

The logo for Sapphire, featuring the word "Sapphire" in a blue serif font with a yellow swoosh above it.

Sapphire



ANNUAL REPORT
2021

Sapphire Fibres Limited





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Company Profile

BOARD OF DIRECTORS

Chairman

Mr. Yousuf Abdullah

Chief Executive

Mr. Shahid Abdullah

Director

Mr. Nadeem Abdullah
Mr. Amer Abdullah
Mr. Shayan Abdullah
Mr. Abdul Sattar

Independent Director

Mr. Tajammal Husain Bokharee
Mr. Nadeem Arshad Elahi
Dr. Marium Chughtai

Audit Committee

Mr. Nadeem Arshad Elahi – Chairman
Mr. Shayan Abdullah – Member
Mr. Yousuf Abdullah – Member
Mr. Tajammal Husain Bokhree – Member

Human Resource and Remuneration Committee

Mr. Tajammal Husain Bokhree – Chairman
Mr. Yousuf Abdullah – Member
Mr. Shahid Abdullah – Member
Mr. Shayan Abdullah – Member

Chief Financial Officer

Mr. Jawwad Faisal

Secretary

Mr. Rameez Ghausi

Auditors

Shinewing Hameed Chaudhri & Company
Chartered Accountants

Tax Consultants

Yousuf Adil, Chartered Accountants

Legal Advisor

Hassan & Hassan Advocates

Bankers

Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank AL Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
The Bank of Khyber
United Bank Limited



Share Registrars

THK Associates (Pvt.) Limited, Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi- 75500, Pakistan

Registered Office

316, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.

Mills

Spinning Units

10 KM, Sheikhpura Faisalabad Road, Kharianwala District Sheikhpura

26 KM, Sheikhpura Faisalabad Road, Ferozewattuan District Sheikhpura

Fabric Knitting Unit

7 KM, Warburton Road, Ferozewattuan District Sheikhpura

Fabric Dyeing and Denim Units

3.5 Km, Raiwind Manga Road, Raiwind





YOUSUF ABDULLAH

Chairman

Mr. Yousuf Abdullah has a Master in Business Administration degree from the UK. He is the Chief Executive Officer of Sapphire Finishing Mills Limited and is also on the board of other group business. He became Director in various companies of Sapphire Group in 1995. His vision was instrumental in introducing new lines in the textile businesses. Having considerable experience in sales promotion, he added remarkable goodwill of Sapphire products in local as well as international markets.

SHAHID ABDULLAH

Chief Executive Officer

Mr. Shahid Abdullah has been associated with Sapphire Group since 1980. Being a director of various companies of Sapphire Group, he has to plan and forecast for both long and short-term positions. He introduced new lines in the textile business like knitting, cone dyeing, fabric dyeing and finishing. He has achieved considerable experience of spinning, weaving, knitting, dyeing, finishing and power generation. He has experience and is competent in business dealings, especially for procurement of plant and machinery, raw material and other assets. He is well-versed in sales promotion and has successfully created goodwill for Sapphire products in local as well as in export markets. He holds a bachelor's degree in commerce from University of Karachi. He is serving as Chief Executive Officer of Sapphire Fibres Limited and Sapphire Electric Company Limited.

NADEEM ABDULLAH

Director

Mr. Nadeem Abdullah has been the Chief Executive Officer of Sapphire Textile Mills Limited for the last 16 years and is also a director in other group companies. He graduated from McGill University Canada. He is serving as Chief Executive Officer of company's subsidiaries in the renewable energy segment.

Mr. Nadeem contributed to Company's growth in terms of diversification in the value-added segment including retail and renewable energy. He has vast experience of business establishment and management. He led the business growth of the organization, introduced new product lines and managed the development of many value-added products. He was involved in the development of the group's textile operations, which provided him an in-depth understanding of the business. Mr. Nadeem has expertise in multiple disciplines including sales and marketing, supply chain management, product development and management etc.

