

CONTENTS

Sapphire Fibres Limited

Company Profile	03
Vision / Mission	04
Notice Of Annual General Meeting	05
Review Report by the Chairman (English/Urdu)	10
Directors' Report (English/Urdu)	12
Six Year Growth At A Glance	22
Review Report	23
Statement Of Compliance	24
Auditor's Report	26
Statement of Financial Position	31
Statement of Profit or Loss	32
Statement of Comprehensive Income	33
Statement of Cash Flows	34
Statement of Changes In Equity	35
Notes to the Financial Statements	36
Pattern of Share Holdings	78

Company Profile

Board Of Directors

Chairman :

Mr. Amer Abdullah

Chief Executive :

Mr. Shahid Abdullah

Director :

Mr. Nadeem Abdullah

Mr. Yousuf Abdullah

Mr. Shayan Abdullah

Mr. Abdul Sattar

Independent Director:

Mr. Tajammal Husain Bokharee

Mr. Nadeem Arshad Elahi

Audit Committee :

Chairman :

Mr. Nadeem Arshad Elahi

Member :

Mr. Shayan Abdullah

Mr. Yousuf Abdullah

Mr. Tajammal Husain Bokhree

Human Resource

& Remuneration Committee :

Chairman :

Mr. Tajammal Husain Bokharee

Member :

Mr. Yousuf Abdullah

Mr. Shahid Abdullah

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,

Bank Alfalah Limited

MCB Bank Limited, Habib Bank Limited

Habib Metropolitan Bank Ltd.

United Bank Limited

Share Registrar :

THK Associates (Private) Ltd.

1st Floor, 40-C, Block-6

P.E.C.H.S, Karachi-75400

Registered Office :

316, Cotton Exchange Building,

I. I. Chundrigar Road,

Karachi.

Mills :

Kharianwala

Tehsil and District Sheikhpura.

Feroze Watwan,

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 39th Annual General Meeting of SAPPHERE FIBRES LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Wednesday the 24th day of October, 2018 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 approve by way of special resolution with or without modification the following resolutions in respect of related party transaction in terms of Section 208 of the Companies Act, 2017:

“RESOLVED THAT the related Parties transactions conducted during the year in which the majority of Directors are interested as disclosed in the note 39 of the unconsolidated financial statements for the year ended June 30, 2018 and specified in the Statement of Material Information under Section 134 (3) be and are hereby ratified, approved and confirmed.”

“RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the financial year ending June 30, 2019.

“FURTHER RESOLVED that transactions approved by Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.”

ANY OTHER BUSINESS

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

(Attached to this Notice is a Statement of Material Facts covering the above- mentioned Special Business, as required under section 134(3) of the Companies Act, 2017).

By Order of the Board

Karachi.
Dated : 27th September, 2018

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 18th October, 2018 to 24th October, 2018 (both days inclusive). Transfers received in order, by THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi up to 17th October, 2018 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, 1st Floor, 40-C, Block-6, P.E.C.H.S., 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:
- A. For attending the meeting:
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.
- B. For appointing proxies:
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport.
 - iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.
6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2012 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
7. **Payment of Cash Dividend Electronically (Mandatory Requirement)**

In accordance with the provisions of Section 242 of the Companies Act and Companies (Distribution of Dividends) Regulation 2017, a listed company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In this regard, Sapphire Fibres Limited has already sent letters and Electronic Credit Mandate Forms to the shareholders.

Those shareholders who have still not provided their IBAN are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company's Share Registrar M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi (in case of shareholding in Physical Form).

1. Shareholders' Detail	
Name	
Folio# / CDS Account No.	
CNIC No. (Copy attached)	
Mobile/ Landline No.	
2. Shareholders' Bank Detail	
Title of Bank Account	
International Bank Account No. (IBAN)	
Bank's Name	
Branch Name and Address	

Notice of Annual General Meeting

In case of non-provision of IBAN, the Company will have to withhold the cash dividend according to SECP directives.

8. (i) Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, 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 15%
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 @ 15% 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 15%.

- (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:

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.
9. The Company shall provide video conference facility to its members for attending the Annual General Meeting at places other than the town in which general meeting is taking place, provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference atleast 10 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the Annual General Meeting:

"I/We, _____ of _____ being a member of Sapphire Fibres Ltd, holder of _____ Ordinary Shares as per registered folio # _____ hereby opt for video conference facility at _____."

Signature of Member

Notice of Annual General Meeting

Company / Date of Resolution	Amount of Investment approved	Amount of Investment made to date	Reason
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27th March 2017	By way of subscription in ordinary shares of PKR 10 (Pakistani Rupees Ten) each of TBCCPL the PKR equivalent of up-to USD 6.0 Million from time to time over a period of two years.	Investment = USD 5.610 Million	SFL has fully subscribed its share in accordance with the Sponsor Support Agreement signed between the Sponsors.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27th March 2017	Security / collateral as may be required by the issuing banks in order for the same to issue standby letters of credit together with any replacement standby letters of credit in order to secure the equity amount up-to USD 2.5 Million (United States Dollars Two Million Five Hundred Thousand);	Nil	SFL has fully subscribed its share of equity (7.0938%) upfront before Financial Close.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27th March 2017	Proportionate to its shareholding percentage security/ collateral as may be required by the issuing banks to issue a standby letter of credit (SBLC) for an amount of USD 5.25 Million in order to secure certain obligations of TBCCPL	Nil	This amount was approved in the EOGM passed on 27th March, 2017 in relation to issuance of Energy Purchase Agreement SBLC in favor of CPPA(G) Ltd.
Triconboston Consultancy Corporation (Private) Limited (TBCCPL), 27th March 2017	Proportionate to its shareholding percentage security / collateral as may be required by the issuing banks in order for the same to issue excess debt standby letters of credit together with any replacement standby letters of credit in order to secure the amount up-to USD 15 Million (United States Dollars Fifteen Million);	Nil	This amount was approved in the EOGM Dated 27th March, 2017 and is in the process of implementation as and when required

Notice of Annual General Meeting

Material Changes in Financial Statements of Associated Company

TriconBoston Consulting Corporation (Private) Limited

Tricon Boston Consulting Corporation (Private) Limited is incorporated under the laws of Pakistan and operating 3 projects having capacity of 50 MW each in Jhimpir Sindh. All the three projects have successfully commenced commercial operation in September, 2018.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

1. Item Number 5 of the notice – Ratification and approval of the related party transactions

The Company carries out transactions with its associates and related parties in accordance with its policies, applicable laws, regulations and with approval of board of directors of the company. However, during the year since majority of the Company's Directors are interested in certain transactions (by virtue of being the shareholder or common directorship), therefore due to absent of requisite quorum for approval in Board of Directors meeting, these transactions are being placed for the approval by shareholders in the Annual General Meeting.

All transactions with related parties to be ratified have been disclosed in the note 39 to the unconsolidated financial statements for the year ended June 30, 2018.

The company carries out transactions with its related parties on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business and periodically reviewed by the Board Audit Committee. Upon the recommendation of the Board Audit Committee, such transactions are placed before the board of directors for approval.

Transactions entered into with the related parties include, but are not limited to, sale & purchase of goods, dividends paid and received, investments made (in accordance with the approval of shareholders and board where applicable) and sharing of common expenses.

The nature of relationship with these related parties has also been indicated in the note 39 to the unconsolidated financial statements for the year ended June 30, 2018.

2. Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2019.

The Company shall be conducting transactions with its related parties during the year ending June 30, 2019 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the subsidiary / associated companies. In order to promote transparent business practices, the Board of Directors seeks authorization from the shareholders to approve transactions with the related parties from time-to-time on case to case basis for the year ending June 30, 2019 and such transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

Review Report by the Chairman

The Board of Directors is performing its duties in accordance with law and in the best interest of company and its shareholders. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Sapphire Fibres Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as Satisfactory. This is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

Sapphire Fibres Limited Complies with all the requirements set out in the Law with respect to the composition, procedures and meetings of the Board of Directors and its committees. Necessary Board agenda and related supporting documents were duly made available to the board in sufficient time prior to the board and its committee meetings. The Board has exercised all its powers in accordance with relevant laws and regulation and the non- executive and independent directors are equally involved in important decisions of the board.

Lahore :
Dated: September 27, 2018

Amer Abdullah
Chairman

چیئر مین کی جائزہ رپورٹ

بورڈ آف ڈائریکٹرز اپنے فرائض کو قانون کے مطابق اور کمپنی اور اس کے حصہ داروں کے بہترین مفاد میں انجام دے رہے ہیں۔ کوڈ آف کارپوریٹ گورننس کے تحت درکار سفارہ فائبرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کی گئی ہے۔ اس تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور نتائج کمپنی کے مقاصد قائم کرنے کے تناظر میں پیمائش اور توقعات کے خلاف بیچ مارک ہیں۔

30 جون 2018 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور نتائج کو اطمینان بخش قرار دیا گیا ہے۔ یہ نقطہ نظر، مشن اور اقدار، اسٹریٹجک پلاننگ میں مصروفیت؛ پالیسیوں کی تشکیل؛ تنظیم کی کاروباری سرگرمیوں کی نگرانی؛ مالی وسائل مینجمنٹ کی نگرانی؛ مؤثر مالی نگرانی؛ بورڈ کے کاروبار کی انجام دہی میں تمام ملازمین اور کارکردگی کے منصفانہ ٹریٹمنٹ سمیت لازمی اجزاء کی تشخیص پر مبنی ہے۔

سفارہ فائبرز لمیٹڈ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے حوالہ سے قانون میں متعین تمام ریکویزمنٹس پر عمل کرتی ہے۔ ضروری بورڈ ایجنڈا اور متعلقہ معاون دستاویزات بورڈ اور اس کی کمیٹی کے اجلاسوں سے قبل مناسب وقت پر بورڈ کو مہیا کی گئیں۔ بورڈ نے اپنے تمام اختیارات کو متعلقہ قوانین اور ریگولیشن کے مطابق استعمال کیا ہے اور نان ایگزیکٹو اور آزاد ڈائریکٹرز بورڈ کے اہم فیصلوں میں مساوی میں شریک ہوتے ہیں۔

عامر عبداللہ
چیئر مین

لاہور
مورخہ: 27 ستمبر 2018ء

Directors' Report to the Shareholders

The Directors of your Company are pleased to submit their report along with the audited financial statements of the Company for the year ended 30 June 2018.

FINANCIAL HIGHLIGHTS

	Rupees in thousand
Profit before taxation	1,476,299
Less: Taxation	
For the year	247,357
Prior year	36,767
Deferred	19,419
	303,543
Profit after taxation	1,172,756
Other Comprehensive loss	(7,894)
Add: Un-appropriated profit brought forward	10,693,288
Appropriations:	
Final dividend for the year ended June 30, 2017 (15% i.e. Rs. 1.50 per share)	(29,531)
Subsequent Effects	
Proposed final cash dividend for the year	(236,250)
	11,592,369

Review of Operations:

The Company's operations remained profitable with significant increase in sales during the year under review. Your Company achieved sales of Rs. 17.828 billion as compared to Rs. 14.465 billion during last year; an increase of 23.25%. The gross profit as a percentage of sales increased to 10.23% from 6.73% during last year.

The Company earned profit after tax of Rs. 1.173 billion during the year compared to Rs. 1.139 billion posted during previous financial year.

Earnings per Share:

The earnings per share (EPS) of current year is Rs.59.57 as compared to Rs. 57.86 for the last year.

Dividend:

The Board of Directors of the company is pleased to recommend a final cash dividend @ 120% for the year ended June 30, 2018 (2017: 15%). The Company had also paid interim dividend @50% for the year ended June 30, 2017.

Future Outlook:

After several years of declining or stagnant export performance, Pakistan's textile exports finally increased by around 9.0% during the financial year 2017-18 mainly on account of support from the Export Package announced by the Government and devaluation of Pak Rupee. However, textile sector still faces tough challenges in global competition due to weak apparel demand and significant increase in cost of doing business in the country.

The Spinning, Knitting, Processing and Garment divisions of your company continued to perform well during the year and we expect that this trend of profitable growth will continue in near future as well. The Denim division, in second year of operation, achieved its targets in terms of revenue growth and capacity utilization. However, the unfavourable demand and supply situation in denim fabric industry resulted in reduced margins. With the recent capacity enhancement in Denim division, your management is committed to invest in the value added textile segments to ensure long term sustainability of the Company.

Directors' Report to the Shareholders

Subsidiary Companies:

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% (2017: 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.

Premier Cement Limited:

Premier Cement Limited (PCL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 during the period. SFL holds 100% shares of PCL as on 30 June, 2018.

Subject to necessary approvals, PCL intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

Sapphire Cement Company Limited:

Sapphire Cement Company Limited (SCCL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 during the period. SFL holds 100% shares of SCCL as on 30 June, 2018.

Subject to necessary approvals, SCCL intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

Sapphire Hydro Limited

Sapphire Hydro Limited (SHL) was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on September 07, 2017. The principal business of the subsidiary company shall be to construct, establish and setup a Hydro Electric Power generation project having a net capacity of 150 MW with potential of 682 GWh of annual energy generation at Sharmai, Khayber Pakhtunkhwa.

Sapphire Hydro Limited (SHL) is a wholly owned subsidiary of Sapphire Electric Company Limited which is a subsidiary of Sapphire Fibres Limited.

Sapphire Energy (Private) Limited

Sapphire Energy (Private) Limited (SEPL) was incorporated in Pakistan as a private company limited by shares under Companies Act 2017 on 11 December, 2017. SFL holds 100% shares of SEPL as on 30 June, 2018.

SEPL intends to undertake, develop power projects and make equity investment, acquire or hold shares in companies involved in energy generation and operate a terminal for handling, regasification, storage, treatment and processing of all types of gases and all other related liquids, chemical & petroleum products.

Related Parties:

All transactions with related parties were carried out on an arm's length basis which were in line with transfer pricing methods and the policy for related parties approved by the Board. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. The internal audit function ensures that all Related Party transactions are done on an arm's length basis. After review by the audit committee the transactions are placed before the Board for their consideration and approval.

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.

Directors' Report to the Shareholders

Composition of the Board:

The composition of the Board is in compliance with the requirements of Code of Corporate Governance Regulations, 2017 applicable on listed entities which is given below:

Total Number of Directors

- (a) Male 08
- (b) Female Exempted for current term

Composition:

- (a) Independent Directors 02
- (b) Executive Directors 01
- (c) Non-Executive Directors 05

The names of the Board members are given in Company's profile.

The Board has made sub-committees which have significantly contributed in achieving desired objectives. These committees include:

- **Audit Committee**

Mr. Nadeem Arshad Elahi	Chairman (independent)
Mr. Shayan Abdullah	Member
Mr. Yousuf Abdullah	Member
Mr. Tajamal Husain Bokharee	Member (independent)

- **Human Resource & Remuneration Committee**

Mr. Tajamal Husain Bokharee	Chairman (independent)
Mr. Shahid Abdullah	Member
Mr. Yousuf Abdullah	Member
Mr. Shayan Abdullah	Member

Remuneration of Directors:

The remuneration of the Directors is determined by the Company in the Board of Directors' Meeting as provided by Section 170 of the Companies Act, 2017. The remuneration of the Board of Directors is determined on the basis of standards in the market and reflects demands to competencies and efforts in light of the scope of their work and increase in responsibilities of the directors.

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 controls, 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, 2018 are Rs.7.548 million and Rs.35.866 million respectively.
10. Operating and financial data and key ratios of six years are annexed.
11. Following trade 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:

Gifted by Mr. Nadeem Abdullah to Mr. Umer Abdullah	250,000 Shares
Gifted by Mrs. Noshaba Nadeem to Mr. Umer Abdullah	252,408 Shares
12. The board of directors in compliance with the Code of Corporate Governance has established Audit and Human Resource & Remuneration committees as discussed above.
13. During the year five meetings of the Board of Directors were held. Attendance by each Director is as follows:

Mr. Shahid Abdullah	05
Mr. Nadeem Abdullah	05
Mr. Amer Abdullah	04
Mr. Yousuf Abdullah	04
Mr. Shayan Abdullah	05
Mr. Tajammal Husain Bokharee	04
Mr. Abdul Sattar	05
Mr. Nadeem Arshad Elahi	04
14. During the year four meetings of the Audit Committee were held. Attendance by each Director is as follows:

Mr. Nadeem Arshad Elahi	04
Mr. Yousuf Abdullah	04
Mr. Shayan Abdullah	04
Mr. Tajammal Hussain Bokharee	04
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.

Directors' Report to the Shareholders

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.

Pattern of Shareholding:

The pattern of shareholding of the Company as at 30 June, 2018 is annexed. This statement is prepared in accordance with the Code of Corporate Governance Regulation 2017 and the Companies Act, 2017.

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, 2018.

Acknowledgements:

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

For and on behalf of the Board of Directors

Lahore :
Dated : September 27, 2018

Amer Abdullah
Chairman

Shahid Abdullah
Chief Executive

ڈائریکٹرز کی حصص داران کو رپورٹ

14- زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل تھی:

تعداد حاضری	نام رکن
04	جناب منجم ارشد الہی
04	جناب یوسف عبداللہ
04	جناب شایان عبداللہ
04	جناب نجل حسین بخاری

15- سال کے دوران ہیومن ریسورس اینڈ ریمزیشن کمیٹی کا ایک اجلاس منعقد ہوا اور تمام ممبران نے شرکت کی۔

16- کوڈ آف کنڈکٹ کو بہتر بنایا اور کمپنی کے ہر ڈائریکٹر اور ملازمین کی طرف سے تسلیم اور مطلع کیا گیا ہے۔

17- کمپنی نے "ضابطہ اخلاق" تیار کیا ہے اور اس بات کو یقینی بنایا ہے کہ پوری کمپنی معیاری امدادی پالیسیوں اور طرز عمل کے ساتھ باضابطہ طور پر منسلک کرنے کے لئے مناسب اقدامات کئے گئے ہیں۔

نمونہ حصص داری

30 جون 2018 کے مطابق کمپنی کا نمونہ حصص داری منسلک ہے۔ یہ سٹینڈنٹ کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 اور کمپنیز ایکٹ 2017 کے مطابق تیار کی گئی ہے۔

محاسب کا تقرر

موجودہ محاسب شہینو نگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے لئے بطور محاسب ان کی تقرری کی منظوری بھی دے دی ہے۔

اظہار تشکر

انتظامیہ بورڈ آف ڈائریکٹرز کی حمایت کے لئے، حصص دار، ریگولیشنز، حکام، مالیاتی اداروں، گاہکوں، سپلائرز کی شکر گزار اور عملے اور کارکنوں کی لگن اور سخت محنت کو سراہتی ہے۔

منجانب بورڈ آف ڈائریکٹرز

شہید عبداللہ
چیف ایگزیکٹو

عامر عبداللہ
چیرمین

لاہور

تاریخ: 27 ستمبر 2018

ڈائریکٹرز کی حصص داران کو رپورٹ

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان

بورڈ آف ڈائریکٹرز باقاعدگی سے کمپنی کی اسٹریٹجک سمت کا جائزہ لیتا ہے۔ چیف ایگزیکٹو کی طرف سے کاروباری منصوبوں اور اہداف کو مقرر اور بورڈ کی طرف سے جائزہ لیا گیا ہے۔ بورڈ کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے لئے پرعزم ہے۔ بورڈ نے کارپوریٹ گورننس کوڈ کا جائزہ لیا ہے اور اس بات کی تصدیق کی ہے کہ:

- 1- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- 2- کمپنی کے کھاتوں کا حساب کتاب مکمل طور پر برقرار رکھا گیا ہے۔
- 3- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- 4- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے،
- 5- داخلی کنٹرول کا اندرونی آڈٹ اور اس طرح کے دیگر طریقہ کار کے ذریعے مسلسل جائزہ لیا جا رہا ہے۔ جائزہ اور نگرانی کا عمل اس کو مزید بہتر بنانا جاری رکھے گا۔
- 6- ٹیکس، ڈیوٹی، لیویز اور چارجز کی مد میں تمام ادائیگیاں مکمل طور پر فراہم کی گئی ہیں اور مقررہ وقت میں ادا کر دی جائیں گی یا جہاں قرض کے دعویٰ کا اعتراف نہیں کیا ان کا مالی حسابات میں انکشاف کیا گیا ہے:

- 7- کمپنی کے گونگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 8- فہرستی قوانین میں تفسیلی، کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- 9- کمپنی نے اپنے صدر دفتر کے ملازمین کے لئے پیمنٹ سٹاف گریجویٹ فنڈ قائم کیا ہے جو بتدریج ملز میں بھی لاگو ہوگا۔ کمپنی نے عملہ کے لئے ایپلائیڈ پراویڈنٹ فنڈ بھی متعارف کرایا ہے، پراویڈنٹ فنڈ کے ممبران گریجویٹ فنڈ کے اہل نہیں ہیں۔ 30 جون 2018 کو گریجویٹ اور پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر بالترتیب 7.548 ملین روپے اور 35.866 ملین روپے ہے۔

- 10- گزشتہ چھ سال کا کلیدی آپریشننگ اور مالیاتی ڈیٹا منسلک ہے۔
- 11- کمپنی کے حصص میں اس کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری اور ان کے زوج اور نابالغ بچوں کی طرف سے مندرجہ ذیل تجارت کی گئی:

- جناب ندیم عبداللہ کی طرف سے جناب عمر عبداللہ کو تحفہ میں دیئے گئے 250,000 حصص
- محترمہ نوشابہ ندیم کی طرف سے جناب عمر عبداللہ کو تحفہ میں دیئے گئے 252,408 حصص
- 12- بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کے مطابق مذکورہ بالا آڈٹ اور ہیومن ریسورس اینڈ ریمزیشن کمیٹیاں قائم کی ہیں۔
- 13- زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے پانچ (5) اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل تھی:

تعداد حاضری	نام ڈائریکٹرز
05	جناب شاہد عبداللہ
05	جناب ندیم عبداللہ
04	جناب عامر عبداللہ
04	جناب یوسف عبداللہ
05	جناب شایان عبداللہ
04	جناب تجمل حسین بخاری
05	جناب عبدالستار
04	جناب ندیم ارشد الہی

ڈائریکٹرز کی حصص داران کو رپورٹ

کے بغور جائزہ کے بعد، ان کے غور و خوض اور منظوری کے لئے ٹرانزیکشنز بورڈ کے روبرو پیش کی گئی ہیں۔

کارپوریٹ ماحول، صحت اور سماجی ذمہ داری

کمپنی کام کے ایسے حالات کو برقرار رکھتی ہے جو تمام ملازمین اور عوام کی صحت کے لئے محفوظ اور خطرے سے خالی ہوں۔ حفاظت، پیداوار، ترسیل، اسٹوریج اور سامان کی ہینڈلنگ کے حوالے سے خاص طور پر حفاظت کے تمام پہلوؤں کو بہتر بنانے پر ہماری توجہ مرکوز رہتی ہے۔ آپ کی کمپنی ہمیشہ ماحولیاتی تحفظ کو یقینی بناتی ہے اور ماحولیاتی تحفظ کے لئے ہر ممکن وسائل کو اپناتی ہے۔

بورڈ کی تشکیل

بورڈ کی تشکیل ایگزیکٹو، غیر منافع بخش اور آف کارپوریٹ گورننس ریگولیشنز، 2017 کی ضروریات کی تعمیل کے مطابق ہے اور جو مندرجہ ذیل ہے:

ڈائریکٹرز کی کل تعداد

08 مرد (a)

01 خاتون (b) حالیہ مدت کیلئے مستقل

تشکیل:

02 آزاد ڈائریکٹرز (a)

01 ایگزیکٹو ڈائریکٹرز (b)

05 نان ایگزیکٹو ڈائریکٹرز (c)

بورڈ کے ارکان کے نام کمپنی کی پروفائل میں دیئے گئے ہیں۔

بورڈ نے ذیلی کمیٹیاں بنائی ہیں جنہوں نے مطلوبہ مقاصد حاصل کرنے میں اہم شراکت کی ہے۔ یہ کمیٹیاں مشتمل ہیں:

آڈٹ کمیٹی

جناب ندیم ارشد الہی چیئرمین (آزاد ڈائریکٹر)

جناب شایان عبداللہ رکن

جناب یوسف عبداللہ رکن

جناب تجمل حسین بخاری رکن (آزاد ڈائریکٹر)

ہیومن ریسورس اینڈ ریوینیویشن کمیٹی

جناب تجمل حسین بخاری چیئرمین (آزاد ڈائریکٹر)

جناب شاہد عبداللہ رکن

جناب یوسف عبداللہ رکن

جناب شایان عبداللہ رکن

ڈائریکٹرز کا مشاہرہ

کمپنیز ایکٹ 2017 کی دفعہ 170 کے مطابق بورڈ آف ڈائریکٹرز اجلاس میں کمپنی کی طرف سے ڈائریکٹرز کے مشاہرہ کا تعین کیا گیا ہے۔ بورڈ آف ڈائریکٹرز کا مشاہرہ مارکیٹ میں معیارات کی بنیاد پر

تعین کیا گیا ہے اور ان کے کام کے سکوپ کی روشنی میں مہارتوں اور کوششوں اور ڈائریکٹرز کی ذمہ داریوں میں اضافہ کی طلب کی عکاسی کرتا ہے۔

ڈائریکٹرز کی حصص داران کو رپورٹ

آپ کی کمپنی کے سپانڈنگ، منگ، پروسیڈنگ اور گارنٹنس ڈویژن نے سال کے دوران اچھی کارکردگی کا مظاہرہ کیا اور ہم امید رکھتے ہیں کہ منافع بخش شوکایہ رجحان مستقبل میں بھی جاری رہے گا۔ ڈینم ڈویژن نے، آپریشن کے دوسرے سال میں، آمدنی کی نمو اور صلاحیت کے استعمال کے لحاظ سے اپنا ہدف حاصل کیا۔ تاہم، ڈینم فیبرک انڈسٹری میں ناقابل اطمینان طلب اور سپلائی کی صورتحال کے نتیجے میں مارجن کم ہو گئے۔ ڈینم ڈویژن میں حال ہی میں صلاحیت بڑھانے کے ساتھ، آپ کی انتظامیہ کمپنی کے طویل مدتی استحکام کو یقینی بنانے کے لئے ویلیو ایڈڈ ٹیکنالوجی سیکٹس میں سرمایہ کاری کے لئے مصروف عمل ہے۔

ذیلی کمپنیاں:

سفارز ایکسٹریکٹ کمپنی لمیٹڈ:

سفارز ایکسٹریکٹ کمپنی لمیٹڈ 18 جنوری 2005 کو کمپنیز آرڈیننس، 1984 کے تحت پاکستان میں ایک پبلک غیر مندرج کمپنی کی حیثیت سے قائم ہوئی۔ سفارز فائبرز لمیٹڈ ذیلی کمپنی کے 68.11 فیصد حصص کی مالک ہے۔

ذیلی کمپنی کی اصل سرگرمی 212 میگا واٹ کی خالص صلاحیت کے کمپائٹڈ سائیکل پاور سٹیشن کی ملکیت، چلانا اور برقرار رکھنا ہے۔

پری میجر سینٹ لمیٹڈ:

پری میجر سینٹ لمیٹڈ (پی سی ایل) کمپنیز آرڈیننس 1984 کے تحت شیئرز کے ذریعے ایک غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2018 کے مطابق پی سی ایل کے 100 فیصد حصص کی مالک ہے۔

ضروری منظور یوں کے حوالہ سے، پی سی ایل ہر قسم کے سینٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفارز سینٹ کمپنی لمیٹڈ:

سفارز سینٹ کمپنی لمیٹڈ (ایس سی ایل) کمپنیز آرڈیننس 1984 کے تحت شیئرز کے ذریعے ایک غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2018 کے مطابق ایس سی ایل کے 100 فیصد حصص کی مالک ہے۔

ضروری منظور یوں کے حوالہ سے، ایس سی ایل ہر قسم کے سینٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفارز ہائیڈرو لمیٹڈ:

سفارز ہائیڈرو لمیٹڈ (ایس ایچ ایل)، 07 ستمبر 2017 کو کمپنیز ایکٹ 2017 کے تحت شیئرز کے ذریعے پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ذیلی کمپنی کا اصل کاروبار شمسی، خیر پختونخواہ میں 682 GWh کی سالانہ انرجی جنریشن کی پوائنٹل کے ساتھ 150 میگا واٹ کی خالص صلاحیت کا حامل ہائیڈرو ایکسٹریکٹ پاور جنریشن پراجیکٹ کی تعمیر، قیام اور چلانا ہوگا۔

سفارز ہائیڈرو لمیٹڈ (ایس ایچ ایل)، سفارز ایکسٹریکٹ کمپنی لمیٹڈ کی ایک مکمل ملکیتی ذیلی کمپنی ہے جو خود سفارز فائبرز لمیٹڈ کی ایک ذیلی کمپنی ہے۔

سفارز انرجی (پرائیویٹ) لمیٹڈ:

سفارز انرجی (پرائیویٹ) لمیٹڈ (ایس ای پی ایل) 11 دسمبر 2017 کو کمپنیز ایکٹ 2017 کے تحت شیئرز کے ذریعے ایک نجی کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2018 کے مطابق ایس ای پی ایل کے 100% حصص کی مالک ہے۔

ایس ای پی ایل بجلی کی پیداوار میں مصروف عمل کمپنیوں میں انڈریک، پاور پروجیکٹس کوڈ ویلپ اور ایکویٹی سرمایہ کاری، حصص رکھنے یا خریدنے کا اور تمام اقسام کی گیسوں اور تمام دیگر متعلقہ ممانعت، کیمیکل اینڈ پیٹرو لیوم مصنوعات کو پینڈنگ، ری گیس فیکشن، سٹوریج، ٹریڈنگ اور پروسیڈنگ کے لئے ٹریڈنگ چلانے کا ارادہ رکھتی ہے۔

متعلقہ پارٹیوں سے لین دین

متعلقہ پارٹیوں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر پرکئے گئے تھے جو بورڈ کی طرف سے منظور شدہ متعلقہ پارٹیوں کے لئے ٹرانسفر پرائسنگ طریقوں اور پالیسی کے مطابق تھے۔ تمام متعلقہ پارٹی ٹرانزیکشن کی مکمل فہرست مرتب اور ہر سہ ماہی میں آڈٹ کمپنی کو جمع کرائی جاتی ہے۔ داخلی آڈٹ فنکشن یقینی بناتا ہے کہ تمام متعلقہ پارٹی ٹرانزیکشن قابل رسائی قیمتوں کی بنیاد پر کی گئی ہیں۔ آڈٹ کمپنی

ڈائریکٹرز کی حصص داران کو رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشواروں پر اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔
مالیاتی جھلکیاں

