u>	<u>2,350,014,338</u>
		<u>12,491,036,593</u>	<u>13,329,718,883</u>
Export rebate		17,050,923	33,132,384
Processing services		84,757,007	60,406,988
		<u>12,592,844,523</u>	<u>13,423,258,255</u>
Less: sales tax		114,454,159	75,982,403
		<u>12,478,390,364</u>	<u>13,347,275,852</u>

27.1 This includes indirect export of Rs. 1,044.494 million (2015: Rs.929.057 million).

27.2 Waste sales include sale of comber noil.

27.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.45.699 million (2015: Rs.55.209 million) has been included in export sales.

Notes to the Financial Statements

For the year ended June 30, 2016

28. COST OF SALES	Note	2016 Rupees	2015 Rupees
Finished goods at beginning of the year		509,819,710	540,491,694
Cost of goods manufactured	28.1	11,354,332,997	11,833,748,292
Cost of raw materials sold		39,277,773	45,031,167
		11,393,610,770	11,878,779,459
		11,903,430,480	12,419,271,153
Finished goods at end of the year		(514,758,796)	(509,819,710)
		11,388,671,684	11,909,451,443
28.1 Cost of goods manufactured			
Work-in-process at beginning of the year		156,135,025	211,059,838
Raw materials consumed	28.2	7,502,006,596	7,786,932,984
Salaries, wages and benefits	28.3	1,074,795,535	976,755,187
Packing stores consumed		227,692,500	230,885,054
General stores consumed		226,229,385	203,997,695
Dyes and chemicals consumed		291,124,154	298,625,337
Processing charges		556,517,719	547,467,612
Depreciation	4.2	353,434,543	326,127,042
Fuel and power		1,023,786,734	1,276,767,314
Repair and maintenance		36,972,771	39,045,451
Insurance		24,202,985	35,444,590
Vehicles' running		14,179,800	15,794,500
Travelling and conveyance		12,893,979	14,610,300
Printing and stationery		172,386	3,712,203
Legal and professional charges		934,118	10,141,837
Fee and subscription		3,935,143	3,550,872
Entertainment		5,975,174	5,745,735
Telephone		2,223,389	2,361,589
Postage		593,082	207,718
Rent, rates and taxes		833,710	650,459
		11,514,638,728	11,989,883,317
Work-in-process at end of the year		(160,305,731)	(156,135,025)
		11,354,332,997	11,833,748,292

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
28.2 Raw materials consumed			
Stocks at beginning of the year		1,610,088,096	2,294,413,690
Purchases		7,545,651,605	7,102,607,390
		9,155,739,701	9,397,021,080
Stocks at end of the year		(1,653,733,105)	(1,610,088,096)
		7,502,006,596	7,786,932,984
28.3			
Salaries, wages and benefits include Rs.80.850 million (2015: Rs.64.294 million) in respect of staff retirement benefit - gratuity and Rs.Nil (2015: Rs.0.187) contribution in respect of to staff provident fund.			
29. DISTRIBUTION COST			
	Note	2016 Rupees	2015 Rupees
Salaries and other benefits	29.1	22,881,615	21,134,604
Travelling, conveyance and entertainment		11,360,906	14,544,395
Vehicles' running		2,075,041	2,220,971
Telephone		607,508	663,208
Postage		2,574,324	1,790,757
Printing and stationery		276,883	709,408
Sample expenses		1,186,055	2,151,369
Commission:			
- local		4,416,581	8,110,017
- export		102,527,707	123,953,296
		106,944,288	132,063,313
Freight and forwarding:			
- local		5,429,410	3,895,413
- export		193,173,033	243,397,683
		198,602,443	247,293,096
Export development surcharge		22,098,164	24,486,895
Other export expenses		9,839,361	17,834,929
Provision for doubtful debts		692,176	22,192,280
		379,138,764	487,085,225
29.1			
Salaries and other benefits include Rs.0.803 million (2015: Rs.0.803 million) in respect of contribution to staff provident fund.			

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
30. ADMINISTRATIVE EXPENSES			
Directors' remuneration		29,250,000	18,000,000
Director's meeting fee		290,000	200,000
Salaries and other benefits	30.1	118,922,542	110,978,999
Telephone		4,024,554	3,116,303
Postage		364,294	710,198
Fee and subscription		8,750,482	6,944,672
Legal and professional charges		11,878,081	17,086,577
Entertainment		2,904,804	2,645,186
Travelling and conveyance		4,457,189	5,454,707
Printing and stationery		2,313,591	3,220,065
Rent, rates and taxes		5,391,813	4,443,716
Advertisement		104,900	678,285
Electricity, gas and water		5,054,730	5,025,938
Repair and maintenance		9,458,248	6,297,629
Vehicles' running		8,140,371	9,086,585
Charity and donations	30.2	35,052,531	31,361,233
Insurance		2,623,068	2,823,340
Depreciation	4.2	18,722,881	18,682,236
Amortisation	6	1,748,955	1,430,329
		<u>269,453,034</u>	<u>248,185,998</u>

30.1 Salaries and other benefits include Rs.4.114 million (2015: Rs.3.425 million) in respect of contribution to staff provident fund.

30.2 Donations include the following in which directors are interested:

- Donation of Rs.22.565 million (2015: Rs.20.480 million) charged in these financial statements is paid to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Muhammad Abdullah, Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Shayan Abdullah have common directorship in both Companies.
- Donation of Rs.0.300 million (2015: Rs.0.400 million) charged in these financial statements is paid to Jamal-Ud-Din Fatima Charitable trust, 149 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi (a trust). Mr. Muhammad Abdullah, Mr. Shahid Abdullah and Mr. Nadeem Abdullah, directors of the Company are trustees of the trust.

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
31. OTHER INCOME			
Income from financial assets			
Dividend income from:			
- Subsidiary and Associated Companies		867,150,975	431,661,492
- others		578,902,410	452,177,909
		1,446,053,385	883,839,401
Interest income		272,770	410,473
Mark-up earned on term finance certificates		521,632	-
Gain on sale of investments		113,683,181	52,916,750
		1,560,530,968	937,166,624
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	4.3	17,059,307	5,260,200
Gain on disposal of investment property	5.3	20,056,965	-
Gain on sale of store and spares		-	105,206
Rental income		16,402,399	24,871,008
Scrap sales [Net of sales tax aggregating Rs.3.655 million (2015: Rs.3.399 million)]		19,672,759	19,167,162
		73,191,430	49,403,576
		1,633,722,398	986,570,200
32. OTHER EXPENSES			
Depreciation of investment property	5	544,062	1,036,309
Workers' profit participation fund	23.5	74,560,444	63,843,959
Workers' welfare fund	23.6	28,332,969	24,260,706
Auditors' remuneration	32.1	1,713,550	1,647,000
Loss on sale of stores and spares		2,506,455	-
Provision for doubtful tax refunds		40,754,042	-
Exchange loss		-	219,624
		148,411,522	91,007,598

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
32.1 Auditors' remuneration			
Fee for:			
Annual audit		1,397,550	1,331,000
Half yearly review		200,000	200,000
Review of Code of Corporate Governance		62,000	62,000
Audit of retirement funds		20,000	20,000
Out-of-pocket expenses		34,000	34,000
		<u>1,713,550</u>	<u>1,647,000</u>
33. FINANCE COST			
Mark-up / interest on long term finances		7,781,534	7,553,181
Mark-up / interest on short term borrowings		356,206,267	258,911,512
Exchange loss on foreign currency loans		17,794,881	31,047,619
		374,001,148	289,959,131
Interest on workers' profit participation fund	23.5	1,433,428	3,177,575
Bank and other financial charges		41,222,985	55,734,644
		<u>424,439,095</u>	<u>356,424,531</u>
34. TAXATION			
Current			
Current tax on profit for the year	34.1	109,136,883	244,392,912
Adjustments in respect of prior years		(23,720,578)	(1,388,139)
		85,416,305	243,004,773
Deferred			
Origination and reversal of temporary differences		15,849,180	3,843,390
Impact of change in tax rate		(997,105)	(1,010,742)
		14,852,075	2,832,648
		<u>100,268,380</u>	<u>245,837,421</u>
34.1	The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 and current year's provision is made accordingly.		

Notes to the Financial Statements

For the year ended June 30, 2016

- 34.2** Income tax assessments of the Company have been completed upto the Tax Year 2015; the return for the said year has not been taken-up for audit till June 30, 2016.
- 34.3** Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.
- 34.4** Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of ten percent on every public company other than a scheduled bank or modaraba, that derives profits for tax a year but does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40% of its after tax profits or 50% of its issued, subscribed and paid up capital, whichever is less, within six months of the end of the tax year.
- 34.4.1** The Board of Directors in their meeting held on October 06, 2016 has distributed sufficient cash dividend for the year ended June 30, 2016 (refer note 43) which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognised in these financial statements for the year ended June 30, 2016.

35. EARNINGS PER SHARE

35.1. Basic earnings per share

	2016 Rupees	2015 Rupees
Net profit for the year	<u>1,401,730,283</u>	<u>995,853,836</u>
	----- Number of shares -----	
Weighted average ordinary shares in issues	<u>19,687,500</u>	<u>19,687,500</u>
	----- Rupees -----	
Earnings per share	<u>71.20</u>	<u>50.58</u>

35.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2016 and June 30, 2015 which would have any effect on the earnings per share if the option to convert is exercised.

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
36. CASH (USED IN) / GENERATED FROM OPERATIONS			
Profit before taxation		1,501,998,663	1,241,691,257
Adjustments for non-cash charges and other items:			
Depreciation		373,217,225	345,205,455
Depreciation of investment property		544,062	1,036,309
Amortisation		1,748,955	1,430,329
Staff retirement benefit - gratuity		80,855,349	64,293,640
Reversal of provision for slow moving items		(3,161,109)	(38,510)
Dividend and interest income		(1,446,847,787)	(884,249,874)
Loss / (gain) on sale of stores and spares		2,506,455	(105,206)
Gain on disposal of operating fixed assets		(17,059,307)	(5,260,200)
Gain on disposal of investment property		(20,056,965)	-
Exchange loss		-	219,624
Provision for workers' profit participation fund		74,560,444	63,843,959
Provision for workers' welfare fund		28,332,969	24,260,706
Gain on sale of investments		(113,683,181)	(52,916,750)
Provision for doubtful debts		692,176	22,192,280
Provision for doubtful tax refunds		40,754,042	-
Finance cost		424,439,095	356,424,531
Working capital changes	36.1	(1,096,323,408)	866,719,302
		(167,482,322)	2,044,746,852
36.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		614,393	(11,619,307)
Stock-in-trade		(349,660,126)	637,458,634
Trade debts		(146,910,267)	251,322,830
Loans and advances		(112,540,812)	(19,427,882)
Deposits, other receivables and sales tax		(619,165,817)	(96,648,359)
		(1,227,662,629)	761,085,916
Increase in trade and other payables		131,339,221	105,633,386
		(1,096,323,408)	866,719,302

Notes to the Financial Statements

For the year ended June 30, 2016

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	----- Rupees -----					
Managerial remuneration	14,000,700	8,000,400	5,499,999	3,999,996	88,908,103	71,464,117
Contribution to provident fund trust	-	-	-	-	4,238,809	3,346,608
House rent and utilities	6,999,300	3,999,600	2,750,001	2,000,004	46,067,233	36,996,703
Medical	-	-	-	-	2,555,859	2,080,008
Leave encashment / bonus	-	-	-	-	21,840,305	16,421,962
Other benefits	-	-	-	-	12,924,611	12,055,536
	21,000,000	12,000,000	8,250,000	6,000,000	176,534,920	142,364,934
Number of persons	1	1	1	1	77	63

37.1 Certain executives are provided with Company maintained vehicles.

37.2 During the year, meeting fees of Rs.290 thousand (2015: Rs.200 thousand) was paid to one non-executive director.

38. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Subsidiary Company, Associated Companies, directors of the Company, key management personnel and staff retirement fund. The Company in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 37. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2016 Rupees	2015 Rupees
(i) Subsidiary	Shares purchased	-	23,804,296
	Dividend received	866,347,800	431,427,522
(ii) Associates	Sales:		
	- raw material / yarn / fabric / stores	544,186,943	418,783,699
	- assets	69,521,250	4,203,761
	Purchases:		
	- raw material / yarn / fabric / stores	294,312,651	337,978,871
	- electricity	320,374,860	222,389,337
	Services:		
	- rendered	50,597,505	39,852,837
	- obtained	10,514,677	13,463,625
	Expenses charged by	21,984,977	20,370,767
	Expenses charged to	7,473,482	9,243,665
	Dividend:		
	- received	803,175	233,970
	- paid	101,968,960	127,454,952
(iii) Other	Contribution towards provident fund	6,025,845	4,824,046

Notes to the Financial Statements

For the year ended June 30, 2016

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and other price risk).

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

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.

The Company's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimise earnings volatility and provide maximum return to shareholders.

(a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from investments, loans and advances, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets as mentioned in note.39.4, the financial assets exposed to credit risk aggregated to Rs.10,383.574 million as at June 30, 2016 (2015: Rs.10,264.969 million). Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2015: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2016	2015
	Rupees	Rupees
Long term investments	5,577,797,835	6,995,698,205
Long term loans	20,000	340,000
Long term deposits	28,236,645	28,221,645
Trade debts	1,265,131,685	1,118,913,594
Loans and advances	716,500	643,000
Trade deposits	419,000	5,000
Short term investments	3,403,993,067	1,921,844,053
Other receivables	8,974,966	70,498,194
Bank balances	98,284,701	128,805,889
	<u>10,383,574,399</u>	<u>10,264,969,580</u>

Notes to the Financial Statements

For the year ended June 30, 2016

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit.

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2016	2015
	Rupees	Rupees
Domestic	310,520,658	255,824,899
Export	954,611,027	863,088,695
	<u>1,265,131,685</u>	<u>1,118,913,594</u>

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

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

	2016	2015
	Rupees	Rupees
Yarn	976,771,843	970,562,564
Fabric	21,777,858	24,464,922
Garments	226,071,131	92,871,774
Processing services	7,715,938	4,625,268
Waste	27,987,834	22,592,386
Other	4,807,081	3,796,680
	<u>1,265,131,685</u>	<u>1,118,913,594</u>

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The credit quality of the Company's bank balances can be assessed with reference to the external credit ratings as follows:

Name of Bank	Rating		
	short term	long term	agency
MCB Bank Limited	A1+	AAA	PACRA
National Bank of Pakistan	A1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA	JCR-VIS
United Bank Limited	A-1+	AA+	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	A2	Moody's
Faysal Bank Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS
Deutsche Bank AG	F-1	A-	Fitch

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

Notes to the Financial Statements

For the year ended June 30, 2016

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
----- Rupees -----					
June 30, 2016					
Long term finances	2,128,501,298	2,485,527,300	78,611,107	1,380,207,213	1,026,708,980
Trade and other payables	1,022,599,704	1,022,599,704	1,022,599,704	-	-
Accrued mark-up / interest	71,181,315	71,181,315	71,181,315	-	-
Short term borrowings	5,654,340,234	7,041,997,026	7,041,997,026	-	-
	8,876,622,551	10,621,305,345	8,214,389,152	1,380,207,213	1,026,708,980
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
----- Rupees -----					
June 30, 2015					
Long term finances	73,410,251	93,296,445	17,685,619	70,901,535	4,709,291
Long term security deposit	2,100,000	2,100,000	-	-	2,100,000
Trade and other payables	989,426,403	989,426,403	989,426,403	-	-
Accrued mark-up / interest	73,937,828	73,937,828	73,937,828	-	-
Short term borrowings	3,703,110,067	4,572,342,183	4,572,342,183	-	-
	4,841,984,549	5,731,102,859	5,653,392,033	70,901,535	6,809,291

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

(c) 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the Financial Statements

For the year ended June 30, 2016

(d) **Currency risk**

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Swiss Frank, Japanese Yen and Great Britain Pound. The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank (CHF), Japanese Yen and Great Britain Pound (GBP) is as follows:

June 30, 2016	Rupees	U.S.\$	Euro	GBP	CHF
Bills payables	118,407,129	816,837	282,730	-	-
Advance payments	91,500,359	873,929	-	-	-
	209,907,488	1,690,766	282,730	-	-
Trade debts	(977,495,483)	(9,203,655)	(135,368)	-	-
Bank balances	(58,736,525)	(562,072)	-	-	-
Net balance sheet exposure	(826,324,520)	(8,074,961)	147,362	-	-
Outstanding letters of credit	540,872,805	3,420,232	831,917	-	805,000
Forward exchange contracts	141,432,994	1,335,546	-	-	-
	(144,018,721)	(3,319,183)	979,279	-	805,000
June 30, 2015	Rupees	U.S.\$	Euro	GBP	Yen
Bills payables	281,818,633	2,385,360	326,500	-	2,496,100
Advance payments	7,352,891	72,027	-	-	-
	289,171,524	2,457,387	326,500	-	2,496,100
Trade debts	(885,280,975)	(8,698,990)	-	(15,863)	-
Bank balances	(58,741,943)	(578,738)	-	-	-
Net balance sheet exposure	(654,851,394)	(6,820,341)	326,500	(15,863)	2,496,100
Outstanding letters of credit	933,822,841	6,436,782	2,453,661	-	-
Forward exchange contracts	313,580,000	3,000,000	-	-	-
	592,551,447	2,616,441	2,780,161	(15,863)	2,496,100

Notes to the Financial Statements

For the year ended June 30, 2016

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2016	2015	2016	2015
U.S. Dollar to Rupee	103.92	100.88	104.70 / 104.50	101.70 / 101.50
Euro to Rupee	116.00	124.45	116.31 / 116.08	113.79 / 113.57
Swiss Frank to Rupee	104.99	106.94	106.85 / 106.64	109.64 / 109.42
Japanese Yen to Rupee	0.8590	0.8691	1.0186 / 1.0167	0.8313 / 0.8297
Great Britain Pound to Rupee	155.92	157.95	140.39 / 140.12	159.91 / 159.59

At June 30, 2016, if Rupee had strengthened by 10% against US Dollar, Euro, Swiss Frank, Japanese Yen and Great Britain Pounds with all other variables held constant, profit for the year would have been higher / (lower) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

	2016 Rupees	2015 Rupees
Effect on profit for the year:		
U.S. Dollar to Rupee	(84,383,342)	(69,226,461)
Euro to Rupee	1,713,967	3,715,244
Japanese Yen to Rupee	-	207,501
Great Britain Pound to Rupee	-	(253,158)
	<u>(82,669,375)</u>	<u>(65,556,874)</u>

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

Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Company arises from long & short term borrowings from banks and deposits with banks. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2016 - - - Effective rate - - - %	2015 %	2016 - - - Carrying amount - - - Rupees	2015 Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	3.75 to 5.25	6.50 to 7.00	6,040,000	6,040,000
Financial liabilities				
Long term finances	2.50 to 9.40	5.50 to 9.40	2,128,501,298	73,410,251
Variable rate instruments				
Financial liabilities				
Short term borrowings	1.10 & 8.22	1.33 & 11.94	6,894,488,380	4,454,271,536

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

At June 30, 2016, if the interest rate on the Company's borrowings had been higher / (lower) by 1% with all other

Notes to the Financial Statements

For the year ended June 30, 2016

variables held constant, profit before tax for the year would have been (lower) / higher by Rs.68.945 million (2015: Rs.44.543 million) mainly as a result of higher / (lower) interest expense.