DIRECTORS' PROFILE

AMER ABDULLAH

Director

Mr. Amer Abdullah has a Master in Business Administration degree from the U.S. He joined the group at a young age and was appointed as director in 1990 in various group companies. He has undertaken various textile expansion projects and has diversified the dairy business. He is experienced in business dealings especially for procurement of plant and machinery, raw material and other assets. He has rich experience of sales promotion and has successfully added goodwill for Sapphire products in domestic as well as in export markets. He is serving as Chief Executive Officer of Diamond Fabrics Limited and Sapphire Dairies (Private) Limited.

SHAYAN ABDULLAH

Director

Mr. Shayan Abdullah has done Bachelor of Science in Business Management with concentration in Economics and Finance from USA. Additionally he has undertaken various professional courses from universities such as London School of Economics and Lahore University of Management Sciences. Before getting appointed as a director with Sapphire Fibres Limited, Mr. Shayan has worked at Executive levels with other Group Companies. He oversees raw material procurement, accounts and marketing for spinning divisions of Sapphire Fibres Limited, Amer Cotton Mills Limited and Reliance Cotton Spinning Mills Limited.

NADEEM ARSHAD ELAHI

Director

Mr. Nadeem Arshad Elahi has an extensive background in operations, general management and business development. He is amongst the co-founders of The Resource Group (TRG), a Washington-DC based investment holding company specializing in the global business process outsourcing & IT services sector. TRG employs approximately 15,000 people across 5 continents. Mr. Nadeem currently serves as the Managing Director & Country Manager for Pakistan for TRG. Nadeem was one of the founding members of OPEN (Organization of Pakistani Entrepreneurs of North America), Washington, DC Chapter. He is the immediate past President of the American Business Council of Pakistan. He has also served as Chairman, P@SHA (Pakistan Software Houses Association for IT and IteS). He is the current President of the Harvard Business School Club of Pakistan, a member of the Corporate Leaders Advisory Board of the Institute of Business Administration (IBA), Karachi. Mr. Nadeem is also a member of the board of the Young Presidents Organization-Pakistan Chapter (YPO).

ABDUL SATTAR

Director

Mr. Abdul Sattar Arain is Fellow Member of Institute of Chartered Accountants of Pakistan as well as he holds Masters Degree in Commerce. He has over 40 years of experience of working in financial management, project planning, Individual and corporate taxations. He has attended many professional courses and seminars on various topics of financial management and planning. He is with Sapphire Group of companies since 1981 and has served at key managerial positions. Mr. Abdul Sattar Arain is presently serving as a member on the Board of Directors of Sapphire Fibres Limited and some other group companies.

TAJAMMAL HUSAIN BOKHAREE

Director

Mr. Tajammal Husain Bokharee is graduate from the University of Punjab. He is fellow of the institute of Bankers, Pakistan and associate of the Chartered Institute of Bankers, London. He has Vast Experience of Banking Sector. He served as Director of various companies and bank.

MARIAM CHUGHTAI

Director

Dr. Mariam Chughtai is Assistant Professor and founding Associate Dean at the LUMS School of Education. She is also the Director of Pakistan Programs for the Mittal South Asia Institute at Harvard University. She has a Doctorate in Education (Ed.D.) from Harvard University specializing in Education Policy, Leadership and Instructional Practice. She has two Masters degrees from Harvard University, in International Education Policy and Education Policy and Management, and a Bachelors in Political Science from Rice University. As a teaching fellow, Dr. Chughtai taught several courses at the Harvard Graduate School of Education, along with Negotiations at Harvard Law School and Leadership at Harvard Kennedy School. She is now based in Pakistan and working on her forthcoming book on the politics of making and breaking identity through education.



OUR VISION

To be one of the premier textile company recognised 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.



OUR MISSION

Our mission is to be recognized 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 THE ANNUAL GENERAL MEETING

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 42nd Annual General Meeting of SAPPHIRE FIBRES LIMITED will be held virtually on Wednesday the 27th day of October 2021 at 04:00 p.m. through video conference (VC) to transact the following business:

Ordinary Business:

1. To confirm the minutes of last Annual General Meeting.
2. Consideration of the accounts, balance sheets and the reports of the chairman's, directors' and auditors'.
3. To appoint auditors for the year ending 30th June 2022 and fix their remuneration. The present Auditors, M/s Shinewing Hameed Chaudhri & Co., Chartered Accountants retire and being eligible offer themselves for reappointment.
4. Declaration of a dividend.