روپے ہزاروں میں	
1,476,299	ٹیکس سے پہلے منافع
	ٹیکس کی کمی
247,357	موجودہ سال کے لئے
36,767	گذشتہ سال
19,419	موخر
1,172,756	ٹیکس کے بعد منافع
(7,894)	دیگر مجموعی نقصان
10,693,288	اضافہ: غیر تصرفاتی منافع جو آگے گیا
	تصرفات
(29,531)	30 جون 2017 ختمہ سال کے لئے حتمی منافع منقسمہ (15% یعنی 1.50 روپے فی حصص)
(236,250)	بعد کے اثرات: سال کے لئے تجویز کردہ حتمی نقد منافع منقسمہ
<u>11,592,369</u>	

آپریٹنگ کا جائزہ

زیر جائزہ سال کے دوران کمپنی آپریٹنگ فروخت میں نمایاں اضافہ کے ساتھ منافع بخش رہے۔ آپ کی کمپنی نے گزشتہ سال میں 14.465 بلین روپے کے مقابلے موجودہ سال 17.828 بلین روپے فروخت حاصل کی جو 23.25 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 6.73 فیصد سے 10.23 فیصد تک زیادہ ہوا۔ کمپنی نے گزشتہ مالی سال کے دوران درج 1.139 بلین روپے کے مقابلے موجودہ سال کے دوران 1.173 بلین روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

موجودہ سال کی فی شیئر آمدنی (EPS) 59.57 روپے ہے جو کہ پچھلے سال 57.86 روپے تھی۔

منافع منقسمہ

کمپنی کی مجلس نظام 30 جون 2018 کو ختم ہونے والے سال کے لئے نقد منافع منقسمہ 120 فیصد (2017: 15 فیصد) سفارش کرتے ہوئے خوشی محسوس کرتی ہے۔ کمپنی نے 30 جون 2017 کو ختم ہونے والے سال کے لئے عبوری منافع منقسمہ بشرح 50% بھی ادا کیا تھا۔

مستقبل کا نقطہ نظر

کئی سالوں سے برآمد کی کمی یا غیر مستحکم کارکردگی کے بعد، مالی سال 2017-18 کے دوران آخر کار پاکستان کی ٹیکسٹائل برآمدات میں حکومت کی طرف سے اعلان کردہ برآمدی ٹیکس اور پاکستانی روپے کی قدر میں کمی کی بدولت سپورٹ کے حوالہ سے تقریباً 9 فیصد اضافہ ہوا۔ تاہم، اپریل کی کم طلب اور ملک میں کاروبار کرنے کی لاگت میں نمایاں اضافہ کی وجہ سے عالمی مقابلہ میں ٹیکسٹائل کے شعبے کو ابھی بھی سخت چیلنجوں کا سامنا ہے۔

Six Years Growth at a Glance

Years		2018	2017	2016	2015	2014	2013
Rupees in thousand							
Sales		17,828,047	14,465,759	12,478,390	13,347,276	14,905,610	13,892,288
Gross profit		1,825,406	974,035	1,089,719	1,437,824	1,563,938	2,274,244
Net profit before taxation		1,476,299	1,399,197	1,501,999	1,241,691	1,498,525	1,318,477
Net profit after taxation		1,172,756	1,139,074	1,401,731	995,854	1,313,219	1,189,195
Share capital		196,875	196,875	196,875	196,875	196,875	196,875
Share holder's equity		16,283,524	17,055,008	15,364,415	14,933,421	14,796,769	11,825,240
Fixed assets - net		10,340,483	8,857,741	8,288,598	4,508,868	3,990,234	3,726,879
Total assets		32,656,142	30,840,380	26,526,288	21,503,877	20,099,150	17,265,683
Dividend - Cash	%	120.00	65.00	140.00	100.00	125.00	120.00
RATIOS:							
PROFITABILITY							
Gross profit	%	10.24	6.73	8.73	10.77	10.49	16.37
Profit before tax	%	8.28	9.67	12.04	9.30	10.05	9.49
Profit after tax	%	6.58	7.87	11.23	7.46	8.81	8.56
RETURN TO SHAREHOLDERS							
Return on equity before tax	%	9.07	8.20	9.78	8.31	10.13	11.15
Return on equity after tax	%	7.20	6.68	9.12	6.67	8.88	10.06
Basic earning per share after tax	Rs.	59.57	57.86	71.20	50.58	66.70	60.40
ACTIVITY							
Sales to fixed assets	Times	1.72	1.63	1.51	2.96	3.74	3.73
Sales to total assets	Times	0.55	0.47	0.47	0.62	0.74	0.80
LIQUIDITY/LEVERAGE							
Current ratio		1.12 : 1	1.29 : 1	1.10 : 1	1.11 : 1	1.45 : 1	1.33 : 1
Debt equity ratio	Times	0.288	0.211	0.138	0.004	0.004	0.02
Total liability to equity	Times	1.01	0.81	0.73	0.44	0.36	0.46
BREAK UP VALUE PER SHARE	Rs.	827.10	866.29	780.41	758.52	751.58	600.65

Independent Auditors' Review Report
On the Statement of Compliance Contained in the Listed Companies
(Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **SAPPHIRE FIBRES LIMITED** (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations require 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, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Karachi:
Dated : September 27, 2018

SHINEWINGHAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Raheel Ahmed

Statement Of Compliance With Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of Company **SAPPHIRE FIBRES LIMITED** year ended **June 30, 2018**.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017 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 Regulations in the following manner:

1. The total number of directors are 08 as per the following:
 - a. Male: 08
 - b. Female: Nil

2. The composition of the Board is as follows

Category	Names
Independent Directors(*)	Mr. Tajammal Husain Bokharee Mr. Nadeem Arshad Elahi
Executive Directors	Mr. Shahid Abdullah
Non-Executive Directors	Mr. Nadeem Abdullah Mr. Amer Abdullah Mr. Yousuf Abdullah Mr. Shayan Abdullah Mr. Abdul Sattar

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Three of Directors of the Company are exempted from the requirement of directors' training program under the criteria prescribed by the Code of Corporate Governance, Four are trained and the rest of the Directors will be trained within due time.
10. There was no new appointment of CFO/ Company Secretary and Head of Internal Audit during the year.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

Statement Of Compliance With Listed Companies (Code of Corporate Governance) Regulations, 2017

12. The Board has formed committees comprising of members given below:
- a) Audit Committee
- Mr. Nadeem Arshad Elahi (Chairman)
 - Mr. Yousuf Abdullah (Member)
 - Mr. Shayan Abdullah (Member)
 - Mr. Tajammal Husain Bokharee (Member)
- b) HR and Remuneration Committee
- Mr. Tajammal Husain Bokharee (Chairman)
 - Mr. Shahid Abdullah (Member)
 - Mr. Yousuf Abdullah (Member)
 - Mr. Shayan Abdullah (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committee were as per following:
- a) Audit Committee [Quarterly]
- b) HR and Remuneration Committee [yearly]
15. The Board has set up an effective Internal Audit Function.
16. 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 (ICAP) and registered with Audit Oversight Board 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board

Lahore
Dated: September 27, 2018

AMER ABDULLAH **SHAHID ABDULLAH**
CHAIRMAN CHIEF EXECUTIVE

Independent Auditor's Report to the Members of Sapphire Fibres Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Sapphire Fibres Limited** (the Company), which comprise the statement of financial position as at June 30, 2018, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Description	How the matter was addressed in our audit
1.	<p>Compliance with Laws and Regulations - Changes in 4th Schedule</p> <p>The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures. These changes are applicable first time to the Company's financial statements for the year ended June 30, 2018.</p> <p>The changes are considered as a key audit matter because failure to comply with the requirements of the Act, 2017 could have financial and reputational impact on the Company.</p> <p>"Refer note 1, 2.1, 4, 5, 12, 35, and 39 for changes in disclosures made through the Act, 2017."</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - Obtained an understanding of the related provisions and schedules of the Act, 2017 applicable to the Company and prepared document to assess the Company's compliance with the disclosure requirement of the Act, 2017. - We discussed the applicable changes with the Company's management and those charged with governance as to whether the Company is in compliance with such changes. - We also maintained a high level of vigilance when carrying out our other audit procedures for indication of non-compliance. - We ensured that the financial statements have been prepared in accordance with the approved accounting standards and the Act, 2017.

Independent Auditor's Report to the Members of Sapphire Fibres Limited

S. No.	Description	How the matter was addressed in our audit
2.	<p>Property, plant and equipment</p> <p>The Company's Property, plant and equipment represent 53% (2017: 47%) of the total non-current assets of the Company. Further, these represent 31% (2017: 28%) of the total assets of the Company as at the reporting date. Judgement is exercised in determining the following:</p> <ul style="list-style-type: none"> - useful lives and residual values; - assessing whether there are any indicators of impairment present; and - when performing impairment assessments where indicators have been identified <p>Based on the value of the balance, as at reporting date, as well as the judgements involved in determining useful lives and residual values this has been identified as a key audit matter.</p>	<p>The following was performed on the assessment of useful lives and residual values:</p> <ul style="list-style-type: none"> - Obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review; - Followed up on changes made to useful lives and corroborated by inspection of assets and discussion with operational personnel that the amendment was appropriate; and - Confirmed by inspection of the fixed asset register and discussion with operational management that there were no material assets still in use with a nil value. <p>In considering whether impairment is required the Company's consideration of impairment indicators such as reduced capacity, forecasts, market demand for products, and the condition of the plants was reviewed. In addition, the following was performed:</p> <ul style="list-style-type: none"> - Mills were inspected to identify any damages or non-operating assets; - Discussions were held with the management, engineers and other technicians to identify any potential impairments; and - Production analyses at the various mills was performed and compared to standard capacity to assist in identifying possible impairment indicators. <p>Based on the tests performed over the course of the review that property, plant and equipment are appropriately valued.</p>
3.	<p style="text-align: center;">Valuation of stock-in-trade</p> <p>The total value of stock in trade as at the reporting date amounts to Rs.4.796 billion representing 36% of the Company's total current assets (2017: Rs.3.832 billion, 32% of the Company's total current assets. Stock in trade as at reporting date mainly includes raw material and finished goods. (note 11)</p> <p>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of finished goods based on whether the items are A Grade or B Grade and in determining the appropriate value of slow moving and obsolete stocks.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> - assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards; - attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the date; - assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis;

Independent Auditor's Report to the Members of Sapphire Fibres Limited

	<p>We identified this matter as key in our audit due to the judgement and assumption applied by the Company in determining the cost and NRV of stock in trade at the year-end.</p>	<ul style="list-style-type: none"> - tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories; - assessed the management determination of A Grade and B Grade inventories and NRV of inventories thereon by performing tests on the sale price secured by the Company for similar items; and - tested the cost of inventories for A Grade items and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices; <p>We reviewed the Company's disclosure in the financial statement in respect of stock in trade.</p>
S. No.	Description	How the matter was addressed in our audit
4.	<p>Trade Debts</p> <p>As at June 30 2018, the Company's gross trade debtors were Rs. 2.851 billion. An increase of Rs.1.138 billion was witnessed during the year. Provision of Rs.30.200 million has been recorded against doubtful debts.</p> <p>Provision against doubtful debts is based on the management assessment. Judgement is exercised in determining the appropriate level of provision against balances which may not ultimately be recovered.</p> <p>We identified the recoverability of trade debts as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment.</p> <p>Refer to note 12 to the financial statements and the accounting policy in note 3.7 to the financial statements.</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - We obtained credit policy with respect to local and foreign debtors and assess the Company's compliance of its policy; - We sought external confirmations from the selected debtors of their balances that remained outstanding at the year end and compared replies to the request; - We tested the accuracy of data on sample basis extracted from the Company's accounting system which is used to calculate the ageing of trade debts; - We performed subsequent check of selected debtor balances to review recovery from debtors after the year end; and - We assessed the reasonableness of methods used by the management to estimate that the doubtful debts are appropriate and ensured that the same is applied consistently. <p>we assessed the appropriateness of the related disclosure made by the management in the Company's financial statements.</p>

Information Other than the Financial Statements and Auditors' Report thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the

Independent Auditor's Report to the Members of Sapphire Fibres Limited

audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our

Independent Auditor's Report to the Members of Sapphire Fibres Limited

auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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 that Ordinance.

The Engagement partner on the audit resulting in this independent auditors' report is Mr. Raheel Ahmed.

Lahore :
Dated: September 27, 2018

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

Statement of Financial Position

As at June 30, 2018

	Note	2018 ----- Rupees -----	2017
Assets			
Non current assets			
Property, plant and equipment	5	10,304,595,162	8,824,397,614
Investment property	6	31,750,000	31,750,000
Intangible assets	7	4,138,337	1,593,123
Long term investments	8	8,885,049,371	9,656,754,996
Long term loans	9	297,000	3,755,000
Long term deposits		28,606,645	28,241,645
		19,254,436,515	18,546,492,378
Current assets			
Stores, spare parts and loose tools	10	198,770,544	156,268,420
Stock-in-trade	11	4,796,272,234	3,832,346,113
Trade debts	12	2,850,910,999	1,712,805,380
Loans and advances	13	131,125,089	138,575,316
Trade deposits and short term prepayments	14	48,843,636	11,820,029
Short term investments	15	3,760,187,223	4,859,591,123
Other receivables	16	939,634,391	593,715,867
Tax refunds due from Government	17	651,913,975	957,256,586
Cash and bank balances	18	24,047,126	31,508,884
		13,401,705,217	12,293,887,718
Total assets		32,656,141,732	30,840,380,096
Equity and Liabilities			
Share capital and reserves			
Authorised capital		350,000,000	350,000,000
35,000,000 ordinary shares of Rs.10 each			
Issued, subscribed and paid-up capital	19	196,875,000	196,875,000
Reserves	20	4,258,029,746	6,164,845,405
Unappropriated profit		11,828,618,830	10,693,287,860
Total equity		16,283,523,576	17,055,008,265
Non current liabilities			
Long term finances	21	3,877,170,007	3,590,098,182
Staff retirement benefit - gratuity	22	346,597,468	322,591,928
Deferred taxation	23	130,643,092	312,076,447
		4,354,410,567	4,224,766,557
Current liabilities			
Trade and other payables	24	1,834,370,527	1,748,499,443
Accrued mark-up / interest	25	125,062,516	113,949,459
Short term borrowings	26	9,001,597,944	7,289,563,613
Current portion of long term finances	21	804,466,175	121,675,950
Unclaimed dividend		5,353,374	5,566,966
Provision for taxation		247,357,053	281,349,843
		12,018,207,589	9,560,605,274
Total liabilities		16,372,618,156	13,785,371,831
Contingencies and commitments	27		
Total equity and liabilities		32,656,141,732	30,840,380,096

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018ShahidAbdullah
Chief ExecutiveYousuf Abdullah
DirectorJawwad Faisal
Chief Financial Officer

Statement of Profit or Loss

For the year ended June 30, 2018

	Note	2018 ----- Rupees -----	2017
Sales	28	17,828,047,476	14,465,758,945
Cost of sales	29	(16,002,641,641)	(13,491,724,210)
Gross profit		1,825,405,835	974,034,735
Distribution cost	30	(590,408,425)	(463,270,990)
Administrative expenses	31	(303,556,412)	(302,998,941)
Other income	32	1,447,605,399	1,855,690,252
Other expenses	33	(169,870,849)	(127,521,211)
Profit from operations		2,209,175,548	1,935,933,845
Finance cost	34	(732,876,733)	(536,736,909)
Profit before taxation		1,476,298,815	1,399,196,936
Taxation	35	(303,542,979)	(260,122,474)
Profit after taxation		1,172,755,836	1,139,074,462
Earnings per share - basic and diluted	36	59.57	57.86

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018

ShahidAbdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Comprehensive Income

For the year ended June 30, 2018

	2018	2017
	----- Rupees -----	
Profit after taxation	1,172,755,836	1,139,074,462
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to statement of profit or loss:		
Unrealized (loss) / gain due to change in fair value of available for sale investments		
- long term	(973,102,566)	342,387,686
- short term	(1,029,475,768)	815,119,528
Impact of deferred tax	200,322,904	(96,942,638)
Adjustment for gain included in statement of profit or loss upon sale of available-for-sale investments	(104,419,886)	(125,833,318)
	(1,906,675,316)	934,731,258
Forward foreign currency contracts		
Unrealized gain on re-measurement of foreign currency contracts	-	140,343
Adjustment for gain realized on settlement of foreign currency contracts	(140,343)	(1,090,222)
	(140,343)	(949,879)
Items that will not be reclassified subsequently to statement of profit or loss:		
Loss on re-measurement of staff retirement benefit obligation	(8,423,010)	(8,949,179)
Impact of deferred tax	529,394	749,169
	(7,893,616)	(8,200,010)
	(1,914,709,275)	925,581,369
Total comprehensive (loss) / income for the year	(741,953,439)	2,064,655,831

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018

ShahidAbdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Cash Flows

For the year ended June 30, 2018

	Note	2018 ----- Rupees -----	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	37	(486,431,031)	165,047,623
Staff retirement benefit paid		(81,663,995)	(56,815,062)
Finance cost paid		(721,763,676)	(493,968,765)
Taxes paid		(368,147,943)	(359,901,941)
Workers' profit participation fund paid		(69,322,466)	(76,195,156)
Long term loans - net		3,458,000	(3,735,000)
Long term deposits - net		(365,000)	(5,000)
Net cash used in operating activities		(1,724,236,111)	(825,573,301)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,162,863,858)	(1,219,024,161)
Proceeds from disposal of operating fixed assets		25,940,435	35,985,407
Investment in Subsidiary Companies		(235,000,000)	(1,000,000)
Investment in Associated Company		-	(592,515,000)
Increase in long and short term investments		(353,170,349)	(1,392,618,115)
Proceeds from sale of long and short term investments		389,445,722	828,515,277
Proceeds from sale of stores and spares		8,097,853	1,073,927
Dividend and interest income received		1,392,173,011	1,489,923,569
Net cash used in investing activities		(935,377,186)	(849,659,096)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		1,103,458,000	1,592,989,000
- repaid		(133,595,950)	(9,716,166)
Dividend paid		(29,744,842)	(372,820,386)
Short term borrowings - net		1,712,034,331	395,075,233
Net cash generated from financing activities		2,652,151,539	1,605,527,681
Net decrease in cash and cash equivalents		(7,461,758)	(69,704,716)
Cash and cash equivalents - at beginning of the year		31,508,884	101,213,600
Cash and cash equivalents - at end of the year		24,047,126	31,508,884

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore :
Dated : September 27, 2018

ShahidAbdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Statement of Changes in Equity

For the year ended June 30, 2018

	Reserves				Other Components of equity			Total	
	Capital		Revenue		On available for sale investments	On hedging instruments	Sub-total		
	Issued, subscribed and paid-up capital	Share premium	General	Unappropriated profit					
Balance as at July 1, 2016	196,875,000	145,740,000	1,183,845,000	9,936,475,908	11,266,060,908	3,900,388,804	1,090,222	3,901,479,026	15,364,414,934
Distribution to owners									
Final dividend related to the year ended June 30, 2016 at the rate of Rs.14.00 per share	-	-	-	(275,625,000)	(275,625,000)	-	-	-	(275,625,000)
Interim dividend related to the year ended June 30, 2017 at the rate of Rs.5.00 per share	-	-	-	(98,437,500)	(98,437,500)	-	-	-	(98,437,500)
Total comprehensive income for the year ended June 30, 2017									
Profit for the year	-	-	-	1,139,074,462	1,139,074,462	-	-	-	1,139,074,462
Other comprehensive (loss) / income	-	-	-	(8,200,010)	(8,200,010)	934,731,258	(949,879)	933,781,379	925,581,369
	-	-	-	1,130,874,452	1,130,874,452	934,731,258	(949,879)	933,781,379	2,064,655,831
Balance as at June 30, 2017	196,875,000	145,740,000	1,183,845,000	10,693,287,860	12,022,872,860	4,835,120,062	140,343	4,835,260,405	17,055,008,265
Distribution to owners									
Final dividend related to the year ended June 30, 2017 at the rate of Rs.1.50 per share	-	-	-	(29,531,250)	(29,531,250)	-	-	-	(29,531,250)
Total comprehensive loss for the year ended June 30, 2018									
Profit for the year	-	-	-	1,172,755,836	1,172,755,836	-	-	-	1,172,755,836
Other comprehensive loss	-	-	-	(7,893,616)	(7,893,616)	(1,906,675,316)	(140,343)	(1,906,815,659)	(1,914,709,275)
	-	-	-	1,164,862,220	1,164,862,220	(1,906,675,316)	(140,343)	(1,906,815,659)	(741,953,439)
Balance as at June 30, 2018	196,875,000	145,740,000	1,183,845,000	11,828,618,830	13,158,203,830	2,928,444,746	-	2,928,444,746	16,283,523,576

The annexed notes 1 to 47 form an integral part of these financial statements.

Laure :
Dated : September 27, 2018

Shahid/Abdullah Chief Executive	Yousuf Abdullah Director	Jawwad Faisal Chief Financial Officer
---	------------------------------------	---

Notes to the Financial Statements

For the year ended June 30, 2018

1. LEGAL STATUS AND OPERATIONS

Sapphire Fibres Limited (the Company) was incorporated in Pakistan on June 5, 1979 as a Public Company under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn, fabrics and garments.

Geographical location and addresses of major business units including mills / plant of the Company are as under:

Karachi	Purpose
316, Cotton Exchange Building, I.I Chundrigar Road	Registered office
Lahore	
7 A- K, Main Boulevard, Gulberg	Head office
3.5 km, Manga Road, Riawand	Production plant
Shiekhpura	
10 km, Sheikhpura / Faisalabad Road, Kharianwala	Production plant
26 km, Sheikhpura / Faisalabad Road, Feroze wattoan	Production plant

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

-International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

-Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 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 Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise specified.

2.4 New and amended standards and interpretations

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

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

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

(a) Amendments to IAS 7, 'Statement of cash flows'. The amendment requires disclosures that enable users of financial

Notes to the Financial Statements

For the year ended June 30, 2018

statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only resulted in some additional disclosures in the Company's financial statements.

- (b) IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealized losses. These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.
- (c) The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the incorporation of significant additional disclosures and elimination of duplicative disclosures with the IFRS disclosure requirements.

2.4.2 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, 2017 and have not been early adopted by the Company:

- (a) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 01, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is assessing the impact of this standard on its financial statements.
- (c) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 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 is assessing the impact of these changes on its financial statements.
- (d) Annual improvements to IFRS Standards 2015-2017 Cycle applicable to accounting periods beginning on or after January 1, 2019. The new cycle of improvements addresses improvements to following approved accounting standards:
- IAS 12 Income Taxes. The amendment clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.
 - IAS 23 'Borrowing Costs'. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non – qualifying assets – are included in that general pool.

The Company is yet to assess the impact of these changes on its 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.

Notes to the Financial Statements

For the year ended June 30, 2018

2.5 Critical accounting estimates and judgements

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.

In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- (i) Estimate of useful lives, residual values and depreciation method 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 realizable 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) Current income tax expense, provision for current tax and recognition of deferred tax asset [note 3.16]

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 recognized 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 5.1. 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 statement of profit or loss.

Notes to the Financial Statements

For the year ended June 30, 2018

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 recognized in income currently.

Un-allocated capital expenditure

All costs or expenditures attributable to work in progress are capitalized 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 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 applicable rates. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized 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 amortization 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 recognized as capital improvement and added to the original cost of the softwares. Costs associated with maintaining computer softwares are recognized as an expense as and when incurred.

Amortization

Amortization is charged over the estimated useful life of the asset on a systematic basis applying the straight-line method at rates stated in note 7. Amortization 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 recognized on the trade date i.e. the date on which the Company commits to purchase or sell the investment. All investments are initially recognized 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 recognized at fair value and related transaction costs are charged to the statement of profit or loss.

(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 recognized directly in statement of profit or loss.

(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

Notes to the Financial Statements

For the year ended June 30, 2018

ability to hold till maturity. Held to maturity investments are measured at amortized 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 recognized 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 recognized as an expense in statement of profit or loss.

(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 recognized in other comprehensive income. Gains or losses on available for sale investments are recognized in statement of 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 statement of other comprehensive income is included in current period's statement of profit or loss.

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 realizable value (NRV) except waste, which is valued at NRV. Cost has been determined as follows:

Particulars	Mode of valuation
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 realizable value
Waste	- net realizable value

Net realizable 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 recognized 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.

Notes to the Financial Statements

For the year ended June 30, 2018

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 recognized in statement of profit or loss as deduction from the relevant expenses on matching basis.

3.9 Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized 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 statement of profit or loss account for the year.

Financial instruments carried on the reporting date include long term & short term investments, long term loans, deposits, trade debts, loans and advances, other receivables, bank balances, long term finances, 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, amortized 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 recognized in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss. Amounts accumulated in equity are reclassified to the statement of profit or loss in the periods in which the hedged item will affect the statement of profit or loss.

(b) Fair value hedge

Fair value hedge represents a hedge of the fair value of a recognized 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 statement of profit or loss, 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 statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

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

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances

Notes to the Financial Statements

For the year ended June 30, 2018

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 recognized in the statement of profit or loss. 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 statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cash-in-hand and balances with banks.

3.14 Borrowings

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

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, 2018 on the basis of projected unit credit method by an Independent Actuary. The liability recognized in the statement of financial position 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 recognized in the statement of financial statement immediately, with a charge or credit to statement of other comprehensive income in the periods in which they occur.

3.16 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in statement of other comprehensive income or directly in equity. In this case, the tax is also recognized in statement of other comprehensive income or directly in equity, respectively.

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 recognized using the statement of financial position 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 recognized 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 utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized 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 realized 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 statement of profit or loss, except in the case of items credited or charged to statement of other comprehensive income / equity in which case it is included in statement of 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.

Notes to the Financial Statements

For the year ended June 30, 2018

3.18 Provisions

Provisions are recognized 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 Pakistan Rupees at the exchange rates prevailing at the reporting date. All arising exchange gains and losses are recognized in the statement of profit or loss.

3.20 Revenue recognition

Revenue is recognized 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 recognized on delivery / dispatch of goods to customers;
- export rebate is accounted for on accrual basis;
- dividend income from investments is recognized 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 capitalized 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 statement of profit or loss.

3.22 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognized 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. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

- (a) During the year, the Company incurred major capital expenditure as part of its plan for capacity expansion of its denim unit. For detail of capital expenditure refer note 5.1 to the financial statements.
- (b) During the year, prices of the Company's investments in listed equities showed a decreasing trend. This has been reflected in statement of other comprehensive income as a reversal of booked unrealized capital gains.
- (c) All other significant transactions and events that have affected the Company financial position and performance during the year have been adequately disclosed in these financial statements. For detail performance review of the Company refer Chairman's Review Report and Directors' Report on the Company's operations.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 ----- Rupees -----	2017
Operating fixed assets	5.1	9,469,436,155	8,335,534,845
Capital work-in-progress	5.3	835,159,007	488,862,769
		<u>10,304,595,162</u>	<u>8,824,397,614</u>

Notes to the Financial Statements

For the year ended June 30, 2018

5.1 Operating fixed assets

	Equipment											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	Arms and ammunition	Tools
At July 1, 2016																	
Cost	314,735,907	106,713,250	641,669,440	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	16,376,595	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	1,576,792,686	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
Year ended June 30, 2017																	
Opening net book value	314,735,907	106,713,250	483,377,243	9,508,777	1,576,792,686	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
Additions	84,885,473	206,531,800	71,339,689	-	175,400,114	785,357,841	19,874,153	343,031	374,850	5,183,717	916,490	3,136,569	55,988,064	6,692,931	-	-	1,416,024,732
Disposals:																	
- cost	-	-	-	-	-	62,307,182	-	-	-	-	-	-	25,754,591	-	-	-	86,061,773
- accumulated depreciation	-	-	-	-	-	(53,331,963)	-	-	-	-	-	-	(18,384,432)	-	-	-	(71,716,395)
	-	-	-	-	-	8,975,219	-	-	-	-	-	-	7,370,159	-	-	-	16,345,378
Depreciation charge	-	-	25,091,677	1,901,755	159,918,400	386,581,553	28,527,718	34,592	470,073	1,278,827	1,070,844	1,862,449	23,488,208	2,017,874	2,111	4,103	632,249,984
Closing net book value	399,621,380	313,245,050	529,625,265	7,607,022	1,592,274,400	5,049,807,354	268,936,835	625,770	4,324,365	15,947,622	10,477,706	6,722,007	113,059,283	23,204,855	19,001	36,930	8,335,534,845
At June 30, 2017																	
Cost	399,621,380	313,245,050	713,039,139	28,636,645	2,299,276,065	8,621,586,169	364,263,386	1,376,608	19,746,970	38,490,680	20,062,609	19,515,164	201,443,000	47,705,397	149,886	248,579	13,088,386,727
Accumulated depreciation	-	-	183,413,874	21,029,623	707,001,665	3,571,758,815	98,326,551	750,838	15,422,605	22,543,058	9,584,903	12,793,157	88,383,717	24,500,542	130,885	211,649	4,752,851,882
Net book value	399,621,380	313,245,050	529,625,265	7,607,022	1,592,274,400	5,049,807,354	268,936,835	625,770	4,324,365	15,947,622	10,477,706	6,722,007	113,059,283	23,204,855	19,001	36,930	8,335,534,845
Year ended June 30, 2018																	
Opening net book value	399,621,380	313,245,050	529,625,265	7,607,022	1,592,274,400	5,049,807,354	268,936,835	625,770	4,324,365	15,947,622	10,477,706	6,722,007	113,059,283	23,204,855	19,001	36,930	8,335,534,845
Additions	41,671,750	-	174,366,450	-	315,205,997	1,224,716,424	-	19,145,390	-	180,000	421,430	2,147,250	33,949,091	866,938	-	-	1,812,670,720
Disposals:																	
- cost	-	-	-	-	-	111,411,069	-	-	-	-	-	-	121,693	22,064,084	-	-	133,596,846
- accumulated depreciation	-	-	-	-	-	(97,209,262)	-	-	-	-	-	-	(84,797)	(16,626,169)	-	-	(113,920,228)
	-	-	-	-	-	14,201,807	-	-	-	-	-	-	36,896	5,437,915	-	-	19,676,618
Depreciation charge	-	-	27,207,790	1,521,404	162,019,941	406,651,044	28,893,684	661,332	432,437	1,612,762	1,051,284	2,135,583	26,501,455	2,398,483	1,900	3,683	659,092,792
Closing net book value	441,293,130	313,245,050	676,783,925	6,085,618	1,745,460,456	5,853,670,927	242,043,151	19,109,828	3,891,928	14,514,860	9,847,852	6,896,778	115,069,004	21,673,310	17,101	33,237	9,468,466,155
At June 30, 2018																	
Cost	441,293,130	313,245,050	887,405,589	28,636,645	2,614,482,062	9,734,871,524	364,263,386	20,521,998	19,746,970	38,670,680	20,484,039	21,540,721	213,328,007	48,572,335	149,886	248,579	14,767,460,601
Accumulated depreciation	-	-	210,621,664	22,551,027	869,021,606	3,881,200,597	122,220,235	1,412,170	15,655,042	24,155,820	10,636,187	14,843,943	98,259,003	26,899,025	132,785	215,342	5,298,024,446
Net book value	441,293,130	313,245,050	676,783,925	6,085,618	1,745,460,456	5,853,670,927	242,043,151	19,109,828	3,891,928	14,514,860	9,847,852	6,896,778	115,069,004	21,673,310	17,101	33,237	9,468,466,155
Depreciation rate (% - per annum)	5	20	10	5 & 10	10	10	10	10	10	10	10	30	20	10	10	10	10

(note 5.1.1)

Notes to the Financial Statements

For the year ended June 30, 2018

5.1.1 Freehold land includes Rs. 80.685 million representing the Company's 30% share of jointly controlled property located at Block-D/1, Gulberg, Lahore, registered in the name of the Company along with Sapphire Textile Mills Limited, Diamond Fabrics Limited, and Sapphire Finishing Mills Limited (Related Parties).