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

Other price risk

Other price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

The Company's investments in ordinary shares and certificates of listed companies aggregating to Rs.8,954.481 million (2015: Rs.8,890.232 million) are exposed to price risk due to changes in market price.

At June 30, 2016, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the year would have higher / (lower) by Rs.895.448 million (2015: Rs.889.023 million).

39.2 Fair value estimation

Given below is the analysis of financial instruments, carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The Company's financial assets measured at fair value consists of level 1 financial assets amounting to Rs.8,953.075 million (2015: Rs.8,888.826 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

39.3 Capital risk management

The Company's objective when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximise return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the balance sheet) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2016 Rupees	2015 Rupees
Total borrowings	9,022,989,678	4,527,681,787
Less: cash and bank balances	101,213,600	132,197,163
Net debt	<u>8,921,776,078</u>	<u>4,395,484,624</u>
Total equity	15,364,414,934	14,933,421,068
Total capital	<u>24,286,191,012</u>	<u>19,328,905,692</u>
Gearing ratio	<u>37%</u>	<u>23%</u>

Notes to the Financial Statements

For the year ended June 30, 2016

39.4 Financial instruments by category

	Loans and receivables		Available for sale	
	2016	2015	2016	2015
Financial assets as per balance sheet	--- Rupees ---		--- Rupees ---	
Long term investments	-	-	5,577,797,835	6,995,698,205
Long term loans	20,000	340,000	-	-
Long term deposits	28,236,645	28,221,645	-	-
Trade debts	1,265,131,685	1,118,913,594	-	-
Loans and advances	716,500	643,000	-	-
Trade deposits	419,000	5,000	-	-
Short term investments	-	-	3,403,993,067	1,921,844,053
Other receivables	7,507,358	70,498,194	-	-
Cash and bank balances	101,213,600	132,197,163	-	-
	1,403,244,788	1,350,818,596	8,981,790,902	8,917,542,258

	Financial liabilities measured at amortised cost	
	2016	2015
Financial liabilities as per balance sheet	--- Rupees ---	
Long term finances	2,128,501,298	73,410,251
Long term security deposit	-	2,100,000
Trade and other payables	1,022,599,704	989,426,403
Short term borrowings	6,894,488,380	4,456,347,830
	10,045,589,382	5,521,284,484

40. CAPACITY AND PRODUCTION

40.1 Spinning units

	2016	2015
Number of spindles installed	101,136	101,136
Number of spindles worked	100,656	97,635
Number of shifts worked per day	3	3
Total number of days worked	365	365
Installed capacity after conversion into 20's count	Lbs. 64,187,838	64,299,083
Actual production after conversion into 20's count	Lbs. 56,661,655	56,937,823

40.1.1 Actual production varies due to maintenance / shut down and change in count pattern.

Notes to the Financial Statements

For the year ended June 30, 2016

40.2 Dyeing	2016	2015
Yarn / Fibre Dyeing Unit		
Total number of days worked	349	222
Installed capacity	Lbs. 8,002,407	8,002,407
Actual production	Lbs. 3,552,931	2,993,241
Fabric Dyeing Unit		
Total number of days worked	357	338
Installed capacity	Lbs. 13,171,579	13,171,579
Actual production	Lbs. 8,400,360	8,227,677
40.2.1 Low production is due to less market demand.		
40.3 Knitting unit		
Total number of days worked	358	356
Installed capacity	Lbs. 15,658,951	15,658,951
Actual production	Lbs. 8,013,838	7,752,745
40.3.1 Low production is due to less market demand.		
40.4 Stitching unit		
Installed capacity	Pcs. 1,967,000	1,967,000
Actual production	Pcs. -	-
40.4.1 Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.		
40.5 Denim unit		
Total number of days worked	3	-
Installed capacity	Mtrs. 8,280,000	-
Actual production	Mtrs. 56,276	-
41. NUMBER OF EMPLOYEES		
Total number of employees as at June 30,	3,385	3,364
Average number of employees during the year	3,359	3,234

Notes to the Financial Statements

For the year ended June 30, 2016

42. PROVIDENT FUND RELATED DISCLOSURE

42.1. The following information is based on un-audited financial statements of the Fund for the year ended:

	2016 Rupees	2015 Rupees
Size of the Fund - Total Assets	<u>35,493,695</u>	<u>39,574,506</u>
Cost of investments made	<u>33,406,521</u>	<u>37,731,292</u>
Percentage of investments made	<u>94.12%</u>	<u>95.34%</u>
Fair value of investments made	<u>34,865,195</u>	<u>39,294,006</u>

42.2 The break-up of fair value of investments is as follow:

	2016 --- Percentage ---	2015	2016 Rupees	2015 Rupees
Special account in a scheduled bank	3.31	2.47	1,153,633	970,228
Government securities	90.96	89.21	31,713,562	35,054,920
Term deposit receipts	-	3.14	-	1,233,858
Listed securities	5.73	5.18	1,998,000	2,035,000
	<u>100.00</u>	<u>100.00</u>	<u>34,865,195</u>	<u>39,294,006</u>

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

43. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on October 06, 2016, has proposed a final cash dividend of Rs. 14 (2015: Rs.10) per share amounting to Rs.275.625 million (2015: Rs.196.875 million) for the year ended June 30, 2016. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on ,2016.

The financial statements for the year ended June 30, 2016 do not include the effect of the proposed appropriations, which will be accounted for in the financial statements for year ending June 30, 2017.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 06, 2016 by the Board of Directors of the Company.

Karachi:
Dated: October 06, 2016

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

Pattern of Shareholding

AS AT JUNE 30, 2016

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
278	1	100	4,434
173	101	500	42,130
119	501	1000	78,983
99	1001	5000	188,526
17	5001	10000	124,967
6	10001	15000	74,396
3	15001	20000	50,310
3	20001	25000	65,143
1	25001	30000	26,203
2	30001	35000	64,308
4	35001	40000	152,078
1	40001	45000	42,900
1	70001	75000	71,465
1	80001	85000	82,300
1	90001	95000	93,531
1	100001	105000	104,626
1	110001	115000	112,500
1	115001	120000	116,450
1	165001	170000	168,697
1	205001	210000	207,148
1	215001	220000	215,700
1	220001	225000	225,000
1	225001	230000	225,899
1	235001	240000	238,218
1	270001	275000	274,197
1	315001	320000	319,162
1	320001	325000	324,500
1	325001	330000	327,937
1	335001	340000	338,176
1	365001	370000	367,656
1	395001	400000	399,252
1	400001	405000	400,350
1	470001	475000	472,384
1	490001	495000	492,500
3	495001	500000	1,499,502
2	500001	505000	1,001,371
1	525001	530000	526,893
1	570001	575000	570,751
1	585001	590000	587,306
1	690001	695000	693,020
1	1210001	1215000	1,212,877
1	1220001	1225000	1,221,225
1	1225001	1230000	1,225,667
1	1710001	1715000	1,714,619
1	2940001	2945000	2,942,243
742			19,687,500

Pattern of Shareholding

AS AT JUNE 30, 2016

CATEGORY OF SHAREHOLDERS	Shares Held	Percentage
Directors, CEO, spouses minor.Children	6,559,580	33.3185
Associated Companies, undertaking, related parties	10,196,896	51.7938
NIT & ICP	587,306	2.9831
Banks, DFI & NBF1	1,381	0.0070
Insurance Companies	238,518	1.2115
Modaraba & Mutual Fund	88,659	0.4503
General Public (Local)	1,546,437	7.8549
General Public (Foreign)	48,742	0.2476
Others	377,081	1.9153
Foreign Companies	42,900	0.2179
	19,687,500	100.0000

Pattern of Shareholding

AS AT JUNE 30, 2016

A)	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	
	Sapphire Textile Mills Limited.	145
	Neelum Textile Mills (Private) Limited.	1705377
	Sapphire Agencies (Pvt) Ltd.	2258468
	Crystal Enterprises (Private) Limited	5410
	Sapphire Power Generation Limited	450676
	Salman Ismail (SMC-Private) Limited	22193
	Reliance Cotton Spinning Mills Limited	393697
	Sapphire Holding Limited	2942243
	Amer Tex (Pvt.) Limited	2418687
B)	NIT & ICP	
	CDC Trustee National Investment (UNIT) Trust	587306
C)	DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN	
	DIRECTORS & THEIR SPOUSES	
	Mr. Mohammad Abdullah.	93531
	Mrs. Shamshad Begum	727088
	Mr. Nadeem Abdullah.	536586
	Mr. Amer Abdullah.	326410
	Mr. Yousuf Abdullah.	1540387
	Mrs. Usma Yousuf	114114
	Mrs. Noshaba Nadeem.	614952
	Mrs. Ambareen Amer	898688
	Mr. Shayan Abdullah	500000
	Mr. Tajammal Hussain Bokharee	500
	CHIEF EXECUTIVE OFFICER & HIS SPOUSE	
	Mr. Shahid Abdullah.	406234
	Mrs. Shireen Shahid.	801090
D)	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	
	BANKS, DFI & NBFI	
	National Bank of Paksitan	1300
	National Bank of Paksitan	81
	INSURANCE COMPANIES	
	State Life Insurance Corporation of Pakistan	238218
	EFU Life Insurance Limited	300

Pattern of Shareholding

AS AT JUNE 30, 2016

MODARABAS & MUTUAL FUNDS

Modaraba-Al-Mali	112
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MUTUAL FUNDS

Golden Arrow Selected Stock Funds Limited	47
CDC-Trustee Nafa Stock Fund	82300
CDC-Trustee Nafa Pension Fund Equity Sub-Fund Account	6200

E) SHAREHOLDERS HOLDING 5% OR MORE

Neelum Textile Mills (Private) Limited.	1705377
Sapphire Agencies (Pvt) Ltd.	2258468
Amer Tex (Pvt.) Limited	2418687
Sapphire Holding Limited	2942243
Mr. Yousuf Abdullah.	1540387

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.

Nil

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Directors' Report to the Shareholders

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiary Sapphire Electric Company Limited for the year ended 30 June, 2016. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited (SECL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 on 18 January, 2005. It became subsidiary of Sapphire Fibres Limited (SFL) on 1st July, 2008. SFL holds 68.11% shares of SECL as on 30 June, 2016.

The principal activity of the Subsidiary Company is to own, operate and maintain a combined cycle power station having net capacity of 212 MW at Muridke, district Sheikhpura.

For and on behalf of the Board of Directors

Karachi:
Dated :October 06, 2016

Shahid Abdullah
Chief Executive

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **SAPPHIRE FIBRES LIMITED** (SFL) and its subsidiary company Sapphire Electric Company Limited as at June 30, 2016 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 SFL. The financial statements of the subsidiary company was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These financial statements are the responsibility of the SFL'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.

In our opinion, the consolidated financial statements present fairly the financial position of SFL and its subsidiary company as at June 30, 2016 and the results of their operations for the year then ended.

We draw attention to notes 11.3.1 to 11.3.5 of the consolidated financial statements, which describes the matter regarding recoverability of certain trade debts. Our opinion is not qualified in respect of this matter.

Karachi :

Dated : October 06, 2016

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Engagement Partner:

Osman Hameed Chaudhri

Consolidated Balance Sheet as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	4	22,610,222,260	19,066,564,093
Investment property	5	31,750,000	162,237,097
Intangible assets	6	8,491,773	10,240,728
Long term investments	7	5,988,603,936	7,397,761,427
Long term loans	8	20,000	340,000
Long term deposits		29,466,445	29,451,445
		<u>28,668,554,414</u>	<u>26,666,594,790</u>
Current assets			
Stores, spare parts and loose tools	9	183,035,986	185,025,614
Stock-in-trade	10	3,060,816,493	2,702,458,368
Trade debts	11	5,281,582,714	7,916,952,414
Loans and advances	12	168,142,264	51,269,789
Trade deposits and short term prepayments	13	48,278,847	68,525,309
Short term investments	14	3,403,993,067	1,921,844,053
Other receivables	15	466,950,703	490,074,451
Interest receivable		605,986	2,847,109
Tax refunds due from Government	16	1,209,431,227	490,865,349
Cash and bank balances	17	608,377,326	641,988,396
		<u>14,431,214,613</u>	<u>14,471,850,852</u>
Total assets		<u>43,099,769,027</u>	<u>41,138,445,642</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 (2015: 35,000,000) ordinary shares of Rs.10 each			
		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid-up capital	18	196,875,000	196,875,000
Reserves	19	5,470,837,634	6,147,112,487
Unappropriated profit		12,998,223,115	11,242,405,702
Equity attributable to shareholders of the Parent Company		18,665,935,749	17,586,393,189
Non-controlling interest		2,852,834,074	2,552,572,810
Total equity		<u>21,518,769,823</u>	<u>20,138,965,999</u>
Non current liabilities			
Long term finances	20	8,249,983,841	7,547,351,644
Staff retirement benefit - gratuity	21	283,847,228	257,188,963
Deferred taxation	22	183,307,893	140,926,128
Long term security deposit		-	2,100,000
		<u>8,717,138,962</u>	<u>7,947,566,735</u>
Current liabilities			
Trade and other payables	23	3,182,266,175	3,890,635,604
Accrued mark-up / interest	24	291,917,995	388,056,315
Short term borrowings	25	7,909,229,462	7,323,128,255
Current portion of long term finances	20	1,371,309,727	1,205,699,822
Provision for taxation		109,136,883	244,392,912
		<u>12,863,860,242</u>	<u>13,051,912,908</u>
Total liabilities		<u>21,580,999,204</u>	<u>20,999,479,643</u>
Contingencies and commitments	26		
Total equity and liabilities		<u>43,099,769,027</u>	<u>41,138,445,642</u>

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Karachi:
Dated: October 06, 2016

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

Consolidated Profit and Loss Account

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales	27	25,220,358,298	32,194,204,224
Cost of sales	28	(20,836,431,688)	(27,132,895,887)
Gross profit		4,383,926,610	5,061,308,337
Distribution cost	29	(379,138,764)	(487,085,225)
Administrative expenses	30	(324,866,162)	(303,423,133)
Other income	31	769,009,469	562,991,328
Other expenses	32	(161,712,699)	(99,256,830)
Profit from operations		4,287,218,454	4,734,534,477
Finance cost	33	(1,437,927,539)	(1,872,331,268)
		2,849,290,915	2,862,203,209
Share of Profit of Associates		18,524,201	14,002,907
		2,867,815,116	2,876,206,116
Taxation	34	(102,580,457)	(248,596,928)
Profit after taxation		2,765,234,659	2,627,609,188
Attributable to:			
- Shareholders of the Parent Company		2,059,257,124	1,969,692,369
- Non-controlling interest		705,977,535	657,916,819
		2,765,234,659	2,627,609,188
Earnings per share - attributable to the shareholders of Parent Company	35	104.60	100.05

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2016

	2016 Rupees	2015 Rupees
Profit after taxation	2,765,234,659	2,627,609,188
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit and loss:		
Unrealised (loss) / gain due to change in fair value of available for sale investments		
- long term	(739,966,895)	(571,351,227)
- short term	217,020,372	241,838,572
Impact of deferred tax	(26,232,935)	(81,105,479)
Adjustment for gain included in profit and loss account upon sale of available-for-sale investments	(227,062,925)	(177,392,080)
Share of fair value (loss) / gain on remeasurement of available-for-sale investments of Associated Companies	(3,588,013)	1,336,333
	(779,830,396)	(586,673,881)
Forward foreign exchange contracts		
Unrealized gain on remeasurement of hedging instruments	1,090,222	-
Share of unrealised gain / (loss) on remeasurement of hedging instrument of Associated Companies	39,890	(53,390)
	1,130,112	(53,390)
	(778,700,284)	(586,727,271)
Items that will not be reclassified subsequently to profit and loss:		
Gain / (loss) on remeasurement of staff retirement benefit obligation	928,950	(26,308,442)
Share of loss on remeasurement of staff retirement benefit obligation of Associated Companies	(183,231)	(375,559)
Impact of deferred tax	361,794	1,210,885
	1,107,513	(25,473,116)
Other comprehensive loss for the year	(777,592,771)	(612,200,387)
Total comprehensive income for the year	1,987,641,888	2,015,408,801
Attributable to:		
- Shareholders of the Parent Company	1,281,664,353	1,357,491,982
- Non-controlling interest	705,977,535	657,916,819
	1,987,641,888	2,015,408,801