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:
 - (i) **"RESOLVED THAT** the related Parties transactions conducted during the year as disclosed in the note 40 of the unconsolidated financial statements for the year ended June 30, 2021 be and are hereby ratified, approved and confirmed."
 - (ii) **"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 30 June 2022.

"FURTHER RESOLVED that transactions approved by the 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



Rameez Ghausi
Company Secretary

Karachi
23 September 2021

NOTE

- 1) Closure of share transfer books;
Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 21st October 2021 to 27th October 2021 (both days inclusive). Transfers received in order, by THK Associates (Private) Limited, plot No. 32-C, Jami Commercial Street 2, D.H.A, Phase-VII, Karachi, up to 20th October 2021 will be entitled to attend and vote at the meeting.
- 2) A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend, speak and vote. An instrument of proxy applicable for the Meeting is being provided with the notice sent to the members. Further, copies of the instrument may be obtained from the registered office of the Company during normal office hours. The proxy form can also be downloaded from the Company's **website: www.sapphire.com.pk/sfl**

Reason for holding AGM virtually through video link:

In view of the prevailing pandemic COVID-19 situation and in line with the directions issued to

listed companies by the Securities & Exchange Commission of Pakistan, vide its Circular No. 4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 03, 2021, the Company has decided to hold Annual General Meeting (AGM) through electronic means.

Special arrangement for attending the AGM through electronic means will be as under:

- a. AGM will be held through Zoom application – a video link facility.
- b. Shareholders interested in attending the AGM through Zoom application are hereby requested to get themselves registered with the Company Secretary office by sending an e-mail with subject: “Registration for SFL AGM” at the earliest but not later than 5:00 pm Tuesday, October 26, 2021 on E-mail: contact@sapphiretextiles.com.pk along with a valid copy of both sides of CNIC.

Shareholders are advised to mention their Name, Folio/CDC Account Number, CNIC Number, Valid email address and cell number.

Upon receipt of the above information from the interested shareholders, the Company will send the login credentials at their e-mail address. On the date of AGM, shareholders will be able to login and participate in the AGM proceedings through their smartphone/computer devices. The login facility shall be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification/ verification process.

- 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, plot No. 32-C, Jami Commercial Street 2, D.H.A, Phase-VII, Karachi.
- 5) Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a

listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company’s website and send it duly signed along with a copy of CNIC to the Shares Registrar of the Company M/s. THK Associates (Private) Limited, in case of physical shares.

In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder’s broker/participant/ CDC account services. No further action is required if IBAN has already been incorporated/ updated in the CDC account or physical folio of the shareholder.

- 6) Pursuant to Notification vide SRO. 787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the Company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. www.sapphire.com.pk/sfl. Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address. The Financial Statements of the company for the year ended June 30, 2021 are also available on the company’s website.
- 7) (i) The rates of deduction of income tax from dividend payments under Section 150 of the Income Tax Ordinance, 2001 shall be as follows:
 1. Persons appearing in Active Tax Payers List (ATL) 15%
 2. Persons not appearing in Active Tax Payers List (ATL) 30%

NOTICE OF THE ANNUAL GENERAL MEETING

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, 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 before the first day of book closure, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to THK Associates (Private) Limited, by the first day of Book Closure.
- (iii) 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 shareholders and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Shares Registrar, in writing as follows:

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

The required information must reach our Shares 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).

- (iv) For any query/information, the investors may contact the Company Secretary at phone: (021) 111 000 100 & email address: contact@sapphire textiles.com.pk and/or THK Associates (Private) Limited at phone: (021) 35310191- 6 & email address: it@thk.com.pk
- (v) 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. Shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers. Without the NTN Company would not be in a position to check filer status on the ATL and hence higher tax of 30% may be applied in such cases.