5.1.2 Particulars of immovable property in the name of Company are as follows:

Location	Usage of immovable property	Total area in square yards
Freehold Land		
- Kharianwala, District Shiekhupura.	Production plant	174,815
- Ferozewattoan, District Shiekhupura.	Production plant	563,771
- Riawind, District Lahore.	Production plant	916,366
- Block-D/1, Gulberg, District Lahore.	Proposed office	1,497
Leasehold Land		
- Nooriabad, Karachi.	Proposed Mill / Factory	135,520
- Port Qasim Authority, Karachi.	Proposed warehouse	14,520
- Defence Housing Authority, Karachi.	Proposed office	666

	Note	2018	2017
		----- Rupees -----	
5.2 Depreciation charge has been allocated as follows:			
Cost of goods manufactured	29.1	640,887,675	613,429,969
Administrative expenses	31	18,205,117	18,820,015
		659,092,792	632,249,984

5.3 Capital work-in-progress			
Buildings		165,158,330	132,495,181
Plant and machinery (including in transit aggregating Rs.79.98 million (June 30, 2017: Rs.Nil))		579,792,490	212,176,425
Equipments		200,000	-
Advance payments against:			
- land - freehold		15,428,500	38,730,656
- factory / office building		45,965,772	79,210,265
- plant and machinery		-	13,538,559
- electric installation		20,030,273	-
- vehicles		7,613,667	9,911,683
- computer software		969,975	2,800,000
		90,008,187	144,191,163
		835,159,007	488,862,769

5.3.1 Borrowing cost at the rates ranging from 2.50% to 7.42% (2017: 7.10% to 7.12%) per annum amounting Rs.3,858 thousand (2017: Rs. 58 thousand) has been included in the cost of plant and machinery.

Notes to the Financial Statements

For the year ended June 30, 2018

5.4 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.500,000 each							
Plant and machinery							
Carding Machines DX-803	24,493,469	21,234,548	3,258,921	3,500,000	241,079	Negotiation	Ideal Trading Company (Pvt.) Ltd.
Carding Machines DX-803	10,497,198	9,124,809	1,372,389	1,500,000	127,611	Negotiation	Ideal Trading Company (Pvt.) Ltd.
Unilap E-30	5,536,372	4,725,013	811,359	800,000	(11,359)	Negotiation	Ravi Spinning Mills Ltd.
Combers E-62	29,065,953	24,806,315	4,259,638	4,800,000	540,362	Negotiation	Ravi Spinning Mills Ltd.
Combers E-7/6	13,529,216	12,682,624	846,592	512,820	(333,772)	Negotiation	Jilani Textile Traders.
Diesel Generators	1,589,671	1,023,219	566,452	344,538	(221,914)	Negotiation	Mr. Javaid Iqbal, Lahore.
Drawing Machine DX-8	2,764,147	1,995,518	768,629	815,455	46,826	Negotiation	AG Textile Mills Ltd.
Drawing Machine DX-8	5,238,015	3,891,377	1,346,638	1,518,182	171,544	Negotiation	Nadeem Textile Mills Ltd.
	92,714,041	79,483,423	13,230,618	13,790,995	560,377		
Vehicles							
Honda Civic	2,637,000	842,375	1,794,625	1,900,000	105,375	Negotiation	Mr. Naveed Anwer, Lahore.
Various assets having net book value upto Rs.500,000 each							
	38,245,805	33,594,430	4,651,375	10,249,440	5,598,065		
June 30, 2018	133,596,846	113,920,228	19,676,618	25,940,435	6,263,817		
June 30, 2017	88,061,773	71,716,395	16,345,378	35,985,407	19,640,029		

6. INVESTMENT PROPERTY

6.1

This represents free-hold land situated at Raiwind Road, Lahore having an area of 5,000 square yards.

6.2

Fair value of the investment property, based on the management estimation, as at June 30, 2018 was Rs.45 million (2017: Rs.40 million).

7. INTANGIBLE ASSETS

These represent computer software licenses.

Net carrying value as at July 1,

	2018	2017
----- Rupees -----		
Opening net book value	1,593,123	2,878,869
Addition during the year	3,896,900	-
Amortization for the year	(1,351,686)	(1,285,746)
Net book value as at June 30,	4,138,337	1,593,123
Gross carrying value as at June 30,		
Cost	26,461,921	22,565,021
Accumulated amortization	22,323,584	20,971,898
Net book value	4,138,337	1,593,123
Amortization rate (% per annum)	20	20

Notes to the Financial Statements

For the year ended June 30, 2018

8.	LONG TERM INVESTMENTS	Note	2018 ----- Rupees -----	2017
	Subsidiaries Companies - at cost	8.1	3,275,008,316	3,040,008,316
	Associated Companies - at cost	8.2	758,276,769	758,276,769
	Others - available for sale	8.3	4,851,764,286	5,858,469,911
			<u>8,885,049,371</u>	<u>9,656,754,996</u>
8.1	Subsidiary Company unquoted			
	Sapphire Electric Company Limited (SECL)			
	288,782,600 ordinary shares of Rs.10 each	8.1.1	3,039,008,316	3,039,008,316
	Equity held: 68.11%			
	Premier Cement Limited (PCL)			
	18,550,000 (2017: 50,000) ordinary shares of Rs.10 each	8.1.2	185,500,000	500,000
	Equity held: 100%			
	Sapphire Cement Company Limited (SCCL)			
	50,000 ordinary shares of Rs.10 each	8.1.3	500,000	500,000
	Equity held: 100%			
	Sapphire Energy (Pvt.) Limited (SEPL)			
	5,000,000 ordinary shares of Rs.10 each	8.1.4	50,000,000	-
	Equity held: 100%			
			<u>3,275,008,316</u>	<u>3,040,008,316</u>

8.1.1 SECL was incorporated in January 18, 2005 as a public limited company. 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 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.

8.1.2 PCL is a wholly owned Subsidiary Company incorporated during the preceding year as a public limited company. During the year, the Parent Company made further investment of Rs.185 million in PCL by acquiring 18.5 million shares of Rs.10 each. The Subsidiary Company intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

8.1.3 SCCL is a wholly owned Subsidiary Company incorporated during the preceding year as a public limited company. The Subsidiary Company intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

8.1.4 SEPL is a wholly owned Subsidiary Company incorporated during the year as a private limited company. The Subsidiary Company intends to establish and install plant for handling, storage, treatment and processing of Liquefied Natural Gas, Re-gasified Liquefied Natural Gas, Liquid Petroleum Gas, Natural Gas Liquid and its allied products.

Notes to the Financial Statements

For the year ended June 30, 2018

		2018	2017
		----- Rupees -----	
8.2	Associated Companies- Quoted		
	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.22.167 million (2017: Rs.18.326 million)		
	SFL Limited		
	10,199 ordinary shares of Rs.10 each	100,000	100,000
	Equity held: 0.051%		
	Fair value: Rs.1.509 million (2017: Rs.1.499 million)		
	Associated Companies- unquoted		
	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.54.007 (2017: Rs.64.89)		
	Sapphire Dairies (Private) Limited		
	10,000,000 ordinary shares of Rs.10 each	100,000,000	100,000,000
	Equity held: 9.09% (2017: 9.09%)		
	Break-up value per share on the basis of un-audited financial statements Rs.10.42 (2017: Rs.9.71)		
	Tricon Boston Consulting Corporation (Private) Limited (TBCCL) - note 8.2.1		
	59,251,500 ordinary shares of Rs.10 each	592,515,000	592,515,000
	Equity held: 7.13%		
	Break-up value per share on the basis of un-audited financial statements Rs.9.73 (2017: Rs. 9.84)		
		758,276,769	758,276,769
8.2.1	The Company has pledged these shares through an Onshore Security Trustee under Share Pledge Agreement dated May 08, 2017 as security against financing facilities availed by TBCCL.		
8.2.2	The existence of significant influence by the Company is evidenced by the representation on the board of directors of abovementioned Associated Companies.		
8.2.3	Investments made during the year in the Subsidiary Companies have been made in accordance with the requirements under the Companies Act, 2017.		
8.3	Others - available for sale	2018	2017
		----- Rupees -----	
	Quoted		
	MCB Bank Limited		
	18,213,195 (2017: 18,368,286) ordinary shares of Rs.10 each - cost	896,451,123	893,476,093
	Adjustment arising from re-measurement to fair value	2,705,572,452	2,971,762,329
		3,602,023,575	3,865,238,422

Notes to the Financial Statements

For the year ended June 30, 2018

	2018	2017
	----- Rupees -----	
Habib Bank Limited	Note	
7,244,196 ordinary shares of Rs.10 each - cost	1,217,073,609	1,217,073,609
Adjustment arising from re-measurement to fair value	(11,349,626)	732,629,302
	1,205,723,983	1,949,702,911
Term finance certificates - Habib Bank Limited		
150 Term finance certificates of Rs.100,000 each - cost	14,988,000	15,000,000
Adjustment arising from re-measurement to fair value	(187,350)	(187,500)
	14,800,650	14,812,500
	4,822,548,208	5,829,753,833
Unquoted - at cost		
Novelty Enterprises (Private) Limited		
2,351,995 ordinary shares of Rs.10 each	28,716,078	28,716,078
TCC Management Services (Private) Limited		
50,000 ordinary shares of Rs.10 each	500,000	-
	4,851,764,286	5,858,469,911
9. LONG TERM LOANS - Secured		
Loans due from employees	9.1 & 9.2	418,000
Less: recoverable within one year and grouped under current assets		5,088,500
		121,000
		1,333,500
		297,000
		3,755,000
9.1	These represent interest free loans provided to 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. The Company has not provided any loan to its Key management personnel.	
9.2	Preceding year figure included loan amounting Rs.4.670 million given to one of the Company's executive. This loan has been recovered during the year.	
10. STORES, SPARE PARTS AND LOOSE TOOLS	Note	
Stores		2018
Spare parts		2017
Loose tools		----- Rupees -----
Items in transit		59,718,901
		57,577,889
		89,231,466
		60,264,195
		366,974
		223,728
		55,592,929
		40,174,392
		204,910,270
		158,240,204
Less: provision for slow moving items	10.1	6,139,726
		1,971,784
		198,770,544
		156,268,420

Notes to the Financial Statements

For the year ended June 30, 2018

10.1 Provision for slow moving items	Note	2018 ----- Rupees -----	2017
Balance at beginning of the year		1,971,784	1,971,784
Add: provision made during the year		4,167,942	-
Balance at end of the year		<u>6,139,726</u>	<u>1,971,784</u>

11. STOCK-IN-TRADE		2018	2017
Raw materials:			
- at mills		3,197,208,089	2,507,197,655
- in transit		413,338,319	292,859,969
- at third party's premises	11.1	<u>103,889,305</u>	<u>25,873,795</u>
		3,714,435,713	2,825,931,419
Work-in-process		439,022,953	309,426,974
Finished goods:			
- at mills	11.2	<u>578,638,858</u>	566,555,637
- at third party's premises		<u>64,174,710</u>	130,432,083
		642,813,568	696,987,720
		<u>4,796,272,234</u>	<u>3,832,346,113</u>

11.1 This stock is lying for processing and finishing.

11.2 Included in the finished goods items costing Rs.313.979 million which have been stated at their net realizable value aggregated Rs.274.562 million. The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.39.417 million.

12. TRADE DEBTS	Note	2018 ----- Rupees -----	2017
Considered good			
Unsecured			
- local		551,828,963	449,714,480
- indirect export		73,842,312	62,253,117
		<u>625,671,275</u>	<u>511,967,597</u>
Secured - foreign debts		2,161,477,423	1,140,245,064
Considered doubtful			
Unsecured - foreign debts	12.5	<u>93,962,301</u>	80,792,719
		2,881,110,999	1,733,005,380
Less: provision for doubtful debts		<u>30,200,000</u>	<u>20,200,000</u>
		<u>2,850,910,999</u>	<u>1,712,805,380</u>

12.1. With respect to outstanding foreign debts break-up of sales made in each foreign jurisdiction along with its credit terms is as follows:

Foreign jurisdictions	Credit terms	2018 ----- Rupees -----	2017
Asia	Confirmed	692,996,462	-
Africa	-- do --	158,512,201	438,398,643
Australia	-- do --	18,515,569	-
Europe	-- do --	1,722,707,512	1,482,118,519
South America	-- do --	-	146,547,574
		<u>2,592,731,744</u>	<u>2,067,064,736</u>

Notes to the Financial Statements

For the year ended June 30, 2018

		2018	2017
		----- Rupees -----	
Foreign jurisdictions	Credit terms		
Asia	Contract	350,481,544	845,388,341
Africa	-- do --	-	175,263,576
Australia	-- do --	18,295,271	47,262,836
Europe	-- do --	1,341,725,597	1,772,762,988
North America	-- do --	-	4,868,434
South America	-- do --	33,929,076	-
		1,744,431,488	2,845,546,175
12.2	These include the following amounts due from related parties:		
Diamond Fabrics Limited		8,742,558	40,154,081
Reliance Cotton Spinning Mills Limited		2,324,950	2,656,082
Sapphire Textile Mills Limited		10,953,166	35,345,930
Sapphire Power Generation Limited		175	3,141
Sapphire Finishing Mills Limited		57,600	-
		22,078,449	78,159,234
12.3	The ageing of trade debts at June 30, is as follows:		
		Related parties	Others
		2018	2017
		2018	2017
		----- Rupees -----	
Not past due		243,420	7,872,146
Past due 1-30 days		21,647,940	69,799,969
Past due 31-60 days		39,000	487,119
Past due 61-90 days		-	-
Past due 91-365 days		147,914	-
Past due one year		175	-
		22,078,449	78,159,234
		2,390,187,402	1,222,391,337
		285,911,086	272,425,379
		78,863,931	39,979,531
		23,938,795	2,728,460
		8,904,415	20,302,506
		41,026,921	76,818,933
		2,828,832,550	1,634,646,146
12.4	The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.153.001 million (2017: Rs.108.111 million).		
12.5	These represent doubtful receivables amounting U.S. Dollar 610.229 thousand and U.S. Dollar 163.763 thousand from M/s. Star Knitwear Ltd. Mauritius, Hong Kong and M/s. Cortland Industries Inc. New York, United States respectively. Based on the management best estimate provision for doubtful recoverable amount has been made in these financial statements.		
13. LOANS AND ADVANCES		2018	2017
- Considered good	Note	----- Rupees -----	
Current portion of long term loans to employees	9	121,000	1,333,500
Advances to:			
- suppliers and contractors		67,355,682	39,006,549
- employees		2,329,045	3,257,921
- others		60,694,394	93,609,215
		130,379,121	135,873,685
Letters of credit		624,968	1,368,131
		131,125,089	138,575,316

Notes to the Financial Statements

For the year ended June 30, 2018

14.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	2018	2017
		----- Rupees -----	
	Security deposits	934,608	934,608
	Margin against shipping guarantees	42,866,043	6,905,877
	Prepayments	5,042,985	3,979,544
		48,843,636	11,820,029

15. SHORT TERM INVESTMENTS - Available for sale - Quoted

	2018	2017	Name of the investee company	Market value		Cost	
	No. of shares / certificates			2018	2017	2018	2017
				----- Rupees -----			
	-	287,500	Al Shaheer corporation Limited	-	11,531,625	-	16,657,683
	45,600	45,600	Attock Petroleum Limited	26,903,544	28,565,208	12,153,848	12,153,848
	9,538,500	9,538,500	Bank Al-Habib Limited	751,919,955	541,309,875	419,888,054	419,888,054
	269,647	237,575	Charat Packaging Limited	38,745,577	56,490,584	35,824,418	31,815,418
	625,000	625,000	Crescent Steel & Allied Products Limited	56,981,250	149,106,250	52,616,540	52,616,540
	700,000	700,000	D.G Khan Cement Company Limited	80,143,000	149,212,000	81,272,992	81,272,992
	2,396,600	2,396,600	Engro Corporation Limited	752,196,876	781,075,906	589,213,189	589,213,189
	4,540,500	5,540,500	Fauji Cement Company Limited	103,750,425	227,326,715	133,814,557	163,284,557
	-	500	First Punjab Modaraba	-	4,000	-	2,942
	7,766,704	6,862,304	Habib Bank Limited	1,292,690,214	1,846,920,499	1,603,060,152	1,416,973,482
	186,500	186,500	Habib Sugar Mills Limited	7,553,250	6,984,425	6,397,292	6,397,292
	10,500	10,500	Haji Muhammad Ismail Mills Limited	-	77,700	126,000	126,000
	77,500	77,500	Honda Atlas Cars (Pakistan) Limited	24,520,225	67,245,975	17,952,470	17,952,470
	-	2,500,000	Hum Television Network Limited	-	29,350,000	-	25,395,025
	100,000	100,000	IGI Insurance Limited	28,800,000	31,680,000	24,684,626	24,684,626
	-	134	KASB Modaraba	-	335	-	-
	12,878,000	12,878,000	K-Electric Limited	73,147,040	88,858,200	120,385,975	120,385,975
	303,000	303,000	Lucky Cement Limited	153,902,790	253,386,780	117,777,538	117,777,538
	-	1,302	MIB Bank Limited (Formerly NIB Bank Ltd)	-	2,239	-	13,734
	-	144,000	Nishat Chunian Power Limited	-	6,415,200	-	6,309,276
	100,000	100,000	Nishat Mills Limited	14,092,000	15,868,000	9,115,972	9,115,972
	-	150,000	Nishat Power Limited	-	7,086,000	-	5,286,560
	100,000	100,000	Packages Limited	48,972,000	69,558,000	25,060,500	25,060,500
	311,760	259,800	Pakistan State Oil Company Limited	99,236,326	100,633,530	63,918,848	63,918,848
	-	4,990,500	Soneri Bank Limited	-	73,260,540	-	71,202,355
	1,000,000	-	Tariq Glass Industries Ltd.	107,160,000	-	101,129,230	-
	-	43,100	The Hub Power Company Limited	-	5,061,233	-	3,534,740
	78,326	65,272	The Searle Company Limited	26,591,677	33,417,959	2,571,486	2,571,486
	-	143	Trust Investment Bank Limited	-	489	-	660
	431,300	1,185,300	United Bank Limited	72,881,074	279,161,856	80,749,609	216,675,869
				3,760,187,223	4,859,591,123	3,497,713,296	3,500,287,631
			Add: Adjustment arising from re-measurement to fair value			262,473,927	1,359,303,492
			Market value			3,760,187,223	4,859,591,123

Notes to the Financial Statements

For the year ended June 30, 2018

16. OTHER RECEIVABLES	Note	2018 ----- Rupees -----	2017
Advance income tax		371,017,694	316,979,793
Export rebate & duty drawbacks		562,362,066	234,322,671
Dividend receivable		4,148,616	13,719,673
Unrealized gain on re-measurement of forward contracts		-	140,343
Accrued mark-up on term finance certificates		374,726	724,468
Due from Subsidiary Companies			
- Premier Cement Limited	16.1	-	26,385,567
- Sapphire Cement Company Limited	16.2	168,600	168,600
Others		1,562,689	1,274,752
		939,634,391	593,715,867
<p>16.1 The Company has entered into a loan agreement with Premier Cement Limited (the Subsidiary Company), to provide an unsecured loan amounting Rs.500 million for working capital requirements. This loan carries mark-up at the rate of average borrowing cost of the Company and is repayable at the discretion of the Subsidiary Company. Effective mark-up rate charged by the Company, during the year, was 6.00% per annum. The maximum aggregate amount outstanding against this loan at the end of any month during the year was Rs.164.394 million (2017: Rs.26.385 million).</p>			
<p>16.2 This represents receivable past due for than one year.</p>			
17. TAX REFUNDS DUE FROM GOVERNMENT	Note	2018 ----- Rupees -----	2017
Sales tax		484,625,838	680,608,991
Income tax		371,221,217	375,313,567
Excise duty		15,075,327	12,700,397
Less: provision for doubtful tax refunds	17.1	219,008,407	111,366,369
		651,913,975	957,256,586
<p>17.1 Provision for doubtful tax refunds</p>			
Balance at beginning of the year		111,366,369	51,876,144
Add: provision for the year		107,642,038	59,490,225
Balance at end of the year		219,008,407	111,366,369
18. CASH AND BANK BALANCES			
Cash-in-hand	18.1	3,476,101	3,861,244
Balances with banks on:			
- current accounts	18.2	9,193,384	16,064,716
- term deposit account (TDA)	18.3	6,040,000	6,040,000
- dividend account		5,337,641	5,542,924
		20,571,025	27,647,640
		24,047,126	31,508,884
<p>18.1 Cash-in-hand includes Rs.0.595 million (2017: Rs.0.555 million) advanced to employees for various expenses.</p>			
<p>18.2 These include foreign currency deposits amounting to US.\$ 13,093 (2017: US.\$ 24,655).</p>			

Notes to the Financial Statements

For the year ended June 30, 2018

18.3 Effective rates of profit on TDA, during the year, ranged from 4.00% to 4.35% (2017: 3.75% to 4.50%) 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.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2018	2017		2018	2017
	----- Numbers -----			----- 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

19.1 Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

19.2 10,196,896 (2017: 10,196,896) ordinary shares of Rs.10 each are held by the related parties as at year-end.

20. RESERVES

	Note	2018	2017
		----- Rupees -----	
Capital reserve - share premium	20.1	145,740,000	145,740,000
General reserve		1,183,845,000	1,183,845,000
Unrealized gain on available for sale investments		2,928,444,746	4,835,120,062
Unrealized gain on hedging instruments		-	140,343
		4,258,029,746	6,164,845,405

20.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued.

21. LONG TERM FINANCES - Secured

	Note	2018	2017
		----- Rupees -----	
From banking companies:			
- MCB Bank Limited (formerly NIB Bank Limited)			
- Long term finance facility	21.1	68,625,430	79,323,000
- Demand finance	21.2	34,419,000	46,302,252
		103,044,430	125,625,252
- Allied Bank Limited	21.3	912,331,650	960,357,100
- United Bank Limited	21.4	1,373,174,102	1,155,089,780
- MCB Bank Limited	21.5	1,293,086,000	470,702,000
- Habib Bank Limited	21.6	1,000,000,000	1,000,000,000
		4,681,636,182	3,711,774,132
Less: current portion grouped under current liabilities		804,466,175	121,675,950
		3,877,170,007	3,590,098,182

Notes to the Financial Statements

For the year ended June 30, 2018

- 21.1** The Company has arranged long term finance facilities amounting Rs.150 million from MCB Bank Limited (formerly NIB Bank Limited) to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.156.939 million in fourteen tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate 3.00% to 5.50% (2017: 3.00% to 9.40%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.
- 21.2** The Company, during the preceding year, converted four tranches of long term finance facilities amounting Rs.46.302 million into a demand finance facility. This finance facility is repayable in seven equal semi-annual instalments commenced from June, 2017 and carries mark-up at the rate of 3 month Kibor + 1%; effective mark-up rate charged, during the year, ranged from 7.10% to 7.16% (2017: 7.10% to 7.12%) per annum. This finance facility is secured against joint pari passu charge of Rs.200 million over the imported machinery.
- 21.3** The Company 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 disbursed Rs.960.357 million in seventeen tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate of 2.50% (2017: rates ranging from 2.50% to 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.
- 21.4** The Company 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. During the preceding years, the bank against the said facility disbursed Rs.1,155.090 million in twenty eight tranches of different amounts. During the current year, the bank has further disbursed Rs.269.024 million in eight tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 2.50% and 3.50% (2017: 2.50% to 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.
- 21.5** The Company has arranged long term finance facilities amounting Rs.1,350 million from MCB Bank Limited to retire import documents of plant and machinery. During the preceding year, the bank against the said facility disbursed Rs.470.702 million in the nineteen tranches of different amounts. During the current year, the bank has further disbursed Rs.834.434 million in eleven tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 2.50% to 7.42% (2017: 2.50% to 7.18%) per annum and are secured against first charge of Rs.1,134 million over the specific plant and machinery of the Company.
- 21.6** The Company, during the preceding year, has arranged a long term finance facility amounting Rs.1,000 million from Habib Bank Limited to repay the short term borrowings earlier utilized for setup of denim plant. This finance facility is repayable in eight equal quarterly installments commencing September, 2018 and carries mark-up at the rate of 3 month Kibor + 0.12% per annum; effective mark-up rates charged, during the year, ranged from 6.26% to 7.04% (2017: at the rate of 6.26%) per annum. This finance facility is secured against ranking charge of Rs.1,334 million with 25% margin over the specific plant and machinery of the Company.

Notes to the Financial Statements

For the year ended June 30, 2018

22. STAFF RETIREMENT BENEFIT - Gratuity

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

	2018	2017
	----- Rupees -----	
22.1 Amount recognized in the statement of financial position		
Net liability at the beginning of the year	322,591,928	283,847,228
Charge to statement of profit or loss	97,246,525	86,610,583
Remeasurement recognized in statement of other comprehensive income	8,423,010	8,949,179
Payments made during the year	(81,663,995)	(56,815,062)
Net liability at the end of the year	<u>346,597,468</u>	<u>322,591,928</u>
22.2 Movement in the present value of defined benefit obligation		
Balance at beginning of the year	322,591,928	283,847,228
Current service cost	75,410,130	61,560,494
Past service cost	-	6,530,711
Interest cost	21,836,395	18,519,378
Benefits paid	(81,663,995)	(56,815,062)
Remeasurements on obligation	8,423,010	8,949,179
Balance at end of the year	<u>346,597,468</u>	<u>322,591,928</u>
22.3 Expense recognized in statement of profit or loss		
Current service cost	75,410,130	61,560,494
Past service cost	-	6,530,711
Interest cost	21,836,395	18,519,378
	<u>97,246,525</u>	<u>86,610,583</u>
22.4 Remeasurements recognized in statement of other comprehensive income		
Experience loss	7,012,797	8,412,496
Actuarial loss	1,410,213	536,683
	<u>8,423,010</u>	<u>8,949,179</u>
22.5 Actuarial assumptions used		
Discount rate	9.00%	7.25%
Expected rate of increase in future salaries	8.00%	6.75%
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)

Notes to the Financial Statements

For the year ended June 30, 2018

22.6 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	Decrease in assumption
----- Rupees -----			
Discount rate	1.00%	<u>322,987,727</u>	<u>373,787,258</u>
Increase in future salaries	1.00%	<u>374,713,778</u>	<u>321,721,624</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 recognized within the statement of financial position.

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

22.7 Based on actuary's advice, the expected charge for the year ending June 30, 2019 amounts to Rs.110.678 million.

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

22.9 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, 2018	<u>62,935,563</u>	<u>108,896,334</u>	<u>169,289,075</u>	<u>2,934,399,257</u>	<u>3,275,520,229</u>

22.10 Historical information:

	2018	2017	2016	2015	2014
----- Rupees -----					
Present value of defined benefit obligation	<u>346,597,468</u>	<u>322,591,928</u>	<u>283,847,228</u>	<u>257,188,963</u>	<u>210,997,693</u>
Experience adjustment on obligation / actuarial loss	<u>8,423,010</u>	<u>8,949,179</u>	<u>(928,950)</u>	<u>26,308,442</u>	<u>26,530,765</u>

23. DEFERRED TAXATION - Net

The balance of deferred tax is in respect of following major temporary differences

Taxable temporary differences arising in respect of:

	2018	2017
----- Rupees -----		
- accelerated tax depreciation allowance	<u>121,819,895</u>	101,020,587
- re-measurement of investments	<u>28,064,658</u>	228,387,562
	<u>149,884,553</u>	329,408,149

Deductible temporary differences arising in respect of:

- staff retirement benefit - gratuity	<u>18,906,545</u>	17,226,409
- provision for slow moving inventory	<u>334,916</u>	105,293
	<u>19,241,461</u>	17,331,702
	<u>130,643,092</u>	312,076,447

Notes to the Financial Statements

For the year ended June 30, 2018

23.1 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 recognized as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

24. TRADE AND OTHER PAYABLES

	Note	2018 ----- Rupees -----	2017
Trade creditors	24.1	459,322,066	557,052,139
Accrued expenses	24.2	788,050,772	469,083,362
Advance payments		118,573,973	258,946,777
Bills payable	24.3	213,184,940	233,630,947
Sindh government infrastructure fee	24.4	180,292,541	148,680,406
Workers' profit participation fund	24.5	60,271,445	66,247,556
Workers' welfare fund	24.6	815,671	815,671
Staff provident fund		744,540	-
Others		13,114,579	14,042,585
		1,834,370,527	1,748,499,443

24.1 These balances include the following amounts due to related parties:

Reliance Cotton Spinning Mills Limited	31,308,865	45,643,597
Neelam Textile Mills Limited	475	-
Amer Cotton Mills Limited	17,977,786	156,703,039
Sapphire Textile Mills Limited	132,065	120,000
Sapphire Power Generation Limited	1,871,807	1,859,777
Sapphire Finishing Mills Limited	27,135	-
	51,318,133	204,326,413

24.2 These include Rs.15.300 million (2017: Rs.26.307) payable to Sapphire Power Generation Limited - a related party.

24.3 These are secured against import documents.

24.4 This provision has been recognized 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 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, 2018, the Company has provided bank guarantees aggregating Rs. 161.950 million (2017: Rs.131.950 million) in favor of Excise and Taxation Department. The management believes that the chance of success in the petition is in the Company's favor.