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	5,462,484,695	6,265,194,071
Staff retirement benefit paid		(53,268,134)	(44,410,812)
Finance cost paid		(1,514,837,550)	(1,960,221,537)
Taxes paid		(310,857,160)	(204,661,553)
Workers' profit participation fund paid		(65,277,387)	(83,860,355)
Long term loans - net		320,000	(147,000)
Long term deposits - net		(15,000)	(399,360)
Long term security deposit		(2,100,000)	-
Net cash generated from operating activities		3,516,449,464	3,971,493,454
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,559,669,112)	(884,561,366)
Proceeds from disposal of investment property		150,000,000	-
Proceeds from disposal of operating fixed assets		76,399,046	13,927,456
Investment in an Subsidiary Company		-	(23,804,296)
Increase in investments		(1,225,275,041)	(2,439,918,067)
Proceeds from sale of investments		524,700,131	372,727,641
Proceeds from sale of stores and spares		2,029,889	2,657,157
Dividend and interest income received		647,269,647	391,809,841
Net cash used in investing activities		(4,384,545,440)	(2,567,161,634)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		2,065,783,880	8,039,000
- repaid		(1,197,541,778)	(1,290,150,521)
Dividend paid		(602,063,522)	(450,069,949)
Short term borrowings - net		568,306,326	(11,859,027)
Net cash generated from / (used in) financing activities		834,484,906	(1,744,040,497)
Net decrease in cash and cash equivalents		(33,611,070)	(339,708,677)
Cash and cash equivalents - at beginning of the year		641,988,396	981,697,073
Cash and cash equivalents - at end of the year		608,377,326	641,988,396

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended June 30, 2016

	Reserves						Unappropriated profit	Total	Non-Controlling Interest	
	Issued, subscribed and paid-up capital	Share premium	Maintenance reserve	General	Unrealised gain on available for sale investments	Unrealised gain on hedging instruments				Sub-total
Balance as at July 1, 2014	196,875,000	145,740,000	30,512,398	1,183,845,000	5,269,341,352	87,488	6,629,526,238	9,652,794,091	16,479,195,329	2,120,248,780
Transaction with owners										
Final dividend for the year ended June 30, 2014 at the rate of Rs.12.50 per share	-	-	-	-	-	-	-	(246,093,750)	(246,093,750)	(204,604,514)
Transfer to maintenance reserve	-	-	103,866,036	-	-	-	103,866,036	(103,866,036)	-	-
Adjustment in reserves / non-controlling interest due to further acquisition	-	-	447,484	-	-	-	447,484	(3,263,505)	(2,816,021)	(20,988,275)
Effect of items directly credited in equity by the Associated companies	-	-	-	-	-	-	-	(1,384,351)	(1,384,351)	-
Total comprehensive income for the year ended June 30, 2015	-	-	-	-	(586,673,881)	(53,390)	(586,727,271)	1,969,692,369	1,969,692,369	657,916,819
Profit for the year	-	-	-	-	(586,673,881)	(53,390)	(586,727,271)	(25,473,116)	(612,200,387)	-
Other comprehensive loss	-	-	-	-	(586,673,881)	(53,390)	(586,727,271)	1,944,219,253	1,357,491,982	657,916,819
Balance as at June 30, 2015	196,875,000	145,740,000	134,825,918	1,183,845,000	4,682,667,471	34,098	6,147,112,487	11,242,405,702	17,586,393,189	2,552,572,810
Transaction with owners										
Final dividend for the year ended June 30, 2015 at the rate of Rs.10.00 per share	-	-	-	-	-	-	-	(196,875,000)	(196,875,000)	(405,716,271)
Transfer to maintenance reserve	-	-	102,425,431	-	-	-	102,425,431	(102,425,431)	-	-
Effect of items directly credited in equity by the Associated companies	-	-	-	-	-	-	-	(5,246,793)	(5,246,793)	-
Total comprehensive income for the year ended June 30, 2016	-	-	-	-	(779,830,396)	1,130,112	(778,700,284)	2,059,257,124	2,059,257,124	705,977,535
Profit for the year	-	-	-	-	(779,830,396)	1,130,112	(778,700,284)	1,107,513	(777,592,771)	-
Other comprehensive (loss) / income	-	-	-	-	(779,830,396)	1,130,112	(778,700,284)	2,060,364,637	1,281,664,353	705,977,535
Balance as at June 30, 2016	196,875,000	145,740,000	237,251,349	1,183,845,000	3,902,837,075	1,164,210	5,470,837,634	12,998,223,115	18,665,935,749	2,852,834,074

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Karachi:

Dated: October 06, 2016

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

1. THE GROUP AND ITS OPERATIONS

The Group consists of Sapphire Fibres Limited (the Parent Company) and its Subsidiary Company - Sapphire Electric Company Limited.

The Parent Company was incorporated in Pakistan on June 05, 1979 as a public limited company and its shares are quoted on Karachi, Islamabad and Lahore Stock Exchanges. The Parent Company is principally engaged in manufacture and sale of yarn, fabrics and garments. The registered office of the Parent Company is located at 316, Cotton Exchange Building, Karachi and its mills are located at Raiwind Road Lahore, Feroze Wattoan and Kharianwala in district Sheikhpura.

The Subsidiary Company was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 on January 18, 2005. The principal activity of the Subsidiary Company is to build, own, operate and maintain a combined cycle power station having a net capacity of 212 MW at Muridke, District Sheikhpura, Punjab. The registered office of the Subsidiary Company is located at 7 - A/K, Main Boulevard, Gulberg - II, Lahore. The Subsidiary Company has a Power Purchase Agreement (PPA) with its sole customer, National Transmission and Despatch Company Limited (NTDC) for thirty years which commenced from October 05, 2010.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 Principal of consolidation

These consolidated financial statements of the Group include the financial statements of Parent Company and of its Subsidiary Company. The Parent Company's direct interest, as at June 30, 2016, in the Subsidiary Company is 68.11% (2015: 68.11%).

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiary;
- is exposed to variable returns from the subsidiary; and
- decision making power allows the Group to affects its variable returns from the subsidiary.

Subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-recognized from the date the control ceases.

All material inter-group balances and transactions have been eliminated. Investments in Associated Companies, as defined in the Companies Ordinance, 1984, are accounted for under the equity method of accounting.

2.3 Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional currency and figures are rounded off to the nearest rupees unless otherwise specified.

2.5 Changes in accounting standards and interpretations

2.5.1 Standards and amendments to approved accounting standards effective in current year

New and amended standards mandatory for the first time for the financial year beginning July 1, 2015:

- (a) IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The application of this standard has no material impact on the Group's financial statements.
- (b) IFRS 12 'Disclosure of interests in other entities' includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group's accounting policy is in line with the requirements of this standard.
- (c) Amendments to IFRS 10, 11 and 12 provide additional transition relief in IFRS 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The application of these amendments has no material impact on the Group's financial statements.
- (d) IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Group's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

2.5.2 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 Interpretations 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 and 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 assets is to be accounted for as a finance lease under IAS 17 'Leases'. The Subsidiary Company's power plant's control due to purchase of total output by NTDC appears to fall under the scope of IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows:

	2016 Rupees	2015 Rupees
De-recognition of property, plant and equipment	(14,121,255,330)	(14,698,597,856)
Recognition of lease debtor	12,873,956,871	13,987,478,930
Decrease in un-appropriated profit at the beginning of the year	(711,118,926)	(339,617,326)
Decrease in profit for the year	(536,179,533)	(371,501,600)
Decrease in un-appropriated profit at the end of the year	(1,247,298,459)	(711,118,926)

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

2.5.3 Standards, interpretations and amendments to approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and are, therefore, not detailed in these consolidated financial statements.

2.5.4 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2015 and have not been early adopted by the Group:

- (a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Group has yet to assess the impact of these changes on its financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Group has yet to assess the impact of this standard on its financial statements.
- (c) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable to annual periods beginning on or after January 1, 2016. The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Notes – confirmation that the notes do not need to be presented in a particular order. Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards / accounting policies are not required for these amendments. These amendments likely to only affect the disclosures in the Group's financial statements.
- (d) Amendments to IAS 7, 'Statement of cash flows' are applicable for annual periods beginning on or after January 1, 2017. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a material impact on the Group's financial statements.

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

2.6 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

- (i) Estimate of useful lives and residual values of property, plant & equipment, intangible assets and investment property [notes 3.1, 3.2 and 3.3]
- (ii) Classification and valuation of investments [note 3.4]
- (iii) Provision for obsolete and slow moving stores, spares and loose tools [note 3.5]
- (iv) Net realisable values of stock-in-trade [note 3.6]
- (v) Provision for doubtful debts [note 3.7]
- (vi) Provision for employees' retirement benefits [note 3.15]
- (vii) Provision for taxation [note 3.16]

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and capital work in progress are stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to expenses as and when incurred.

Depreciation

Depreciation is charged to income on the reducing balance method at rates stated in note 4.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which asset is disposed-off.

The depreciation method and useful lives of items of operating fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing depreciation charge for the current and future periods.

Residual values and useful lives are reviewed, at each reporting date, and adjusted if impact on depreciation is significant.

Disposal

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sale proceeds and the carrying amount of assets and are included in the profit and loss account.

Impairment

The Group assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalised and apportioned to the respective items of property, plant and equipment on completion.

3.2 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Group comprises of freehold land, leasehold land and buildings on leasehold land and is valued using the cost model i.e. at cost less accumulated depreciation and any impairment losses, if any.

Depreciation is calculated by applying reducing balance method at the rates stated in note 5. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged from the month in which the property is disposed off.

Cost of investment property is determined on the same basis as used for Group's owned assets.

3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Cost of the intangible asset (i.e. computer softwares) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Subsequent expenditure

Expenditure which enhance or extend the performance of computer softwares beyond its original specification and useful life are recognised as capital improvement and added to the original cost of the softwares. Costs associated with maintaining computer softwares are recognised as an expense as and when incurred.

Amortisation

Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight-line method at rates stated in note 6. Amortisation on additions to intangible assets is charged from the date in which an asset is put to use and on disposal upto the date of disposal.

3.4 Investments

Classification of investment is made on the basis of intended purposes for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Regular purchases and sales of investments are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the investment. All investments are initially recognised at fair value plus transaction costs except for 'investments at fair value through profit or loss'. 'Investments at fair value through profit or loss' are initially recognised at fair value and related transaction costs are charged to the profit and loss account.

(a) Investments at fair value through profit or loss

These are held for trading investment. An investment is classified in this category if acquired principally for the purpose of selling in the short-term. Investments in this category are classified as current assets. These are stated at fair value with any resulting gain or losses recognised directly in profit or loss account.

(b) Held to maturity financial assets

Investments with fixed or determinable payments and fixed maturity in respect of which the Group has positive intent and ability to hold till maturity. Held to maturity investments are measured at amortised cost using the effective interest rate method. There were no held to maturity investments as at the reporting date.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

(c) Investments in Associated Companies

Investments in Associated Companies are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amounts are increased or decreased to recognise the Group's share of profit or loss of the Investee after the date of acquisition.

The Group's share of post acquisition profit or loss is recognised in the profit and loss account, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in Associates equals or exceeds its interest in the Associates the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associates.

The Group determines at each reporting date whether there is any objective evidence that the investments in the Associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associates and its carrying values and recognises the amount adjacent to share of profit / loss of Associates in the profit and loss account.

(d) Available for sale

Investments, which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

Subsequent to initial recognition these are re-measured to fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available for sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in other comprehensive income is included in current period's profit and loss account.

The Group uses latest stock exchange quotations to determine the fair value of its quoted investments.

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

3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated cost of inventory which is based on monthly weighted average cost. Items in transit are stated at cost comprising of invoice value plus other charges thereon accumulated upto the reporting date.

Provision for obsolete and slow moving stores, spares parts and loose tools is determined based on management's estimate regarding their future usability.

3.6 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realisable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials	- weighted average cost
Raw materials in transit	- cost accumulated to the reporting date
Work-in-process	- cost of direct materials and appropriate manufacturing overheads
Finished goods	- lower of average cost and net realisable value
Waste	- net realisable value

Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

3.7 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

3.8 Government grants

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 Group.

Government grant towards research and development activities is recognised in profit and loss account as deduction from the relevant expenses on matching basis.

3.9 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include long term & short term investments, long term loans, deposits, trade debts, loans and advances, other receivables, bank balances, long term finances, long term security deposit, trade & other payables, accrued mark-up / interest and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.10 Derivative financial instruments and hedging activities

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

(a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that is designated and qualify as cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised 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

Fair value hedge represents a hedge of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as fair value hedge is 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.

3.11 Offsetting of financial instruments

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 recognised amounts and there is an intention to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

3.12 Impairment

(a) Financial assets

The Group assesses at end of each reporting date, 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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

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 recognised in the profit and loss account for the amount by which the assets' carrying amounts exceed their recoverable amounts. Impairment losses of equity instruments, once recognised are not reversed through profit or loss account.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand and balances with banks.

3.14 Borrowings

These are recognised initially at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings as interest expense.

3.15 Employees' retirement benefits

(a) Defined contribution plan

The Parent Company

The Parent Company operates a defined contributory approved provident fund for its management staff. Equal monthly contributions are made both by the Parent Company and employees at the rate of 8.33% of the basic salary to the fund.

The Subsidiary Company

The Subsidiary Company operates a defined contributory provident fund for all its employees. Equal monthly contributions are made both by the Subsidiary Company and employees to the fund at the rate of 8.33% of the basic salary.

(b) Defined benefit plan

The Parent Company

The Parent Company operates an un-funded gratuity scheme under which the gratuity is payable on cessation of employment, subject to a minimum qualifying period of service.

Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2016 on the basis of projected unit credit method by an Independent Actuary. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period.

The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The Subsidiary Company

The Subsidiary Company had provided liability for gratuity for the period upto April 30, 2009 prior to the introduction of provident fund scheme on May 01, 2009 which was frozen and paid to the gratuity fund trust.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

3.16 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime.

The profits and gains of the Subsidiary Company 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 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 profit and loss account 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

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income / equity in which case it is included in other comprehensive income / equity.

3.17 Trade and other payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed.

3.18 Provisions

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

3.19 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognised in the profit and loss account.

3.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- revenue from sale is recognised on delivery / despatch of goods to customers;
- export rebate is accounted for on accrual basis;

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

- revenue on account of energy is recognised on transmission of electricity to NTDC, whereas on account of capacity is recognised when due;
- dividend income from investments is recognised when the Group's right to receive dividend is established; and
- return on bank deposits are accounted for on time proportion basis.

3.21 Borrowing costs

Borrowing costs directly attributable to construction / acquisition of qualifying assets are capitalised up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account.

3.22 Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organised into three operating segments i.e. spinning, knitting, processing & garments and power.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other operating income & expenses, share of profit in Associated Companies and taxation are managed at the Group level. Unallocated assets mainly include investment property, intangible assets, long term investments, short term investments, advance income tax, tax refunds due from the Government and unrealised gain / loss on forward exchange contracts.

3.23 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognised in the period in which they are approved.