- 8) Deposit of Physical Certificate in CDC Account: As per section 72 of Companies Act, 2017, every listed company shall be required to replace its physical certificates with book entry form in a manner as may be specified and from the date notified by the commission, within a period not exceeding four years from the commencement of this Act.

The shareholder having physical shares are encouraged to open the CDC sub- account with any of the brokers or Investor Account directly with CDC to place their physical certificates into scrip less form.

- 9) An updated year wise list for unclaimed dividend/shares of the Company is available on the Company's website www.sapphire.com.pk/sfl. These are unclaimed dividend/shares which have remained unclaimed or unpaid for a period of three years from the date these have become due and payable.

Claims can be lodged by shareholders on Claim Forms as are available on the Company's website. Claim Forms must be submitted to the Company's Shares Registrar for receipt of such dividend/shares.

- 10) In compliance with regulatory directives issued from time to time, members who have not yet submitted copy of their valid CNIC/NTN are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
- 11) Members can exercise their right to demand a poll subject to meeting requirements of section 143- 145 of the Companies Act 2017 and applicable clause of the Companies (Post Ballot) Regulations, 2018.

Status of Investment under Clause 4(2) of the Companies (Investment in Associated Undertakings) Regulations, 2017

Company / Date of Resolution	Amount of Investment approved	Amount of Investment made to date	Reason
Triconboston Consulting 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

Material Changes in Financial Statements of Associated Company

Triconboston Consulting Corporation (Private) Limited

Triconboston Consulting Corporation (Private) Limited was incorporated under the laws of Pakistan and operating 3 projects having capacity of 49.735 MW each in Jhimpir Sindh. The company achieved commercial operations date (COD) on August 16,2018, September 14, 2018 and September 11, 2018 by Project A, Project B and Project C respectively. The projects are operating and following best industry practice and is yielding satisfactory results.

	Financial Year Ended June 30, 2021	Financial Year Ended June 30, 2020	Financial Year Ended June 30, 2017
Net Sales	9,203,400,224	10,495,000,097	-
Gross Profit / (Loss)	5,844,000,975	7,254,882,207	(93,798,217)
Profit / (Loss) Before Tax	4,146,851,260	4,851,092,424	(94,039,713)
Profit / (Loss) After Tax	4,120,734,125	4,848,524,478	(95,055,582)

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

1. Item Number 5(i) 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.

NOTICE OF THE **ANNUAL GENERAL MEETING**

All transactions with related parties to be ratified have been disclosed in the note 40 to the unconsolidated financial statements for the year ended June 30, 2021.

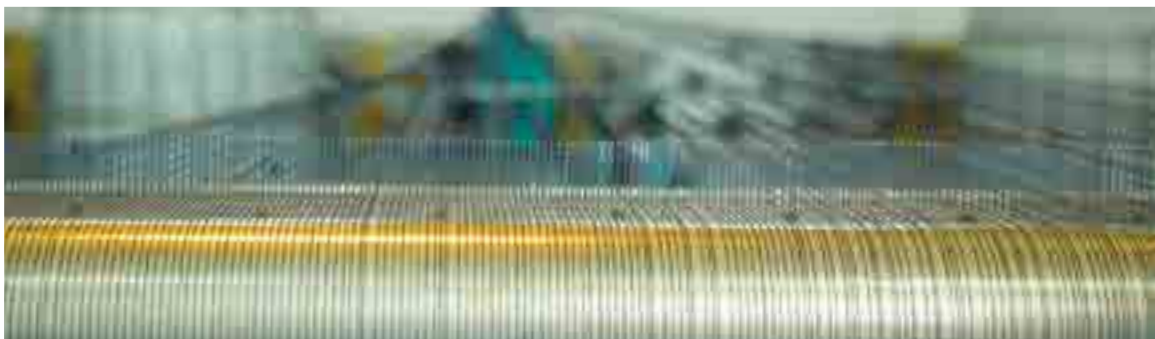
The company carries out transactions with its related parties on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business and periodically reviewed by the Board Audit Committee. Upon the recommendation of the Board Audit Committee, 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 40 to the unconsolidated financial statements for the year ended June 30, 2021.