Notes to the Financial Statements

For the year ended June 30, 2018

	Note	2018 ----- Rupees -----	2017
24.5 Workers' profit participation fund			
Balance at beginning of the year		66,247,556	74,560,444
Add: interest on funds utilized by the Company		3,074,910	1,634,712
		<u>69,322,466</u>	76,195,156
Less: payments made during the year		69,322,466	76,195,156
		-	-
Add: allocation for the year		60,271,445	66,247,556
Balance at end of the year		<u>60,271,445</u>	<u>66,247,556</u>
24.6 Workers' welfare fund			
Balance at beginning of the year		815,671	171,633,177
Add: charge for the prior year		85,566	-
Less: reversal of prior years' liability		-	(170,817,506)
Less: payment made during the year		(85,566)	-
Balance at end of the year		<u>815,671</u>	<u>815,671</u>
25. ACCRUED MARK-UP / INTEREST			
Mark-up / interest accrued on:			
- long term finances		26,405,987	18,914,836
- short term borrowings		98,656,529	95,034,623
		<u>125,062,516</u>	<u>113,949,459</u>
26. SHORT TERM BORROWINGS			
Running / cash finances - secured	26.1	7,986,848,681	7,282,153,788
Running Musharaka finance - secured		1,000,000,000	-
Temporary bank overdraft - unsecured	26.2	14,749,263	7,409,825
		<u>9,001,597,944</u>	<u>7,289,563,613</u>

26.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs. 16,200 million (2017: Rs.14,700 million). These finance facilities, during the year, carried mark-up at the rates ranged from 2.25% to 7.52% (2017: 1.00% to 7.37%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.32,729 million (2017: Rs.32,437 million) over current 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.Nil (U.S.\$ Nil) [2017: Rs.1,032.83 million (U.S.\$ 9.836 million)] representing foreign currency loans obtained from various banks. The rates of mark-up on these finance facilities ranged from 1.15% to 2.25% (2017: 1.10% to 2.25%) per annum.

Facilities available for opening letters of credit and guarantees aggregate to Rs.7,380 million (2017: Rs.7,580 million) out of which the amount remained unutilized at the year-end was Rs.4,924 million (2017: Rs.5,636 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Company, cash margins and counter guarantee by the Company.

Above mentioned facilities are expiring on various dates upto March 31, 2019.

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

Notes to the Financial Statements

For the year ended June 30, 2018

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.538.248 million (2017: Rs.259.776 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

27.1.2 The Finance Act, 2017 amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 7.5% of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 40% of the accounting profit through cash dividend within six months of the end of the said year.

The Company filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2017 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A.

The dividend paid by the Company for the financial year 2017 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the SHC's decision is not in favor of the Company; the Company will be liable to pay additional tax at the rate of 7.5% of its profit before tax for the financial year ended June 30, 2017. As at reporting date no charge has been recorded in this respect.

	2018	2017
	----- Rupees -----	
27.2 Commitments		
Commitments in respect of :		
- letters of credit for capital expenditure	<u>145,536,511</u>	<u>699,262,767</u>
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	<u>220,464,198</u>	<u>142,589,420</u>
- capital expenditure other than letters of credit	<u>205,122,142</u>	<u>349,428,568</u>
- foreign currency forward contract	<u>-</u>	<u>263,145,000</u>
- foreign bills discounted	<u>1,297,115,345</u>	<u>561,045,440</u>
28. SALES - Net		
Export:		
Yarn	28.1 8,665,713,605	7,615,719,475
Fabric	2,235,448,286	1,066,235,139
Garments	3,140,256,967	2,513,794,932
Waste	28.2 259,016,074	217,225,977
	14,300,434,932	11,412,975,523
Local:		
Yarn	2,136,978,839	2,157,256,863
Fabric	487,065,011	181,129,462
Garments	18,017,323	6,864,498
Raw materials	58,889,353	58,411,868
Waste	28.2 223,652,640	216,138,256
Others	10,473,839	15,453,454
	2,935,077,005	2,635,254,401
	17,235,511,937	14,048,229,924
Export rebate & duty drawbacks	538,670,655	292,809,941
Processing services	65,632,868	137,110,044
	17,839,815,460	14,478,149,909
Less: sales tax	11,767,984	12,390,964
	17,828,047,476	14,465,758,945

Notes to the Financial Statements

For the year ended June 30, 2018

- 28.1** This includes indirect export of Rs. 2,037.219 million (2017: Rs.1,714.067 million).
28.2 Waste sales include sale of comber noil.
28.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.166.711 million (2017: Rs.32.496 million) has been included in export sales.

29. COST OF SALES

	Note	2018 ----- Rupees -----	2017
Finished goods at beginning of the year		696,987,720	514,758,796
Finished goods of trial run operations at the beginning of the year		-	985,630
Cost of goods manufactured	29.1	15,888,768,827	13,621,609,882
Cost of raw materials sold		59,698,662	51,357,622
		15,948,467,489	13,672,967,504
		16,645,455,209	14,188,711,930
Finished goods at end of the year		(642,813,568)	(696,987,720)
		16,002,641,641	13,491,724,210
29.1 Cost of goods manufactured			
Work-in-process at beginning of the year		309,426,974	160,305,731
Work-in-process of trial run operations at the beginning of the year		-	16,688,734
Raw materials consumed	29.2	10,662,345,530	9,244,752,106
Salaries, wages and benefits	29.3	1,465,445,387	1,278,555,736
Packing stores consumed		208,744,109	206,162,119
General stores consumed		294,559,729	255,773,056
Processing charges		1,119,464,654	783,395,274
Depreciation	5.2	640,887,675	613,429,969
Fuel and power		1,443,881,795	1,234,851,490
Repair and maintenance		38,045,955	25,778,965
Insurance		17,607,819	40,061,124
Vehicles' running		22,032,353	19,686,511
Travelling and conveyance		23,671,875	17,216,044
Printing and stationery		878,495	3,427,164
Legal and professional charges		26,092,850	3,783,244
Fee and subscription		36,005,750	10,236,912
Entertainment		10,037,013	9,125,515
Telephone		3,013,637	3,083,848
Postage		2,521,083	1,558,194
Rent, rates and taxes		3,129,097	3,165,120
		16,327,791,780	13,931,036,856
Work-in-process at end of the year		(439,022,953)	(309,426,974)
		15,888,768,827	13,621,609,882

Notes to the Financial Statements

For the year ended June 30, 2018

	Note	2018 ----- Rupees -----	2017
29.2 Raw materials consumed			
Stocks at beginning of the year		2,533,071,450	1,676,889,910
Stocks of trial run operations at beginning of the year		-	1,650,405
Purchases		11,430,371,474	10,099,283,241
		13,963,442,924	11,777,823,556
Stocks at end of the year		(3,301,097,394)	(2,533,071,450)
		10,662,345,530	9,244,752,106
29.3			
Salaries, wages and benefits include Rs.97.247 million (2017: Rs.86.610 million) in respect of staff retirement benefit - gratuity and Rs.4.251 million (2017: 3.611) contribution in respect of staff provident fund.			
30. DISTRIBUTION COST			
Salaries and other benefits	30.1	58,305,696	46,440,414
Travelling, conveyance and entertainment		21,024,891	10,543,626
Vehicles' running		2,173,330	1,690,760
Telephone		1,055,707	705,914
Postage		12,318,656	4,464,875
Printing and stationery		49,240	76,841
Sample expenses		499,682	738,852
Commission:			
- local		8,191,555	10,553,381
- export		161,187,549	114,419,212
		169,379,104	124,972,593
Freight and forwarding:			
- local		5,342,250	3,638,075
- export		261,516,915	210,319,160
		266,859,165	213,957,235
Export development surcharge		28,352,087	23,772,402
Other export expenses		20,390,867	15,707,478
Provision for doubtful debts		10,000,000	20,200,000
		590,408,425	463,270,990
30.1			
Salaries and other benefits include Rs.0.729 million (2017: Rs.0.800 million) in respect of contribution to staff provident fund.			

Notes to the Financial Statements

For the year ended June 30, 2018

31. ADMINISTRATIVE EXPENSES	Note	2018 ----- Rupees -----	2017
Directors' remuneration		24,483,871	33,000,000
Director's meeting fee		640,000	240,000
Salaries and other benefits	31.1	160,242,878	128,267,640
Telephone		7,205,947	5,782,822
Postage		470,820	363,882
Fee and subscription		7,374,831	9,364,924
Legal and professional charges		15,788,837	15,224,179
Entertainment		4,892,700	4,489,893
Travelling and conveyance		13,201,005	16,841,636
Printing and stationery		3,493,184	2,533,747
Rent, rates and taxes		7,416,428	5,830,507
Advertisement		203,929	1,570,649
Electricity, gas and water		4,282,066	6,189,127
Repair and maintenance		17,655,150	11,476,544
Vehicles' running		8,875,063	8,552,839
Charity and donations	31.2	3,677,769	28,137,438
Insurance		4,095,131	5,027,353
Depreciation	5.2	18,205,117	18,820,015
Amortization	7	1,351,686	1,285,746
		303,556,412	302,998,941
31.1 Salaries and other benefits include Rs.6.571 million (2017: Rs.5.681 million) in respect of contribution to staff provident fund.			
31.2 Donation amounting Rs.2.040 million (2017: Rs.22.940 million) has been made to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr Yousaf Abdullah and Mr.Shayan Abdullah have common directorship in both Companies.			
32. OTHER INCOME			
Income from financial assets			
Dividend income from:			
- related parties		866,586,803	867,129,827
- others		514,274,741	630,377,852
		1,380,861,544	1,497,507,679
Interest income bank deposits		250,478	251,758
Mark-up income on loan to a Subsidiary Company		6,545,566	-
Mark-up earned on term finance certificates		1,140,190	863,506
Gain on sale of investments		27,683,935	140,493,404
		1,416,481,713	1,639,116,347
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	5.4	6,263,817	19,640,029
Reversal of prior years' workers' welfare fund		-	170,817,506
Gain on sale of store and spares		750,436	140,314
Scrap sales [Net of sales tax aggregating Rs.4.472 million (2017: Rs.4.551 million)]		24,109,433	25,976,056
		31,123,686	216,573,905
		1,447,605,399	1,855,690,252

Notes to the Financial Statements

For the year ended June 30, 2018

	Note	2018 ----- Rupees -----	2017	
33. OTHER EXPENSES				
Workers' profit participation fund	24.5	60,271,445	66,247,556	
Workers' welfare fund	24.6	85,566	-	
Auditors' remuneration	33.1	1,871,800	1,783,430	
Provision for doubtful tax refunds		107,642,038	59,490,225	
		169,870,849	127,521,211	
33.1 Auditors' remuneration				
Fee for:				
Annual audit		1,540,800	1,467,430	
Half yearly review		210,000	200,000	
Review of Code of Corporate Governance		62,000	62,000	
Audit of retirement funds		25,000	20,000	
Out-of-pocket expenses		34,000	34,000	
		1,871,800	1,783,430	
34. FINANCE COST				
Mark-up / interest on long term finances		153,886,092	74,056,002	
Mark-up / interest on short term borrowings		462,162,532	428,792,615	
Exchange loss / (gains) on foreign currency loans		61,735,789	(10,840,517)	
		523,898,321	417,952,098	
Interest on workers' profit participation fund	24.5	3,074,910	1,634,712	
Bank and other financial charges		52,017,410	43,094,097	
		732,876,733	536,736,909	
35. TAXATION				
Current				
Current tax on profit for the year	35.1	247,357,052	270,203,819	
Adjustments in respect of prior years		36,766,984	(45,980,917)	
		284,124,036	224,222,902	
Deferred				
Origination and reversal of temporary differences		16,520,984	34,253,145	
Impact of change in tax rate		2,897,959	1,646,427	
		19,418,943	35,899,572	
		303,542,979	260,122,474	
35.1	The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 (the Ordinance) and current year's provision is made accordingly.			
35.2	Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.			
35.3	Management have provided sufficient tax provision in the financial statement as per the applicable provisions of the Ordinance. A comparison of last three years of income tax provision as per the financial statements with the tax assessed is presented below:			
		2017	2016	2015
		----- Rupees -----		
Income tax provision for the year - accounts		270,203,819	109,136,883	244,392,912
Income tax as per revised assessment		274,385,626	71,645,539	244,853,503

Notes to the Financial Statements

For the year ended June 30, 2018

35.4 During the year, the Company's income tax returns for tax years 2015, 2016 and 2017 have been revised by the Tax Authorities under section 122(1)(5) of the Ordinance. The excess tax charged in the revised returns mainly pertain to Super tax under section 4B of the Ordinance. For tax year 2015, the Company has filed a petitions in the Honorable Sindh High Court challenging the levy of Super Tax. After due consideration by the Company's tax department, accepting the stance of Tax Authorities appropriate adjustments have been made in the financial statements.

	Note	2018	2017
		----- Rupees -----	
36. EARNINGS PER SHARE			
36.1. Basic earnings per share			
Net profit for the year		<u>1,172,755,836</u>	<u>1,139,074,462</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>59.57</u>	<u>57.86</u>
36.2 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, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.			
37. CASH (USED IN) / GENERATED FROM OPERATIONS			
Profit before taxation		1,476,298,815	1,399,196,936
Adjustments for non-cash charges and other items:			
Depreciation		659,092,792	632,249,984
Amortization		1,351,686	1,285,746
Staff retirement benefit - gratuity		97,246,525	86,610,583
Provision for slow moving items		4,167,942	-
Dividend and interest income		(1,388,797,778)	(1,498,622,943)
Gain on sale of stores and spares		(750,436)	(140,314)
Gain on disposal of operating fixed assets		(6,263,817)	(19,640,029)
Provision for workers' profit participation fund		60,271,445	66,247,556
Provision for workers' welfare fund		85,566	-
Reversal of prior years' workers' welfare fund		-	(170,817,506)
Gain on sale of investments		(27,683,935)	(140,493,404)
Provision for doubtful debts		10,000,000	20,200,000
Provision for doubtful tax refunds		107,642,038	59,490,225
Finance cost		732,876,733	536,736,909
Working capital changes	37.1	<u>(2,211,968,607)</u>	<u>(807,256,120)</u>
		<u>(486,431,031)</u>	<u>165,047,623</u>

Notes to the Financial Statements

For the year ended June 30, 2018

	2018	2017
	----- Rupees -----	
37.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(54,017,483)	(42,455,122)
Stock-in-trade	(963,926,121)	(871,080,798)
Trade debts	(1,148,105,619)	(467,873,695)
Loans and advances	7,450,227	20,051,606
Deposits, other receivables and sales tax	(145,216,806)	(53,936,146)
	<u>(2,303,815,802)</u>	<u>(1,415,294,155)</u>
Increase in trade and other payables	91,847,195	608,038,035
	<u>(2,211,968,607)</u>	<u>(807,256,120)</u>

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives *	
	2018	2017	2018	2017	2018	2017
	----- Rupees -----					
Managerial remuneration	16,000,800	16,000,800	322,581	6,000,000	120,454,755	81,472,772
Contribution to provident fund trust	-	-	-	-	6,783,972	2,119,144
House rent and utilities	7,999,200	7,999,200	161,290	3,000,000	55,122,534	34,498,261
Medical	-	-	-	-	2,522,409	3,975,151
Leave encashment / bonus	-	-	-	-	15,168,154	15,836,318
Other benefits	-	-	-	-	954,000	870,000
	<u>24,000,000</u>	<u>24,000,000</u>	<u>483,871</u>	<u>9,000,000</u>	<u>201,005,824</u>	<u>138,771,646</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>106</u>	<u>33</u>

* Comparative figures have been restated as a result of change in the definition of executive in the Companies Act, 2017.

38.1 Certain executives are provided with Company maintained vehicles.

38.2 During the year, meeting fees of Rs.640 thousand (2017: Rs.240 thousand) was paid to two non-executive director.

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Subsidiary Companies, Associated Companies, directors, major shareholders, key management personnel and entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' retirement funds. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding
Sapphire Electric Company Limited	Subsidiary Company	68.11%
Premier Cement Limited	Subsidiary Company	100%
Sapphire Energy (Pvt.) Limited	Subsidiary Company	100%

Notes to the Financial Statements

For the year ended June 30, 2018

Name of the related party	Basis of relationship	Percentage of shareholding
Reliance Cotton Spinning Mills Limited	Common directorship	1.35%
SFL Limited	Common directorship	0.051%
Sapphire Power Generation Limited	Common directorship	17.63%
Sapphire Dairies (Pvt.) Limited	Common directorship	9.09%
Tricon Boston Consulting Corporation (Pvt.) Limited (TBCCL)	Common directorship	7.13%
Neelam Textile Mills Limited	Common directorship	-
Amer Cotton Mills Limited	Common directorship	-
Sapphire Textile Mills Limited	Common directorship	-
Diamond Fabrics Limited	Common directorship	-
Salman Ismail (SMC-Pvt.) Limited	Common directorship	-
Sapphire Agencies (Pvt.) Limited	Common directorship	-
Crystal Enterprises Limited	Common directorship	-
Sapphire Holding Limited	Common directorship	-
Amer Tax (Pvt.) Limited	Common directorship	-

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

Significant transactions with the related parties	2018	2017
	--- Rupees---	
i) Subsidiary Companies		
Shares purchased	235,000,000	1,000,000
Dividend received	866,347,800	866,347,800
Loan provided	174,169,746	26,554,167
Mark-up charged	6,545,566	-
Expenses charges to	1,912,356	28,604,733
ii) Associated Companies		
Sales of:		
- raw material / yarn / fabric / stores	815,238,975	723,837,076
- assets	-	19,071,000
Purchases:		
- raw material / yarn / fabric / stores	742,055,623	643,830,598
- assets	1,700,000	13,921,057
- electricity	133,394,848	236,252,454
Services:		
- rendered	2,239,057	52,573,504
- obtained	2,058,865	3,655,192

Notes to the Financial Statements

For the year ended June 30, 2018

	2018	2017
	--- Rupees---	
Significant transactions with the related parties		
Expenses charged by	28,027,499	25,868,006
Expenses charged to	15,615,213	17,599,483
Dividend:		
- received	239,003	782,027
- paid	15,294,894	193,741,024
Shares purchased	-	592,515,000
iii) Key management personnel		
Salary and other employment benefits	80,286,420	58,855,473
iv) Retirement Fund		
Contribution towards provident fund	11,378,885	10,174,398

40. FINANCIAL RISK MANAGEMENT

40.1 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 minimize earnings volatility and provide maximum return to shareholders.

(a) Credit risk

Credit risk represents the accounting loss that would be recognized 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.40.4, the financial assets exposed to credit risk aggregated to Rs.11,562.513 million as at June 30, 2018 (2017: Rs.12,542.098million). Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2017: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

Notes to the Financial Statements

For the year ended June 30, 2018

	2018	2017
	----- Rupees -----	
Long term investments	4,851,764,286	5,858,469,911
Long term loans	297,000	3,755,000
Long term deposits	28,606,645	28,241,645
Trade debts	2,850,910,999	1,712,805,380
Loans and advances	121,000	1,333,500
Trade deposits	43,800,651	7,840,485
Short term investments	3,760,187,223	4,859,591,123
Other receivables	6,254,631	42,413,403
Bank balances	20,571,025	27,647,640
	<u>11,562,513,460</u>	<u>12,542,098,087</u>

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:

Domestic	551,828,963	449,714,480
Export	2,299,082,036	1,263,090,900
	<u>2,850,910,999</u>	<u>1,712,805,380</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:

Yarn	1,779,703,865	1,062,626,855
Fabric	582,150,389	366,076,101
Garments	424,204,166	231,765,137
Processing services	62,584,439	48,385,458
Waste	2,268,140	3,951,829
	<u>2,850,910,999</u>	<u>1,712,805,380</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 Financial Statements

For the year ended June 30, 2018

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+	AAA	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
Faysal Bank Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Dubai Islamic Bank	A-1	AA-	JCR-VIS
Allied Bank Limited	A1+	AAA	PACRA
Askari Bank Limited	A1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AA+	JCR-VIS
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA

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 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, 2018					
Long term finances	4,681,636,182	5,193,351,411	955,429,332	2,584,672,929	1,653,249,150
Trade and other payables	1,474,416,897	1,474,416,897	1,474,416,897	-	-
Accrued mark-up / interest	125,062,516	125,062,516	125,062,516	-	-
Short term borrowings	7,986,848,681	9,166,989,727	9,166,989,727	-	-
Unclaimed dividend	5,353,374	5,353,374	5,353,374	-	-
	14,273,317,650	15,965,173,925	11,727,251,846	2,584,672,929	1,653,249,150
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
----- Rupees -----					
June 30, 2017					
Long term finances	3,711,774,132	4,211,804,017	265,664,878	2,977,202,375	968,936,764
Trade and other payables	1,273,809,033	1,273,809,033	1,273,809,033	-	-
Accrued mark-up / interest	113,949,459	113,949,459	113,949,459	-	-
Short term borrowings	7,282,153,788	7,370,700,774	7,370,700,774	-	-
Unclaimed dividend	5,566,966	5,566,966	5,566,966	-	-
	12,387,253,378	12,975,830,249	9,029,691,110	2,977,202,375	968,936,764

Notes to the Financial Statements

For the year ended June 30, 2018

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 optimizing the return.

(l) 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 and Japanese Yen. The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Japanese Yen (JPY) and Swiss Frank (CHF) is as follows:

June 30, 2018	Rupees	U.S.\$	Euro	JPY	CHF
Bills payables	213,184,940	1,065,026	591,070	-	-
Advance payments	99,215,142	815,914	-	-	-
	312,400,082	1,880,940	591,070	-	-
Trade debts	(2,255,439,724)	(18,578,583)	-	-	-
Bank balances	(1,589,490)	(13,093)	-	-	-
Net balance sheet exposure	(1,944,629,132)	(16,710,736)	591,070	-	-
Outstanding letters of credit	366,000,709	1,999,814	134,964	1,753,560	776,156
	(1,578,628,423)	(14,710,922)	726,034	1,753,560	776,156
June 30, 2017	Rupees	U.S.\$	Euro	JPY	CHF
Bills payables	233,630,947	2,225,056	-	-	-
Advance payments	228,126,315	2,172,809	-	-	-
	461,757,262	4,397,865	-	-	-
Trade debts	(1,221,037,783)	(11,651,423)	-	-	-
Bank balances	(2,583,875)	(24,655)	-	-	-
Net balance sheet exposure	(761,864,396)	(7,278,213)	-	-	-
Outstanding letters of credit	841,852,188	4,262,967	1,451,386	1,236,600	1,992,800
Forward foreign currency contracts	263,145,000	2,500,000	-	-	-
	343,132,792	(515,246)	1,451,386	1,236,600	1,992,800

Notes to the Financial Statements

For the year ended June 30, 2018

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2018	2017	2018	2017
U.S. Dollar to Rupee	115.45	106.48	121.60 / 121.40	105.00 / 104.80
Euro to Rupee	165.20	119.72	141.57 / 141.33	120.14 / 119.91
Japanese Yen to Rupee	1.0900	0.9912	1.0991 / 1.0973	0.9392 / 0.9374
Swiss Frank to Rupee	113.95	110.13	122.32 / 122.11	109.75 / 109.54

At June 30, 2018, if Rupee had strengthened by 10% against US Dollar and Euro 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.

	2018	2017
	----- Rupees -----	
Effect on profit for the year:		
U.S. Dollar to Rupee	(202,868,335)	(76,275,672)
Euro to Rupee	8,367,778	-
	<u>(194,500,557)</u>	<u>(76,275,672)</u>

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

(ii) 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:

	2018	2017	2018	2017
	--- Effective rate --- %	%	--- Carrying amount --- ----- Rupees -----	
Fixed rate instruments				
Financial assets				
Term deposit account	4.00 to 4.50	3.75 to 4.50	6,040,000	6,040,000
Financial liabilities				
Long term finances	2.50 to 7.42	2.50 to 9.40	3,647,217,182	2,665,471,880
Variable rate instruments				
Financial liabilities				
Long term finances	7.10 to 7.16	6.26 to 7.12	1,034,419,000	1,046,302,252
Short term borrowings	1.15 & 7.52	1.00 & 7.37	8,986,848,681	7,282,153,788

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

At June 30, 2018, if the interest rate on the Company'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.100.213 million (2017: Rs.83.285 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.

Notes to the Financial Statements

For the year ended June 30, 2018

(iii) 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.8,582.735 million (2017: Rs.10,689.345 million) are exposed to price risk due to changes in market price.

At June 30, 2018, 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.858.274 million (2017: Rs.1,068.934 million).

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

40.2 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.8,582.735 million (2017: Rs.10,689.345 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

40.3 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, maximize 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 statement of financial position) 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 statement of financial position plus net debt.

Notes to the Financial Statements

For the year ended June 30, 2018

	2018	2017
	----- Rupees -----	
Total borrowings	13,668,484,863	10,993,927,920
Less: cash and bank balances	24,047,126	31,508,884
Net debt	<u>13,644,437,737</u>	10,962,419,036
Total equity	<u>16,283,523,576</u>	17,055,008,265
Total capital	<u>29,927,961,313</u>	28,017,427,301
Gearing ratio	<u>46%</u>	<u>39%</u>

40.4 Financial instruments by category

	Loans and receivables		Available for sale	
	2018	2017	2018	2017
	---- Rupees ----		---- Rupees ----	
Financial assets as per statement of financial position				
Long term investments	-	-	4,851,764,286	5,858,469,911
Long term loans	297,000	3,755,000	-	-
Long term deposits	28,606,645	28,241,645	-	-
Trade debts	2,850,910,999	1,712,805,380	-	-
Loans and advances	121,000	1,333,500	-	-
Trade deposits	43,800,651	7,840,485	-	-
Short term investments	-	-	3,760,187,223	4,859,591,123
Other receivables	5,879,905	42,413,403	-	-
Cash and bank balances	24,047,126	31,508,884	-	-
	<u>2,953,663,326</u>	1,827,898,297	<u>8,611,951,509</u>	10,718,061,034
			Financial liabilities measured at amortised cost	
Financial liabilities as per statement of financial position			2018	2017
			--- Rupees ---	
Long term finances and accrued mark-up			4,708,042,169	3,730,688,968
Trade and other payables			1,479,770,271	1,279,162,407
Unclaimed dividend			5,353,374	5,566,966
Short term borrowings and accrued mark-up			9,085,505,210	7,377,188,411
			<u>15,278,671,024</u>	12,392,606,752

Notes to the Financial Statements

For the year ended June 30, 2018

41. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCIAL ACTIVITIES

	Liabilities		
	Long term finances	Short term borrowings	Dividend
..... Rupees			
Balance as at July 01, 2017	3,711,774,132	7,289,563,613	5,566,966
Changes from financing activities			
Finances obtained	1,103,458,000	1,712,034,331	-
Finances repaid	(133,595,950)	-	-
Dividends paid	-	-	(29,744,842)
Dividend declared	-	-	29,531,250
Total changes from financing cash flows	4,681,636,182	9,001,597,944	5,353,374
Other changes	-	-	-
Balance as at June 30, 2018	4,681,636,182	9,001,597,944	5,353,374

42. CAPACITY AND PRODUCTION

42.1 Spinning units

	2018	2017
Number of spindles installed	101,136	101,136
Number of spindles worked	100,656	100,656
Number of shifts worked per day	3	3
Total number of days worked	365	365
Installed capacity after conversion into 20's count	Lbs. 62,918,071	64,114,321
Actual production after conversion into 20's count	Lbs. 55,513,241	56,571,223

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

42.2 Dyeing

Yarn / Fibre Dyeing Unit

	2018	2017
Total number of days worked	31	351
Installed capacity	Lbs. 8,002,407	8,002,407
Actual production	Lbs. 218,605	3,800,187

Fabric Dyeing Unit

Total number of days worked	364	364
Installed capacity	Lbs. 13,171,579	13,171,579
Actual production	Lbs. 11,196,831	10,627,188

42.2.1 Sluggish sale in the local and international markets and less profit margins forced the management to temporarily close its yarn / fibre dyeing unit.

42.3 Knitting unit

	2018	2017
Total number of days worked	364	364
Installed capacity	Lbs. 14,612,963	14,612,963
Actual production	Lbs. 9,172,284	9,479,286

42.3.1 Low production is due to low demand.

Notes to the Financial Statements

For the year ended June 30, 2018

42.4	Stitching unit		2018	2017	
	Installed capacity	Pcs.	1,967,000	1,967,000	
42.4.1	Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.				
42.5	Denim unit		2018	2017	
	Total number of days worked		351	346	
	Installed capacity	Mtrs.	8,727,200	8,280,000	
	Actual production	Mtrs.	8,334,428	4,002,046	
43.	NUMBER OF EMPLOYEES		2018	2017	
			----- Number -----		
	Average number of employees during the year				
	- factory		3,707	3,632	
	- Head office		126	130	
	Number of employees at the June 30,				
	- factory		3,810	3,855	
	- Head office		3,684	3,722	
44.	PROVIDENT FUND RELATED DISCLOSURE				
44.1.	The following information is based on un-audited financial statements of the Fund for the year ended:				
			2018	2017	
			----- Rupees -----		
	Size of the Fund - Total Assets		38,384,950	36,968,232	
	Cost of investments made		37,259,854	36,148,233	
	Percentage of investments made		97.07%	97.78%	
	Fair value of investments made		37,496,410	36,800,232	
44.2	The break-up of fair value of investments is as follow:				
		2018	2017		
		--- Percentage ---	---- Rupees ----		
	Special account in a scheduled bank	4.35	3.63	1,630,034	1,336,617
	Government securities	90.23	90.84	33,831,376	33,428,615
	Listed securities	5.43	5.53	2,035,000	2,035,000
		100.00	100.00	37,496,410	36,800,232
44.3	The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.				

Notes to the Financial Statements

For the year ended June 30, 2018

45. SUBSEQUENT EVENT

The Board of Directors, in their meeting held on September 27, 2018 has proposed a final cash dividend of Rs.12 (2017: Rs.6.5) per share, for the year ended June 30, 2018 for approval of the members at the Annual General Meeting to be held on October 24, 2018.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 27, 2018 by the Board of Directors of the Company.

47. CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made, except for the following:

	2017 Rupees
'Unclaimed dividend' previously presented under 'Trade and other payables' now separately presented on the face of the statement of financial position.	<u>5,353,374</u>
Dyes and chemical stocks' previously made part of 'Stores, spare parts and loose tools' now have been reclassified and made part of raw material stocks.	<u>68,289,075</u>
- This also resulted in reclassification of dyes and chemicals consumed from stores consumed to raw material consumed.	<u>449,403,135</u>

Lahore :
Dated : September 27, 2018

Shahid Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Pattern of Shareholding

As At June 30, 2018

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
266	1	100	4,308
155	101	500	37,905
105	501	1000	68,393
83	1001	5000	147,620
13	5001	10000	96,203
5	10001	15000	61,549
2	15001	20000	35,510
2	20001	25000	43,143
1	25001	30000	26,100
1	30001	35000	31,208
3	35001	40000	114,078
1	70001	75000	71,465
1	90001	95000	93,531
1	100001	105000	104,626
1	110001	115000	112,500
1	115001	120000	116,450
1	145001	150000	146,844
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	250001	255000	251,086
1	270001	275000	274,197
1	315001	320000	319,162
1	325001	330000	327,937
1	335001	340000	338,176
1	365001	370000	367,656
1	400001	405000	400,350
1	470001	475000	472,384
1	490001	495000	492,500
3	495001	500000	1,499,502
2	500001	505000	1,002,693
1	525001	530000	526,893
1	570001	575000	570,751
1	585001	590000	587,306
1	650001	655000	654,461
1	690001	695000	694,220
1	1210001	1215000	1,212,877
1	1220001	1225000	1,221,225
1	1225001	1230000	1,225,167
1	1710001	1715000	1,714,619
1	2940001	2945000	2,942,243
672			19,687,500

Categories of Shareholders

As At June 30, 2018

Particulars	No. of Shares Held	Percentage %
Directors, CEO, spouses minor Children	5,237,553	26.6034
Associated Companies, undertaking, related parties	10,197,596	51.7973
NIT & ICP	587,306	2.9831
Banks, DFI & NBFi	1,381	0.0070
Insurance Companies	238,218	1.2100
Modaraba & Mutual Fund	199	0.0010
General Public (Local)	2,717,647	13.8039
General Public (Foreign)	5,728	0.0291
Others	701,872	3.5651
	19,687,500	100.0000

Pattern of Shareholding

As At June 30, 2018

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	2419387

B) NIT & ICP

CDC Trustee National Investment (UNIT) Trust	587306
--	--------

C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN

DIRECTORS & THEIR SPOUSES

Mr. Nadeem Abdullah.	286586
Mr. Amer Abdullah.	326410
Mr. Yousuf Abdullah.	1540387
Mrs. Usma Yousuf	114114
Mrs. Noshaba Nadeem.	362544
Mrs. Ambareen Amer	898688
Mr. Shayan Abdullah	500000
Mr. Tajammal Hussain Bokharee	500
Mr. Nadeem Arshad Elahi	500
Mr. Abdul Sattar	500

CHIEF EXECUTIVE OFFICER & HIS SPOUSE

Mr. Shahid Abdullah.	406234
Mrs. Shireen Shahid.	801090

Pattern of Shareholding

As At June 30, 2018

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
	MODARABAS & MUTUAL FUNDS	
	Modaraba-Al-Mali	112
	MUTUAL FUNDS	
	Golden Arrow Selected Stock Funds Limited	47
	CDC-Trustee Nafa Stock Fund	40
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.	
	Gifted by Mr. Nadeem Abdullah to Mr. Umer Abdullah	250000
	Gifted by Mrs. Noshaba Nadeem to Mr. Umer Abdullah	252408

CONTENTS

Sapphire Fibres Limited Consolidated Financial Statements

Directors' Report (English/Urdu)	84
Auditor's Report	86
Statement of Financial Position	91
Statement of Profit or Loss	92
Statement of Comprehensive Income	93
Statement of Cash Flows	94
Statement of Changes In Equity	95
Notes to the Financial Statements	96
Proxy Form (English/Urdu)	

Directors' Report

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiaries Sapphire Electric Company Limited, Sapphire Hydro Limited, Premier Cement Limited, Sapphire Cement Company Limited and Sapphire Energy (Pvt.) Limited for the year ended 30 June, 2018. 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 (now Companies Act 2017) 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, 2018.

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.

SAPPHIRE HYDRO LIMITED

Sapphire Hydro Limited (SHL) was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on September 07, 2017. The principal business of the subsidiary company shall be to construct, establish and setup a Hydro Electric Power generation project having a net capacity of 150 MW with potential of 682 GWh of annual energy generation at Sharmai, Khayber Pakhtunkhawa.

Sapphire Hydro Limited (SHL) is a wholly owned subsidiary of Sapphire Electric Company Limited which is a subsidiary of Sapphire Fibres Limited.

PREMIER CEMENT LIMITED

Premier Cement Limited (PCL) was incorporated in Pakistan as an unlisted public company limited by shares under Companies ordinance 1984 (now Companies Act 2017) on 26 July, 2016. SFL holds 100% shares of PCL as on 30 June, 2018.

Subject to necessary approvals, PCL intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

SAPPHIRE CEMENT COMPANY LIMITED

Sapphire Cement Company Limited (SCCL) was incorporated in Pakistan as an unlisted public company limited by shares under Companies ordinance 1984 (now Companies Act 2017) on 28 October, 2016. SFL holds 100% shares of SCCL as on 30 June, 2018.

Subject to necessary approvals, SCCL intends to establish and install plant for manufacturing of all kinds of cement and its allied products.

SAPPHIRE ENERGY (PRIVATE) LIMITED

Sapphire Energy (Private) Limited (SEPL) was incorporated in Pakistan as a private company limited by shares under Companies Act 2017 on 11 December, 2017. SFL holds 100% shares of SEPL as on 30 June, 2018.

SEPL intends to undertake, develop power projects and make equity investment, acquire or hold shares in companies involved in energy generation and operate a terminal for handling, regasification, storage, treatment and processing of all types of gases and all other related liquids, chemical & petroleum products.

For and on behalf of the Board of Directors

Lahore:
Dated: 27 September, 2018

Amer Abdullah
Chairman

Shahid Abdullah
Chief Executive

ڈائریکٹر رپورٹ

ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے سال کے لئے سفارز فائبرز لمیٹڈ اور اسکی ذیلی کمپنیوں سفارز الیکٹرک کمپنی لمیٹڈ، سفارز ہائیڈرو لمیٹڈ، پری میجر سیمنٹ لمیٹڈ، سفارز سیمنٹ لمیٹڈ، سفارز سیمنٹ کمپنی لمیٹڈ اور سفارز انرجی (پرائیویٹ) لمیٹڈ کے ایشمال شدہ مالیاتی گوشواروں پر اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتمال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق ایشمال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ مالی گوشوارے منسلک کئے ہیں۔

سفارز الیکٹرک کمپنی لمیٹڈ:

سفارز الیکٹرک کمپنی لمیٹڈ (ایس ای سی ایل) 18 جنوری 2005 کو کینیڈا آرڈیننس 1984 (اب کمپنیز ایکٹ 2017) کے تحت شیئرز کے ذریعے غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ یہ یکم جولائی 2008 کو سفارز فائبرز لمیٹڈ (ایس ای سی ایل) کی ذیلی کمپنی بنی۔ ایس ای سی ایل 30 جون 2018 کے مطابق ایس ای سی ایل کے 68.11% حصص کی مالک ہے۔ ذیلی کمپنی کی اصل سرگرمی مریدکے، ضلع شیخوپورہ میں 212 میگا واٹ کی خالص صلاحیت کے کلبا سنڈ سائیکل پاور سٹیشن کی ملکیت، چلانا اور برقرار رکھنا ہے۔

سفارز ہائیڈرو لمیٹڈ:

سفارز ہائیڈرو لمیٹڈ (ایس ای سی ایل)، 07 ستمبر 2017 کو کینیڈا ایکٹ 2017 کے تحت شیئرز کے ذریعے غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ذیلی کمپنی کا اصل کاروبار شرمش، خیبر پختونخوا میں 682 GWh کی سالانہ انرجی جنریشن کی پمپیشنل کے ساتھ 150 میگا واٹ کی خالص صلاحیت کا حامل ہائیڈرو الیکٹرک پاور جنریشن پراجیکٹ کی تعمیر، قیام اور چلانا ہوگا۔ ایس ای سی ایل سفارز الیکٹرک کمپنی لمیٹڈ کی ایک مکمل ملکیتی ذیلی کمپنی ہے جو خود سفارز فائبرز لمیٹڈ کی ایک ذیلی کمپنی ہے۔

پری میجر سیمنٹ لمیٹڈ:

پری میجر سیمنٹ لمیٹڈ (پی سی ایل) 26 جولائی 2016 کو کینیڈا آرڈیننس 1984 (اب کمپنیز ایکٹ 2017) کے تحت شیئرز کے ذریعے ایک غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ای سی ایل 30 جون 2018 کے مطابق پی سی ایل کے 100% حصص کی مالک ہے۔

ضروری منظور یوں کے حوالہ سے، پی سی ایل ہر قسم کے سیمنٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفارز سیمنٹ کمپنی لمیٹڈ:

سفارز سیمنٹ کمپنی لمیٹڈ (ایس سی ایل) 28 اکتوبر 2016 کو کینیڈا آرڈیننس 1984 (اب کمپنیز ایکٹ 2017) کے تحت شیئرز کے ذریعے ایک غیر مندرج پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ای سی ایل 30 جون 2018 کے مطابق ایس سی ایل کے 100% حصص کی مالک ہے۔

ضروری منظور یوں کے حوالہ سے، ایس سی ایل ہر قسم کے سیمنٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفارز انرجی (پرائیویٹ) لمیٹڈ:

سفارز انرجی (پرائیویٹ) لمیٹڈ (SEPL) 11 دسمبر 2017 کو کینیڈا ایکٹ 2017 کے تحت شیئرز کے ذریعے ایک نجی کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم ہوئی۔ ایس ای سی ایل 30 جون 2018 کے مطابق ایس ای سی ایل کے 100% حصص کی مالک ہے۔

ایس ای سی ایل بجلی کی پیداوار میں مصروف عمل کمپنیوں میں انڈر ٹیک، پاور پروجیکٹس کوڈ ویلپ اور ایکویٹی سرمایہ کاری، حصص رکھنے یا خریدنے کا اور تمام اقسام کی گیسوں اور تمام دیگر متعلقہ مائع، کیمیکل اینڈ پیٹرو لیوم مصنوعات کو بیڈنگ، ری گسی کلبیشن، سٹوریج، ٹریڈنگ اور پروسیسنگ کے لئے ٹریڈنگ چلانے کا ارادہ رکھتی ہے۔

مخائب بورڈ آف ڈائریکٹرز

شاہد عبداللہ
چیف ایگزیکٹو

عامر عبداللہ
چیرمین

لاہور

تاریخ: 27 ستمبر 2018

Independent Auditor's Report To the Members of Sapphire Fibres Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Sapphire Fibres Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to notes 12.6.1 to 12.6.6 of the annexed consolidated financial statements, which describes the matter regarding recoverability of certain trade debts. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Description	How the matter was addressed in our audit
1.	<p>Compliance with Laws and Regulations - Changes in 4th Schedule</p> <p>The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the consolidated financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures. These changes are applicable first time to the Group's consolidated financial statements for the year ended June 30, 2018.</p> <p>The changes are considered as a key audit matter because failure to comply with the requirements of the Act, 2017 could have financial and reputational impact on the Group.</p> <p>Refer note 1, 2.1, 4, 5, 12, 35, and 39 for changes in disclosures made through the Act, 2017.</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - Obtained an understanding of the related provisions and schedules of the Act, 2017 applicable to the Group and prepared document to assess the Group's compliance with the disclosure requirement of the Act, 2017. - We discussed the applicable changes with the Group's management and those charged with governance as to whether the Group is in compliance with such changes. - We also maintained a high level of vigilance when carrying out our other audit procedures for indication of non-compliance. - We ensured that the consolidated financial statements have been prepared in accordance with the approved accounting standards and the Act, 2017.

Independent Auditor's Report To the Members of Sapphire Fibres Limited

S. No.	Description	How the matter was addressed in our audit
2.	<p>Property, plant and equipment</p> <p>The Group's Property, plant and equipment represent 80% (2017: 77%) of the total non-current assets of the Group. Further, these represent 46% (2017: 46%) of the total assets of the Group as at the reporting date. Judgement is exercised in determining the following:</p> <ul style="list-style-type: none"> - useful lives and residual values; - assessing whether there are any indicators of impairment present; and - when performing impairment assessments where indicators have been identified <p>Based on the value of the balance, as at reporting date, as well as the judgements involved in determining useful lives and residual values this has been identified as a key audit matter.</p>	<p>The following was performed on the assessment of useful lives and residual values:</p> <ul style="list-style-type: none"> - Obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review; - Followed up on changes made to useful lives and corroborated by inspection of assets and discussion with operational personnel that the amendment was appropriate; and - Confirmed by inspection of the fixed asset register and discussion with operational management that there were no material assets still in use with a nil value. <p>In considering whether impairment is required the Group's consideration of impairment indicators such as reduced capacity, forecasts, market demand for products, and the condition of the plants was reviewed. In addition, the following was performed:</p> <ul style="list-style-type: none"> - Mills were inspected to identify any damages or non-operating assets; - Discussions were held with the management, engineers and other technicians to identify any potential impairments; and - Production analyses at the various mills was performed and compared to standard capacity to assist in identifying possible impairment indicators. <p>Based on the tests performed we are of the view that property, plant and equipment appears to be valued appropriately.</p>
3.	<p>Valuation of stock-in-trade</p> <p>The total value of stock in trade as at the reporting date amounts to Rs.4.997 billion representing 23% of the Group's total current assets (2017: Rs.4.073 billion, 21% of the Group's total current assets. Stock in trade as at reporting date mainly includes raw material and finished goods of the Group's textile division (note 11).</p> <p>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of finished goods based on whether the items are A Grade or B Grade and in determining the appropriate value of slow moving and obsolete stocks.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> - assessed whether the Group's accounting policy for inventory valuation is in line with the applicable financial reporting standards; - attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data; - assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis;

Independent Auditor's Report To the Members of Sapphire Fibres Limited

S. No.	Description	How the matter was addressed in our audit
4.	<p>We identified this matter as key in our audit due to the judgement and assumption applied by the Group management in determining the cost and NRV of stock in trade at the year-end.</p> <p>Trade Debts</p> <p>As at June 30 2018, the Group's trade debtors after considering allowance for Rs.30.200 million were Rs. 10.557 billion. An increase of Rs.2.642 billion was witnessed during the year.</p> <p>Provision against doubtful debts is based on the management assessment. Judgement is exercised in determining the appropriate level of provision against balances which may not ultimately be recovered.</p> <p>We identified the recoverability of trade debts as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment.</p> <p>Refer to note 12 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> - tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories; - assessed the management determination of A Grade and B Grade inventories and NRV of inventories thereon by performing tests on the sale price secured by the Group for similar items; and - tested the cost of inventories for A Grade items and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices; <p>We reviewed the disclosure made by the management in the consolidated financial statement in respect of stock in trade.</p> <p>We performed following audit procedures:</p> <ul style="list-style-type: none"> -We obtained credit policy with respect to local and foreign debtors and assess the Group's compliance of its policy; -We sought external confirmations from the selected debtors of their balances that remained outstanding at the year end and compared replies to the request; -We tested the accuracy of data on sample basis extracted from the Group's accounting system which is used to calculate the ageing of trade debts; -We performed subsequent check of selected debtor balances to review recovery from debtors after the year end; and -We assessed the reasonableness of methods used by the management to estimate that the doubtful debts are appropriate and ensured that the same is applied consistently. <p>we assessed the appropriateness of the related disclosure made by the management in the Group's consolidated financial statements.</p>

Information Other than the Consolidated Financial Statements and Auditors' Report thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our

Independent Auditor's Report To the Members of Sapphire Fibres Limited

knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report To the Members of Sapphire Fibres Limited

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The Engagement partner on the audit resulting in this independent auditors' report is Mr. Raheel Ahmed.

Karachi:
Dated : September 27, 2018

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

Consolidated Statement of Financial Position

as at June 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	4	23,665,614,952	22,620,365,051
Investment property	5	31,750,000	31,750,000
Intangible assets	6	9,751,241	7,206,027
Long term investments	7	5,818,143,428	6,856,911,437
Long term loans	8	297,000	3,755,000
Long term deposits	9	41,606,445	30,341,445
		<u>29,567,163,066</u>	<u>29,550,328,960</u>
Current assets			
Stores, spare parts and loose tools	10	198,770,544	156,268,420
Stock-in-trade	11	4,997,559,341	4,073,616,983
Trade debts	12	10,557,331,224	7,914,991,732
Loans and advances	13	171,580,598	170,209,756
Trade deposits and short term prepayments	14	82,454,092	41,657,612
Short term investments	15	3,760,187,223	4,859,591,123
Other receivables	16	1,059,715,249	693,038,000
Tax refunds due from Government	17	751,998,697	992,588,904
Cash and bank balances	18	534,201,894	456,720,245
		<u>22,113,798,862</u>	<u>19,358,682,775</u>
Total assets		<u>51,680,961,928</u>	<u>48,909,011,735</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 (2017: 35,000,000) ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital	19	196,875,000	196,875,000
Reserves	20	4,293,755,844	6,517,094,805
Unappropriated profit		16,434,544,121	14,382,542,389
Equity attributable to shareholders of the Parent Company		20,925,174,965	21,096,512,194
Non-controlling interest		3,515,865,102	3,207,187,832
Total equity		<u>24,441,040,067</u>	<u>24,303,700,026</u>
Non current liabilities			
Long term finances	21	6,603,234,422	8,151,085,974
Staff retirement benefit - gratuity	22	346,597,468	322,591,928
Deferred taxation	23	135,561,462	315,722,538
		<u>7,085,393,352</u>	<u>8,789,400,440</u>
Current liabilities			
Trade and other payables	24	3,097,518,728	3,488,739,443
Unclaimed dividend		5,353,374	5,566,966
Accrued mark-up / interest	25	171,898,931	144,515,971
Short term borrowings	26	13,992,789,726	10,199,515,680
Current portion of long term finances	21	2,639,389,553	1,696,223,366
Provision for taxation		247,578,197	281,349,843
		<u>20,154,528,509</u>	<u>15,815,911,269</u>
Total liabilities		<u>27,239,921,861</u>	<u>24,605,311,709</u>
Contingencies and commitments	27		
Total equity and liabilities		<u>51,680,961,928</u>	<u>48,909,011,735</u>

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

Lahore :
Dated : September 27, 2018

Shahid Abdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement of Profit or Loss

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales	28	31,026,148,790	28,341,763,329
Cost of sales	29	<u>(26,031,065,558)</u>	(24,113,005,853)
Gross profit		4,995,083,232	4,228,757,476
Distribution cost	30	(590,408,425)	(463,270,990)
Administrative expenses	31	(446,679,598)	(398,662,645)
Other income	32	576,476,245	989,240,917
Other expenses	33	<u>(201,360,679)</u>	(131,398,933)
Profit from operations		4,333,110,775	4,224,665,825
Finance cost	34	<u>(1,508,761,805)</u>	(1,325,532,921)
		2,824,348,970	2,899,132,904
Share of loss of Associates		<u>(16,489,124)</u>	(9,017,186)
		2,807,859,846	2,890,115,718
Taxation	35	<u>(305,198,752)</u>	(255,907,751)
Profit after taxation		<u>2,502,661,094</u>	<u>2,634,207,967</u>
Attributable to:			
- Shareholders of the Parent Company		1,788,267,553	1,874,137,938
- Non-controlling interest		714,393,541	760,070,029
		<u>2,502,661,094</u>	<u>2,634,207,967</u>
Earnings per share - attributable to the shareholders of Parent Company	36	<u>90.83</u>	<u>95.19</u>

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

Lahore :
Dated : September 27, 2018

ShahidAbdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees
Profit after taxation	2,502,661,094	2,634,207,967
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to statement of profit and loss:		
Unrealised (loss) / gain due to change in fair value of available for sale investments		
- long term	(973,102,566)	342,387,686
- short term	(1,029,475,768)	815,119,528
Impact of deferred tax	200,322,904	(96,942,638)
Adjustment for gain included in statement of profit and loss upon sale of available-for-sale investments	(104,419,886)	(125,833,318)
Share of fair value (loss) / gain on remeasurement of available-for-sale investments of Associated Companies	(15,394,540)	13,322,575
	(1,922,069,856)	948,053,833
Forward foreign exchange contracts		
Unrealized gain on remeasurement of foreign currency contracts	-	140,343
Adjustment for gain realised on settlement of foreign currency contracts	(140,343)	(1,090,222)
Share of unrealised gain / (loss) on remeasurement of hedging instrument of Associated Companies	134,357	(40,285)
	(5,986)	(990,164)
	(1,922,075,842)	947,063,669
Items that will not be reclassified subsequently to statement of profit and loss:		
Loss on remeasurement of staff retirement benefit obligation	(8,423,010)	(8,949,179)
Share of loss on remeasurement of staff retirement benefit obligation of Associated Companies	(27,770)	(150,281)
Impact of deferred tax	529,394	749,169
	(7,921,386)	(8,350,291)
Other comprehensive (loss) / income for the year	(1,929,997,228)	938,713,378
Total comprehensive income for the year	572,663,866	3,572,921,345
Attributable to:		
- Shareholders of the Parent Company	(141,729,675)	2,812,851,316
- Non-controlling interest	714,393,541	760,070,029
	572,663,866	3,572,921,345

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

Lahore :
Dated : September 27, 2018Shahid Abdullah
Chief ExecutiveYousuf Abdullah
DirectorJawwad Faisal
Chief Financial Officer

Consolidated Statement of Cash Flows

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	1,104,239,487	1,824,986,819
Staff retirement benefit paid		(81,663,995)	(56,815,062)
Finance cost paid		(1,481,378,845)	(1,472,934,945)
Taxes paid		(390,380,021)	(366,242,205)
Workers' profit participation fund paid		(73,039,069)	(76,195,156)
Long term loans - net		3,458,000	(3,735,000)
Long term deposits - net		(11,265,000)	(875,000)
Net cash used in operating activities		(930,029,443)	(151,810,549)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,342,105,390)	(1,244,433,912)
Proceeds from disposal of operating fixed assets		25,996,435	37,785,407
Investment in an Associated Company		-	(592,515,000)
Increase in investments		(353,170,349)	(1,392,618,115)
Proceeds from sale of investments		389,445,722	828,515,277
Proceeds from sale of stores and spares		8,097,853	1,073,927
Dividend and interest income received		526,064,214	624,525,512
Net cash used in investing activities		(1,745,671,515)	(1,737,666,904)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		1,103,458,000	1,592,989,000
- repaid		(1,708,143,365)	(1,366,973,228)
Dividend paid		(435,406,074)	(778,481,618)
Short term borrowings - net		3,793,274,046	2,290,286,218
Net cash generated from financing activities		2,753,182,607	1,737,820,372
Net increase / (decrease) in cash and cash equivalents		77,481,649	(151,657,081)
Cash and cash equivalents - at beginning of the year		456,720,245	608,377,326
Cash and cash equivalents - at end of the year		534,201,894	456,720,245

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

Lahore :
Dated : September 27, 2018

ShahidAbdullah
Chief Executive

Yousuf Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended June 30, 2018

	Reserves				Other components of equity				Non-Controlling Interest			
	Capital		Revenue		Unrealised gain / (loss)		Sub-total			Total		
	Issued, subscribed and paid-up capital	Share premium	Maintenance reserve	General	Unappropriated profit	Sub-total	on sale investments	on hedging instruments				
Balance as at July 1, 2016	196,875,000	145,740,000	237,251,349	1,183,845,000	12,998,223,115	14,565,059,464	3,902,837,075	1,164,210	3,904,001,285	18,665,935,749	2,852,834,074	
Distribution to owners												
Final dividend for the year ended June 30, 2016 at the rate of Rs.14.00 per share	-	-	-	-	(275,625,000)	(275,625,000)	-	-	-	(275,625,000)	(405,716,271)	
Interim dividend for the year ended June 30, 2017 at the rate of Rs.5.00 per share	-	-	99,193,502	-	(99,193,502)	(98,437,500)	-	-	-	(98,437,500)	-	
Transfer to maintenance reserve	-	-	-	-	-	-	-	-	-	-	-	
Effect of items directly credited in equity by the Associated companies	-	-	-	-	(8,212,371)	(8,212,371)	-	-	-	(8,212,371)	-	
Total comprehensive income for the year ended June 30, 2017												
Profit for the year	-	-	-	-	1,874,137,938	1,874,137,938	-	-	-	1,874,137,938	760,070,029	
Other comprehensive income / (loss)	-	-	-	-	(8,350,291)	(8,350,291)	948,053,833	(990,164)	947,063,669	938,713,378	-	
	-	-	-	-	1,865,787,647	1,865,787,647	948,053,833	(990,164)	947,063,669	2,812,851,316	760,070,029	
Balance as at June 30, 2017	196,875,000	145,740,000	336,444,851	1,183,845,000	14,382,542,389	16,048,572,240	4,850,890,908	174,046	4,851,064,954	21,096,512,194	3,207,187,832	
Distribution to owners												
Final dividend for the year ended June 30, 2017 at the rate of Rs.1.50 per share	-	-	-	-	(29,531,250)	(29,531,250)	-	-	-	(29,531,250)	(405,716,271)	
Transfer to unappropriated profit	-	-	(301,263,119)	-	301,263,119	-	-	-	-	-	-	
Effect of items directly credited in equity by the Associated companies	-	-	-	-	(76,304)	(76,304)	-	-	-	(76,304)	-	
Total comprehensive income for the year ended June 30, 2018												
Profit for the year	-	-	-	-	1,788,267,553	1,788,267,553	-	-	-	1,788,267,553	714,393,541	
Other comprehensive loss	-	-	-	-	(7,921,386)	(7,921,386)	(1,922,069,856)	(5,986)	(1,922,075,842)	(1,929,997,228)	-	
	-	-	-	-	1,780,346,167	1,780,346,167	(1,922,069,856)	(5,986)	(1,922,075,842)	(141,729,675)	714,393,541	
Balance as at June 30, 2018	196,875,000	145,740,000	35,181,732	1,183,845,000	16,434,544,121	17,799,310,853	2,928,821,052	168,060	2,928,989,112	20,925,174,965	3,515,865,102	

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

Lahore :

ShahidAbdullah
Chief ExecutiveYousuf Abdullah
DirectorJawwad Faisal
Chief Financial Officer

Dated : September 27, 2018

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

The Parent Company

- Sapphire Fibres Limited

Subsidiary Companies

- Sapphire Electric Company Limited - SECL
- Premier Cement Limited - PCL
- Sapphire Cement Company Limited - SCCL
- Sapphire Energy (Private) Limited - SEL
- Sapphire Hydro Limited - SHL

• Sapphire Fibres Limited

The Parent Company was incorporated in Pakistan on June 05, 1979 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The Parent Company is principally engaged in manufacture and sale of yarn, fabrics and garments.

Geographical location and addresses of major business units including mills / plant of the Parent Company are as under:

Karachi	Purpose
316, Cotton Exchange Building, I.I Chundrigar Road	Registered office
Lahore	
7 A- K, Main Boulevard, Gulberg	Head office
3.5 km, Manga Road, Raiwind	Production plant
Sheikhupura	
10 km, sheikhupura / Faisalabad Road, Kharianwala	Production plant
6 km, sheikhupura / Faisalabad Road, Feroze wattoan	Production plant

• Sapphire Electric Company Limited - SECL

Sapphire Electric Company Limited - SECL was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) 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. 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.

Geographical location and addresses of major business units including mills / plant of the Subsidiary Company are as under:

Lahore	Purpose
7 -A/K, Main Boulevard, Gulberg	Registered office

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

Sheikhupura

Muridke, District Sheikhupura

Production plant

- **Premier Cement Limited - PCL**

Premier Cement Limited - PCL is a wholly owned subsidiary and was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on July 26, 2016. The principal activity of subsidiary company is to manufacture and sale of cement and allied products. The Subsidiary Company obtained license from Directorate General Mines and Minerals, Khyber Pakhtunkhwa for setting up cement plant in D.I Khan district. The Subsidiary Company is expecting to commence operations in the year 2020.

Geographical location and address of major business unit of the Subsidiary Company is as under:

Lahore**Purpose**

7 -A/K, Main Boulevard, Gulberg

Registered office

- **Sapphire Cement Company Limited - SCCL**

Sapphire Cement Company Limited - SCCL is a wholly owned subsidiary and was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017) on October 28, 2016. The principal activity of subsidiary company is to manufacture and sale of cement and allied products. The Subsidiary company is aiming to set up its plant in the province of Punjab, however license application has not been filed with Directorate General Mines and Minerals, Punjab till the reporting date due to delay in grant of requisite approvals.

Geographical location and address of major business unit of the Subsidiary Company is as under:

Lahore**Purpose**

7 -A/K, Main Boulevard, Gulberg

Registered office

- **Sapphire Energy (Pvt.) Limited - SEL**

Sapphire Energy (Pvt.) Limited - SEL is a wholly owned subsidiary and was incorporated in Pakistan as a private company limited by shares under the Companies Act, 2017 on December 11, 2017. The principal activity of Subsidiary Company shall be to undertake, develop power projects and make equity investments, acquire or hold shares in companies involved in energy generation and to establish and operate a terminal for the handling, regasification, storage, treatment and processing of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and other related products. The subsidiary company is in setup phase and has not yet commenced commercial operations.

Geographical location and address of major business unit of the Subsidiary Company is as under:

Lahore**Purpose**

7 -A/K, Main Boulevard, Gulberg

Registered office

- **Sapphire Hydro Limited - SHL**

Sapphire Hydro Limited - SHL is a wholly owned subsidiary of Sapphire Electric Company Limited - SECL which is a subsidiary of the Parent Company and was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on September 07, 2017. The principal business of the subsidiary company is to construct, establish and setup a Hydro Electric Power generation project having a net capacity of 150 MW with potential of 682 GWh of annual energy generation at Sharmai, Khayber Pakhtunkhwa. The subsidiary company is in setup phase and has not yet commenced commercial operations.

Geographical location and address of major business unit of the Subsidiary Company is as under:

Lahore**Purpose**

7 -A/K, Main Boulevard, Gulberg

Registered office

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 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 Companies. The Parent Company's direct interest, as at June 30, 2018, in the SECL is 68.11% (2017: 68.11%) and effective holding in SHL is also 68.11% as SHL is wholly owned Subsidiary of SECL. Where as the other three companies PCL, SCCL, SEPL are wholly owned subsidiaries.

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.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and the carrying value of investments held by the Parent Company is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements.

All material inter-group balances and transactions have been eliminated. Investments in Associated Companies, as defined in the Companies Act, 2017, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

2.5 Changes in accounting standards and interpretations

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

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements, except for the following:

- (a) Amendments to IAS 7, 'Statement of cash flows'. 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 only resulted in some additional disclosures in the Group's financial statements.
- (b) 'IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealized losses. These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Group's current accounting treatment is already in line with the requirements of this standard.
- (c) The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Group.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the incorporation of significant additional disclosures and elimination of duplicative disclosures with the IFRS disclosure requirements.

2.5.2 Exemption from applicability of certain interpretations to standards

The Securities and Exchange Commission of Pakistan through SRO 24(I)/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.