3.24 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2016 Rupees	2015 Rupees
Operating fixed assets	4.1	21,710,885,357	18,533,399,691
Capital work-in-progress	4.4	899,336,903	533,164,402
		<u>22,610,222,260</u>	<u>19,066,564,093</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

4.1 Operating fixed assets

	Equipment											Total				
	Freehold land	Leasehold buildings and others on freehold land	Leased office improvements	Factory buildings on freehold land	Plant and machinery	Electric installations	Fire fighting	Office	Mills	Electric / gas	Computer hardware		Vehicles	Furniture and fixtures	Arms and ammunition	Tools
At July 1, 2014																
Cost	6,000,000	553,237,105	19,272,656	2,694,920,099	20,759,452,602	152,834,517	1,033,577	23,166,344	28,445,975	21,184,111	16,669,011	143,339,324	46,076,915	149,886	248,579	24,785,570,952
Accumulated depreciation	-	120,479,997	17,307,595	699,694,027	4,697,057,600	42,812,277	641,809	15,396,306	19,470,283	7,811,477	11,043,734	69,891,478	21,496,378	123,822	197,921	5,723,414,704
Net book value	6,000,000	432,757,108	1,965,061	1,995,226,072	16,062,395,202	110,022,240	391,768	7,780,038	8,975,692	13,372,634	5,625,277	73,447,846	24,580,537	26,064	50,658	19,060,155,648
Year ended June 30, 2015																
Opening net book value	6,000,000	432,757,108	1,965,061	1,995,226,072	16,062,395,202	110,022,240	391,768	7,780,038	8,975,692	13,372,634	5,625,277	73,447,846	24,580,537	26,064	50,658	19,060,155,648
Additions	34,328,800	91,253,250	1,383,308	3,699,088	29,889,829	205,352,950	-	1,766,453	90,000	649,532	980,343	16,555,713	5,104,157	-	-	410,983,611
Disposals:																
- cost	172,220	-	-	-	36,957,405	-	-	-	-	-	-	4,083,900	-	-	-	41,213,525
- accumulated depreciation	-	-	-	-	(28,939,646)	-	-	-	-	-	-	(3,606,623)	-	-	-	(32,546,269)
Depreciation charge	-	21,678,202	454,664	100,952,658	763,842,889	11,747,002	39,177	1,007,856	899,819	1,341,965	2,089,866	15,961,596	3,048,946	2,606	5,066	929,072,312
Closing net book value	361,686,031	412,462,214	5,209,485	1,914,163,243	15,489,887,504	118,205,426	352,591	8,538,635	8,165,873	12,680,201	4,515,754	73,564,686	26,635,748	23,458	45,592	18,533,399,691
At June 30, 2015																
Cost	361,686,031	97,235,250	554,620,413	22,971,744	2,714,809,928	20,927,848,347	172,764,705	1,033,577	24,932,797	28,535,975	17,649,354	155,811,137	51,181,072	149,886	248,579	25,153,340,438
Accumulated depreciation	-	-	142,158,199	17,762,259	800,646,685	5,437,980,943	54,559,279	690,986	16,394,162	20,370,102	13,133,600	82,246,451	24,545,324	126,428	202,987	6,619,940,747
Net book value	361,686,031	97,235,250	412,462,214	5,209,485	1,914,163,243	15,489,887,504	118,205,426	352,591	8,538,635	8,165,873	12,680,201	73,564,686	26,635,748	23,458	45,592	18,533,399,691
Year ended June 30, 2016																
Opening net book value	361,686,031	97,235,250	412,462,214	5,209,485	1,914,163,243	15,489,887,504	118,205,426	352,591	8,538,635	8,165,873	12,680,201	73,564,686	26,635,748	23,458	45,592	18,533,399,691
Additions	5,530,000	9,460,000	138,422,512	5,664,801	1,261,608,468	2,544,062,266	173,141,723	93,400	4,770,988	-	2,979,199	45,891,025	1,872,130	-	-	4,193,496,612
Disposals:																
- cost	-	-	51,343,484	-	23,211,854	-	-	-	-	2,687,524	-	11,333,600	-	-	-	88,576,462
- accumulated depreciation	-	-	(5,344,708)	-	(14,762,534)	-	-	-	-	(1,885,733)	-	(7,387,153)	-	-	-	(29,580,128)
Depreciation charge	-	-	45,988,776	-	8,449,320	-	-	-	-	801,791	-	3,746,447	-	-	-	56,996,334
Closing net book value	367,226,031	106,713,250	483,377,244	9,508,777	3,065,985,640	17,239,878,536	277,839,476	317,331	7,587,918	12,042,732	10,632,060	98,906,817	25,365,401	21,112	41,033	21,710,885,357
At June 30, 2016																
Cost	367,226,031	106,713,250	641,699,441	28,636,645	3,976,418,396	23,448,698,759	345,906,428	1,033,577	25,026,197	33,306,963	19,146,119	20,628,553	53,053,202	149,886	248,579	29,258,260,889
Accumulated depreciation	-	-	158,322,197	19,127,868	910,732,756	6,208,820,223	68,066,952	716,246	17,638,279	21,264,231	8,514,059	14,886,554	91,461,745	27,687,801	128,774	7,547,375,231
Net book value	367,226,031	106,713,250	483,377,244	9,508,777	3,065,985,640	17,239,878,536	277,839,476	317,331	7,587,918	12,042,732	10,632,060	98,906,817	25,365,401	21,112	41,033	21,710,885,357
Depreciation rate (% - per annum)			5	20	3.33 & 10	3.33 & 10	10	10	10	10	10	30 & 33	20	10	10	10

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

4.2 Depreciation charge has been allocated as follows:	Note	2016 Rupees	2015 Rupees
Cost of goods manufactured	28.1	936,523,057	909,292,893
Administrative expenses	30	19,431,754	19,383,242
Un-allocated capital expenditure	4.4.1	1,059,801	396,177
		957,014,612	929,072,312

4.3 The details of operating fixed assets disposed-off is as follows:

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to:
----- Rupees -----							
Assets having net book value exceeding Rs.50,000 each							
Office Building	51,343,484	5,344,708	45,998,776	59,321,250	13,322,474	Negotiation	Sapphire Finishing Mills Ltd. (an Associated Company)
Plant and machinery							
Rieter cards	22,610,513	14,300,225	8,310,288	10,000,000	1,689,712	Negotiation	Reliance Cotton Spinning Mills Ltd. (an Associated Company)
Knitting Machine	601,341	462,309	139,032	200,000	60,968	Negotiation	----- do -----
	23,211,854	14,762,534	8,449,320	10,200,000	1,750,680		
Electric equipment	2,687,524	1,885,733	801,791	609,244	(192,547)	Negotiation	Mr. Javed Iqbal, Lahore.
Vehicles							
Honda Civic	1,283,000	1,165,903	117,097	600,000	482,903	Negotiation	Mr. Tauqir Ahmed, Lahore.
Honda Civic	1,973,000	1,256,448	716,552	716,552	-	Negotiation	Mr. Muhammad Amjad Choudhary, Lahore.
Honda City	1,488,000	826,931	661,069	1,150,000	488,931	Insurance claim	Adamjee Insurance Company Ltd.
Cuore	474,000	418,797	55,203	300,000	244,797	Negotiation	Mr. Amjad Iqbal, Lahore.
Cuore	464,000	413,711	50,289	300,000	249,711	Negotiation	Mr. Navid Ahmed Butt, Lahore.
Cuore	709,000	515,396	193,604	385,000	191,396	Negotiation	Mr. Amir Farooq, Lahore.
Cuore	709,000	503,457	205,543	300,000	94,457	Negotiation	Mr. Jameel Ahmed, Lahore.
Suzuki Cultus	704,000	575,892	128,108	400,000	271,892	Negotiation	Mr. Tahir Nazir, Lahore.
Suzuki Cultus	868,000	621,201	246,799	400,000	153,201	Negotiation	Muhammad Adnan, Lahore.
Suzuki Cultus	862,860	560,857	302,003	400,000	97,997	Negotiation	Mr. Hunza Mansoor, Lahore.
Toyota GLI	1,728,840	674,248	1,054,592	1,300,000	245,408	Insurance claim	Adamjee Insurance Company Ltd.
	11,263,700	7,532,841	3,730,859	6,251,552	2,520,693		
Various assets having net book value upto Rs.50,000 each							
	69,900	54,312	15,588	17,000	1,412		
June 30, 2016	88,576,462	29,580,128	58,996,334	76,399,046	17,402,712		
June 30, 2015	41,213,525	32,546,269	8,667,256	13,927,456	5,260,200		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

4.4 Capital work-in-progress	Note	2016 Rupees	2015 Rupees
Buildings		112,389,415	324,736,651
Plant and machinery		515,331,574	133,586,875
Furniture and fixtures		-	1,609,824
Un-allocated capital expenditure	4.4.1	-	22,296,250
Advance payments against:			
- land - leasehold		211,031,800	5,860,000
- factory / office building		40,980,105	30,185,300
- plant and machinery		5,035,858	13,014,002
- vehicles		14,568,151	1,875,500
		271,615,914	50,934,802
		899,336,903	533,164,402
4.4.1 Un-allocated capital expenditure			
Opening balance		22,296,250	-
- salaries, wages and benefits		87,060,873	8,491,438
- travelling and conveyance		14,271,315	4,171,338
- vehicles' running and maintenance		2,679,412	285,569
- communication		919,868	206,101
- consultancy charges		49,848,317	4,913,602
- legal and professional		-	634,044
- store consumed		1,794,257	2,899,298
- borrowing cost		9,455,272	-
- depreciation		1,059,801	396,177
- other charges		5,160,855	298,683
- loss on trial run operations		5,992,038	-
		178,242,008	22,296,250
		200,538,258	22,296,250
Less: expenditure allocated during the year to:			
- factory buildings on freehold land		66,996,328	-
- plant and machinery		133,541,930	-
		200,538,258	-
		-	22,296,250
4.4.2			
These represent directly attributable costs incurred on construction of property, plant and equipment. These costs have been allocated to factory buildings on freehold land and plant and machinery upon capitalisation of new plant.			
4.4.3			
Borrowing cost at the rates ranging from 2.5% to 4% per annum amounting Rs.38.929 million has been included in the cost of plant and machinery.			

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

4.4.4 Results of trial run operations	June 28, 2016 to June 30, 2016 Rupees
Local sales - fabric	425,000
Less: sales tax	67,857
Sales - net	<u>357,143</u>
Cost of sales	
Raw materials consumed	14,089,716
Salaries, wages and benefits	877,593
General stores consumed	2,265,741
Dyes and chemicals consumed	6,955,442
Processing charges	89,322
Fuel and power	746,394
Others	9,820
Work-in-process at the end of trial run operations	(16,688,734)
Finished goods at the end of trial run operations	(985,630)
	<u>7,359,664</u>
Gross loss	<u>(7,002,521)</u>
Other income	1,010,483
Net loss on trial run operations	<u><u>(5,992,038)</u></u>

4.4.5 Results of trial run operations of new manufacturing plant of Denim fabric, having capacity of 8,280,000 meters per annum, have been capitalized along with the cost of the plant by the Parent Company.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

5. INVESTMENT PROPERTY

	Freehold land	Leasehold land	Buildings on leasehold land	Total
----- Rupees -----				
At July 1, 2014				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	9,636,891	9,636,891
Net book value	31,750,000	121,160,317	10,363,089	163,273,406
Year ended June 30, 2015				
Opening net book value	31,750,000	121,160,317	10,363,089	163,273,406
Depreciation charge	-	-	1,036,309	1,036,309
Closing net book value	31,750,000	121,160,317	9,326,780	162,237,097
At June 30, 2015				
Cost	31,750,000	121,160,317	19,999,980	172,910,297
Accumulated depreciation	-	-	10,673,200	10,673,200
Net book value	31,750,000	121,160,317	9,326,780	162,237,097
Year ended June 30, 2016				
Opening net book value	31,750,000	121,160,317	9,326,780	162,237,097
Disposals				
- Cost	-	121,160,317	19,999,980	141,160,297
- Accumulated depreciation	-	-	(11,217,262)	(11,217,262)
	-	121,160,317	8,782,718	129,943,035
Depreciation charge	-	-	544,062	544,062
Closing net book value	31,750,000	-	-	31,750,000
At June 30, 2016				
Cost	31,750,000	-	-	31,750,000
Accumulated depreciation	-	-	-	-
Net book value	31,750,000	-	-	31,750,000
Depreciation rate (% per annum)			10	

- 5.1 Depreciation charge has been grouped under other expenses (note 32).
- 5.2 In the opinion of the directors, the market value of investment property at the reporting date has not changed materially from last year.
- 5.3 Leasehold land and buildings on leasehold land represent the Parent Company's share (50%) of jointly controlled leasehold land with buildings thereon located at Sector 23, Korangi Industrial Area, Korangi Township, Karachi, registered jointly in the name of the Parent Company and Sapphire Textile Mills Limited (an Associated Company). During the year, the said leasehold land and buildings on leasehold land have been sold to M/s. Soorty Enterprises, Karachi, against a total consideration of Rs.150 million. This resulted in gain amounted Rs.20.057 million which has been booked in other income (note 31).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

6. INTANGIBLE ASSETS

	Computer Softwares	Goodwill	Total
	-----Rupees-----		
At July 1, 2014			
Cost	19,378,754	5,612,904	24,991,658
Accumulated amortization	16,506,868	-	16,506,868
Net book value	2,871,886	5,612,904	8,484,790
Year ended June 30, 2015			
Additions	3,186,267	-	3,186,267
Amortization charge	1,430,329	-	1,430,329
Net book value as at June 30, 2015	4,627,824	5,612,904	10,240,728
Year ended June 30, 2016			
Amortization charge	1,748,955	-	1,748,955
Net book value as at June 30, 2015	2,878,869	5,612,904	8,491,773
At June 30, 2015			
Cost	22,565,021	5,612,904	28,177,925
Accumulated amortization	17,937,197	-	17,937,197
Net book value	4,627,824	5,612,904	10,240,728
At June 30, 2016			
Cost	22,565,021	5,612,904	28,177,925
Accumulated amortization	19,686,152	-	19,686,152
Net book value	2,878,869	5,612,904	8,491,773
Amortisation rate (% per annum)	20		

- 6.1 Goodwill represents excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired of the Subsidiary Company.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

7. LONG TERM INVESTMENTS	Note	2016 Rupees	2015 Rupees
Associates - equity accounted investments	7.1	410,806,101	402,063,222
Others - available for sale	7.3	5,577,797,835	6,995,698,205
		<u>5,988,603,936</u>	<u>7,397,761,427</u>
7.1 Associated Companies			
Quoted			
Reliance Cotton Spinning Mills Limited (RCSM)	7.1.1	26,495,758	25,881,513
SFL Limited (SFLL)	7.1.2	1,506,406	1,477,285
Unquoted			
Sapphire Power Generation Limited (SPGL)	7.1.3	284,676,954	276,117,282
Sapphire Dairies (Private) Limited (SDL)	7.1.4	98,126,983	98,587,142
		<u>410,806,101</u>	<u>402,063,222</u>
7.1.1	Investment in RCSM represents 138,900 fully paid ordinary shares of Rs.10 each representing 1.35% (2015: 1.35%) of RCSM's issued, subscribed and paid-up capital as at June 30, 2016. RCSM was incorporated on June 13, 1990 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The principal activity of RCSM is manufacturing and sale of yarn. Market value of the Group's investment in RCSM as at June 30, 2016 was Rs.11.420 million (2015: Rs. 12.900 million). RCSM is an associate of the Group due to common directorship.		
7.1.2	Investment in SFLL represents 10,199 fully paid ordinary shares of Rs.10 each representing 0.051% (2015: 0.051%) of SFLL's issued, subscribed and paid-up capital as at June 30, 2016. SFLL was incorporated on April 26, 2010 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The main business of SFLL is to investment in the shares of Associated Companies. Market value of the Group's investment in SFLL as at June 30, 2016 was Rs.1.020 million (2015: Rs.0.632 million). SFLL is an associate of the Group due to common directorship.		
7.1.3	Investment in SPGL represents 2,824,500 fully paid ordinary shares of Rs.10 each representing 17.63% (2015: 17.63%) of SPGL's issued, subscribed and paid-up capital as at June 30, 2016. SPGL was incorporated in Pakistan as a public limited company and is principally engaged in the business of electric power generation and distribution. SPGL is an associate of the Group due to common directorship.		
7.1.4	Investment in SDL represents 10,000,0000 fully paid ordinary shares of Rs.10 each representing 9.52% (2015: 9.52%) of SDL's issued, subscribed and paid-up capital as at June 30, 2016. SDL was incorporated as a private limited company and is principally engaged in production and sale of milk and milk products. SDL is an associate of the Group due to common directorship.		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

7.2 Summarised financial information of associates

The table below summarise the financial information / reconciliation of associates as at June 30, 2016. Financial statements have been amended to reflect adjustments made by the entity when using the equity method.