- 2. Item Number 5(ii) of the notice - Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2022.

The Company shall be conducting transactions with its related parties during the year ending June 30, 2022 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, 2022 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**



REVIEW REPORT BY THE CHAIRMAN

The Board 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.

Despite of Unprecedented Challenges in the Form of COVID-19, the Board's overall performance and effectiveness has been assessed as Satisfactory for the financial year ended June 30, 2021. That performance 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 Boards business. I would also like to extend my acknowledgement and gratefulness towards the board for their positive Contribution and continuous commitment.

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 nonexecutive and independent directors are equally involved in important decisions of the board.

A handwritten signature in black ink, appearing to read "Yousaf Abdullah".

Yousaf Abdullah
Chairman

Lahore
23 September 2021



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۔

COVID-19 کی شکل میں رکاوٹوں کے باوجود، 30 جون 2021ء کو ختم ہونے والے مالی سال کے لیے بورڈ کی مجموعی کارکردگی اور صلاحیت کو تسلی بخش قرار دیا گیا ہے۔ یہ کارکردگی بورڈ کے کاروبار کو انجام دینے میں صلاحیت اور تمام ملازمین کے وژن، مشن اور اقدار؛ اسٹریٹجک منصوبہ بندی میں شمولیت، پالیسیوں کی تشکیل، تنظیم کی کاروباری سرگرمیوں کی نگرانی، مالی وسائل کے انتظامات کی نگرانی، مؤثر مالی نگرانی، مساوی سلوک سمیت لازمی عناصر کی تشخیص پر مبنی ہے۔ میں بورڈ کی جانب سے ان کی مثبت شراکت اور مسلسل وابستگی کو سراہتا اور شکریہ ادا کرتا ہوں۔

سفارہ فائبرز لمیٹڈ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے حوالہ سے قانون میں متعین تمام ریکوائرنمنٹس 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۔

لاہور

مورخہ: 23 ستمبر 2021ء



یوسف عبداللہ

چیئر مین

Directors' Report To The Shareholders

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, we are pleased to present the Annual Report of your Company together with the audited financial statements for the year ended 30 June 2021.

	2021	2020
	Rupees in '000	
Profit before taxation	2,673,795	1,511,069
Less: Taxation	(400,230)	(385,746)
Profit after taxation	2,273,565	1,125,323
Other Comprehensive gain / (Loss)	4,891	(109,772)
Add: Un-appropriated profit brought forward	13,251,718	12,393,666
Subsequent Effects		
Final cash dividend for the year	(206,719)	(157,500)
	15,323,455	13,251,718

Financial Performance

During the year under review, your Company recorded sales of Rs. 27.53 billion as compared to Rs. 22.49 billion during last year; showing a considerable increase of 22.4%. The gross profit as a percentage of sales increased from last year's 12.6% to 14.3% during the year. Whereas, profit after tax increased from last year's 5.0% to 8.3% of sales during the financial year.

The Company earned profit after tax of Rs. 2.27 billion during the year compared to Rs. 1.12 billion posted in the corresponding year; an increase of 102.0%, mainly attributable to improved operating performance of Spinning and Denim divisions.

Dividend income received from investments in subsidiary companies and shares portfolio of blue chip companies decreased from last year's Rs. 1.38 billion to Rs. 1.06 billion during the year. Whereas, finance cost of the Company decreased by 34.2% due to reduction in borrowing rates and decrease in average short term borrowing during the year as a result of improvement in cash flows from operations.

Earnings per Share:

The earnings per share (EPS) of current year is Rs.109.98 as compared to Rs. 55.61 for the last year.

Dividend:

The Board of Directors of the company is pleased to recommend a final cash dividend @ 100% for the year ended June 30, 2021 (2020: Nil).