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:

	2018 Rupees	2017 Rupees
De-recognition of property, plant and equipment	13,145,733,903	(13,541,688,538)
Recognition of lease debtor	10,004,713,133	11,558,567,003
Decrease in un-appropriated profit at the beginning of the year	(1,983,121,535)	(1,247,298,459)
Decrease in profit for the year	(1,157,899,235)	(735,823,076)
Decrease in un-appropriated profit at the end of the year	(3,141,020,770)	(1,983,121,535)

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, 2017 are considered not to be relevant or to have any significant effect on the Group's financial reporting and are, therefore, not detailed in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2017 and have not been early adopted by the Group:

- (a) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 01, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has yet to assess the impact of this standard on its consolidated financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group has yet to assess the impact of this standard on its consolidated financial statements.
- (c) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 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 consolidated financial statements.
- (d) Annual improvements to IFRS Standards 2015-2017 Cycle applicable to accounting periods beginning on or after January 1, 2019. The new cycle of improvements addresses improvements to following approved accounting standards:
 - IAS 12 Income Taxes. The amendment clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in consolidated statement of profit or loss and consolidated statement of other comprehensive income or equity.
 - IAS 23 'Borrowing Costs'. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non – qualifying assets – are included in that general pool.

The Group has yet to assess the impact of these changes on its consolidated 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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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:

- (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 statement of profit and loss.

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, 2018

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 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 statement of profit or loss'. 'Investments at fair value through statement of profit or loss' are initially recognised at fair value and related transaction costs are charged to the statement of profit or loss.

(a) Investments at fair value through statement of 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 statement of 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, 2018

(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 statement 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 statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in statement of 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 statement of profit or loss.

(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 statement of other comprehensive income. Gains or losses on available for sale investments are recognised in statement of 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 statement of other comprehensive income is included in current period's statement of profit or loss.

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:

Particulars	Mode of valuation
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, 2018

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 statement of profit or loss 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 statement of profit or loss for the year.

Financial instruments carried on the statement of financial position 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 statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts accumulated in equity are reclassified to the statement of profit or loss in the periods in which the hedged item will affect the statement of profit or loss.

(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 statement of profit and loss, 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 statement of financial position 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, 2018

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

(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 statement of profit or loss. 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 statement of financial position 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 statement of profit or loss 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 - SECL

SECL 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, 2018 on the basis of projected unit credit method by an Independent Actuary. The liability recognised in the statement of financial position 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 statement of financial position immediately, with a charge or credit to statement of other comprehensive income in the periods in which they occur.

The Subsidiary Company - SECL

SECL 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, 2018

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 - SECL 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 - SECL is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the statement of profit or loss 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 statement of financial position 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 statement of profit or loss, except in the case of items credited or charged to statement of other comprehensive income / equity in which case it is included in statement of 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 statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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;
- 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 statement of profit or loss.

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 four operating segments i.e. spinning, knitting, processing & garments, denim 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 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	2018 Rupees	2017 Rupees
Operating fixed assets	4.1	22,639,958,482	21,901,722,857
Capital work-in-progress	4.3	1,025,656,470	718,642,194
		<u>23,665,614,952</u>	<u>22,620,365,051</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

4.1 Operating fixed assets

	Equipment											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	Arms and ammunition	Tools
Rupees																	
At July 1, 2016																	
Cost	367,226,031	106,713,250	641,699,441	28,636,645	3,976,418,396	23,446,698,759	345,906,228	1,033,577	25,026,197	33,306,963	19,146,119	20,628,553	190,368,582	53,053,202	149,886	248,579	29,256,280,598
Accumulated depreciation	-	-	158,322,197	19,127,888	910,732,756	6,206,820,223	68,066,952	716,246	17,438,279	21,264,231	8,514,059	14,886,554	91,461,745	27,687,801	128,774	207,546	7,547,375,231
Net book value	367,226,031	106,713,250	483,377,244	9,508,757	3,065,685,640	17,239,878,536	277,839,276	317,331	7,587,918	12,042,732	10,632,060	5,741,999	98,906,837	25,365,401	21,112	41,033	21,710,885,357
Year ended June 30, 2017																	
Opening net book value	367,226,031	106,713,250	483,377,244	9,508,757	3,065,685,640	17,239,878,536	277,839,276	317,331	7,587,918	12,042,732	10,632,060	5,741,999	98,906,837	25,365,401	21,112	41,033	21,710,885,357
Additions	84,885,473	206,531,800	71,339,699	-	175,400,114	785,357,841	19,874,153	343,031	1,287,159	5,183,717	916,490	4,283,069	62,354,644	7,391,431	-	-	1,425,128,621
Disposals:																	
- cost	-	-	-	-	-	62,307,182	-	-	-	-	-	-	27,631,401	-	-	-	88,938,583
- accumulated depreciation	-	-	-	-	-	(53,331,963)	-	-	-	-	-	-	(18,587,753)	-	-	-	(71,919,716)
Depreciation charge	-	-	86,254,880	1,901,755	159,918,400	904,985,142	28,672,021	34,592	1,077,147	1,278,827	1,070,844	2,369,795	25,510,459	3,192,178	2,111	4,103	1,216,272,254
Closing net book value	452,111,504	313,245,050	488,462,063	7,607,022	3,081,167,354	17,111,276,016	269,041,808	625,770	7,797,930	15,947,622	10,477,706	7,635,273	126,707,354	29,564,654	19,001	36,930	21,901,722,857
At June 30, 2017																	
Cost	452,111,504	313,245,050	713,039,140	28,636,645	4,151,818,510	24,171,749,418	365,790,381	1,376,608	26,313,366	38,490,880	20,062,609	24,891,622	225,091,805	60,444,633	149,886	248,579	30,593,450,626
Accumulated depreciation	-	-	244,577,077	21,029,623	1,070,651,156	7,060,473,402	96,738,973	750,838	18,515,426	22,543,058	9,584,903	17,256,349	98,389,451	30,879,979	130,885	211,649	8,691,727,769
Net book value	452,111,504	313,245,050	468,462,063	7,607,022	3,081,167,354	17,111,276,016	269,041,808	625,770	7,797,930	15,947,622	10,477,706	7,635,273	126,707,354	29,564,654	19,001	36,930	21,901,722,857
Year ended June 30, 2018																	
Opening net book value	452,111,504	313,245,050	468,462,063	7,607,022	3,081,167,354	17,111,276,016	269,041,808	625,770	7,797,930	15,947,622	10,477,706	7,635,273	126,707,354	29,564,654	19,001	36,930	21,901,722,857
Additions	41,671,750	-	174,366,450	-	315,205,997	1,438,354,179	-	19,145,390	122,000	180,000	421,430	2,628,750	38,231,330	866,938	-	-	2,031,194,214
Disposals:																	
- cost	-	-	27,207,790	1,521,404	223,183,144	923,766,606	26,947,125	661,332	1,080,616	1,612,762	1,051,284	2,696,743	28,611,099	3,598,605	1,900	3,883	1,241,944,103
- accumulated depreciation	-	-	-	-	-	111,411,069	-	-	-	-	-	183,063	22,133,349	-	-	-	133,737,481
Depreciation charge	-	-	87,405,590	28,636,645	4,467,024,507	25,498,692,528	365,790,381	20,521,988	26,435,366	38,670,860	20,484,039	27,327,309	241,189,786	61,311,571	149,886	248,579	32,490,907,359
Adjustment during the year (note 4.1.3)	-	-	271,784,887	22,851,027	1,293,834,300	7,916,344,371	123,686,098	1,412,170	19,996,042	24,155,920	10,636,187	19,796,925	110,324,359	34,478,584	132,785	215,342	9,850,948,877
Closing net book value	493,783,254	313,245,050	615,620,723	6,085,618	3,173,190,207	17,560,348,157	242,094,463	19,109,828	6,839,314	14,514,860	9,847,852	7,530,384	130,865,427	26,832,987	17,101	33,237	22,639,998,482
At June 30, 2018																	
Cost	493,783,254	313,245,050	887,405,590	28,636,645	4,467,024,507	25,498,692,528	365,790,381	20,521,988	26,435,366	38,670,860	20,484,039	27,327,309	241,189,786	61,311,571	149,886	248,579	32,490,907,359
Accumulated depreciation	-	-	271,784,887	22,851,027	1,293,834,300	7,916,344,371	123,686,098	1,412,170	19,996,042	24,155,920	10,636,187	19,796,925	110,324,359	34,478,584	132,785	215,342	9,850,948,877
Net book value	493,783,254	313,245,050	615,620,723	6,085,618	3,173,190,207	17,560,348,157	242,094,463	19,109,828	6,839,314	14,514,860	9,847,852	7,530,384	130,865,427	26,832,987	17,101	33,237	22,639,998,482
Depreciation rate (% - per annum)			5	20	3.33 & 10	3.33, 5 & 10	10	10	10	10	10	30 & 33	20	10	10	10	

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

4.1.1 Freehold land includes Rs.80.685 million representing the Parent Company's 30% share of jointly controlled property located at Block-D/1, Gulberg, Lahore, registered in the name of The Parent Company along with Sapphire Textile Mills Limited, Diamond Fabrics Limited, and Sapphire Finishing Mills Limited (Related Parties).

4.1.2 Particulars of immovable property in the name of Group are as follows:

Location	Usage of immovable property	Total area in square yards
Freehold Land		
- Kharianwala, District Sheikhpura.	Production plant	174,815
- Ferozewattoan, District Sheikhpura.	Production plant	563,771
- Riawind, District Lahore.	Production plant	916,366
- Block-D/1, Gulberg, District Lahore.	Proposed office	1,497
- Muridke, District Sheikhpura.	Production plant	286,010
Leasehold Land		
- Nooriabad, Karachi.	Proposed Mill / Factory	135,520
- Port Qasim Authority, Karachi.	Proposed warehouse	14,520
- Defence Housing Authority, Karachi.	Proposed office	666

4.1.3 PA Export, a.s Czech Republic, was the previous principal Engineering, Procurement and Construction (EPC) contractor of the Subsidiary Company - SECL. During financial year 2010, PA Export defaulted on its obligations to fulfil the EPC contracts and had declared insolvency. This adjustment represents amount recovered from the liquidation of PA Export.

4.2 Depreciation charge has been allocated as follows:

	Note	2018 Rupees	2017 Rupees
Cost of goods manufactured	29.1	1,221,208,444	1,195,305,256
Administrative expenses	31	20,735,659	20,966,998
		1,241,944,103	1,216,272,254

4.3 Capital work-in-progress

Buildings		165,158,330	132,495,181
Plant and machinery {including in transit aggregating Rs.79.98 million (June 30, 2017: Rs.Nil)}		579,792,490	212,373,625
Equipments		200,000	-
Un-allocated capital expenditure	4.3.2	189,997,463	14,944,470
Stand-by equipment		-	213,637,755
Advance payments against:			
- land - freehold		15,428,500	38,730,656
- factory / office building		45,965,772	79,210,265
- plant and machinery		-	13,538,559
- electric installation		20,030,273	-
- vehicles		8,113,667	10,911,683
- computer software		969,975	2,800,000
		90,508,187	145,191,163
		1,025,656,470	718,642,194

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

4.3.1 Borrowing cost at the rates ranging from 2.50% to 7.42% (2017: 7.10% to 7.12%) per annum amounting Rs.3,858 thousand (2017: 58 thousand) has been included in the cost of plant and machinery.

4.3.2 These includes Rs.134.193 million incurred by Subsidiary Company - PCL for its proposed cement project and Rs.55.803 million in respect of pre-commencement expenditure of the Subsidiary Company - SHL. The Subsidiary Company - SHL is in advanced stages of fulfilling the conditions specified in the Letter of Intent based on which management is fully confident that the Letter of Support would be issued by PEDO for constructing the hydro power project. In this connection, the feasibility study is an essential requirement of the hydro power policy for obtaining tariff determination from National Electric Power Regulatory Authority and thereby constructing the power project.

4.4 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.500,000 each							
Plant and machinery							
Carding Machines DX-803	24,493,469	21,234,548	3,258,921	3,500,000	241,079	Negotiation	Ideal Trading Company (Pvt.) Ltd.
Carding Machines DX-803	10,497,198	9,124,809	1,372,389	1,500,000	127,611	Negotiation	Ideal Trading Company (Pvt.) Ltd.
Unilap E-30	5,536,372	4,725,013	811,359	800,000	(11,359)	Negotiation	Ravi Spinning Mills Ltd.
Combers E-62	29,065,953	24,806,315	4,259,638	4,800,000	540,362	Negotiation	Ravi Spinning Mills Ltd.
Combers E-7/6	13,529,216	12,682,624	846,592	512,820	(333,772)	Negotiation	Jilani Textile Traders.
Diesel Generators	1,589,671	1,023,219	566,452	344,538	(221,914)	Negotiation	Mr. Javaid Iqbal, Lahore.
Drawing Machine DX-8	2,764,147	1,995,518	768,629	815,455	46,826	Negotiation	AG Textile Mills Ltd.
Drawing Machine DX-8	5,238,015	3,891,377	1,346,638	1,518,182	171,544	Negotiation	Nadeem Textile Mills Ltd.
	92,714,041	79,483,423	13,230,618	13,790,995	560,377		
Vehicles							
Honda Civic	2,637,000	842,375	1,794,625	1,900,000	105,375	Negotiation	Mr. Naveed Anwer, Lahore.
	2,637,000	842,375	1,794,625	1,900,000	105,375		
Various assets having net book value upto Rs.500,000 each							
	38,386,440	33,710,822	4,675,618	10,305,440	5,629,822		
June 30, 2018	133,737,481	114,036,620	19,700,861	25,996,435	6,295,574		
June 30, 2017	89,938,583	71,919,716	18,018,867	37,785,407	19,766,540		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

5. INVESTMENT PROPERTY

5.1 This represents free-hold land situated at Raiwind Road, Lahore having an area of 5,000 square yards.

5.2 Fair value of the investment property, based on the management estimation, as at June 30, 2018 was Rs.45 million (2017: Rs.40 million).

6. INTANGIBLE ASSETS

	Computer Softwares	Goodwill	Total
	-----Rupees-----		
At July 1, 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
Year ended June 30, 2017			
Amortization charge	1,285,746	-	1,285,746
Net book value as at June 30, 2017	1,593,123	5,612,904	7,206,027
Year ended June 30, 2018			
Addition during the year	3,896,900	-	3,896,900
Amortization charge	1,351,686	-	1,351,686
Net book value as at June 30, 2018	4,138,337	5,612,904	9,751,241
At June 30, 2017			
Cost	22,565,021	5,612,904	28,177,925
Accumulated amortization	20,971,898	-	20,971,898
Net book value	1,593,123	5,612,904	7,206,027
At June 30, 2018			
Cost	26,461,921	5,612,904	32,074,825
Accumulated amortization	22,323,584	-	22,323,584
Net book value	4,138,337	5,612,904	9,751,241
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 - SECL .

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

7.	LONG TERM INVESTMENTS	Note	2018 Rupees	2017 Rupees
	Associates - equity accounted investments	7.1	966,379,142	998,441,526
	Others - available for sale	7.3	4,851,764,286	5,858,469,911
			5,818,143,428	6,856,911,437
7.1	Associated Companies			
	Quoted			
	Reliance Cotton Spinning Mills Limited - RCSM	7.1.1	32,735,607	29,087,105
	SFL Limited - SFL	7.1.2	1,475,225	1,487,881
	Unquoted			
	Sapphire Power Generation Limited - SPGL	7.1.3	251,538,962	287,844,593
	Sapphire Dairies (Private) Limited - SDL	7.1.4	104,229,348	97,097,722
	Tricon Boston Consulting Corporation (Private) Limited - TBCCL	7.1.5	576,400,000	582,924,225
	Energas Terminal (Private) Limited - ETL	7.1.6	-	-
			966,379,142	998,441,526
7.1.1	Investment in RCSM represents 138,900 fully paid ordinary shares of Rs.10 each representing 1.35% (2017: 1.35%) of RCSM's issued, subscribed and paid-up capital as at June 30, 2018. 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, 2018 was Rs.22.167 million (2017: Rs.18.326 million). RCSM is an associate of the Group due to common directorship.			
7.1.2	Investment in SFL represents 10,199 fully paid ordinary shares of Rs.10 each representing 0.051% (2017: 0.051%) of SFL's issued, subscribed and paid-up capital as at June 30, 2018. SFL was incorporated on April 26, 2010 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The main business of SFL is to investment in the shares of Related Parties. Market value of the Group's investment in SFL as at June 30, 2018 was Rs.1.509 million (2017: Rs.1.499 million). SFL 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% (2017: 17.63%) of SPGL's issued, subscribed and paid-up capital as at June 30, 2018. 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 10,000,000 fully paid ordinary shares of Rs.10 each representing 9.09% (2017: 9.09%) of SDL's issued, subscribed and paid-up capital as at June 30, 2018. 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.			
7.1.5	Investment in TBCCL represents 59,251,500 fully paid ordinary shares of Rs.10 each representing 7.13% (2017: 7.13%) of TBCCL's issued, subscribed and paid-up capital as at June 30, 2018. The Parent Company has pledged these shares through an Onshore Security Trustee under Share Pledge Group Agreement dated May 08, 2017 as security against financing facilities advanced to TBCCL. TBCCL was incorporated as a private limited company by shares and its principal business is to operate and maintain wind power plants to generate and supply electricity. TBCCL is an associate of the Group due to common directorship.			
7.1.6	The Subsidiary Company - SEL, during the current year, made investment in ETL's 3,000 fully paid ordinary shares of Rs.10 each representing 30% of ETL's issued, subscribed and paid-up capital as at June 30, 2018. ETL was incorporated as a private limited company. The principal activity of ETL shall be to undertake, develop power projects and operate a terminal for the handling, regasification, storage, treatment and processing of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and other related products. ETL during the year incurred loss amounting Rs.5.883 million. Subsidiary Company's - SEL share of loss was recognised upto the extent of cost of investment of Rs.30,000.			

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

7.1.7 Investments made by the Group during the year in the Subsidiary and Associated Companies have been made in accordance with the requirements under the Companies Act, 2017.

7.2 Summarised financial information of associates

The table below summarise the financial information / reconciliation of associates as at June 30, 2018. Financial statements have been amended to reflect adjustments made by the entity when using the equity method.

	RCSM		SFLL		SPGL		SDL		TBCCL		ETL
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
----- Rupees -----											
Summarised Balance Sheet											
Non current assets	2,188,080,153	2,154,720,053	2,882,902,451	2,887,478,543	1,201,076,072	1,306,038,904	1,340,435,563	1,092,296,098	28,056,903,220	1,525,415,309	8,832,184
Current assets	2,392,630,231	1,529,155,658	113,808,420	54,520,453	400,502,515	496,459,521	341,775,205	305,710,651	3,363,802,689	6,896,961,037	69,578,534
	4,580,710,384	3,683,875,711	2,996,710,871	2,941,998,996	1,601,578,587	1,802,498,425	1,682,210,768	1,398,006,749	31,420,705,909	8,422,376,346	78,410,718
Non current liabilities	354,715,345	220,150,447	14,078,607	9,901,286	115,579,810	98,846,167	268,939,784	160,542,118	20,022,877,177	-	80,000,000
Current liabilities	1,800,402,034	1,308,473,365	76,523,247	1,057,512	58,942,506	70,634,846	266,748,159	169,389,686	3,308,004,171	240,983,712	4,193,924
	2,155,117,379	1,528,623,812	90,601,854	10,958,798	174,522,316	169,481,013	535,687,943	329,931,804	23,330,881,348	240,983,712	84,193,924
Net assets	2,425,593,005	2,155,251,899	2,906,109,017	2,931,040,198	1,427,056,271	1,633,017,412	1,146,522,825	1,068,074,945	8,089,824,561	8,181,392,634	(5,783,206)
Reconciliation to carrying amount											
Opening net assets	2,155,251,899	1,963,242,219	2,931,040,198	2,967,534,203	1,633,017,412	1,636,799,806	1,068,074,945	1,030,333,322	8,181,392,634	239,810,146	-
Profit / (loss) for the year	358,006,395	228,994,025	246,147,031	22,218,191	(124,930,292)	(24,277,793)	78,421,916	(11,775,107)	(91,568,073)	(95,055,582)	(5,883,206)
Other comprehensive (loss) / income	(70,633,114)	57,808,725	(183,523,479)	28,506,456	(80,809,892)	69,525,338	25,964	(483,270)	-	-	-
Other adjustments	(1,595,815)	(43,333,070)	2,856,950	(67,127,202)	(233,594)	(49,029,939)	-	-	-	-	-
Issuance of shares	-	-	-	-	-	-	-	50,000,000	-	8,036,638,070	100,000
Dividend paid during the year	(15,436,360)	(51,460,000)	(90,411,683)	(20,091,450)	-	-	-	-	-	-	-
Closing net assets	2,425,593,005	2,155,251,899	2,906,109,017	2,931,040,198	1,427,043,634	1,633,017,412	1,146,522,825	1,068,074,945	8,089,824,561	8,181,392,634	(5,783,206)
Group's share (percentage)	1.35%	1.35%	0.051%	0.051%	17.63%	17.63%	9.09%	9.09%	7.13%	7.13%	30.00%
Carrying amount of investment (Rupees)	32,735,607	29,087,105	1,475,225	1,487,881	251,538,962	287,844,593	104,229,348	97,097,722	576,400,000	582,924,225	-
Summarised Profit and Loss Account											
Revenue	4,398,017,387	3,570,713,354	650,917	(4,363,651)	573,175,513	867,853,465	890,073,373	746,765,529	-	-	-
Profit / (loss) before tax	396,930,206	253,791,704	250,840,159	29,469,616	(111,434,538)	(10,045,829)	153,631,237	(11,567,991)	(91,519,804)	(94,039,713)	(5,883,206)
Profit / (loss) after tax	358,006,395	228,994,025	246,147,031	22,218,191	(124,930,292)	(24,277,793)	78,421,916	(11,775,107)	(91,568,073)	(95,055,582)	(5,883,206)
Other comprehensive (loss) / income	(70,633,114)	57,808,725	(183,523,479)	28,506,456	(80,809,892)	69,525,338	25,964	(483,270)	-	-	-
Total comprehensive income / (loss)	287,373,281	286,802,750	62,623,552	50,724,647	(205,740,184)	45,247,545	78,447,880	(12,258,377)	(91,568,073)	(95,055,582)	(5,883,206)

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

7.3	Others - available for sale	Note	2018 Rupees	2017 Rupees
	Quoted			
	MCB Bank Limited			
	18,213,195 (2017: 18,368,286) ordinary shares of Rs.10 each - cost		896,451,123	893,476,093
	Adjustment arising from remeasurement to fair value		2,705,572,452	2,971,762,329
			3,602,023,575	3,865,238,422
	Habib Bank Limited			
	7,244,196 (2017: 7,244,196) ordinary shares of Rs.10 each - cost		1,217,073,609	1,217,073,609
	Adjustment arising from remeasurement to fair value		(11,349,626)	732,629,302
			1,205,723,983	1,949,702,911
	Term finance certificates - Habib Bank Limited			
	150 (2017: 150) Term finance certificates of Rs.100,000 each - cost		14,988,000	15,000,000
	Adjustment arising from remeasurement to fair value		(187,350)	(187,500)
			14,800,650	14,812,500
	Unquoted			
	Novelty Enterprises (Private) Limited			
	2,351,995 ordinary shares of Rs.10 each		28,716,078	28,716,078
	TCC Management Services (Private) Limited			
	50,000 ordinary shares of Rs.10 each		500,000	-
			4,851,764,286	5,858,469,911
8.	LONG TERM LOANS - Secured			
	Loans due from employees	8.1 & 8.2	418,000	5,088,500
	Less: recoverable within one year and grouped under current assets		121,000	1,333,500
			297,000	3,755,000
8.1	These represent interest free loans provided to 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. The Group has not provided any long term loan to its Key management personnel.			
8.2	Preceding year figure included loan amounted Rs.4.670 million given to one of the Parent Company's executive. This loan has been recovered during the year.			
9.	LONG TERM DEPOSITS			
	These include Rs.10.900 million as long term deposits with the bank against performance guarantee issued in the favour of Directorate General Mines and Minerals, Khyber Pakhtunkhwa on behalf of Subsidiary Company - PCL. The guarantee amounting to Rs.10 million expires on June 21, 2021 and Rs. 0.9 million will expire on August 16, 2022.			

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

10. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2018 Rupees	2017 Rupees
Stores		59,718,901	57,577,889
Spare parts		89,231,466	60,264,195
Loose tools		366,974	223,728
Items in transit		55,592,929	40,174,392
		204,910,270	158,240,204
Less: provision for slow moving items	10.1	6,139,726	1,971,784
		198,770,544	156,268,420
10.1 Provision for slow moving items			
Balance at beginning of the year		1,971,784	1,971,784
Add: provision made during the year		4,167,942	-
Balance at end of the year		6,139,726	1,971,784
11. STOCK-IN-TRADE			
Raw materials:			
- at mills		3,398,495,196	2,748,468,525
- in transit		413,338,319	292,859,969
- at third party's premises	11.1	103,889,305	25,873,795
		3,915,722,820	3,067,202,289
Work-in-process		439,022,953	309,426,974
Finished goods:			
- at mills		578,638,858	566,555,637
- at third party's premises	11.2	64,174,710	130,432,083
		642,813,568	696,987,720
		4,997,559,341	4,073,616,983
11.1	This stock is lying for processing and finishing.		
11.2	Included in the finished goods items costing Rs.313.979 million which have been stated at their net realizable value aggregated Rs.274.562 million. The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.39.417 million.		
12. TRADE DEBTS			
	Note	2018 Rupees	2017 Rupees
Consider good			
Unsecured			
- local	12.1	551,828,963	449,714,480
- indirect export		73,842,312	62,253,117
		625,671,275	511,967,597
Secured			
- foreign debts		2,161,477,423	1,140,245,064
- local	12.6	7,706,420,225	6,202,186,352
		9,867,897,648	7,342,431,416
Considered doubtful			
Unsecured - foreign debts	12.5	93,962,301	80,792,719
		10,587,531,224	7,935,191,732
Less: provision for doubtful debts		30,200,000	20,200,000
		10,557,331,224	7,914,991,732

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

12.1	These include the following amounts due from Related Parties:	2018 Rupees	2017 Rupees
	Diamond Fabrics Limited	8,742,558	40,154,081
	Reliance Cotton Spinning Mills Limited	2,324,950	2,656,082
	Sapphire Textile Mills Limited	10,953,166	35,345,930
	Sapphire Power Generation Limited	175	3,141
	Sapphire Finishing Mills Limited	57,600	-
		22,078,449	78,159,234

12.2	The ageing of trade debts at June 30, is as follows:	Related Parties		Others	
		2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
	Not past due	243,420	7,872,146	4,850,432,711	4,690,672,206
	Past due 1-30 days	21,647,940	69,799,969	2,256,836,373	1,747,250,188
	Past due 31-60 days	39,000	487,119	1,216,628,768	324,157,039
	Past due 61-90 days	-	-	413,987,339	113,450,621
	Past due 91-365 days	147,914	-	877,466,819	167,199,898
	Past due one year	175	-	919,900,765	794,102,546
		22,078,449	78,159,234	10,535,252,775	7,836,832,498

12.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.153.001 million (2017: Rs.108.111 million).

12.4 With respect to outstanding foreign debts break-up of sales made in each foreign jurisdiction along with its credit terms is as follows:

Foreign jurisdictions	Credit terms	2018 Rupees	2017 Rupees
Asia	Confirmed LC	692,996,462	-
Africa	-- do --	158,512,201	438,398,643
Australia	-- do --	18,515,569	-
Europe	-- do --	1,722,707,512	1,482,118,519
South America	-- do --	-	146,547,574
		2,592,731,744	2,067,064,736
	Credit terms		
Asia	Contract	350,481,544	845,388,341
Africa	-- do --	-	175,263,576
Australia	-- do --	18,295,271	47,262,836
Europe	-- do --	1,341,725,597	1,772,762,988
North America	-- do --	-	4,868,434
South America	-- do --	33,929,076	-
		1,744,431,488	2,845,546,175

12.5 These represent doubtful receivables amounting U.S. Dollar 610.229 thousand and U.S. Dollar 163.763 thousand from M/s. Star Knitwear Ltd. Mauritius, Hong Kong and M/s. Cortland Industries Inc. New York, United States respectively. Based on the management best estimate provision for doubtful recoverable amount has been made in these financial statements.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

12.6 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 markup 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 markup charged during the year on outstanding amounts ranges from 8.29% to 13.01% (2017: 10.48% to 13.01%) per annum.

12.6.1 Included in trade debts is an amount of 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 of the Subsidiary Company - SECL 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 SECL cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the SECL had taken up this issue at appropriate forums. On June 28, 2013, the SECL 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 SECL before the Supreme Court of Pakistan on the above mentioned 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 SECL applied for withdrawal of the aforesaid petition in 2013 and on January 25, 2018, the Supreme Court disposed off the petitions filed before it. During the financial year 2014, the SECL in consultation with NTDC, appointed an Expert for dispute resolution under PPA.

12.6.2 Also included in trade debts are amounts aggregating Rs.227.610 million (2017: Rs.227.610 million) relating to capacity purchase price not acknowledged by NTDC. The SECL'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 SECL in consultation with NTDC, appointed an Expert for dispute resolution under the PPA. In August 2015, the Expert gave his determination whereby the aforesaid amount of Rs 576.073 million was determined to be payable to the SECL by NTDC while the SECL's claim regarding the amount of Rs 227.610 million was not accepted. Pursuant to the Expert's determination, the SECL has demanded the payment of the aforesaid amount of Rs.576.073 million from NTDC that has not yet been paid by NTDC.

In addition to the Expert Determination process mentioned above, the SECL 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.

In respect of the matter of Rs 227.610 million, the Arbitrator through his order dated March 9, 2016, (the First Arbitration) decided the matter in the SECL favour whereby the aforesaid amount of Rs 227.610 million was determined to be payable to the SECL by SNGPL. Furthermore, the Arbitrator also awarded interest at the rate of 6% per annum on the aforesaid amount payable as of August 18, 2014 until the date of the actual payment and reimbursement of certain arbitration costs incurred by the SECL 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 SECL filed an application before the court of Senior Civil Judge, Lahore to pass appropriate directions for the implementation of the Arbitration Award, which is pending adjudication.

12.6.3 In respect of the matter of Rs 576.073 million, in October 2015, the Government of Pakistan ('GOP') through Private Power & Infrastructure Board PPIB filed a case in the court of Senior Civil Judge, ("Civil Case 2015"), Lahore, against the aforementioned decision of the Expert, praying it to be illegal, which is pending adjudication.