	RCSM		SFL		SPGL		SDL	
	2016	2015	2016	2015	2016	2015	2016	2015
----- Rupees -----								
Summarised Balance Sheet								
Non current assets	2,140,362,515	2,120,354,369	2,950,115,244	2,872,315,563	1,350,949,498	1,453,513,459	1,052,582,218	1,066,489,246
Current assets	1,406,053,777	1,610,502,871	28,288,132	48,088,105	456,743,672	384,596,344	233,154,280	236,144,733
	3,546,416,292	3,730,857,240	2,978,403,376	2,920,403,668	1,807,693,170	1,838,109,803	1,285,736,498	1,302,633,979
Non current liabilities	189,238,287	105,293,072	8,600,900	6,634,128	111,160,074	133,639,156	47,125,084	90,706,902
Current liabilities	1,393,935,786	1,708,487,310	2,268,273	3,601,487	81,475,018	137,974,165	208,278,092	176,762,087
	1,583,174,073	1,813,780,382	10,869,173	10,235,615	192,635,092	271,613,321	255,403,176	267,468,989
Net assets	1,963,242,219	1,917,076,858	2,967,534,203	2,910,168,053	1,615,058,078	1,566,496,482	1,030,333,322	1,035,164,990
Reconciliation to carrying amount								
Opening net assets	1,917,076,858	1,806,886,391	2,910,168,053	2,726,345,141	1,566,496,482	1,495,589,442	1,035,164,990	1,043,519,192
Profit / (loss) for the year	121,897,352	142,722,348	101,243,703	173,931,086	97,924,874	72,490,681	(4,546,103)	(8,377,593)
Other comprehensive (loss) / income	(21,651,756)	(18,246,288)	11,088,100	3,080,382	(48,937,382)	(4,632,613)	(285,565)	23,391
Other adjustments	(2,620,235)	1,152,407	(4,737,028)	6,811,444	(425,896)	3,048,972	-	-
Dividend paid during the year	(51,460,000)	(15,438,000)	(50,228,625)	-	-	-	-	-
Closing net assets	1,963,242,219	1,917,076,858	2,967,534,203	2,910,168,053	1,615,058,078	1,566,496,482	1,030,333,322	1,035,164,990
Group's share (percentage)	1.35%	1.35%	0.051%	0.051%	17.63%	17.63%	9.52%	9.52%
Carrying amount of investment (Rupees)	26,495,758	25,881,513	1,506,406	1,477,285	284,676,954	276,117,282	98,126,983	98,587,142
Summarised Profit and Loss Account								
Revenue	3,221,146,642	4,007,149,572	2,235,176	4,510,801	1,594,592,483	990,082,431	620,643,003	637,624,333
Profit / (loss) before tax	170,399,161	182,379,400	108,534,810	191,724,303	97,924,874	72,587,375	(4,423,718)	(13,980,823)
Profit / (loss) after tax	121,897,352	142,722,348	101,243,703	173,931,086	97,924,874	72,490,681	(4,546,103)	(8,377,593)
Other comprehensive (loss) / income	(21,651,756)	(18,246,288)	11,088,100	3,080,382	(48,937,382)	(4,632,613)	(285,565)	23,391
Total comprehensive income / (loss)	100,245,596	124,476,060	112,331,803	177,011,468	48,987,492	67,858,068	(4,831,668)	(8,354,202)

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

7.3	Others - available for sale	Note	2016 Rupees	2015 Rupees
	Quoted			
	MCB Bank Limited			
	16,648,786 (2015: 18,811,786) ordinary shares of Rs.10 each - cost		907,119,613	915,047,933
	Adjustment arising from remeasurement to fair value		3,195,986,282	3,771,344,194
	Habib Bank Limited		4,103,105,895	4,686,392,127
	7,244,196 (2015: 10,600,000) ordinary shares of Rs.10 each - cost		1,217,073,609	1,869,400,894
	Adjustment arising from remeasurement to fair value		214,089,753	411,189,106
			1,431,163,362	2,280,590,000
	Term finance certificates - Habib Bank Limited			
	150 (2015: Nil) Term finance certificates of Rs.100,000 each - cost		15,000,000	-
	Adjustment arising from remeasurement to fair value		(187,500)	-
			14,812,500	-
	Unquoted			
	Novelty Enterprises (Private) Limited			
	2,351,995 ordinary shares of Rs.10 each		28,716,078	28,716,078
			5,577,797,835	6,995,698,205
8.	LONG TERM LOANS - Secured			
	Loans due from			
	- executives	8.1 & 8.2	490,000	480,000
	- other employees		246,500	503,000
		8.3	736,500	983,000
	Less: recoverable within one year and grouped under current assets			
	- executives		490,000	240,000
	- other employees		226,500	403,000
			716,500	643,000
			20,000	340,000
8.1	Reconciliation of carrying amount of loans to executives:			
	Balance at the beginning of the year		480,000	-
	Add: disbursements		500,000	500,000
	Less: repayments		490,000	20,000
	Balance at the end of the year		490,000	480,000
8.2	The maximum amount outstanding at the end of any month during the year ended June 30, 2016 from executives aggregated to Rs.0.920 million (2015: Rs.0.500 million).			
8.3	These represent interest free loans provided to executives and other employees as per terms of employment. These loans are granted for various purposes and are recoverable in monthly instalments which vary from case to case. Loans are secured against employees' vested retirement benefits.			

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

9. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2016 Rupees	2015 Rupees
Stores		99,912,226	75,329,918
Spare parts		70,869,763	84,650,254
Loose tools		112,514	149,966
Items in transit		14,113,267	30,028,369
		185,007,770	190,158,507
Less: provision for slow moving items	9.1	1,971,784	5,132,893
		183,035,986	185,025,614
9.1 Provision for slow moving items			
Balance at beginning of the year		5,132,893	5,171,403
Add: provision made during the year		251,106	35,854
Less: reversal made during the year		3,412,215	74,364
Balance at end of the year		1,971,784	5,132,893
10. STOCK-IN-TRADE			
Raw materials:			
- at mills	10.1	1,779,861,312	1,748,329,725
- in transit		544,853,839	267,273,283
- at third party's premises	10.2	43,362,451	20,900,625
		2,368,077,602	2,036,503,633
Work-in-process		176,994,465	156,135,025
Finished goods:			
- at mills	10.3	445,178,549	463,084,018
- at third party's premises		70,565,877	46,735,692
		515,744,426	509,819,710
		3,060,816,493	2,702,458,368

10.1 Included in the preceding years raw materials items costing Rs.1,179.635 million which were stated at their replacement cost aggregated Rs.1,082.957 million. The amount charged to cost of goods manufactured in respect of raw materials written down to their replacement cost was Rs.96.678 million.

10.2 This stock is lying for processing and finishing.

10.3 Included in the preceding years finished goods items costing Rs.338.501 million which were stated at their net realisable value aggregated Rs.337.862 million. The amount charged to cost of sales in respect of stocks written down to their realisable cost was Rs.0.639 million.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

11. TRADE DEBTS	Note	2016 Rupees	2015 Rupees
Consider good			
Unsecured			
- local		277,882,696	225,794,190
- indirect export		32,637,962	30,030,709
	11.1	310,520,658	255,824,899
Secured			
- export		954,611,027	863,088,695
- local	11.3	4,016,451,029	6,798,038,820
		4,971,062,056	7,661,127,515
Considered doubtful			
Unsecured - export		22,884,456	22,192,280
		5,304,467,170	7,939,144,694
Less: provision for doubtful debts		22,884,456	22,192,280
		5,281,582,714	7,916,952,414
11.1 These include the following amounts due from Associated Companies:			
Diamond Fabrics Limited		31,924,223	16,305,124
Reliance Cotton Spinning Mills Limited		2,126,405	69,748
Sapphire Textile Mills Limited		15,186,331	18,399,620
Sapphire Retails Limited		-	1,078,517
		49,236,959	35,853,009
11.2 The ageing of trade debts at June 30, is as follows:			
	Associate Companies	Others	
	2016 Rupees	2015 Rupees	2016 Rupees
Not past due	5,255,977	898,664	2,995,922,874
Past due 1-30 days	43,880,197	33,720,203	290,658,802
Past due 31-60 days	95,130	842,728	49,604,491
Past due 61-90 days	-	-	47,576,710
Past due 91-365 days	5,655	391,414	169,979,800
Past due one year	-	-	1,678,603,078
	49,236,959	35,853,009	5,232,345,755
11.3			
These represent trade receivables from NTDC and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 4.5% is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts ranges from 10.60% to 13.01% (2015: 11.24% to 14.70%) per annum.			

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

- 11.3.1** Included in trade debts is an amount of Rs.576.073 million (2015: Rs.576.073 million) relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC. Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC, therefore, management believes that the Subsidiary Company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the Subsidiary Company had taken up this issue at appropriate forums. On June 28, 2013, the Subsidiary Company entered into a Memorandum of Understanding ('MoU') for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the Subsidiary Company before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the Subsidiary Company applied for withdrawal of the aforesaid petition which is pending adjudication before Supreme Court of Pakistan.
- 11.3.2** Also included in trade debts are amounts aggregating Rs.227.610 million (2015: Rs.227.610 million) relating to capacity purchase price not acknowledged by NTDC. The Subsidiary Company's management raised this matter with NTDC, SNGPL and the Private Power and Infrastructure Board ('PPIB'), however, the dispute remained unresolved. As a result of the abovementioned MoU, all disputed amounts were agreed to be resolved through the dispute resolution mechanism under the PPA.
- Consequently, with respect to both matters discussed above, during the year ended June 30, 2014, the Subsidiary Company in consultation with NTDC, appointed an Expert for dispute resolution under the PPA. During the current year, the Expert gave his determination whereby the aforesaid amount of Rs 576.073 million was determined to be payable to the Subsidiary Company by NTDC while the Subsidiary Company's claim regarding the amount of Rs 227.610 million was not accepted. Pursuant to the Expert's determination, the Subsidiary Company demanded the payment of the aforesaid amount of Rs.576.073 million from NTDC that has not yet been paid by NTDC.
- 11.3.3** In addition to the Expert Determination process mentioned above, the Subsidiary Company had also filed request for arbitration in respect of the above mentioned disputed amounts in the London Court of International Arbitration (LCIA) in accordance with the terms of the PPA and Gas Supply Agreement (GSA) against NTDC and SNGPL, whereby arbitrators were appointed.
- 11.3.4** In respect of the matter of Rs.576.073 million, during the year in November 2015, the Government of Pakistan (GOP) through PPIB has filed a case in the court of senior Civil Judge, Lahore against the aforementioned decision of the Expert, praying it to be illegal, which is pending adjudication. Furthermore, during the year, NTDC filed a stay application in LCIA before the Arbitrator to stay the arbitration proceedings. Subsequent to the year end, in response to NTDC's stay application, the Arbitrator through his order dated July 08, 2016 has declared that the arbitration shall proceed and has denied NTDC's request for a stay. Also, the Arbitrator has ordered NTDC to withdraw the abovementioned case filed in the court of Senior Civil Judge, Lahore and has refrained it from taking any steps therein to disrupt the arbitration proceedings.
- In respect of the matter of Rs.227.610 million, during the year, the Arbitrator through his order dated March 09, 2016, has decided the matter in the Subsidiary Company's favour whereby the aforementioned amount of Rs.227.610 million has been determined to be payable to the Subsidiary Company by SNGPL. Furthermore, the Arbitrator has also awarded interest at the rate of 6% per annum on the aforesaid amount payable as of August 18, 2014 until the date of actual payment and reimbursement of certain arbitration costs incurred by the Subsidiary Company along with interest at the rate of 6% per annum from the date of award till the date of actual payment. Consequently, under the relevant provisions of the Arbitration Act, 1940, the Subsidiary Company has filed an application before the Senior Civil Judge, Lahore to pass appropriate directions for the implementation of the Arbitration Award, which is pending adjudication.
- 11.3.5** Based on the advice of the Subsidiary Company's legal counsel, expert's determination and Arbitration Award, the management strongly feels that under the terms of the PPA, Implementation Agreement and GSA, there are meritorious grounds to support the Subsidiary Company's stance and both amounts are likely to be recovered. Consequently, no provision for the above mentioned amounts aggregating Rs 803.683 million has been made in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

12. LOANS AND ADVANCES		2016	2015
- Considered good	Note	Rupees	Rupees
Current portion of long term loans to employees	8	716,500	643,000
Advances to:			
- suppliers		78,293,141	43,530,020
- employees		4,795,100	5,431,500
- others		81,616,760	1,574,411
		164,705,001	50,535,931
Letters of credit		2,720,763	90,858
		168,142,264	51,269,789
13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits - unsecured and considered good		419,000	5,000
Prepayments	13.1	47,859,847	68,520,309
		48,278,847	68,525,309
13.1	Included in the preceding year balance was an amount of Rs.7.864 million paid to Sapphire Power Generation Limited (an Associated Company) for purchase of electricity. This amount has been adjusted during the year against electricity bills.		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

14. SHORT TERM INVESTMENTS

Available for sale investments - Quoted

2016 No. of shares / certificates	2015	Name of the investee company	Market value		Cost	
			2016	2015	2016	2015
----- Rupees -----						
1,650,000	1,450,000	Bank Al-Habib Limited	71,148,000	63,727,500	51,781,275	43,376,819
230,000	230,000	Faysal Bank Limited	3,015,300	3,615,600	2,891,767	2,891,767
5,429,404	-	Habib Bank Limited	1,072,633,054	-	1,068,132,096	-
186,500	186,500	Habib Sugar Mills Limited	6,963,910	7,803,160	6,397,292	6,397,292
10,500	10,500	Haji Muhammad Ismail Mills Limited	36,750	32,550	126,000	126,000
2,500,000	-	Hum Television Network Limited	25,700,000	-	25,395,025	-
100,000	-	IGI Insurance Limited	19,082,000	-	24,684,626	-
313,311	304,656	Meezan Balance Fund	4,962,847	4,469,304	2,812,684	2,675,588
1,302	1,302	NIB Bank Limited	2,487	2,630	13,734	13,733
144,000	144,000	Nishat Chunian Power Limited	7,568,640	8,553,600	6,309,276	6,309,276
150,000	150,000	Nishat Power Limited	7,576,500	8,781,000	5,286,560	5,286,560
-	25,000	Oil and Gas Development Co. Limited	-	4,481,000	-	6,309,869
355,000	355,000	Pakistan State Oil Company Limited	133,288,300	136,955,450	87,340,904	87,340,904
-	100,000	Sui Southern Gas Company Limited	-	4,270,000	-	2,542,541
400,000	-	TPL Properties Limited	5,000,000	-	5,000,000	-
143	143	Trust Investment Bank Limited	132	215	660	660
1,037,800	200,000	United Bank Limited	183,607,576	34,184,000	180,362,851	32,659,278
45,600	45,600	Attock Petroleum Limited	19,951,824	25,865,232	12,153,848	12,153,848
237,575	221,000	Charat Packaging Limited	81,196,008	41,693,860	31,815,418	29,494,918
625,000	-	Crescent Steel & Allied Products Ltd.	71,631,250	-	52,616,540	-
700,000	765,000	D G Khan Cement Company Limited	133,343,000	109,219,050	81,272,992	87,395,677
934,800	-	Dawood Hercules Corporation Limited	139,163,676	-	113,586,580	-
1,351,900	755,000	Engro Corporation Limited	450,142,143	224,084,000	286,536,856	101,833,633
1,429,500	200,000	Engro Fertilizers Limited	92,174,160	17,738,000	92,759,205	10,554,619
1,500,000	1,500,000	Fauji Cement Company Limited	53,700,000	52,305,000	15,223,571	15,223,571
2,400,000	6,200,000	Fatima Fertilizer Company Limited	81,456,000	242,234,000	49,931,929	129,004,684
-	2,000,000	Fauji Fertilizer Company Limited	-	298,840,000	-	181,504,837
500	500	First Punjab Modaraba	2,360	2,685	2,942	2,942
18,900	-	The General Tyre and Rubber Co.	3,364,011	-	2,933,133	-
77,500	127,500	Honda Atlas Cars (Pakistan) Limited	27,829,475	27,881,700	17,952,470	29,534,720
134	134	KASB Modaraba	335	441	-	-
3,500,000	3,500,000	K-Electric Limited	28,210,000	29,470,000	28,885,940	28,885,940
-	52,000	Lalpir Power Limited	-	1,586,000	-	1,235,323
303,000	303,000	Lucky Cement Limited	196,498,530	157,444,860	117,777,538	117,777,538
100,000	100,000	Nishat Mills Limited	10,790,000	11,423,000	9,115,972	9,115,972
100,000	100,000	Packages Limited	63,622,000	59,408,000	25,060,500	25,060,500
-	55,000	Pakistan Oilfields Limited	-	22,210,100	-	18,257,448
1,343,400	1,500,000	Pakistan Petroleum Limited	208,294,170	246,390,000	253,879,437	283,473,705
50,000	-	Thal Limited	14,151,000	-	12,136,292	-
1,332,500	700,000	The Hub Power Company Limited	159,979,949	65,499,000	109,300,476	44,250,530
52,052	36,400	The Searle Company Limited	27,907,680	11,673,116	2,571,486	1,843,486
			3,403,993,067	1,921,844,053	2,782,047,875	1,322,534,178
Add: Adjustment arising from re-measurement to fair value					621,945,192	599,309,875
Market value					3,403,993,067	1,921,844,053

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

15. OTHER RECEIVABLES	Note	2016 Rupees	2015 Rupees
Advance income tax		311,587,090	285,394,430
Export rebate		28,974,111	31,573,155
Dividend receivable		5,367,381	68,335,555
Claim recoverable from NTDCL for pass through item - Workers' Profit Participation Fund	15.1	110,722,161	102,608,672
Unrealised gain on remeasurement of hedging instruments		1,090,222	-
Insurance claims receivable		-	647,580
Accrued mark-up on term finance certificates		377,386	-
Others		8,832,352	1,515,059
		<u>466,950,703</u>	<u>490,074,451</u>
15.1 Under section 9.3(a) of PPA with NTDC, payments to Workers' Profit Participation Fund are recoverable from NTDC as a pass through item.			
16. TAX REFUNDS DUE FROM GOVERNMENT	Note	2016 Rupees	2015 Rupees
Sales tax		985,592,891	289,611,608
Income tax		264,592,378	201,253,741
Excise duty		11,122,102	11,122,102
		<u>1,261,307,371</u>	<u>501,987,451</u>
Less: provision for doubtful tax refunds		(51,876,144)	(11,122,102)
		<u>1,209,431,227</u>	<u>490,865,349</u>
17. CASH AND BANK BALANCES			
Cash-in-hand	17.1	2,928,899	3,391,274
Balances with banks on:			
- off shore current account	17.2	299,921,522	306,249,500
- on shore:			
current accounts	17.3	140,028,622	154,898,692
term deposit account (TDA)	17.4	161,191,345	173,694,103
dividend account		4,306,938	3,754,827
		<u>605,448,427</u>	<u>638,597,122</u>
		<u>608,377,326</u>	<u>641,988,396</u>

17.1 Cash-in-hand includes Rs.0.438 million (2015: Rs.0.395 million) advanced to employees for various expenses.

17.2 This represent U.S.\$ 2.870 million (2015: U.S.\$ 3.017 million) translated in Pakistan Rupees at the reporting date.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

- 17.3 These include foreign currency deposits amounting to US.\$ 0.754 million (2015: US.\$ 0.771 million).
- 17.4 Effective rates of profit on TDA, during the year, ranged from 3.75% to 5.25% (2015: 4.50% to 7.00%) per annum. The maturity period of the TDA is one year from the date of original issue. This deposit is under bank's lien as security of bank guarantee issued on behalf of the Group.