Future Outlook:

The successful response of the Government to control the COVID-19 pandemic together with multiple measures taken by the Central Bank have greatly helped in reducing negative impact of the pandemic on the economic activity, particularly on textile exports during the year.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Despite the unprecedented situation caused by the pandemic, your company has been able to achieve considerable growth in terms of sales and profitability compared to previous years. However, future dynamics of textile sector are quite challenging due to continuous drop in local cotton crop coupled with sharp increase in cotton prices in domestic and international markets. Furthermore, any escalation in energy tariffs would also result in loss of competitiveness of our textile exports in global markets.

In anticipation of rising cotton prices and rupee devaluation, your management has formulated an effective raw material procurement strategy to ensure that the current trend of growth in sales and profitability may continue during next year as well.

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% (2020: 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. SFL holds 100% shares of PCL as on 30 June 2021.

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 2021.

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 2021.

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.

Ignite Power (Private) Limited

Ignite power (Private) Limited is a 60% owned subsidiary of Sapphire Energy (Private) Limited -SEPL which is a wholly owned subsidiary of the Parent Company and was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on July, 03, 2019. It intends to undertake, develop power projects including the use of solar energy systems and all other forms of energy and products or services associated therewith.

Sapphire Mining Exploration (Private) Limited (SMEL)

Sapphire Mining Exploration (Private) Limited (SMEL) was incorporated in Pakistan as a private company limited by shares under the Companies Act, 2017 on August 25, 2020. Subject to necessary approvals, SMEL intends to establish and install plant for manufacturing of all kinds of cement and its allied products in Gilgit. SMEL is a wholly owned subsidiary of Premier Cement Limited which is a subsidiary of Sapphire Fibres Limited.

Sapphire Building Materials Limited - SBML

Sapphire Building Materials Limited (SBML) was incorporated in Pakistan as a company limited by shares under the Companies Act, 2017 on March 24, 2021. SBML intends to deal in allied products used in construction industry. SBML is a wholly owned subsidiary of Premier Cement Limited which is a subsidiary of Sapphire Fibres Limited.

Sapphire Power limited – SPL

Sapphire Power Limited (the Company) is a public unlisted company limited by shares incorporated in Pakistan on April 19, 2021 under the Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the company is to generate, purchase, import, transform, convert, distribute and supply electricity including the hydriil and wind power system. The Company is a wholly owned subsidiary of Sapphire Fibres Limited (“the Holding Company”).

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. During the year, the company carried out transactions with its related parties. Details of these transactions are disclosed in note 40 to unconsolidated financial statements.

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

The company strongly believes in its responsibility towards community at large and has taken various steps in the area of education, health and the natural environment. Company made generous donations for health, education and social welfare projects as reported in Note no. 32 to the financial statement.

Composition of the Board and their Meetings:

The composition of the Board is in compliance with the requirements of Code of Corporate Governance Regulations, 2019 applicable on listed entities which is given below:

Total Number of Directors		(a) Male	08
		(b) Female	01
Composition:			
(a)	Independent Directors	03 (including 01 Female Director)	
(b)	Executive Director	01	
(c)	Non-Executive Directors	05	

During the year five meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name	Category	No of Meetings
Mr. Shahid Abdullah	Executive Director	5
Mr. Nadeem Abdullah	Non- Executive Director	5
Mr. Amer Abdullah	Non- Executive Director	5
Mr. Yousuf Abdullah	Non- Executive Director	4
Mr. Shayan Abdullah	Non- Executive Director	5
Mr. Abdul Sattar	Non- Executive Director	5
Mr. Nadeem Arshad Elahi	Independent Director	5
Mr. Tajammal Husain Bokharee	Independent Director	5
Ms. Mariam Chughtai	Independent Director	5

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

- Audit Committee. During the year four meetings of the Audit Committee were held. Attendance by each Director is as follows:

Name	No of Meetings
Mr. Nadeem Arshad Elahi - Chairman (independent)	4
Mr. Shayan Abdullah	4
Mr. Yousuf Abdullah	4
Mr. Tajammal Husain Bokharee	4

- Human Resource & Remuneration Committee. During the year one meeting was held and attended by all the members.