Consequently, invitation to participate in arbitration was issued to the PPIB/GOP. PPIB filed separate Civil Suit before the Civil Judge, Lahore, seeking inter alia that the parties should be restrained from participating in the arbitration

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

proceedings in the LCIA ("Civil Case 2016"). The SECL filed applications in the Civil Court where the SECL prayed that the Civil Court, Lahore lacks the jurisdiction in respect of the cases filed by PPIB. In respect of the aforementioned applications, through its orders dated April 18, 2017, the Civil Court, Lahore rejected SECL's pray and granted the pray of PPIB whereby, the court accepted PPIB's applications for interim relief in 2015 and 2016 Civil Suits. Being aggrieved, the SECL challenged before the Additional District Judge, Lahore against the aforementioned orders of the Civil Court and continued to take part in the arbitration proceedings. Furthermore, in response to the SECL's continued participation in the arbitration proceedings, PPIB filed contempt petition before LHC in respect of the decision of the Civil Court, Lahore and the LHC passed an order in those proceedings. The SECL challenged the LHC's order before the Division Bench of LHC, which decided the matter in favour of the SECL through its order dated May 31, 2017 whereby, the aforementioned order of the LHC was suspended.

- 12.6.4** The Arbitrator, on June 08, 2017, declared his Partial Final Award and decided the matter principally in SECL's favour and declared that the above mentioned Expert's determination is final and binding on all parties ("Final Partial Award"). Aggrieved by the Partial Final Award, NTDC challenged the Arbitrator's decision in Lahore Civil Court ("Civil Case 2017"), which suspended the Final Partial Award on July 10, 2017. In response to this decision of Civil Court, the SECL filed a revision petition in District Court and the District Court ("District Case 2017") while granting interim relief to the SECL, suspended the Civil Court's order on August 12, 2017. Along with challenging the Final Partial Award in Lahore Civil Court, NTDC also challenged the same, on July 06, 2017, in Commercial Court of England. As per advice of foreign legal counsel, the SECL also filed a case for anti suit injunction in Commercial Court of England against NTDC on August 14, 2017.

The District Judge, Lahore through its order dated July 8, 2017 set-aside the aforementioned orders of the Civil Judge, Lahore dated April 18, 2017 and accepted SECL's appeals but dismissed the SECL's revision petitions concerning the issue of jurisdiction. Aggrieved by this decision, (i) the SECL filed writ petitions before the LHC, which announced a favourable decision and suspended the proceedings of Civil Cases 2015 and 2016 till the final decision of LHC; and (ii) GOP/PPIB filed revision petitions in the LHC, which are currently pending adjudication.

- 12.6.5** On October 29, 2017, Arbitrator declared his Final Award (the Second Arbitration) whereby he ordered NTDC to pay to the SECL: i) Rs 576.073 million pursuant to Expert's determination; ii) Rs 133.695 million being Pre award interest; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 1.684 million and USD 612,311 for the SECL's cost of proceedings; v) GBP 30,157 for SECL's LCIA cost of Arbitration and vi) Interest at KIBOR + 4.5% compounded semi-annually from the date of Final Award until payment of these amounts by NTDC ("the Final Award") that works out to Rs 58.049 million upto June 30, 2018.

On November 24, 2017, NTDC challenged the Final Award in Commercial Court of England. On November 29, 2017, SECL filed an application before Lahore High Court for implementation of Final Award that is also pending adjudication. During the hearing held in December 2017 in London, NTDC withdrew its petitions dated July 06, 2017 and November 24, 2017 filed before Commercial Court of England against the SECL, pertaining to Partial Final Award and Final Award respectively.

On May 4, 2018, Commercial Court of England issued a favourable decision in the case of anti suit injunction, thereby preventing NTDC from pursuing case in Pakistan Civil Courts against Partial Final Award/Final Award and taking any steps outside England to set aside Partial Final Award/Final Award issued by the Arbitrator. Aggrieved by this decision, NTDC has sought permission to file an appeal before the Court of Appeals, London, which is pending as of today.

- 12.6.6** Based on the advice of the SECL's legal counsel, Expert's determination and Arbitration Awards, management strongly feels the aforesaid under the terms of the PPA, Implementation Agreement and the GSA, there are meritorious grounds to support the SECL's stance and both amounts are likely to be recovered. Consequently, no provision for the abovementioned amounts aggregating Rs 803.683 million has been made in these financial statements.

Further, on prudence basis, the SECL has not recognised the abovementioned amounts in these financial statements for pre-award interest, breach of arbitration agreement, SECL's cost of proceedings, SECL's LCIA cost of Arbitration and interest thereon on all these amounts as per Final Award of the Second Arbitration due to its uncertainty since it is pending adjudication as mentioned above. Such amounts as per Final Award would be recognized when it attains finality and it is certain.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

13. LOANS AND ADVANCES		2018 Rupees	2017 Rupees
- Considered good	Note		
Current portion of long term loans to employees	8	121,000	1,333,500
Due from related party	13.1	30,000,000	-
Advances to:			
- suppliers and contractors		76,776,191	66,730,989
- key management personnel	13.2	1,035,000	1,955,000
- employees		2,329,045	5,212,921
- others		60,694,394	93,609,215
		140,834,630	167,508,125
Letters of credit		624,968	1,368,131
		171,580,598	170,209,756

13.1 The Subsidiary Company - SEL has entered into a loan agreement with Energas Terminal (Private) Limited (a related party), to provide an unsecured loan amounting Rs.30 million for working capital requirements. This loan carries mark-up at the rate of 6 months kibar + 0.25% and is repayable at the discretion of the Associated Company. Effective mark-up rate charged by the SEL, during the year, were 6.69% to 7.15% per annum. The maximum aggregate amount outstanding against this loan at the end of any month during the year was Rs.30 million.

13.2 These represent unsecured and interest free advances to the following key management personnel given by Subsidiary Company - SECL: Mr. Muhammad Umar Rahi and Mr. Usman Idrees as per their terms of employment. These are recoverable through monthly deductions from their salaries. Maximum aggregate amount due from them at the end of any month during the year was Rs.1.885 million (2017: Rs.2.490 million).

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		2018 Rupees	2017 Rupees
Security deposits - unsecured and considered good		934,608	934,608
Margin against letter of credit		42,866,043	6,905,877
Prepayments		38,653,441	33,817,127
		82,454,092	41,657,612

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

15. SHORT TERM INVESTMENTS

Available for sale investments - Quoted

2018 No. of shares / certificates	2017	Name of the investee company	Market value		Cost	
			2018	2017	2018	2017
			----- Rupees -----			
-	287,500	Al Shaheer corporation Limited	-	11,531,625	-	16,657,683
45,600	45,600	Attock Petroleum Limited	26,903,544	28,565,208	12,153,848	12,153,848
9,538,500	9,538,500	Bank Al-Habib Limited	751,919,955	541,309,875	419,888,054	419,888,054
269,647	237,575	Charat Packaging Limited	38,745,577	56,490,584	35,824,418	31,815,418
625,000	625,000	Crescent Steel & Allied Products Limited	56,981,250	149,106,250	52,616,540	52,616,540
700,000	700,000	D.G Khan Cement Company Limited	80,143,000	149,212,000	81,272,992	81,272,992
2,396,600	2,396,600	Engro Corporation Limited	752,196,876	781,075,906	589,213,189	589,213,189
4,540,500	5,540,500	Fauji Cement Company Limited	103,750,425	227,326,715	133,814,557	163,284,557
-	500	First Punjab Modaraba	-	4,000	-	2,942
7,766,704	6,862,304	Habib Bank Limited	1,292,690,214	1,846,920,499	1,603,060,152	1,416,973,482
186,500	186,500	Habib Sugar Mills Limited	7,553,250	6,984,425	6,397,292	6,397,292
10,500	10,500	Haji Muhammad Ismail Mills Limited	-	77,700	126,000	126,000
77,500	77,500	Honda Atlas Cars (Pakistan) Limited	24,520,225	67,245,975	17,952,470	17,952,470
-	2,500,000	Hum Television Network Limited	-	29,350,000	-	25,395,025
100,000	100,000	IGI Insurance Limited	28,800,000	31,680,000	24,684,626	24,684,626
-	134	KASB Modaraba	-	335	-	-
12,878,000	12,878,000	K-Electric Limited	73,147,040	88,858,200	120,385,975	120,385,975
303,000	303,000	Lucky Cement Limited	153,902,790	253,386,780	117,777,538	117,777,538
-	1,302	MCB Bank Limited (Formerly NIB Bank Ltd)	-	2,239	-	13,734
-	144,000	Nishat Chunian Power Limited	-	6,415,200	-	6,309,276
100,000	100,000	Nishat Mills Limited	14,092,000	15,868,000	9,115,972	9,115,972
-	150,000	Nishat Power Limited	-	7,086,000	-	5,286,560
100,000	100,000	Packages Limited	48,972,000	69,558,000	25,060,500	25,060,500
311,760	259,800	Pakistan State Oil Company Limited	99,236,326	100,633,530	63,918,848	63,918,848
-	4,990,500	Soneri Bank Limited	-	73,260,540	-	71,202,355
1,000,000	-	Tariq Glass Industries Ltd.	107,160,000	-	101,129,230	-
-	43,100	The Hub Power Company Limited	-	5,061,233	-	3,534,740
78,326	65,272	The Searle Company Limited	26,591,677	33,417,959	2,571,486	2,571,486
-	143	Trust Investment Bank Limited	-	489	-	660
431,300	1,185,300	United Bank Limited	72,881,074	279,161,856	80,749,609	216,675,869
			3,760,187,223	4,859,591,123	3,497,713,296	3,500,287,631
Add: Adjustment arising from re-measurement to fair value					262,473,927	1,359,303,492
Market value					3,760,187,223	4,859,591,123

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

16. OTHER RECEIVABLES	Note	2018 Rupees	2017 Rupees
Advance income tax		371,215,924	316,979,793
Export rebate and duty drawbacks		562,362,066	234,322,671
Dividend receivable		4,148,616	13,719,673
Interest receivable	16.1	840,411	-
Claim recoverable from NTDCL for pass through item - Workers' Profit Participation Fund	16.2	112,152,262	118,943,775
Unrealised gain on remeasurement of hedging instruments		-	140,343
Accrued mark-up on term finance certificates		374,726	724,468
Others		8,621,244	8,207,277
		<u>1,059,715,249</u>	<u>693,038,000</u>
16.1	It represents interest receivable by the Subsidiary Company - SEL from Energas Terminal (Pvt) Limited (a related party).		
16.2	Under section 9.3(a) of PPA with NTDC, payments made by the Subsidiary Company - SECL to Workers' Profit Participation Fund are recoverable from NTDC as a pass through item.		
17. TAX REFUNDS DUE FROM GOVERNMENT	Note	2018 Rupees	2017 Rupees
Sales tax		531,001,871	684,104,118
Income tax		424,929,906	407,150,758
Excise duty		15,075,327	12,700,397
Less: provision for doubtful tax refunds	17.1	219,008,407	111,366,369
		<u>751,998,697</u>	<u>992,588,904</u>
17.1 Provision for doubtful tax refunds			
Balance at beginning of the year		111,366,369	51,876,144
Add: provision for the year		107,642,038	59,490,225
Balance at end of the year		<u>219,008,407</u>	<u>111,366,369</u>
18. CASH AND BANK BALANCES			
Cash-in-hand	18.1	4,026,101	3,861,244
Balances with banks on:			
- off shore current account	18.2	318,375,416	285,414,969
- on shore:			
current accounts	18.3	67,117,627	155,800,980
term deposit account (TDA)	18.4	139,345,109	6,100,128
dividend account		5,337,641	5,542,924
		<u>530,175,793</u>	<u>452,859,001</u>
		<u>534,201,894</u>	<u>456,720,245</u>

18.1 Cash-in-hand includes Rs.0.595 million (2017: Rs.0.555 million) advanced to employees for various expenses.

18.2 This represent U.S.\$ 2.623 million (2017: U.S.\$ 2.723 million) translated in Pakistan Rupees at the reporting date.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

- 18.3** These include foreign currency deposits amounting to US.\$ 0.205 million (2017: US.\$ 0.217 million).
- 18.4** Effective rates of profit on TDA, during the year, ranged from 3.80% to 4.55% (2017: 3.75% to 4.50%) 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.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018 ----- Numbers -----	2017		2018 Rupees	2017 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

- 19.1** 10,196,896 (2017: 10,196,896) ordinary shares of Rs.10 each are held by Related Parties as at year-end.
- 19.2** Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholdings of shareholders.

20. RESERVES

	Note	2018 Rupees	2017 Rupees
Capital reserve			
- share premium	20.1	145,740,000	145,740,000
- maintenance reserve	20.2	35,181,732	336,444,851
General reserve		1,183,845,000	1,183,845,000
Unrealised gain on available for sale investments		2,928,821,052	4,850,890,908
Unrealised gain on remeasurement of hedging instruments		168,060	174,046
		4,293,755,844	6,517,094,805

- 20.1** This represents excess of consideration received, by the Parent Company, on issue of ordinary shares over the face value of ordinary shares.
- 20.2** Under the terms of the project agreements, the Subsidiary Company - SECL is required to maintain a Reserve Fund on the basis of operational hours depending upon the type of fuel. The reserve fund can only be utilized to pay expenses on major maintenance for proper operation of the power station.
- During the current year i.e. eighth agreement year, major repair and maintenance was carried out for both Gas Turbine Generators as per terms of the Operations and Maintenance(O&M) Agreement. Accordingly, the reserve fund was utilized for the above mentioned purpose.
- 20.3** 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 - SECL.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

21. LONG TERM FINANCES - Secured	Note	2018 Rupees	2017 Rupees
(a) Sapphire Fibres Limited			
From banking companies:			
- MCB Bank Limited (formerly NIB Bank Limited)			
- Long term finance facility	21.1	68,625,430	79,323,000
- Demand finance	21.2	34,419,000	46,302,252
		103,044,430	125,625,252
- Allied Bank Limited	21.3	912,331,650	960,357,100
- United Bank Limited	21.4	1,373,174,102	1,155,089,780
- MCB Bank Limited	21.5	1,293,086,000	470,702,000
- Habib Bank Limited	21.6	1,000,000,000	1,000,000,000
		4,681,636,182	3,711,774,132
(b) Sapphire Electric Company Limited	21.7		
From banking companies:			
- National Bank of Pakistan		616,092,753	828,780,710
- Habib Bank Limited		1,071,749,945	1,441,740,184
- United Bank Limited		714,499,952	961,160,112
- MCB Bank Limited		714,499,954	961,160,116
- Allied Bank Limited		714,499,956	961,160,117
- Bank Alfalah Limited		455,656,846	612,959,128
- Silk bank Limited		91,285,830	122,799,584
- Meezan Bank Limited		182,702,557	245,775,257
		4,560,987,793	6,135,535,208
		9,242,623,975	9,847,309,340
Less: current portion grouped under current liabilities		2,639,389,553	1,696,223,366
		6,603,234,422	8,151,085,974

21.1 The Parent Company has arranged long term finance facilities amounting Rs.150 million from MCB Bank Limited (formerly NIB Bank Limited) to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.156.939 million in fourteen tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate 3.00% to 5.50% (2017: 3.00% to 9.40%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

21.2 The Parent Company, during the preceding year, converted four tranches of long term finance facilities amounting Rs.46.302 million into a demand finance facility. This finance facility is repayable in seven equal semi-annual instalments commenced from June, 2017 and carries mark-up at the rate of 3 month Kibor + 1%; effective mark-up rate charged, during the year, ranged from 7.10% to 7.16% (2017: 7.10% to 7.12%) per annum. This finance facility is secured against joint pari passu charge of Rs.200 million over the imported machinery.

21.3 The Parent Company 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 disbursed Rs.960.357 million in seventeen tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate of 2.50% (2017: 2.50% to 2.65%) per annum and are

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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 Parent Company.

- 21.4** The Parent Company 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. During the preceding years, the bank against the said facility disbursed Rs.1,155.090 million in twenty eight tranches of different amounts. During the current year, the bank has further disbursed Rs.269.024 million in eight tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 2.50% and 3.50% (2017: 2.50% to 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 Parent Company.
- 21.5** The Parent Company has arranged long term finance facilities amounting Rs.1,350 million from MCB Bank Limited to retire import documents of plant and machinery. During the preceding year, the bank against the said facility disbursed Rs.470.702 million in the nineteen tranches of different amounts. During the current year, the bank has further disbursed Rs.834.434 million in eleven tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 2.50% to 7.42% (2017: 2.50% to 7.18%) per annum and are secured against first charge of Rs.1,134 million over the specific plant and machinery of the Parent Company.
- 21.6** The Parent Company, during the preceding year, has arranged a long term finance facility amounting Rs.1,000 million from Habib Bank Limited to repay the short term borrowings earlier utilized for setup of denim plant. This finance facility is repayable in eight equal quarterly installments commencing September, 2018 and carries mark-up at the rate of 3 month Kibor + 0.12% per annum; effective mark-up rates charged, during the year, ranged from 6.26% to 7.04% (2017: 6.26%) per annum. This finance facility is secured against ranking charge of Rs.1,334 million with 25% margin over the specific plant and machinery of the Company.
- 21.7** 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 - SECL mortgaged project receivables, lien over the project bank accounts, mortgage of immovable property, hypothecation of all present and future assets and properties of the SECL (excluding the mortgaged project receivables and the mortgaged immovable property) and by the collectively agreed pledge of 51% shares of the SECL held by the sponsors. It carries markup at the rate of three months KIBOR + 3% per annum, payable on quarterly basis. The effective markup rate charged during the year on outstanding balance is 9.59% (2017: 9.28%) per annum. As of June 30, 2018, the principal is repayable in nine quarterly installments ending on September 30, 2020.

22. STAFF RETIREMENT BENEFIT - Gratuity

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

22.1 Amount recognised in the statement of financial position	2018 Rupees	2017 Rupees
Net liability at the beginning of the year	322,591,928	283,847,228
Charge to statement of profit or loss	97,246,525	86,610,583
Remeasurement recognised in statement of other comprehensive income	8,423,010	8,949,179
Payments made during the year	(81,663,995)	(56,815,062)
Net liability at the end of the year	346,597,468	322,591,928

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees	
22.2 Movement in the present value of defined benefit obligation			
Balance at beginning of the year	322,591,928	283,847,228	
Current service cost	75,410,130	61,560,494	
Past service cost	-	6,530,711	
Interest cost	21,836,395	18,519,378	
Benefits paid	(81,663,995)	(56,815,062)	
Remeasurements on obligation	8,423,010	8,949,179	
Balance at end of the year	<u>346,597,468</u>	<u>322,591,928</u>	
22.3 Expense recognised in statement of profit or loss			
Current service cost	75,410,130	61,560,494	
Past service cost	-	6,530,711	
Interest cost	21,836,395	18,519,378	
	<u>97,246,525</u>	<u>86,610,583</u>	
22.4 Remeasurements recognised in statement of other comprehensive income			
Experience loss	7,012,797	8,412,496	
Actuarial gains	1,410,213	536,683	
	<u>8,423,010</u>	<u>8,949,179</u>	
22.5 Actuarial assumptions used	2018	2017	
Discount rate	9.00%	7.25%	
Expected rate of increase in future salaries	8.00%	6.75%	
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)	
22.6 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	Decrease in assumption
		Rupees	Rupees
Discount rate	1.00%	<u>322,987,727</u>	<u>373,787,258</u>
Increase in future salaries	1.00%	<u>374,713,778</u>	<u>321,721,624</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 statement of financial position.

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

22.7 Based on actuary's advice, the expected charge for the year ending June 30, 2019 amounts to Rs.110.678 million.

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

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	----- Rupees -----				
As at June 30, 2018	62,935,563	108,896,334	169,289,075	2,934,399,257	3,275,520,229

22.10 Historical information:

	2018	2017	2016	2015	2014
	----- Rupees -----				
Present value of defined benefit obligation	346,597,468	322,591,928	283,847,228	257,188,963	210,997,693
Experience adjustment on obligation / actuarial gains	8,423,010	8,949,179	(928,950)	26,308,442	26,530,765

23. DEFERRED TAXATION - Net

	2018 Rupees	2017 Rupees
Credit balances arising in respect of:		
- accelerated tax depreciation allowance / investment in associates	126,738,265	104,666,678
- re-measurement of short term investments	28,064,658	228,387,562
	154,802,923	333,054,240
Debit balances arising in respect of:		
- staff retirement benefit - gratuity	18,906,545	17,226,409
- provision for slow moving items	334,916	105,293
	19,241,461	17,331,702
	135,561,462	315,722,538

23.1 The Parent 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 recognized as management is not certain whether income of subsequent years is chargeable to tax under presumptive tax regime or normal tax regime.

23.2 No deferred tax liability/ (asset) has arisen on temporary differences with respect to the Subsidiary Companies; SECL, SEL, SCCL, PCL and SHL.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

24. TRADE AND OTHER PAYABLES	Note	2018 Rupees	2017 Rupees
Trade creditors	24.1	1,601,754,239	2,175,539,775
Accrued expenses	24.2	790,230,863	470,778,731
Advance payments		118,573,973	258,946,777
Bills payable	24.3	213,184,940	233,630,947
Sindh government infrastructure fee	24.4	180,292,541	148,680,406
Workers' profit participation fund	24.5	172,423,707	185,191,331
Workers' welfare fund	24.6	815,671	815,671
Staff provident fund		744,540	-
Others		19,498,254	15,155,805
		3,097,518,728	3,488,739,443
24.1 These balances include the following amounts due to related parties:			
Reliance Cotton Spinning Mills Limited		31,308,865	45,643,597
Neelam Textile Mills Limited		475	-
Amer Cotton Mills Limited		17,977,786	156,703,039
Sapphire Textile Mills Limited		132,065	120,000
Sapphire Power Generation Limited		1,871,807	1,859,777
Sapphire Finishing Mills Limited		27,135	-
		51,318,133	204,326,413

24.2 These include Rs.15.300 (2017: 26.307 million) payable to Sapphire Power Generation Limited - a related party.

24.3 These are secured against import documents.

24.4 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.

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, 2018, the Parent Company has provided bank guarantees aggregating Rs.161.950 million (2017: Rs.131.950 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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees
24.5 Workers' profit participation fund		
Balance at beginning of the year	185,191,331	185,282,605
Add: interest on funds utilised by the Group companies	3,074,910	1,634,712
	188,266,241	186,917,317
Less: payments made during the year	188,266,241	186,917,317
	-	-
Add: allocation for the year	172,423,707	185,191,331
Balance at end of the year	172,423,707	185,191,331
24.6 Workers' welfare fund		
Balance at beginning of the year	815,671	171,633,177
Add: charge for the year	85,566	-
Less: reversal of prior years' liability	-	(170,817,506)
Less: payment made during the year	(85,566)	-
Balance at end of the year	815,671	815,671

24.7

Workers' welfare fund has not been provided for by the Subsidiary Company - SECL based on advice of legal consultant. However, in case the SECL pays WWF, same is recoverable from NTDC as a pass through item under section as 9.3(a) of the PPA with NTDC. Similarly, due to losses no provision has been provided for in respect of Subsidiary Companies; PCL, SCCL, SHL and SEL in these consolidated financial statements.

25. ACCRUED MARK-UP / INTEREST

	Note	2018 Rupees	2017 Rupees
Mark-up / interest accrued on:			
- long term finances		27,701,492	18,914,836
- short term borrowings		144,197,439	125,601,135
		171,898,931	144,515,971

26. SHORT TERM BORROWINGS

Running / cash finances - secured	26.1	11,213,231,299	9,757,836,379
Running Musharaka and Murahabha finances - secured	26.2	2,763,183,912	430,559,819
Temporary bank overdraft - unsecured	26.3	16,374,515	11,119,482
		13,992,789,726	10,199,515,680

26.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.21,557 million (2017: Rs.21,729 million). These finance facilities, during the year, carried mark-up at the rates ranged from 2.25% to 8.50% (2017: 1.00% to 8.12%) per annum. The aggregate short term finance facilities are secured against hypothecation / ranking pari passu charge on all present and future current 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.

Included in short term finances Rs. Nil (U.S.\$ Nil) [2017: Rs.1,032.83 million (U.S.\$ 9.836 million)] representing foreign currency loans obtained from various banks. The rates of mark-up on these finance facilities ranged from 1.15% to 2.25% (2017: 1.10% to 2.50%) per annum.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

Facilities available for opening letters of credit and guarantees aggregate to Rs.10,780 million (2017: Rs.9,666 million) out of which the amount remained unutilised at the year-end was Rs.6,295 million (2017: Rs.8,238 million). These facilities are secured against lien on shipping documents, hypothecation charge on current assets of the Group, cash margins and counter guarantee.

Abovementioned facilities are expiring on various dates upto March 31, 2019.

26.2 This represents murabaha and musharaka finance facilities available from various commercial banks amounting to Rs 2,983 million (2017: Rs 1,000 million) to finance the procurement of multiple oils from fuel suppliers and for manufacturing of yarn, dyeing of yarn / fabric and knitting of fabric. Profit on murabaha is payable at maturity of respective murabaha transaction. Whereas, the profit on musharaka is payable monthly and quarterly on the balance outstanding. The profit rate charged during the year on the outstanding balance ranges from 6.29% to 7.00% (2017: 6.26% to 6.62%) per annum. The facilities are secured against first pari passu charge on current assets comprising of fuel stocks, inventories and receivables from NTDC and ranking charge of Rs. 1,333.330 million by way of hypothecation over present and future movable and immovable current assets of the Parent Company including 25% safety margin.

26.3 This represents book overdraft balance due to unrepresented cheques.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.2,567.388 million (2017: Rs.275.376 million) have been issued by banks of the Group to various Government institutions and SNGPL.

- (a) SNGPL has claimed late payment surcharge amounting to Rs 345.604 million (2017: Rs 245.866 million) on account of partial payments made by the Subsidiary Company - SECL against the Regasified Liquefied Natural Gas ('RLNG') consumed by it prior to the Price Determinations of RLNG by the Oil and Gas Regulatory Authority ('OGRA'). The management of the SECL is of the view that, as per the terms of the GSA and the Operating Procedure signed by the SECL Ministry of Petroleum and Natural Resources, Ministry of Water and Power, SNGPL and Central Power Purchasing Agency (Guarantee) Limited, the SECL is liable to make payments to SNGPL on the basis of the prices notified by OGRA, therefore, the partial payments made by the SECL to SNGPL prior to OGRA price determinations do not constitute a default on the SECL's part. Based on the advice of the SECL's legal counsel, management considers that under the terms of the GSA and the Operating Procedure, there are meritorious grounds to support the SECL's stance. Consequently, no provision for the above mentioned amount has been made in these consolidated financial statements.
- (b) During the year ended June 30, 2014, a sales tax demand of Rs.830.031 million was raised against the Subsidiary Company - SECL 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 SECL on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the SECL was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the SECL. Against the aforesaid order, the SECL 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 SECL other grounds of appeal. Consequently, the SECL 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.
- (c) Furthermore, the Deputy Commissioner Inland Revenue ('DCIR') issued a show cause notice dated December 2, 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 - SECL 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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

price. Aggrieved by this show cause notice, the SECL filed a writ petition before the Lahore High Court ('LHC') to the extent of aforesaid matters amounting to Rs 504.909 million while the SECL has provided for the remaining amount of Rs 0.631 million in these consolidated financial statements. During the year, LHC has disposed of the petition in the SECL's favour through its order dated October 31, 2016, by stating that there is no existence of exempt supply. Accordingly, the SECL is free to reclaim or deduct input tax under the relevant provisions of Sales Tax Act, 1990. Being aggrieved, the tax department has filed an appeal before the Supreme Court of Pakistan against the aforementioned LHC's order which is pending adjudication.

- (d) The Finance Act, 2017 amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 7.5% of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 40% of the accounting profit through cash dividend within six months of the end of the said year.

The Parent Company filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2017 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and SHC accepted the CP and granted stay against the newly amended section 5A.

The dividend paid by the Parent Company for the financial year 2017 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the SHC's decision is not in favor of the Parent Company; the Parent Company will be liable to pay additional tax at the rate of 7.5% of its profit before tax for the financial year ended June 30, 2017. As at reporting date no charge has been recorded in this respect.

27.2 Commitments

- 27.2.1 The Subsidiary Company - SECL 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 - SECL 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%.

27.2.2 Commitments in respect of :	2018 Rupees	2017 Rupees
- letters of credit for capital expenditure	<u>145,536,511</u>	<u>699,262,767</u>
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	<u>220,464,198</u>	<u>142,589,420</u>
- capital expenditure other than letters of credit	<u>205,122,142</u>	<u>349,428,568</u>
- foreign currency forward contract	<u>-</u>	<u>263,145,000</u>
- foreign bills discounted	<u>1,297,115,345</u>	<u>561,045,440</u>
- future payments under operating lease	<u>-</u>	<u>17,765,748</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

28. SALES - Net	Note	2018 Rupees	2017 Rupees
Export:			
Yarn	28.1	8,665,713,605	7,615,719,475
Fabric		2,235,448,286	1,066,235,139
Garments		3,140,256,967	2,513,794,932
Waste	28.2	259,016,074	217,225,977
	28.3	14,300,434,932	11,412,975,523
Local:			
Yarn		2,136,978,839	2,157,256,863
Fabric		487,065,011	181,129,462
Garments		18,017,323	6,864,498
Energy purchase price		10,834,236,114	12,416,083,369
Capacity purchase price		4,247,668,095	3,977,321,248
Raw materials		58,889,353	58,411,868
Waste	28.2	223,652,640	216,138,256
Others		10,473,839	15,453,454
		18,016,981,214	19,028,659,018
		32,317,416,146	30,441,634,541
Export rebate and duty draw back		538,670,655	292,809,941
Processing services		65,632,868	137,110,044
		32,921,719,669	30,871,554,526
Less: sales tax		1,895,570,879	2,529,791,197
		31,026,148,790	28,341,763,329

28.1 This includes indirect export of Rs.2,037.219 million (2017: Rs.1,714.067 million).

28.2 Waste sales include sale of comber noil.

28.3 Exchange gain due to currency rate fluctuations relating to export sales amounting to Rs.166.711 million (2017: Rs.32.496 million) has been included in export sales.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

29. COST OF SALES	Note	2018 Rupees	2017 Rupees
Finished goods at beginning of the year		696,987,720	514,758,796
Finished goods of trial run operations at the beginning of the year		-	985,630
Cost of goods manufactured	29.1	25,917,192,744	24,242,891,525
Cost of raw materials sold		59,698,662	51,357,622
		25,976,891,406	24,294,249,147
		26,673,879,126	24,809,993,573
Finished goods at end of the year		(642,813,568)	(696,987,720)
		26,031,065,558	24,113,005,853
29.1 Cost of goods manufactured			
Work-in-process at beginning of the year		309,426,974	160,305,731
Work-in-process of trial run operations at the beginning of the year		-	16,688,734
Raw materials consumed	29.2	18,870,265,303	18,327,600,138
Salaries, wages and benefits	29.3	1,532,683,171	1,347,221,907
Operations and maintenance		964,705,760	646,888,359
Packing stores consumed		208,744,109	206,162,119
General stores consumed		294,559,729	255,773,056
Processing charges		1,119,464,654	783,395,274
Depreciation	4.2	1,221,208,444	1,195,305,256
Fuel and power		1,490,486,799	1,304,583,179
Repair and maintenance		38,045,955	25,778,965
Insurance		136,786,428	168,558,427
Vehicles' running		25,090,932	22,553,979
Travelling and conveyance		24,096,080	17,330,510
Printing and stationery		1,193,128	3,836,385
Legal and professional charges		26,092,850	3,783,244
Fee and subscription		41,729,218	13,889,658
Entertainment		13,838,474	13,088,735
Telephone		3,050,583	6,087,779
Postage		2,521,083	1,558,194
Rent, rates and taxes		3,129,097	3,165,120
Miscellaneous		29,096,926	28,763,750
		26,356,215,697	24,552,318,499
Work-in-process at end of the year		(439,022,953)	(309,426,974)
		25,917,192,744	24,242,891,525

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

29.2 Raw materials consumed		2018 Rupees	2017 Rupees
Stocks at beginning of the year		2,774,342,320	1,844,730,163
Stocks of trial run operations at beginning of the year		-	1,650,405
Purchases		19,598,307,484	19,255,561,890
		22,372,649,804	21,101,942,458
Stocks at end of the year		(3,502,384,501)	(2,774,342,320)
		18,870,265,303	18,327,600,138
29.3 Salaries, wages and benefits include Rs.97.247 million (2017: Rs.86.610 million) in respect of staff retirement benefit - gratuity and Rs.6.390 (2017: Rs.5.343) contribution in respect of to staff provident fund.			
30. DISTRIBUTION COST			
	Note	2018 Rupees	2017 Rupees
Salaries and other benefits	30.1	58,305,696	46,440,414
Travelling, conveyance and entertainment		21,024,891	10,543,626
Vehicles' running		2,173,330	1,690,760
Telephone		1,055,707	705,914
Postage		12,318,656	4,464,875
Printing and stationery		49,240	76,841
Sample expenses		499,682	738,852
Commission:			
- local		8,191,555	10,553,381
- export		161,187,549	114,419,212
		169,379,104	124,972,593
Freight and forwarding:			
- local		5,342,250	3,638,075
- export		261,516,915	210,319,160
		266,859,165	213,957,235
Export development surcharge		28,352,087	23,772,402
Other export expenses		20,390,867	15,707,478
Provision for doubtful debts		10,000,000	20,200,000
		590,408,425	463,270,990
30.1 Salaries and other benefits include Rs.0.729 million (2017: Rs.0.800 million) in respect of contribution to staff provident fund.			