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016	2015		2016	2015
----- Numbers -----			Rupees	Rupees
11,775,000	11,775,000	Ordinary shares of Rs.10 each fully paid in cash	117,750,000	117,750,000
7,912,500	7,912,500	Ordinary shares of Rs.10 each issued as fully paid bonus shares	79,125,000	79,125,000
19,687,500	19,687,500		196,875,000	196,875,000

- 18.1 10,196,896 (2015: 10,196,896) ordinary shares of Rs.10 each are held by Associated Companies as at year-end.

19. RESERVES

	Note	2016	2015
		Rupees	Rupees
Capital reserve			
- share premium	19.1	145,740,000	145,740,000
- maintenance reserve	19.2	237,251,349	134,825,918
General reserve		1,183,845,000	1,183,845,000
Unrealised gain on available for sale investments		3,902,837,075	4,682,667,471
Unrealised gain on remeasurement of hedging instruments		1,164,210	34,098
		5,470,837,634	6,147,112,487

- 19.1 This represents excess of consideration received, by the Parent Company, on issue of ordinary shares over the face value of ordinary shares.
- 19.2 Under the terms of the project agreements, the Subsidiary Company is required to maintain a Reserve Fund on the basis of operational hours depending upon the type of fuel. The fund can only be utilized to pay expenses on major maintenance for proper operation of the power station.
- 19.3 In accordance with the terms of agreement with the lenders of long term finances, there are certain restrictions on the distribution of dividends by the Subsidiary Company.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

20.	LONG TERM FINANCES - Secured	Note	2016 Rupees	2015 Rupees
(a)	Sapphire Fibres Limited			
	From banking companies:			
	- NIB Bank Limited	20.1	83,425,418	73,410,251
	- Allied Bank Limited	20.2	814,247,100	-
	- United Bank Limited	20.3	1,002,568,780	-
	- MCB Bank Limited	20.4	228,260,000	-
			2,128,501,298	73,410,251
(b)	Sapphire Electric Company Limited	20.5		
	From banking companies:			
	- National Bank of Pakistan		1,011,288,207	1,172,435,466
	- Habib Bank Limited		1,759,228,741	2,039,559,203
	- United Bank Limited		1,172,819,151	1,359,706,127
	- MCB Bank Limited		1,172,819,154	1,359,706,128
	- Allied Bank Limited		1,172,819,155	1,359,706,129
	- Bank Alfalah Limited		747,940,188	867,123,392
	- Silkbank Limited		155,979,744	173,718,554
	- Meezan Bank Limited		299,897,930	347,686,216
			7,492,792,270	8,679,641,215
			9,621,293,568	8,753,051,466
	Less: current portion grouped under current liabilities		1,371,309,727	1,205,699,822
			8,249,983,841	7,547,351,644

20.1 The Parent Company has arranged long term finance facilities amounting Rs.150 million from NIB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. During the preceding year, the bank against the said facility disbursed Rs.84.315 million in five tranches of different amounts and each tranche is repayable in 12 equal semi-annual instalments commenced from September, 2014. During the current year, the bank against the said facility has further disbursed Rs.20.708 million in four tranches of different amounts and each tranche is repayable in 32 equal quarterly instalments commencing from December, 2017. These finances carry mark-up at the rates ranging from 3.00% to 9.40% (June 30, 2015: 5.50% to 9.40%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

20.2 The Parent Company, during the year, has arranged long term finance facilities amounting Rs.1,000 million from Allied Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility has disbursed Rs.814.247 million in ten tranches of different amounts and each tranche is repayable in 32 equal quarterly instalments commencing from different months of the financial year 2018. These finances carry mark-up at the rate of 2.65% per annum and are secured against first pari passu charge of Rs.1,333 million with 25% margin over the fixed and movable assets including plant and machinery of the Company.

20.3 The Parent Company, during the year, has arranged long term finance facilities amounting Rs.1,500 million from United Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility has disbursed Rs.1,002.569 million in seventeen tranches of different amounts and each tranche is

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

repayable in 32 equal quarterly instalments commencing from December, 2017. These finances carry mark-up at the rates of 2.50% and 3.50% per annum and are secured against first charge of Rs.2,000 million with 25% margin over the specific plant and machinery of the Company.

- 20.4** The Parent Company, during the year, has arranged long term finance facilities amounting Rs.850 million from MCB Bank Limited to retire import documents of plant and machinery. The bank against the said facility has disbursed Rs.228.260 million in seven tranches of different amounts and each tranche is repayable in 16 equal semi-annual instalments commencing from different months of financial year 2018. These finances carry mark-up at the rate of 6.75% to 6.98% per annum and are secured against first charge of Rs.1,134 million over the specific plant and machinery of the Company. Subsequent to the year end, this finance facility has been approved under SBP scheme for imported plant and machinery.

- 20.5** Sapphire Electric Company Limited

This represents long term finances obtained from a consortium of banks led by United Bank Limited (Agent Bank). The overall financing is secured against all and each of the Subsidiary Company's mortgaged project receivables, lien over the project bank accounts, mortgage of immovable property, hypothecation of all present and future assets and properties of the Subsidiary Company (excluding the mortgaged project receivables and the mortgaged immovable property) and by the collectively agreed pledge of 51% shares of the Subsidiary Company held by the sponsors. It carries mark-up at the rate of three months KIBOR plus three percent per annum, payable on quarterly basis. The mark-up rate charged during the year on outstanding balance is 9.84% (2015: 9.98% to 13.18%) per annum. As of June 30, 2016, the principal is repayable in seventeen quarterly instalments ending on September 30, 2020.

21. STAFF RETIREMENT BENEFIT - Gratuity

The Parent Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2016 Rupees	2015 Rupees
21.1 Amount recognised in the balance sheet		
Net liability at the beginning of the year	257,188,963	210,997,693
Charge to profit and loss account	80,855,349	64,293,640
Remeasurement recognised in other comprehensive income	(928,950)	26,308,442
Payments made during the year	(53,268,134)	(44,410,812)
Net liability at the end of the year	<u>283,847,228</u>	<u>257,188,963</u>
21.2 Movement in the present value of defined benefit obligation		
Balance at beginning of the year	257,188,963	210,997,693
Current service cost	58,376,247	39,278,662
Interest cost	22,479,102	25,014,978
Benefits paid	(53,268,134)	(44,410,812)
Remeasurements on obligation	(928,950)	26,308,442
Balance at end of the year	<u>283,847,228</u>	<u>257,188,963</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	2016 Rupees	2015 Rupees
21.3 Expense recognised in profit and loss account		
Current service cost	58,376,247	39,278,662
Interest cost	22,479,102	25,014,978
	<u>80,855,349</u>	<u>64,293,640</u>
21.4 Remeasurements recognised in other comprehensive income		
Experience loss	1,433,661	26,308,442
Actuarial gains	(2,362,611)	-
	<u>(928,950)</u>	<u>26,308,442</u>
21.5 Actuarial assumptions used	2016	2015
Discount rate	7.25%	9.75%
Expected rate of increase in future salaries	6.25%	8.75%
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

21.6 Sensitivity analysis for actuarial assumptions

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

	Change in assump- tions	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	1.00%	264,278,940	306,481,576
Increase in future salaries	1.00%	307,269,017	263,207,722

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

21.7 Based on actuary's advice, the expected charge for the year ending June 30, 2017 amounts to Rs.80.180 million.

21.8 The weighted average duration of defined benefit obligation is 7 years.

21.9 Expected maturity analysis of undiscounted retirement benefit plan:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	----- Rupees -----				
As at June 30, 2016	<u>54,047,133</u>	<u>89,784,830</u>	<u>113,524,874</u>	<u>1,652,131,991</u>	<u>1,909,488,828</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

21.10 Historical information:

	2016	2015	2014	2013	2012
	----- Rupees -----				
Present value of defined benefit obligation	283,847,228	257,188,963	210,997,693	169,798,106	131,457,117
Experience adjustment on obligation / actuarial gains	(928,950)	26,308,442	26,530,765	21,615,599	(6,461,224)

22. DEFERRED TAXATION - Net

	Note	2016 Rupees	2015 Rupees
Credit balances arising in respect of:			
- accelerated tax depreciation allowance / investment in associates		66,734,456	48,306,794
- re-measurement of short term investments		131,444,924	105,211,989
		198,179,380	153,518,783
Debit balances arising in respect of:			
- staff retirement benefit - gratuity		13,674,057	11,484,974
- provision for slow moving items		94,989	209,338
- provision for doubtful recovery of trade debts		1,102,441	898,343
		14,871,487	12,592,655
		183,307,893	140,926,128

23. TRADE AND OTHER PAYABLES

Trade creditors	23.1	2,079,049,451	2,694,544,101
Bills payable	23.2	118,407,129	281,818,633
Advance payments		100,371,972	15,634,413
Accrued expenses	23.3	395,807,704	467,235,393
Sindh government infrastructure fee	23.4	125,568,863	105,679,579
Workers' profit participation fund	23.5	185,282,605	166,452,631
Workers' welfare fund	23.6	171,633,177	143,300,208
Unclaimed dividend		4,324,852	3,797,103
Unrealised loss on re-measurement of forward exchange contract		-	5,933,174
Others		1,820,422	6,240,369
		3,182,266,175	3,890,635,604

23.1 These include Rs.23.284 million (2015: Rs. 18.660 million) which pertains to Associated Companies.

23.2 These are secured against import documents.

23.3 These include Rs.18.602 (2015: Nil) which pertains to Associated Companies.

23.4 This provision has been recognised against disputed infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Parent Company has contested this issue in the Sindh High Court (the High Court). The Parent Company filed an appeal in the Supreme Court against the judgement of the High Court dated September 15, 2008 partly accepting the appeal by declaring the levy and collection of infrastructure fee prior to December 28, 2006 as illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeals, another law come into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. Accordingly, the petition was filed in the High Court in respect of the above view. During the pendency of this appeal an interim arrangement was agreed whereby bank guarantees furnished for consignments cleared upto December 27, 2006 were returned and bank guarantees were furnished for 50% of the levy for consignment released subsequent to December 27, 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

As at June 30, 2016, the Parent Company has provided bank guarantees aggregating Rs.101.950 million (2015: Rs.81.950 million) in favour of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Parent Company's favour.

		2016	2015
		Rupees	Rupees
23.5	Workers' profit participation fund		
	Balance at beginning of the year	166,452,631	159,372,821
	Add: interest on funds utilised in the Group's business - net of excess of interest provision written back by the Subsidiary Company	1,433,428	(23,601,385)
		<u>167,886,059</u>	<u>135,771,436</u>
	Less: payments made during the year	167,886,059	135,771,436
		-	-
	Add: allocation for the year	185,282,605	166,452,631
	Balance at end of the year	<u>185,282,605</u>	<u>166,452,631</u>
23.6	Workers' welfare fund		
	Balance at beginning of the year	143,300,208	119,039,502
	Add: charge for the year	28,332,969	24,260,706
	Balance at end of the year	<u>171,633,177</u>	<u>143,300,208</u>
23.7	Workers' welfare fund has not been provided for by the Subsidiary Company based on advice of legal consultant.		
24.	ACCRUED MARK-UP / INTEREST		
		2016	2015
		Rupees	Rupees
	Mark-up / interest accrued on:		
	- long term finances	199,460,252	249,998,782
	- short term borrowings	92,457,743	138,057,533
		<u>291,917,995</u>	<u>388,056,315</u>
25.	SHORT TERM BORROWINGS		
	Running / cash finances - secured	25.1 6,314,113,605	6,174,026,068
	Running Musharaka finance - secured	25.1 1,240,148,146	751,161,469
	Term finances	25.2 349,999,655	392,981,493
	Temporary bank overdraft - unsecured	25.3 4,968,056	4,959,225
		<u>7,909,229,462</u>	<u>7,323,128,255</u>
25.1	Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.17,336 million (2015: Rs.14,432 million). These finance facilities, during the year, carried mark-up at the rates ranged from 2.80% to 11.34% (2015: 5.30% to 12.18%) per annum. The aggregate short term finance facilities are secured against hypothecation / ranking pari passu charge on all present and future current and fixed assets of the Group, first ranking assignment of the energy payment price receivables, exclusive hypothecation charge on the fuel stock / inventory, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

Included in short term finances Rs.579.10 million (U.S.\$ 5.531 million) [2015: Rs.597.93 million (U.S.\$ 5.502 million and Euro 0.337 million)] representing foreign currency loans obtained from various banks. The rates of mark-up on these finance facilities ranged from 1.10% to 3.50% (2015: 1.33% to 4.00%) per annum.

Short term finance facilities available from various commercial banks under mark-up arrangements on Group basis aggregate to Rs.Nil (2015: Rs.174 million).

Facilities available for opening letters of credit and guarantees aggregate to Rs.11,330 million (2015: Rs.9,877 million) out of which the amount remained unutilised at the year-end was Rs.7,447 million (2015: Rs.6,930 million). These facilities are secured against lien on shipping documents, hypothecation charge on current and fixed assets of the Group, cash margins and counter guarantee.

Facilities available for opening letters of credit and discounting of local & foreign bills from various commercial banks on Group basis aggregate to Rs.Nil (2015: Rs.2,020 million) and are secured against lien over export documents / bills, lien over import documents & commodities, lien over discrepant documents negotiated under letters of credits / contracts and trust receipts.

Abovementioned facilities are expiring on various dates upto April 30, 2017.

- 25.2** This represents murabaha finance facilities available from various commercial banks under mark-up arrangements amounting to Rs.700 million (2015: Rs.1,200 million) to finance the procurement of multiple oils from fuel suppliers. The mark-up is payable at maturity of respective murabaha transaction. The mark-up rate charged, during the year, on the outstanding balance ranges from 6.55% to 8.01% (2015: 9.00% to 11.43%) per annum. The aggregate term finances are secured against first pari passu charge on current assets comprising of fuel stocks, inventories and receivables from NTDC.

- 25.3** This represents book overdraft balance due to unrepresented cheques.

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.2,723.300 million (2015: Rs.1,113.300 million) have been issued by banks of the Group to various Government institutions and SNGPL.

26.1.2 Claims not acknowledged as debt

- (a)** During the financial year 2014, it was discovered that there were unauthorised withdrawals of funds from one of the Parent Company's bank account maintained with National Bank of Pakistan (NBP) using forged signatures on cheques from cheque books issued by the Bank's staff without the Parent Company's authority. On becoming aware of the matter, an FIR was lodged in addition to taking up the matter with the bank. Based on the advice of its legal counsel, the management believed that the Parent Company had no liability whatsoever in respect of such net unauthorised withdrawals of funds accumulating to Rs.33.157 million inclusive of mark-up and other charges. Furthermore, the Parent Company filed a suit on March 21, 2014 in the honourable Sindh High Court, which granted a stay order on April 08, 2014 in favour of the Parent Company whereby the bank had been restrained from placing the Parent Company's name in the State Bank Credit Information Bureau (CIB) list of defaulter and prevented from taking coercive action against the Parent Company.

During the year, the Parent Company paid an amount of Rs.14.871 million to NBP in respect of mark-up and other charges as a settlement of this case.

- (b)** During the year, SNGPL has claimed late payment surcharge amounting to Rs.142.182 million on account of partial payments made by the Subsidiary Company against the Regasified Liquefied Natural Gas (RLNG) consumed by it

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

prior to the provisional price determination of RLNG dated October 07, 2015 by the Oil and Gas Regulatory Authority (OGRA). The management of the Subsidiary Company is of the view that, as per the terms of the GSA and the Operating Procedures signed by the Subsidiary Company, Ministry of Petroleum and Natural Resources, Ministry of Water and Power, SNGPL and Central Power Purchasing Agency (Guarantee) Limited, the Subsidiary Company is liable to make payments to SNGPL on the basis of the price notified by OGRA and as the provisional price for RLNG was notified by OGRA on October 07, 2015, therefore, the partial payments made by the Subsidiary Company to SNGPL prior to the aforementioned OGRA price determination do not constitute default on the Subsidiary Company's part. Based on the advice of the Subsidiary Company's legal counsel, management considers that under the terms of GSA and the Operating Procedures, there are meritorious ground to support the Subsidiary Company's stance. Consequently, no provision for the abovementioned amounts has been made in these consolidated financial statements.

- (c) During the year ended June 30, 2014, a sales tax demand of Rs.830.031 million was raised against the Subsidiary Company through order December 11, 2013 by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from July 2010 to June 2012. Such amount was disallowed on the grounds that the revenue derived by the Subsidiary Company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the Subsidiary Company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the Subsidiary Company. Against the aforesaid order, the Subsidiary Company preferred an appeal before the Commissioner Inland Revenue (Appeals) ('CIR(A)') who vacated the ACIR's order on the issue regarding apportionment of input sales tax. However, the CIR(A) did not adjudicate upon the Subsidiary Company's other grounds of appeal. Consequently, the Subsidiary Company preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR') on the issues not adjudicated upon by the CIR(A) and the ACIR also preferred a second appeal before the ATIR against the CIR(A)'s order, which are both pending adjudication.
- (d) Furthermore, during the preceding year, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice dated December 02, 2014 whereby intentions were shown to raise a sales tax demand of Rs 505.540 million by primarily disallowing input sales tax claimed by the Subsidiary Company for the tax periods from July 2012 to June 2013 on the above-mentioned grounds of the ACIR and non-payment of sales tax on interest on delayed payment of energy price. Aggrieved by this show cause notice, the Subsidiary Company filed a writ petition before the Lahore High Court ('LHC') to the extent of the aforesaid matters amounting to Rs 504.909 million, whereby the LHC has granted interim relief by directing the department to halt the proceeding for the time being. Consequently, a demand of remaining amount of Rs.0.631 million was raised by the DCIR through order dated February 02, 2015, against which the Subsidiary Company preferred an appeal before CIR(A). The Subsidiary Company's appeal was disposed off by the CIR(A) through appellate order dated January 25, 2016 and decided in department's favour with regards to the major issues forming the basis of the demand. The management of the Subsidiary Company does not intends to contest this matter further and has accordingly paid and provided for this demand in these consolidated financial statements.