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

Remuneration of Directors:

The remuneration of Directors is determined by the Company in the Board of Directors' Meeting. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his or her own remuneration. The company does not pay remuneration to non- executive directors and independent directors, however they are paid a fee to attend meetings. Remuneration package of Chief Executive and other executive directors is disclosed in Note No.39 to the financial statements.

Board Evaluation:

The Board of Directors has put in place an effective mechanism to review its performance on self-assessment basis. The Board duly provides valuable guidance and ensures effective corporate governance.

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.
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 and any departure there from has been adequately disclosed and explained.
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.
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

DIRECTORS' REPORT TO THE SHAREHOLDERS

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, 2021 are Rs.10 million and Rs.136 million respectively.

10. Operating and financial data and key ratios of six years are annexed.
11. Code of conduct has been communicated and acknowledged by each Director and employee of the Company.
12. No 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.

Pattern of Shareholding:

The pattern of shareholding of the Company as at 30 June 2021 is annexed. This statement is prepared in accordance with the Code of Corporate Governance Regulation 2019 and the Companies Act, 2017.

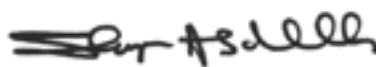
Auditors:

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 2022.

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



Shayan Abdullah
Director



Shahid Abdullah
Chief Executive Officer

Lahore
Dated: September 23, 2021



ڈائریکٹرز جائزہ رپورٹ

فی حصص آمدنی

موجودہ سال کی فی شیئر آمدنی (EPS) 109.98 روپے ہے جو کہ پچھلے سال 55.61 روپے تھی۔

منافع منقسمہ

کمپنی کی مجلس نظامہ 30 جون 2021 کو ختم ہونے والے سال کے لئے حتمی نقد منافع منقسمہ بشرح 100 فیصد (Nil: 2020) سفارش کرتے ہوئے خوشی محسوس کرتی ہے۔

مستقبل کا نقطہ نظر

رواں سال کے دوران کووڈ-19 وبائی بیماری پر قابو پانے کے لیے حکومت کے کامیاب رد عمل کے ساتھ ساتھ مرکزی بینک کے متعدد اقدامات نے معاشی سرگرمیوں خصوصاً ٹیکسٹائل کی برآمدات پر وبائی بیماری کے منفی اثرات کو کم کرنے میں بہت مدد کی ہے۔

وبائی بیماری کی وجہ سے خراب صورتحال کے باوجود، آپ کی کمپنی گزشتہ سالوں کے مقابلے میں فروخت اور منافع کے لحاظ سے قابل ذکر نمو حاصل کرنے میں کامیاب رہی ہے۔ تاہم، مقامی کپاس کی فصل میں مسلسل کمی اور مقامی اور بین الاقوامی منڈیوں میں کپاس کی قیمتوں میں تیزی سے اضافے کی وجہ سے ٹیکسٹائل سیکٹور کی مستقبل کی محرکات کافی مشکل ہیں۔ مزید برآں، توانائی کے نرخوں میں کسی اضافے کے نتیجے میں بھی عالمی منڈیوں میں ہماری ٹیکسٹائل برآمدات کی مسابقت کو نقصان پہنچے گا۔

کپاس کی بڑھتی ہوئی قیمتوں اور روپے کی قدر میں کمی کے پیش نظر، آپ کی انتظامیہ نے خام مال کی خریداری کی موثر حکمت عملی تشکیل دی ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ فروخت اور منافع میں اضافے کا موجودہ رجحان اگلے سال میں بھی جاری رہے۔

ذیلی کمپنیاں:

سفائر الیکٹریک کمپنی لمیٹڈ:

سفائر الیکٹریک کمپنی لمیٹڈ 18 جنوری 2005 کو کمپنیز آرڈیننس، 1984 کے تحت پاکستان میں ایک پبلک غیر مندرج کمپنی کی حیثیت سے قائم ہوئی۔ سفائر فابریز لمیٹڈ ذیلی کمپنی کے 68.11 فیصد (2020 : 68.11) فیصد حصص کی مالک ہے۔