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

31. ADMINISTRATIVE EXPENSES	Note	2018 Rupees	2017 Rupees
Directors' remuneration		24,483,871	49,008,263
Directors' meeting fee		640,000	240,000
Salaries and other benefits	31.1	203,496,026	149,393,327
Telephone		7,705,271	6,318,667
Postage		470,820	363,882
Fee and subscription		10,349,170	10,539,725
Legal and professional charges		90,505,888	50,898,428
Entertainment		5,334,896	4,786,833
Travelling and conveyance		17,329,226	20,221,598
Printing and stationery		4,674,455	3,627,905
Rent, rates and taxes	31.2	11,225,559	10,243,222
Advertisement		203,929	1,570,649
Electricity, gas and water		4,943,679	6,820,205
Repair and maintenance		18,765,464	16,265,864
Vehicles' running		10,563,758	9,804,048
Charity and donations	31.3	3,677,769	28,137,438
Insurance		4,447,403	5,697,764
Depreciation	4.2	20,735,659	20,966,999
Amortisation	6	1,351,686	1,285,746
Feasibility study expenses		-	1,691,764
Security expenses		1,033,560	-
Training expenses		2,760,904	-
Market research consultancy		1,250,000	-
Others		730,605	780,318
		446,679,598	398,662,645

31.1 Salaries and other benefits include Rs.7.989 million (2017: Rs.6.955 million) in respect of contribution to staff provident fund.

31.2 Rent ,rates and taxes includes Rs. Nil (2017: Rs.0.530 million) paid to Yousuf Agencies (Private) Limited (a related party).

31.3 Donation amounting Rs.2.040 million (2017: Rs.22.940 million) has been made to Abdullah Foundation, 212 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. Mr. Shahid Abdullah, Mr. Nadeem Abdullah, Mr. Amer Abdullah, Mr. Yousaf Abdullah and Mr.Shayan Abdullah have common directorship in Group Companies.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

32. OTHER INCOME	Note	2018 Rupees	2017 Rupees
Income from financial assets			
Dividend income		514,274,741	630,377,852
Interest income		1,645,931	595,515
Mark-up earned on term finance certificates		1,140,190	863,506
Gain on sale of investments		27,683,935	140,493,404
		544,744,797	772,330,277
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	4.4	6,295,574	19,766,540
Reversal of prior years' workers' welfare fund		-	170,817,506
Gain on sale of store and spares		750,436	140,314
Scrap sales [Net of sales tax aggregating Rs.4.472 million (2017: Rs.4.551 million)]		24,685,438	26,186,280
		31,731,448	216,910,640
		576,476,245	989,240,917
33. OTHER EXPENSES			
Workers' profit participation fund	24.5	60,271,445	66,247,556
Workers' welfare fund	24.6	85,566	-
Auditors' remuneration	33.1	5,776,518	4,097,875
Provision for doubtful tax refunds		107,642,038	59,490,225
Exchange loss		27,585,112	1,563,277
		201,360,679	131,398,933
33.1 Auditors' remuneration			
ShineWing Hameed Chaudhri & Co.			
- annual audit		1,590,800	1,467,430
- half yearly review		210,000	200,000
- review of Code of Corporate Governance		62,000	62,000
- audit of retirement funds		25,000	20,000
- out-of-pocket expenses		34,000	34,000
		1,921,800	1,783,430
A.F. Ferguson & Co.			
- audit fee		1,500,000	1,300,000
- tax services		202,125	431,758
- reimbursement of expenses		182,093	157,687
- assurance and other certification services		195,500	225,000
		2,079,718	2,114,445
KPMG Taseer Hadi & Co.			
- audit fee		200,000	200,000
- advisory services		1,575,000	-
		1,775,000	200,000
		5,776,518	4,097,875

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

34. FINANCE COST	Note	2018 Rupees	2017 Rupees
Mark-up / interest on long term finances		666,893,774	706,531,655
Mark-up / interest on short term borrowings		711,863,163	567,730,121
Exchange loss / (gain) on foreign currency loans		61,735,789	(10,840,517)
		773,598,952	556,889,604
Interest on workers' profit participation fund accrued	24.5	3,074,910	1,634,712
Bank and other financial charges		63,694,169	58,914,281
Loan arrangement fee		1,500,000	1,562,669
		1,508,761,805	1,325,532,921
35. TAXATION			
Current			
Current tax on profit for the year	35.1	247,740,546	270,307,720
Adjustments in respect of prior years		36,766,984	(50,621,144)
		284,507,530	219,686,576
Deferred			
Origination and reversal of temporary differences		17,793,263	34,574,748
Impact of change in tax rate		2,897,959	1,646,427
		20,691,222	36,221,175
		305,198,752	255,907,751

35.1 The income of the Parent Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 (the Ordinance) and current year's provision is made accordingly.

35.2 Income tax assessments of the Group Company's have been completed upto the Tax Year 2017.

35.3 Numeric tax rate reconciliation is not presented as the Parent Company's income is chargeable to tax under presumptive tax regime and income of Subsidiary Company - SECL is mainly exempt from tax in terms of clause 132 of part I of Second Schedule to the Ordinance. Income of Subsidiary Companies; PCL, SCCL, SEL and SHL is not taxable due to losses; however, provision against any other sources of income has been provided for in these consolidated financial statements.

35.4 In the opinion of the management sufficient tax provision has been made in the Group's financial statement as per the applicable provisions of the Ordinance. A comparison of last three years of income tax provision as per the Group's financial statements with the tax assessments is presented below:

	2017	2016	2015
	----- Rupees -----		
Income tax provision as per Group's financial statements	270,307,720	109,623,716	246,993,495
Tax assessed as per most recent tax assessment	274,385,626	71,645,539	244,853,503

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

36. EARNINGS PER SHARE		2018 Rupees	2017 Rupees
36.1 Basic earnings per share			
Net profit for the year		<u>1,788,267,553</u>	<u>1,874,137,938</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>90.83</u>	<u>95.19</u>
36.2 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, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.			
37. CASH GENERATED FROM OPERATIONS		2018	2017
	Note	Rupees	Rupees
Profit before taxation		2,824,348,970	2,899,132,904
Adjustments for non-cash charges and other items:			
Depreciation		1,241,944,103	1,216,272,254
Amortisation		1,351,686	1,285,746
Staff retirement benefit - gratuity		97,246,525	86,610,583
Dividend and interest income		(517,060,862)	(631,836,873)
Gain on sale of stores and spares		(750,436)	(140,314)
Gain on disposal of operating fixed assets		(6,295,574)	(19,766,540)
Exchange loss		27,585,112	1,563,277
Provision for workers' profit participation fund		60,271,445	66,247,556
Reversal of prior years' workers' welfare fund		-	(170,817,506)
Provision for workers' welfare fund		85,566	-
Gain on sale of investments		(27,683,935)	(140,493,404)
Provision for doubtful tax refunds		107,642,038	59,490,225
Finance cost		1,508,761,805	1,325,532,921
Provision for doubtful debts		10,000,000	20,200,000
Working capital changes	37.1	(4,223,206,956)	(2,888,294,010)
		<u>1,104,239,487</u>	<u>1,824,986,819</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

37.1 Working capital changes	2018 Rupees	2017 Rupees
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(54,017,483)	(42,455,122)
Stock-in-trade	(923,942,358)	(944,511,415)
Trade debts	(2,652,339,492)	(2,653,609,018)
Loans and advances	(1,370,842)	(2,067,492)
Deposits, other receivables and sales tax	(212,431,080)	94,536,493
	<u>(3,844,101,255)</u>	<u>(3,548,106,554)</u>
(Decrease) / Increase in trade and other payables	(379,105,701)	659,812,544
	<u>(4,223,206,956)</u>	<u>(2,888,294,010)</u>

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives *	
	2018	2017	2018	2017	2018	2017
	----- Rupees -----					
Managerial remuneration	27,107,725	26,516,031	8,362,581	6,000,000	158,295,158	117,911,752
Contribution to provident fund trust	-	-	-	-	9,399,403	4,512,680
House rent and utilities	13,469,775	13,178,344	4,121,290	3,000,000	73,293,084	52,692,427
Medical	278,801	313,888	160,000	-	3,726,744	4,580,839
Leave encashment / bonus	-	-	446,667	-	21,276,001	20,996,448
Other benefits	-	-	-	-	1,247,996	1,113,996
	<u>40,856,301</u>	<u>40,008,263</u>	<u>13,090,538</u>	<u>9,000,000</u>	<u>267,238,386</u>	<u>201,808,142</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>118</u>	<u>42</u>

* Comparative figures have been restated as a result of change in the definition of executive in the Companies Act, 2017.

38.1 Certain executives are provided with Company maintained vehicles.

38.2 During the year, meeting fees of Rs.640 thousand (2017: Rs.240 thousand) was paid to two non-executive director.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Associated Companies, directors, major shareholders, key management personnel and entities over which the directors are able to exercise significant influence on financial and operating policy decisions and employees' retirement funds. The Group in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Parent Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding
Reliance Cotton Spinning Mills Limited	Common directorship	1.35%
SFL Limited	Common directorship	0.051%
Sapphire Power Generation Limited	Common directorship	17.63%
Sapphire Dairies (Pvt.) Limited	Common directorship	9.09%
Tricon Boston Consulting Corporation (Pvt.) Limited (TBCCL)	Common directorship	7.13%
Energas Terminal (Pvt) Limited	Common directorship	30.00%
Neelam Textile Mills Limited	Common directorship	-
Amer Cotton Mills Limited	Common directorship	-
Sapphire Textile Mills Limited	Common directorship	-
Diamond Fabrics Limited	Common directorship	-
Salman Ismail (SMC-Pvt.) Limited	Common directorship	-
Sapphire Agencies (Pvt.) Limited	Common directorship	-
Crystal Enterprises Limited	Common directorship	-
Sapphire Holding Limited	Common directorship	-
Amer Tax (Pvt.) Limited	Common directorship	-

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Group considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

Significant transactions with the related parties	2018 Rupees	2017 Rupees
I) Associated Companies		
Sales of:		
- raw material / yarn / fabric / stores	815,238,975	723,837,076
- assets	-	19,071,000
Purchases:		
- raw material / yarn / fabric / stores	742,055,623	643,830,598
- assets	1,700,000	13,921,057
- electricity	133,394,848	236,252,454
Services:		
- rendered	2,239,057	52,573,504
- obtained	2,058,865	3,655,192

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees
Significant transactions with the related parties		
Expenses charged by	28,027,499	25,868,006
Expenses charged to	15,615,213	17,599,483
Dividend:		
- received	239,003	782,027
- paid	287,296,725	465,742,855
Shares purchased	30,000	592,515,000
Loan given	30,000,000	-
Interest charged	840,411	-
ii) Key management personnel		
Salary and other employment benefits	125,181,381	100,487,411
iii) Retirement Fund		
Contribution towards provident fund	11,378,885	10,174,398

40. FINANCIAL RISK MANAGEMENT**40.1 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.19,756.660 million (2017: Rs.19,145.451 million) as at June 30, 2018. Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99% (2017: 99%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

	2018 Rupees	2017 Rupees
Long term investments	4,851,764,286	5,858,469,911
Long term deposits	41,606,445	30,341,445
Trade debts	10,557,331,224	7,914,991,732
Loans and advances	2,450,045	6,546,421
Short term investments	3,760,187,223	4,859,591,123
Other receivables	13,144,586	22,651,418
Bank balances	530,175,793	452,859,001
	19,756,659,602	19,145,451,051

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:

	2018 Rupees	2017 Rupees
Domestic	8,332,091,500	6,714,153,949
Export	2,225,239,724	1,200,837,783
	10,557,331,224	7,914,991,732

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:

	2018 Rupees	2017 Rupees
Yarn	1,779,703,865	1,062,626,855
Fabric	582,150,389	366,076,101
Garments	424,204,166	231,765,137
Power	7,706,420,225	6,202,186,352
Processing services	62,584,439	48,385,458
Waste	2,268,140	3,951,829
	10,557,331,224	7,914,991,732

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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+	AAA	JCR-VIS
Habib Bank Limited	A-1+	AAA	JCR-VIS
Samba Bank Limited	A-1	AA	JCR-VIS
Faysal Bank Limited	A1+	AA	PACRA
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Dubai Islamic Bank	A-1	AA-	JCR-VIS
Allied Bank Limited	A1+	AAA	PACRA
Askari Bank Limited	A1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AA+	JCR-VIS
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
Silk Bank Limited	A-2	A-	JCR-VIS

(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.

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, 2018					
Long term finances	9,242,623,975	9,754,339,204	2,790,352,710	5,310,737,344	1,653,249,150
Trade and other payables	2,625,412,836	2,625,412,836	2,625,412,836	-	-
Accrued mark-up / interest	171,898,931	171,898,931	171,898,931	-	-
Short term borrowings	13,976,415,211	14,156,556,257	14,156,556,257	-	-
Unclaimed dividend	5,353,374	5,353,374	5,353,374	-	-
	26,021,704,327	26,713,560,602	19,749,574,108	5,310,737,344	1,653,249,150
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
----- Rupees -----					
June 30, 2017					
Long term finances	9,847,309,340	10,347,339,225	1,840,212,294	7,538,190,167	968,936,764
Trade and other payables	2,895,105,258	2,895,105,258	2,895,105,258	-	-
Accrued mark-up / interest	144,515,971	144,515,971	144,515,971	-	-
Short term borrowings	10,188,396,198	10,280,652,841	10,280,652,841	-	-
Unclaimed dividend	5,566,966	5,566,966	5,566,966	-	-
	23,080,893,733	23,673,180,261	15,166,053,330	7,538,190,167	968,936,764

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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.

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), and Japanese Yen (JYP). The Group's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank (CHF), and Japanese Yen is as follows:

June 30, 2018	Rupees	U.S.\$	JPY	Euro	CHF
Bills payables	213,184,940	1,065,026	-	591,070	-
Advance payments	99,215,142	815,914	-	-	-
	312,400,082	1,880,940	-	591,070	-
Trade debts	(2,255,439,724)	(18,578,583)	-	-	-
Bank balances	(316,310,437)	(2,827,928)	-	-	-
Net balance sheet exposure	(2,259,350,079)	(19,525,571)	-	591,070	-
Outstanding letters of credit	366,000,709	1,999,814	1,753,560	134,964	776,156
	(1,893,349,370)	(17,525,757)	1,753,560	726,034	776,156
June 30, 2017	Rupees	U.S.\$	JPY	Euro	CHF
Bills payables	233,630,947	2,225,056	-	-	-
Advance payments	228,126,315	2,172,809	-	-	-
	461,757,262	4,397,865	-	-	-
Trade debts	(1,221,037,783)	(11,651,423)	-	-	-
Bank balances	(308,152,153)	(2,940,383)	-	-	-
Net balance sheet exposure	(1,067,432,674)	(10,193,941)	-	-	-
Outstanding letters of credit	841,852,188	4,262,967	1,236,600	1,451,386	1,992,800
Forward exchange contracts	263,145,000	2,500,000	-	-	-
	37,564,514	(3,430,974)	1,236,600	1,451,386	1,992,800

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2018	2017	2018	2017
U.S. Dollar to Rupee	115.45	106.48	121.60 / 121.40	105.00 / 104.80
Euro to Rupee	165.20	119.72	141.57 / 141.33	120.14 / 119.91
Japanese Yen to Rupee	1.0900	0.9912	1.0991 / 1.0973	0.9392 / 0.9374
Swiss Frank to Rupee	113.95	110.13	122.32 / 122.11	109.75 / 109.54

At June 30, 2018, if Rupee had strengthened by 10% against US Dollar, Euro, Swiss Frank, and Japanese Yen 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.

	2018 Rupees	2017 Rupees
Effect on profit for the year:		
U.S. Dollar to Rupee	(237,040,432)	(107,036,381)
Euro to Rupee	8,367,778	-
	<u>(228,672,654)</u>	<u>(107,036,381)</u>

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:

	2018 --- Effective rate --- %	2017 %	2018 --- Carrying amount --- Rupees	2017 Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	3.80 to 4.55	3.75 to 4.50	<u>139,345,109</u>	<u>6,100,128</u>
Financial liabilities				
Long term finances	2.50 to 7.42	2.50 to 9.40	<u>3,647,217,182</u>	<u>2,665,471,880</u>
Variable rate instruments				
Financial assets				
Trade debts	8.29 to 13.01	10.48 to 13.01	<u>4,509,680,946</u>	<u>2,055,504,483</u>
Financial liabilities				
Long term finances	6.26 to 9.59	6.26 to 7.12	<u>5,595,406,793</u>	<u>7,181,837,460</u>
Short term borrowings	1.15 to 8.50	1.10 to 8.12	<u>13,976,415,211</u>	<u>10,188,396,198</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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

At June 30, 2018, 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.195.718 million (2017: Rs.173.702 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.8,582.735 million (2017: Rs.10,689.345 million) are exposed to price risk due to changes in market price.

At June 30, 2018, 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.858.274 million (2017: Rs.1,068.934 million).

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

40.2 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.8,582.735 million (2017: Rs.10,689.345 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

40.3 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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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 statement of financial position) 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 statement of financial position plus net debt.

	2018 Rupees	2017 Rupees
Total borrowings	23,219,039,186	20,035,705,538
Less: cash and bank balances	534,201,894	456,720,245
Net debt	22,684,837,292	19,578,985,293
Total equity	20,925,174,965	21,096,512,194
Total capital	43,610,012,257	40,675,497,487
Gearing ratio	52%	48%

40.4 Financial instrument by category

	Loans and receivables		Available for sale	
	2018 --- Rupees ---	2017	2018 --- Rupees ---	2017
Financial assets as per statement of financial position				
Long term investments	-	-	4,851,764,286	5,858,469,911
Long term loans	297,000	3,755,000	-	-
Long term deposits	41,606,445	30,341,445	-	-
Trade debts	10,557,331,224	7,914,991,732	-	-
Loans and advances	121,000	1,333,500	-	-
Trade deposits	934,608	934,608	-	-
Short term investments	-	-	3,760,187,223	4,859,591,123
Other receivables	13,144,586	22,651,418	-	-
Cash and bank balances	530,175,793	452,859,001	-	-
	11,143,610,656	8,426,866,704	8,611,951,509	10,718,061,034
			Financial liabilities measured at amortised cost	
Financial liabilities as per statement of financial position			2018 --- Rupees ---	2017
Long term finances and accrued mark-up			9,270,325,467	9,847,309,340
Trade and other payables			2,625,412,836	2,895,105,258
Unclaimed dividend			5,353,374	5,566,966
Short term borrowings accrued mark-up			14,136,987,165	10,199,515,680
			26,038,078,842	22,947,497,244

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

41.	CAPACITY AND PRODUCTION	2018	2017
41.1	Spinning units		
	Number of spindles installed	101,136	101,136
	Number of spindles worked	100,656	100,656
	Number of shifts worked per day	3	3
	Total number of days worked	365	365
	Installed capacity after conversion into 20's count	Lbs. 62,918,071	64,114,321
	Actual production after conversion into 20's count	Lbs. 55,513,241	56,571,223
41.1.1	Actual production varies due to maintenance / shut down and change in count pattern.		
41.2	Dyeing	2018	2017
	Yarn / Fibre Dyeing Unit		
	Total number of days worked	31	351
	Installed capacity	Lbs. 8,002,407	8,002,407
	Actual production	Lbs. 218,605	3,800,187
	Fabric Dyeing Unit		
	Total number of days worked	364	364
	Installed capacity	Lbs. 13,171,579	13,171,579
	Actual production	Lbs. 11,196,831	10,627,188
41.2.1	Sluggish sale in the local and international markets and less profit margins forced the management to temporarily close its yarn / fibre dyeing unit.		
41.3	Knitting unit	2018	2017
	Total number of days worked	364	364
	Installed capacity	Lbs. 14,612,963	14,612,963
	Actual production	Lbs. 9,172,284	9,479,286
41.3.1	Low production is due to low demand.		
41.4	Stitching unit		
	Installed capacity	Pcs. 1,967,000	1,967,000
41.4.1	Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.		
41.5	Denim unit	2018	2017
	Total number of days worked	351	346
	Installed capacity	Mtrs. 8,727,200	8,280,000
	Actual production	Mtrs. 8,334,428	4,002,046
41.6	Power		
	De-rated capacity [based on 8,760 hours (2017: 8,760 hours)]	MWH 1,789,216	1,803,720
	Actual energy delivered	MWH 814,960	960,040
41.6.1	Output produced by the plant is dependent on the load demanded by NTDC and plant availability.		
41.7	The Subsidiary Companies; SEL, SCCL, PCL and SHL are in setup phase and their plants are yet to be constructed.		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

42. SEGMENT INFORMATION

The Group's reportable segments are as follows:

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

42.1 Segment revenues and results

	Spinning	Knitting, processing and garments	Denim	Power	Elimination of inter segment transactions	Total
----- Rupees -----						
For the year ended						
June 30, 2018						
Sales	12,187,218,028	4,290,608,672	2,412,810,783	13,198,101,313	(1,062,590,006)	31,026,148,790
Cost of sales	(10,572,154,879)	(3,799,354,168)	(2,693,722,604)	(10,028,423,913)	1,062,590,006	(26,031,065,558)
Gross profit / (loss)	1,615,063,149	491,254,504	(280,911,821)	3,169,677,400	-	4,995,083,232
Selling and distribution expenses	(352,560,851)	(131,140,882)	(106,706,692)	-	-	(590,408,425)
Finance cost	(354,801,918)	(47,228,483)	(330,846,329)	(775,885,075)	-	(1,508,761,805)
	(707,362,769)	(178,369,365)	(437,553,021)	(775,885,075)	-	(2,099,170,230)
Profit / (loss) before taxation and unallocated income and expenses	907,700,380	312,885,139	(718,464,842)	2,393,792,325	-	2,895,913,002
Unallocatable income and expenses						
Other income						576,476,245
Other expenses						(201,360,679)
Administrative expenses						(446,679,598)
Share of loss of Associated Companies						(16,489,124)
Taxation						(305,198,752)
Profit after taxation						2,502,661,094
----- Rupees -----						
For the year ended						
June 30, 2017						
Sales	10,758,718,741	7,080,533,243	768,418,496	13,876,004,384	(4,141,911,535)	28,341,763,329
Cost of sales	(9,672,021,730)	(6,692,582,824)	(1,269,031,192)	(10,621,281,642)	4,141,911,535	(24,113,005,853)
Gross profit / (loss)	1,086,697,011	387,950,419	(500,612,696)	3,254,722,742	-	4,228,757,476
Selling and distribution expenses	(315,578,994)	(114,714,817)	(32,977,179)	-	-	(463,270,990)
Finance cost	(272,214,130)	(23,218,082)	(241,304,697)	(788,796,012)	-	(1,325,532,921)
	(587,793,124)	(137,932,899)	(274,281,876)	(788,796,012)	-	(1,788,803,911)
Profit / (loss) before taxation and unallocated income and expenses	498,903,887	250,017,520	(774,894,572)	2,465,926,730	-	2,439,953,565
Unallocatable income and expenses						
Other income						989,240,917
Other expenses						(131,398,933)
Administrative expenses						(398,662,645)
Share of loss of Associated Companies						(9,017,186)
Taxation						(255,907,751)
Profit after taxation						2,634,207,967

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

42.2 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, 2018					
Segment assets	7,373,735,353	2,170,458,525	6,346,616,964	21,775,061,194	37,665,872,036
Unallocatable assets					14,015,089,892
Total assets as per statement of financial position					<u>51,680,961,928</u>
Segment liabilities	6,371,037,579	1,403,458,636	8,158,431,063	10,749,566,624	26,682,493,902
Unallocatable liabilities					557,427,959
Total liabilities as per statement of financial position					<u>27,239,921,861</u>
As at June 30, 2017					
Segment assets	10,371,564,854	1,844,380,631	2,800,321,491	20,754,528,216	35,770,795,192
Unallocatable assets					13,138,216,543
Total assets as per statement of financial position					<u>48,909,011,735</u>
Segment liabilities	8,255,389,405	1,159,985,256	3,703,940,688	10,697,150,012	23,816,465,361
Unallocatable liabilities					788,846,348
Total liabilities as per statement of financial position					<u>24,605,311,709</u>

42.3 Sales to domestic customers (excluding Indirect export) in Pakistan are 52.53% (2017: 62.03%) and to customers outside Pakistan (including indirect export) are 47.47% (2017: 38.97%) of the total sales during the year.

42.4 The Group sells its manufactured products to local and foreign companies / organisations / institutions. One (2017: One) of the Group's customers contributed towards 42.54% (2017: 48.96%) of the local sales during the year aggregating Rs.13,198.101 million (2017: Rs.13,876.004 million) which exceeds 10% of the local sales of the Group.

42.5 Geographical information

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

43. PROVIDENT FUND RELATED DISCLOSURE

Sapphire Fibres Limited

43.1 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

	2018 Rupees	2017 Rupees
Size of the Fund - Total Assets	<u>38,384,950</u>	36,968,232
Cost of investments made	<u>37,259,854</u>	36,148,233
Percentage of investments made	<u>97.07%</u>	97.78%
Fair value of investments made	<u>37,496,410</u>	36,800,232

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

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

	2018 --- Percentage ---	2017	2018 Rupees	2017 Rupees
Special account in a scheduled bank	4.35	3.63	1,630,034	1,336,617
Government securities	90.23	90.84	33,831,376	33,428,615
Listed securities	5.43	5.53	2,035,000	2,035,000
	100.00	100.00	37,496,410	36,800,232

43.1.2 The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

Sapphire Electric Company Limited

43.2 The Subsidiary Company - SECL 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.

	2018 Rupees	2017 Rupees
Size of the Fund - Total Assets	21,383,915	14,714,589
Cost of investments made	19,448,478	12,327,047
Percentage of investments made	90.95%	83.77%
Fair value of investments made	21,383,915	14,714,589

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

	2018 --- Percentage ---	2017	2018 Rupees	2017 Rupees
Special account in a scheduled bank	6.00	15.49	1,282,096	2,278,621
Government securities	66.08	47.53	14,130,500	6,994,333
Listed Securities	26.78	36.98	5,726,319	5,441,635
Loan to members	1.15	-	245,000	-
	100.00	100.00	21,383,915	14,714,589

43.2.2 The figures for year ended June 30, 2018 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 218 of the Companies Act, 2017 and the rules formulated for this purpose.

44. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

- During the year, the Group incurred major capital expenditure as part of its plan for capacity expansion of its denim unit and installation of its cement plant. For detail of capital expenditure refer note 4.1 and 4.3 to these consolidated financial statements.
- During the year, prices of the Group's investments in listed equities showed a decreasing trend. This has been reflected in the consolidated statement of other comprehensive income as a reversal of booked unrealized capital gains.
- The Group, during the year, incorporated two Subsidiary Companies; SEL and SHL. SEL intends to establish and operate a terminal for the handling, regasification, storage, treatment and processing of different gases. SHL intends to construct, establish and setup a Hydro Electric Power generation project.
- All other significant transactions and events that have affected the Group financial position and performance during the year have been adequately disclosed in these consolidated financial statements. For detail performance review of the Company refer Directors' Report on the Group's operations.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

45. NUMBER OF EMPLOYEES	2018	2017
Average number of employees during the year		
- factory	3,738	3,659
- head office	144	150
Number of employees at the June 30,		
- factory	3,843	3,883
- head office	143	153

46. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors, of the Parent Company in their meeting held on September 27, 2018 has proposed a final cash dividend of Rs.12 (2017: Rs.6.5) per share, for the year ended June 30, 2018 for approval of the members at the Annual General Meeting to be held on October 24, 2018.

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 27, 2018 by the Board of Directors of the Parent Company.

48. CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made, except for the following:

	2017 Rupees
'Unclaimed dividend' previously presented under 'Trade and other payables' now separately presented on the face of the statement of financial position.	<u>5,353,374</u>
Dyes and chemical stocks' previously made part of 'Stores, spare parts and loose tools' now have been reclassified and made part of raw material stocks.	68,289,075
- This also resulted in reclassification of dyes and chemicals consumed from stores consumed to raw material consumed.	<u><u>449,403,135</u></u>

Lahore :
Dated : September 27, 2018

Shahid Abdullah
Chief Executive

Yousuf Abdullah
Director








Jawwad Faisal
Chief Financial Officer










Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Form of Proxy

Sapphire Fibres Limited

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 39th Annual General Meeting of the Company to be held on Wednesday the 24th October, 2018 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 _____ 2018

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.