Based on the advice of the Subsidiary Company's legal counsel, management believes that there are meritorious grounds to defend the Subsidiary Company's stance in respect of the abovementioned amount of Rs.504,909 million. Consequently, no provision has been made in these consolidated financial statements.

26.2 Commitments

- 26.2.1 The Subsidiary Company has an agreement with a consortium between General Electric International, Inc. and General Electric Energy Parts, Inc. for the operations and maintenance (O&M) of the power station starting from the Commercial Operations Date upto the earlier of the time when the power station has run 144,000 Fired Hours and February 14, 2030. Under the terms of the O&M agreement, the Subsidiary Company is required to pay a monthly fixed O&M fee and a variable O&M fee depending on operation of the plant on gas or diesel, both of which shall be subject to a minimum annual increase of 3%.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
26.2.2 Commitments in respect of :			
- letters of credit for capital expenditure		<u>383,657,523</u>	<u>952,275,100</u>
- letters of credit for purchase of raw materials and stores, spare parts & chemicals		<u>157,215,284</u>	<u>173,185,247</u>
- capital expenditure other than letters of credit		<u>36,907,280</u>	<u>863,988,931</u>
- foreign currency forward contract		<u>141,432,994</u>	<u>313,580,000</u>
- foreign bills discounted		<u>680,036,430</u>	<u>426,138,453</u>
27. SALES - Net			
Export:			
Yarn	27.1	7,447,282,182	8,253,157,446
Fabric		345,456,843	414,295,650
Garments		2,037,429,605	2,104,746,028
Waste	27.2	207,865,303	207,505,421
	27.3	10,038,033,933	10,979,704,545
Local:			
Yarn		2,166,896,843	2,057,413,286
Fabric		52,191,379	25,075,529
Garments		13,896,880	24,856,665
Energy purchase price		11,169,943,663	17,697,833,087
Capacity purchase price		4,014,455,367	4,180,614,575
Raw materials		41,825,395	50,571,019
Waste	27.2	168,809,813	188,491,592
Others		9,382,350	3,606,247
		17,637,401,690	24,228,462,000
		27,675,435,623	35,208,166,545
Export rebate		17,050,923	33,132,384
Processing services		84,757,007	60,406,988
		27,777,243,553	35,301,705,917
Less: sales tax		2,556,885,255	3,107,501,693
		<u>25,220,358,298</u>	<u>32,194,204,224</u>

27.1 This includes indirect export of Rs.1,044.494 million (2015: Rs.929.057 million).

27.2 Waste sales include sale of comber noil.

27.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.45.699 million (2015: Rs.55.209 million) has been included in export sales.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

28. COST OF SALES	Note	2016 Rupees	2015 Rupees
Finished goods at beginning of the year		509,819,710	540,491,694
Cost of goods manufactured	28.1	20,802,093,001	27,057,192,736
Cost of raw materials sold		39,277,773	45,031,167
		20,841,370,774	27,102,223,903
		21,351,190,484	27,642,715,597
Finished goods at end of the year		(514,758,796)	(509,819,710)
		20,836,431,688	27,132,895,887
28.1 Cost of goods manufactured			
Work-in-process at beginning of the year		156,135,025	211,059,838
Raw materials consumed	28.2	15,409,687,612	21,492,975,253
Salaries, wages and benefits	28.3	1,139,861,993	1,032,140,256
Operations and maintenance		624,211,442	557,948,532
Packing stores consumed		227,692,500	230,885,054
General stores consumed		226,229,385	203,997,695
Dyes and chemicals consumed		291,124,154	298,625,337
Processing charges		556,517,719	547,467,612
Depreciation	4.2	936,523,057	909,292,893
Fuel and power		1,080,866,941	1,347,468,177
Repair and maintenance		36,972,771	39,045,451
Insurance		189,357,839	229,149,297
Vehicles' running		16,928,643	18,386,666
Travelling and conveyance		13,550,931	15,177,244
Printing and stationery		895,618	4,334,238
Legal and professional charges		934,118	10,141,837
Fee and subscription		10,042,772	8,807,470
Entertainment		9,923,455	9,068,564
Telephone		5,332,048	5,083,543
Postage		593,082	207,718
Rent, rates and taxes		833,710	650,459
Miscellaneous		28,183,917	41,414,627
		20,962,398,732	27,213,327,761
Work-in-process at end of the year		(160,305,731)	(156,135,025)
		20,802,093,001	27,057,192,736
28.2 Raw materials consumed			
Stocks at beginning of the year		1,769,230,350	2,530,838,972
Purchases		15,462,030,620	20,731,366,631
		17,231,260,970	23,262,205,603
Stocks at end of the year		(1,821,573,358)	(1,769,230,350)
		15,409,687,612	21,492,975,253

28.3 Salaries, wages and benefits include Rs.80.850 million (2015: Rs.64.294 million) in respect of staff retirement benefit - gratuity and Rs.1.429 (2015: Rs. 1.332) contribution in respect of to staff provident fund.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

29. DISTRIBUTION COST	Note	2016 Rupees	2015 Rupees
Salaries and other benefits	29.1	22,881,615	21,134,604
Travelling, conveyance and entertainment		11,360,906	14,544,395
Vehicles' running		2,075,041	2,220,971
Telephone		607,508	663,208
Postage		2,574,324	1,790,757
Printing and stationery		276,883	709,408
Sample expenses		1,186,055	2,151,369
Commission:			
- local		4,416,581	8,110,017
- export		102,527,707	123,953,296
		106,944,288	132,063,313
Freight and forwarding:			
- local		5,429,410	3,895,413
- export		193,173,033	243,397,683
		198,602,443	247,293,096
Export development surcharge		22,098,164	24,486,895
Other export expenses		9,839,361	17,834,929
Provision for doubtful debts		692,176	22,192,280
		379,138,764	487,085,225
29.1 Salaries and other benefits include Rs.0.803 million (2015: Rs.0.803 million) in respect of contribution to staff provident fund.			
30. ADMINISTRATIVE EXPENSES	Note	2016 Rupees	2015 Rupees
Directors' remuneration		45,195,150	18,000,000
Directors' meeting fee		290,000	200,000
Salaries and other benefits	30.1	123,560,273	127,857,291
Telephone		4,625,769	3,701,705
Postage		364,294	710,198
Fee and subscription		10,505,297	7,362,209
Legal and professional charges		32,183,484	38,428,192
Entertainment		3,218,943	2,861,250
Travelling and conveyance		6,416,779	9,448,916
Printing and stationery		3,524,983	4,261,179
Rent, rates and taxes		11,179,497	9,705,248
Advertisement		104,900	693,285
Electricity, gas and water		5,054,730	5,025,938
Repair and maintenance		9,520,005	6,321,782
Vehicles' running		9,234,499	10,523,366
Charity and donations	30.2	35,052,531	31,361,233
Insurance		3,286,947	3,414,491
Depreciation	4.2	19,431,754	19,383,242
Amortisation	6	1,748,955	1,430,329
Others		367,372	2,733,279
		324,866,162	303,423,133
30.1 Salaries and other benefits include Rs.4.915 million (2015: Rs.4.048 million) in respect of contribution to staff provident fund.			

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

30.2 Donations include the following in which directors are interested:

- Donation of Rs.22.565 million (2015: Rs.20.480 million) charged in these consolidated financial statements is paid to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Muhammad Abdullah, Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr. Shayan Abdullah have common directorship in both Companies.
- Donation of Rs.0.300 million (2015: Rs.0.400 million) charged in these consolidated financial statements is paid to Jamal-Ud-Din Fatima Charitable trust, 149 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi (a trust). Mr. Muhammad Abdullah, Mr. Shahid Abdullah and Mr. Nadeem Abdullah, directors of the Parent Company are trustees of the trust.

31. OTHER INCOME

	Note	2016 Rupees	2015 Rupees
Income from financial assets			
Dividend income		578,902,410	452,177,909
Interest income		1,833,133	8,182,775
Mark-up earned on term finance certificates		521,632	-
Gain on sale of investments		113,683,181	52,916,750
		694,940,356	513,277,434
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	4.3	17,402,712	5,260,200
Gain on disposal of investment property	5.3	-	-
Gain on sale of store and spares		-	105,206
Rental income		16,402,399	24,871,008
Scrap sales [Net of sales tax aggregating Rs.3.655 million (2015: Rs.3.455 million)]		20,207,037	19,477,480
		54,012,148	49,713,894
		748,952,504	562,991,328

32. OTHER EXPENSES

Depreciation of investment property	5	544,062	1,036,309
Workers' profit participation fund	23.5	74,560,444	63,843,959
Workers' welfare fund	23.6	28,332,969	24,260,706
Auditors' remuneration	32.1	3,986,890	4,249,316
Loss on sale of stores and spares		2,506,455	-
Provision for doubtful tax refunds		40,754,042	-
Late payment surcharge		9,527,681	-
Exchange loss		1,500,156	5,866,540
		161,712,699	99,256,830

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
32.1 Auditors' remuneration			
ShineWing Hameed Chaudhri & Co.			
Annual audit		1,397,550	1,331,000
Half yearly review		200,000	200,000
Review of Code of Corporate Governance		62,000	62,000
Audit of retirement funds		20,000	20,000
Out-of-pocket expenses		34,000	34,000
		1,713,550	1,647,000
A.F. Ferguson & Co.			
- audit fee		1,300,000	1,200,000
- tax services		745,775	1,295,096
- reimbursement of expenses		227,565	107,220
		2,273,340	2,602,316
		3,986,890	4,249,316
33. FINANCE COST			
Mark-up / interest on long term finances		803,481,386	1,183,342,753
Mark-up / interest on short term borrowings		550,780,269	613,776,715
Exchange loss on foreign currency loans		17,794,881	31,047,619
		568,575,150	644,824,334
Interest on workers' profit participation fund written back / accrued	23.5	1,433,428	(23,601,385)
Bank and other financial charges		62,937,575	66,265,566
Loan arrangement fee		1,500,000	1,500,000
		1,437,927,539	1,872,331,268
34. TAXATION			
Current			
Current tax on profit for the year	34.1	109,790,411	246,993,495
Adjustments in respect of prior years		(23,720,578)	(1,388,139)
		86,069,833	245,605,356
Deferred			
Origination and reversal of temporary differences		17,507,729	4,002,314
Impact of change in tax rate		(997,105)	(1,010,742)
		16,510,624	2,991,572
		102,580,457	248,596,928
34.1			
The income of the Parent Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 and current year's provision is made accordingly.			

Notes to the Consolidated Financial Statements

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- 34.2** Income tax assessments of the Parent Company have been completed upto the Tax Year 2015; the return for the said year has not been taken-up for audit till June 30, 2016.
- 34.3** Numeric tax rate reconciliation is not presented as the Parent Company's income is chargeable to tax under presumptive tax regime.
- 34.4** Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of ten percent on every public company other than a scheduled bank or modaraba, that derives profits for a tax year but does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40% of its after tax profits or 50% of its issued, subscribed and paid up capital, whichever is less, within six months of the end of the tax year.
- 34.4.1** The Board of Directors of the Parent Company in their meeting held on October 06, 2016 has distributed sufficient cash dividend for the year ended June 30, 2016 (refer note 44) which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognised in these consolidated financial statements for the year ended June 30, 2016.

	2016 Rupees	2015 Rupees
35. EARNINGS PER SHARE		
35.1. Basic earnings per share		
Net profit for the year	<u>2,059,257,124</u>	<u>1,969,692,369</u>
	----- Number of shares -----	
Weighted average ordinary shares in issues	<u>19,687,500</u>	<u>19,687,500</u>
	----- Rupees -----	
Earnings per share	<u>104.60</u>	<u>100.05</u>

35.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2016 and June 30, 2015 which would have any effect on the earnings per share if the option to convert is exercised.

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36. CASH GENERATED FROM OPERATIONS	Note	2016 Rupees	2015 Rupees
Profit before taxation		2,849,290,915	2,862,203,209
Adjustments for non-cash charges and other items:			
Depreciation		957,014,612	929,072,312
Depreciation of investment property		544,062	1,036,309
Amortisation		1,748,955	1,430,329
Staff retirement benefit - gratuity		80,855,349	64,293,640
Provision reversed for slow moving stores items		(3,161,109)	(38,510)
Dividend and interest income		(581,257,175)	(460,360,684)
Loss / (gain) on sale of stores and spares		2,506,455	(105,206)
Gain on disposal of operating fixed assets		(17,402,712)	(5,260,200)
Gain on disposal of investment property		-	-
Exchange loss		1,500,156	5,866,540
Provision for workers' profit participation fund		74,560,444	63,843,959
Provision for workers' welfare fund		28,332,969	24,260,706
Gain on sale of investments		(113,683,181)	(52,916,750)
Provision for doubtful tax refunds		40,754,042	-
Finance cost		1,437,927,539	1,872,331,268
Provision for doubtful debts		692,176	22,192,280
Working capital changes	36.1	722,318,163	937,344,869
		<u>5,462,484,695</u>	<u>6,265,194,071</u>
36.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		614,393	(11,619,307)
Stock-in-trade		(358,358,125)	714,741,662
Trade debts		2,634,677,524	(1,125,003,501)
Loans and advances		(112,540,812)	(19,427,882)
Deposits, other receivables and sales tax		(692,628,024)	292,577,250
		<u>1,471,764,956</u>	<u>(148,731,778)</u>
(Decrease) / increase in trade and other payables		(749,446,793)	1,086,076,647
		<u>722,318,163</u>	<u>937,344,869</u>

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37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	----- Rupees -----					
Managerial remuneration	24,474,475	18,197,381	5,499,999	3,999,996	115,656,254	97,636,665
Contribution to provident fund trust	-	-	-	-	5,898,446	4,579,602
House rent and utilities	12,158,025	9,021,994	2,750,001	2,000,004	59,239,953	45,363,253
Medical	312,650	304,388	-	-	2,967,731	2,412,373
Leave encashment / bonus	-	-	-	-	30,553,129	17,447,369
Other benefits	-	-	-	-	13,034,609	14,547,299
	36,945,150	27,523,763	8,250,000	6,000,000	227,350,122	181,986,561
Number of persons	1	1	1	1	89	75

37.1 Certain executives are provided with Company maintained vehicles.

38. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Associated Companies, directors of the Group, key management personnel and staff retirement funds. The Group in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 37. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Relationship with the Group	Nature of transactions	2016 Rupees	2015 Rupees
(i) Associates	Sales:		
	- raw material / yarn / fabric / stores	544,186,943	418,783,699
	- assets	69,521,250	4,203,761
	Purchases:		
	- raw material / yarn / fabric / stores	294,312,651	337,978,871
	- electricity	320,374,860	222,389,337
	Services:		
	- rendered	50,597,505	39,852,837
	- obtained	10,514,677	13,463,625

Notes to the Consolidated Financial Statements

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Relationship with the Group	Nature of transactions	2016 Rupees	2015 Rupees
(i) Associates	Expenses charged by	21,984,977	20,370,767
	Expenses charged to	7,473,482	9,243,665
	Dividend:		
	- received	803,175	233,970
	- paid	373,970,791	263,455,868
(ii) Other	Contribution towards provident fund	8,255,845	6,591,395
	Rent expense	5,787,684	5,261,532

39. FINANCIAL RISK MANAGEMENT**39.1 Financial risk factors**

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

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and other price 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.

The Group's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimise earnings volatility and provide maximum return to shareholders.

(a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from investments, loans, deposits, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets, the financial assets exposed to credit risk aggregated to Rs.14,918.983 million (2015: Rs.17,581.963 million) as at June 30, 2016. Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2015: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2016 Rupees	2015 Rupees
Long term investments	5,577,797,835	6,995,698,205
Long term deposits	29,466,445	29,451,445
Trade debts	5,281,582,714	7,916,952,414
Loans and advances	5,511,600	6,074,500
Short term investments	3,403,993,067	1,921,844,053
Other receivables	14,577,119	70,498,194
Interest receivable	605,986	2,847,109
Bank balances	605,448,427	638,597,122
	14,918,983,193	17,581,963,042

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To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit.

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2016 Rupees	2015 Rupees
Domestic	4,326,971,687	7,053,863,719
Export	954,611,027	863,088,695
	<u>5,281,582,714</u>	<u>7,916,952,414</u>

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

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

	2016 Rupees	2015 Rupees
Yarn	976,771,843	970,562,564
Fabric	21,777,858	24,464,922
Garments	226,071,131	92,871,774
Power	4,016,451,029	6,798,038,820
Processing services	7,715,938	4,625,268
Waste	27,987,834	22,592,386
Other	4,807,081	3,796,680
	<u>5,281,582,714</u>	<u>7,916,952,414</u>

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

Notes to the Consolidated Financial Statements

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The credit quality of the Group's bank balances can be assessed with reference to the external credit ratings as follows:

Name of Bank	Rating		
	short term	long term	agency
MCB Bank Limited	A1+	AAA	PACRA
National Bank of Pakistan	A1+	AAA	PACRA
Meezan Bank Limited	A-1+	AA	JCR-VIS
United Bank Limited	A-1+	AA+	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	A2	Moody's
Silk Bank Limited	A-2	A-	JCR-VIS
Faysal Bank Limited	A1+	AA	PACRA

Name of Bank	Rating		
	short term	long term	agency
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Dubai Islamic Bank Pakistan Limited	A-1	A+	JCR-VIS
Askari Bank Limited	A-1+	AA	JCR-VIS
Deutsche Bank AG	F-1	A-	Fitch

The credit risk in respect of investments is also limited as such investee companies enjoy reasonably high credit rating.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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The table below analysis the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
----- Rupees -----					
June 30, 2016					
Long term finances	9,621,293,568	9,978,319,570	1,435,868,168	7,515,742,422	1,026,708,980
Trade and other payables	2,599,409,558	2,599,409,558	2,599,409,558	-	-
Accrued mark-up / interest	291,917,995	291,917,995	291,917,995	-	-
Short term borrowings	7,904,261,406	8,051,770,052	8,051,770,052	-	-
	20,416,882,527	20,921,417,175	12,378,965,773	7,515,742,422	1,026,708,980
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
----- Rupees -----					
June 30, 2015					
Long term finances	8,753,051,466	8,772,937,660	1,210,672,775	6,969,847,359	592,417,526
Long term security deposit	2,100,000	2,100,000	-	-	2,100,000
Trade and other payables	3,459,568,773	3,459,568,773	3,459,568,773	-	-
Accrued mark-up / interest	388,056,315	388,056,315	388,056,315	-	-
Short term borrowings	7,318,169,030	7,436,239,677	7,436,239,677	-	-
	19,920,945,584	20,058,902,425	12,494,537,540	6,969,847,359	594,517,526

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

(c) 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

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The Group is exposed to currency risk on import of raw materials, stores & spare parts, plant & machinery, export of goods and foreign currency bank accounts mainly denominated in U.S. Dollar, Euro, Swiss Frank (CHF), Japanese Yen and Great Britain Pound (GBP). The Group's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank (CHF), Japanese Yen and Great Britain Pound (GBP) is as follows:

June 30, 2016	Rupees	U.S.\$	Euro	CHF	GBP
Bills payables	118,407,129	816,837	282,730	-	-
Trade and other payables	401,130,723	3,831,239	-	-	-
Advance payments	91,500,359	873,929	-	-	-
	611,038,211	5,522,005	282,730	-	-
Trade debts	(977,495,483)	(9,203,655)	(135,368)	-	-
Bank balances	(378,753,700)	(3,624,437)	-	-	-
Net balance sheet exposure	(745,210,972)	(7,306,087)	147,362	-	-
Outstanding letters of credit	540,872,805	3,420,232	831,917	805,000	-
Forward exchange contract	141,432,994	1,335,546	-	-	-
	(62,905,173)	(2,550,309)	979,279	805,000	-
June 30, 2015	Rupees	U.S.\$	Euro	Yen	GBP
Bills payables	281,818,633	2,385,360	326,500	2,496,100	-
Trade and other payables	382,761,171	3,763,630	-	-	-
Advance payments	7,352,891	72,027	-	-	-
	671,932,695	6,221,017	326,500	2,496,100	-
Trade debts	(885,280,975)	(8,698,990)	-	-	(15,863)
Bank balances	(384,510,187)	(3,788,277)	-	-	-
Net balance sheet exposure	(597,858,467)	(6,266,250)	326,500	2,496,100	(15,863)
Outstanding letters of credit	1,125,460,347	6,436,782	4,237,794	-	-
Forward exchange contracts	313,580,000	3,000,000	-	-	-
	841,181,880	3,170,532	4,564,294	2,496,100	(15,863)

Notes to the Consolidated Financial Statements

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The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2016	2015	2016	2015
U.S. Dollar to Rupee	103.92	100.88	104.70 / 104.50	101.70 / 101.50
Euro to Rupee	116.00	124.45	116.31 / 116.08	113.79 / 113.57
Swiss Frank to Rupee	104.99	106.94	106.85 / 106.64	109.64
Japanese Yen to Rupee	0.8590	0.8691	1.0186 / 1.0167	0.8313
Great Britain Pound to Rupee	155.92	157.95	140.39 / 140.12	159.91 / 159.59

At June 30, 2016, if Rupee had strengthened by 10% against US Dollar, Euro, Swiss Frank, Japanese Yen and Great Britain Pounds with all other variables held constant, profit for the year would have been higher / (lower) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

	2016 Rupees	2015 Rupees
Effect on profit for the year:		
U.S. Dollar to Rupee	(76,348,609)	(63,602,438)
Euro to Rupee	1,713,967	3,715,244
Japanese Yen to Rupee	-	207,501
Great Britain Pound to Rupee	-	(253,158)
	(74,634,642)	(59,932,851)

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

Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Group arises from short & long term borrowings from banks and deposits with banks. At the reporting date the profile of the Group's interest bearing financial instruments is as follows:

	2016 --- Effective rate --- %	2015 %	2016 --- Carrying amount --- Rupees	2015 Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	3.75 to 5.25	4.50 to 7.00	161,191,345	173,694,103
Trade debts	6	-	227,610,083	-
Other receivable	6	-	6,569,269	-
Financial liabilities				
Long term finances	2.50 to 9.40	5.50 to 9.40	2,128,501,298	73,410,251
Variable rate instruments				
Financial assets				
Trade debts	10.60 to 13.01	11.24 to 14.70	275,196,568	914,575,693
Financial liabilities				
Long term finances	9.84	9.98 to 13.18	7,492,792,270	8,679,641,215
Short term borrowings	1.10 to 8.22	1.33 to 12.18	7,904,261,406	7,318,169,030

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

At June 30, 2016, if the interest rate on the Group's borrowings had been higher / (lower) by 1% with all other variables held constant, profit before tax for the year would have been (lower) / higher by Rs.153.970 million (2015: Rs.159.978 million) mainly as a result of higher / (lower) interest expense.

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

Other price risk

Other price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

The Group's investments in ordinary shares and certificates of listed companies aggregating to Rs.8,954.481 million (2015: Rs.8,890.232 million) are exposed to price risk due to changes in market price.

At June 30, 2016, if market value had been 10% higher / lower with all other variables held constant other comprehensive income for the year would have higher / (lower) by Rs.895.448 million (2015: Rs.889.023 million).

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

39.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The Group's consolidated financial assets measured at fair value consists of level 1 financial assets amounting to Rs.8,953.075 million (2015: Rs.8,888.826 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

39.3 Capital risk management

The Group's objective when managing capital are to ensure the Group's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximise return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Group may adjust the amount of dividends paid to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the balance sheet) less cash and bank balances. Total equity includes all capital and reserves of the Group that are managed as capital. Total capital is calculated as equity as shown in the balance sheet plus net debt.

Notes to the Consolidated Financial Statements

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	2016 Rupees	2015 Rupees
Total borrowings	17,525,554,974	16,071,220,496
Less: cash and bank balances	608,377,326	641,988,396
Net debt	16,917,177,648	15,429,232,100
Total equity	18,665,935,749	17,586,393,189
Total capital	35,583,113,397	33,015,625,289
Gearing ratio	48%	47%

39.4 Financial instrument by category

	Loans and receivables		Available for sale	
	2016 --- Rupees ---	2015	2016 --- Rupees ---	2015
Financial assets as per balance sheet				
Long term investments	-	-	5,577,797,835	6,995,698,205
Long term loans	20,000	340,000	-	-
Long term deposits	29,466,445	29,451,445	-	-
Trade debts	5,281,582,714	7,916,952,414	-	-
Loans and advances	716,500	643,000	-	-
Trade deposits	419,000	5,000	-	-
Short term investments	-	-	3,403,993,067	1,921,844,053
Interest receivable	605,986	2,847,109	-	-
Other receivables	14,577,119	70,498,194	-	-
Cash and bank balances	605,448,427	638,597,122	-	-
	5,932,836,191	8,659,334,284	8,981,790,902	8,917,542,258

Financial liabilities as per balance sheet

	2016 --- Rupees ---	2015
Long term finances	9,621,293,568	8,753,051,466
Long term security deposit	-	2,100,000
Trade and other payables	2,599,409,558	3,459,568,773
Short term borrowings	7,909,229,462	7,323,128,255
	20,129,932,588	19,537,848,494

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40.	CAPACITY AND PRODUCTION	2016	2015
40.1	Spinning units		
	Number of spindles installed	101,136	101,136
	Number of spindles worked	100,656	97,635
	Number of shifts worked per day	3	3
	Total number of days worked	365	365
	Installed capacity after conversion into 20's count	Lbs. 64,187,838	64,299,083
	Actual production after conversion into 20's count	Lbs. 56,661,655	56,937,823
40.1.1	Actual production varies due to maintenance / shut down and change in count pattern.		
40.2	Dyeing	2016	2015
	Yarn / Fibre Dyeing Unit		
	Total number of days worked	349	222
	Installed capacity	Lbs. 8,002,407	8,002,407
	Actual production	Lbs. 3,552,931	2,993,241
	Fabric Dyeing Unit		
	Total number of days worked	357	338
	Installed capacity	Lbs. 13,171,579	13,171,579
	Actual production	Lbs. 8,400,360	8,227,677
40.2.1	Low production is due to less market demand.		
40.3	Knitting unit		
	Total number of days worked	358	356
	Installed capacity	Lbs. 15,658,951	15,658,951
	Actual production	Lbs. 8,013,838	7,752,745
40.3.1	Low production is due to less market demand.		
40.4	Stitching unit		
	Installed capacity	Pcs. 1,967,000	1,967,000
	Actual production	Pcs. -	-
40.4.1	Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.		
40.5	Denim unit	2016	2015
	Total number of days worked	3	-
	Installed capacity	Mtrs. 8,280,000	-
	Actual production	Mtrs. 56,276	-
40.6	Power		
	De-rated capacity [based on 8,760 hours (2015: 8,760 hours)]	MWH 1,770,697	1,772,256
	Actual energy delivered	MWH 1,025,622	966,537
40.6.1	Output produced by the plant is dependent on the load demanded by NTDC and plant availability.		

Notes to the Consolidated Financial Statements

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41. SEGMENT INFORMATION

The Group's reportable segments are as follows:

- Spinning;
- Knitting, processing & garments, denim and
- Power.

41.1 Segment revenues and results

	Spinning	Knitting, processing and garments	Denim	Power	Elimination of inter segment transactions	Total
----- Rupees -----						
For the year ended						
June 30, 2016						
Sales	9,858,073,950	5,683,430,285	-	12,741,967,934	(3,063,113,871)	25,220,358,298
Cost of sales	(8,880,322,344)	(5,538,475,473)	(32,987,738)	(9,447,760,004)	3,063,113,871	(20,836,431,688)
Gross profit	977,751,606	144,954,812	(32,987,738)	3,294,207,930	-	4,383,926,610
Selling and distribution expenses	(308,576,326)	(70,562,438)	-	-	-	(379,138,764)
Administrative expenses	(242,032,044)	(27,420,990)	-	(55,413,128)	-	(324,866,162)
Finance cost	(380,635,979)	(43,803,116)	-	(1,013,488,444)	-	(1,437,927,539)
	(931,244,349)	(141,786,544)	-	(1,068,901,572)	-	(2,141,932,465)
Profit / (loss) before taxation and unallocated income and expenses	46,507,257	3,168,268	(32,987,738)	2,225,306,358	-	2,241,994,145
Unallocatable income and expenses						
Other income						769,009,469
Other expenses						(161,712,699)
Share of Profit of Associated Companies						18,524,201
Taxation						(102,580,457)
Profit after taxation						2,765,234,659
----- Rupees -----						
For the year ended						
June 30, 2015						
Sales	10,514,430,121	5,804,616,183	18,846,928,372	(2,971,770,452)		32,194,204,224
Cost of sales	(9,259,015,015)	(5,622,206,880)	(15,223,444,444)	2,971,770,452		(27,132,895,887)
Gross profit	1,255,415,106	182,409,303	3,623,483,928	-		5,061,308,337
Selling and distribution expenses	(404,098,989)	(82,986,236)	-	-		(487,085,225)
Administrative expenses	(214,193,230)	(33,992,768)	(55,237,135)	-		(303,423,133)
Finance cost	(299,007,472)	(57,417,059)	(1,515,906,737)	-		(1,872,331,268)
	(917,299,691)	(174,396,063)	(1,571,143,872)	-		(2,662,839,626)
Profit before taxation and unallocated income and expenses	338,115,415	8,013,240	2,052,340,056	-		2,398,468,711
Unallocatable income and expenses						
Other income						562,991,328
Other expenses						(99,256,830)
Share of Profit of Associated Companies						14,002,907
Taxation						(248,598,928)
Profit after taxation						2,627,607,188

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

41.2 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Spinning	Knitting, processing and garments	Denim	Power	Total
	----- Rupees -----				
As at June 30, 2016					
Segment assets	7,146,392,020	1,648,129,147	4,126,625,638	19,259,223,831	32,180,370,636
Unallocatable assets					10,919,398,391
Total assets as per balance sheet					<u>43,099,769,027</u>
Segment liabilities	5,264,637,989	1,127,581,963	4,233,338,443	10,305,079,886	20,930,638,281
Unallocatable liabilities					650,360,923
Total liabilities as per balance sheet					<u>21,580,999,204</u>
As at June 30, 2015					
Segment assets	6,633,957,220	1,883,077,129	-	22,329,054,151	30,846,088,500
Unallocatable assets					10,292,357,142
Total assets as per balance sheet					<u>41,138,445,642</u>
Segment liabilities	4,537,281,302	1,430,546,862	-	14,324,749,323	20,292,577,487
Unallocatable liabilities					706,902,156
Total liabilities as per balance sheet					<u>20,999,479,643</u>

41.3 Sales to domestic customers (excluding Indirect export) in Pakistan are 60.32% (2015: 75.55%) and to customers outside Pakistan (including indirect export) are 39.68% (2015: 24.45%) of the total sales during the year.

41.4 The Group sells its manufactured products to local and foreign companies / organisations / institutions. One (2015: One) of the Group's customers contributed towards 83.76% (2015: 88.84%) of the local sales during the year aggregating Rs.12,741.968 million (2015: Rs.18,846.930 million) which exceeds 10% of the local sales of the Group.

41.5 Geographical information

All segments of the Group are managed on nation-wide basis and operate manufacturing facilities in Pakistan.

42. PROVIDENT FUND RELATED DISCLOSURE

Sapphire Fibres Limited

42.1 The Parent Company operates a recognised Provident Fund (the Fund) for its permanent employees. The following information is based on un-audited financial statements of the Fund for the year ended

	2016 Rupees	2015 Rupees
Size of the Fund - Total Assets	<u>35,493,695</u>	<u>39,574,506</u>
Cost of investments made	<u>33,406,521</u>	<u>37,731,292</u>
Percentage of investments made	<u>94.12%</u>	<u>95.34%</u>
Fair value of investments made	<u>34,865,195</u>	<u>39,294,006</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

42.1.1 The break-up of fair value of investments is as follow:

	2016 --- Percentage ---	2015	2016 Rupees	2015 Rupees
Special account in a scheduled bank	3.31	2.47	1,153,633	970,228
Government securities	90.96	89.21	31,713,562	35,054,920
Term deposit receipts	-	3.14	-	1,233,858
Listed securities	5.73	5.18	1,998,000	2,035,000
	100.00	100.00	34,865,195	39,294,006

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

Sapphire Electric Company Limited

42.2 The Subsidiary Company operates a recognised Provident Fund (the Fund) for its permanent employees. The following information is based on un-audited financial statements of the Fund for the year ended

	2016 Rupees	2015 Rupees
Size of the Fund - Total Assets	9,543,832	8,496,204
Cost of investments made	9,243,499	8,398,053
Percentage of investments made	96.85%	98.84%
Fair value of investments made	9,543,832	8,493,451

42.2.1 The break-up of fair value of investments is as follow:

	2016 --- Percentage ---	2015	2016 Rupees	2015 Rupees
Special account in a scheduled bank	3.80	5.34	362,994	453,239
Government securities	48.92	50.31	4,668,843	4,272,711
Listed Securities	47.28	44.36	4,511,995	3,767,501
	100.00	100.00	9,543,832	8,493,451

42.2.2 The figures for year ended June 30, 2016 are based on un-audited financial statements of the Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

43. NUMBER OF EMPLOYEES	2016	2015
Total number of employees as at June 30,	<u>3,428</u>	<u>3,403</u>
Average number of employees during the year	<u>3,401</u>	<u>3,375</u>

44. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Parent Company, in their meeting held on October 06, 2016, has proposed a final cash dividend of Rs. 14 (2015: Rs.10) per share amounting to Rs.275.625 million (2015: Rs.196.875 million) for the year ended June 30, 2016. This appropriation will be approved by the members of the Parent Company in the forthcoming Annual General Meeting to be held on October 06, 2016. These consolidation financial statements do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending June 30, 2017.

45. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on October 06, 2016 by the Board of Directors of the Parent Company.

Karachi:
Dated: October 06, 2016

SHAHID ABDULLAH
CHIEF EXECUTIVE

SHAYAN ABDULLAH
DIRECTOR

Form of Proxy

I / we

Folio No. _____ of _____

a member(s) of **Sapphire Fibres Limited** and a holder of _____ Ordinary Shares,

do hereby appoint

of _____

or failing him/her _____

of _____

a member of **Sapphire Fibres Limited**, vide Registered Folio No. _____ as my/our Proxy to act on my/our behalf at 37th Annual General Meeting of the Company to be held on Saturday the 29th October, 2016 at 04:30 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this _____ day of _____ 2016

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.