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

پری میئر سینٹ لمیٹڈ:

پری میئر 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 2021 کے مطابق پی سی ایل کے 100 فیصد حصص کی مالک ہے۔

پی سی ایل ہر قسم کے سینٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفائر سینٹ کمپنی لمیٹڈ:

سفائر 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 2021 کے مطابق ایس سی ایل کے 100 فیصد حصص کی مالک ہے۔

ایس سی ایل ہر قسم کے سینٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفائر ہائیڈرو لمیٹڈ:

سفائر ہائیڈرو لمیٹڈ (SHL)، 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

ڈائریکٹرز جائزہ رپورٹ

ڈائریکٹرز کی حصص داران کو رپورٹ

سفار فائبرز لمیٹڈ کے ڈائریکٹرز 30 جون 2021ء کو ختم ہونے والے سال کے لئے کمپنی کے نظر ثانی شدہ مالیاتی گوشواروں پر اپنی سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

2020	2021	
روپے ہزاروں میں		
1,511,069	2,673,795	ٹیکس سے پہلے منافع
(385,746)	(400,230)	ٹیکس کی کمی
1,125,323	2,273,565	ٹیکس کے بعد منافع
(109,772)	4,891	دیگر مجموعی نقصان
12,393,666	13,251,718	اضافہ: غیر تصرفاتی منافع جو آگے گیا
		بعد کے اثرات
(157,500)	(206,719)	سال کے لئے مجوزہ حتمی نقد منافع منقسمہ
13,251,718	15,323,455	

مالی کارکردگی

زیر جائزہ سال کے دوران، آپ کی کمپنی نے گزشتہ سال میں 22.49 بلین روپے کے مقابلے موجودہ سال 27.53 بلین روپے فروخت حاصل کی جو 22.4 فیصد کا قابل ذکر اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے 12.6 فیصد سے بڑھ کر رواں سال کے دوران 14.3 فیصد ہوا۔ جبکہ ٹیکس کے بعد منافع گزشتہ سال کے 5.0 فیصد سے بڑھ کر رواں سال کے دوران فروخت کا 8.3 فیصد ہوا۔

کمپنی نے گزشتہ مالی سال کے دوران درج 1.12 بلین روپے کے مقابلے موجودہ سال کے دوران 2.27 بلین روپے ٹیکس کے بعد منافع کمایا ہے، جو کہ 102.0 فیصد کا اضافہ بنیادی طور پر سپننگ اور ڈینیم ڈویژنز کی بہتر آپریٹنگ کارکردگی کی وجہ سے ہوا ہے۔

ذیلی کمپنیوں میں سرمایہ کاری سے حاصل ہونے والی ڈیویڈنڈ آمدنی اور بلیو چپ کمپنیوں کے حصص کا پورٹ فولیو گزشتہ سال کے 1.38 بلین روپے سے کم ہو کر رواں سال کے دوران 1.06 بلین روپے ہو گئی۔ جبکہ، قرضوں کی شرح میں کمی اور آپریشن سے نقد بہاؤ میں بہتری کے نتیجے میں سال کے دوران اوسط قلیل مدتی قرضوں میں کمی کی وجہ سے کمپنی کی فنانس لاگت میں 34.2 فیصد کمی واقع ہوئی ہے۔

ڈائریکٹرز جائزہ رپورٹ

متعلقہ پارٹیوں کے ساتھ ٹرانزیکشنز کی ہیں۔ ان ٹرانزیکشنز کی تفصیلات غیر منجمد فنانشل کے نوٹ 40 میں منکشف 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۔

کمپنی بڑے پیمانے پر کمیونٹی کے بارے میں اپنی ذمہ داری پر پختہ یقین رکھتی ہے اور اس نے تعلیم، صحت اور قدرتی ماحول کے شعبہ میں مختلف اقدامات اٹھائے ہیں۔ کمپنی نے صحت، تعلیم اور معاشرتی بہبود کے منصوبوں کے لئے فراخ دلی سے عطیہ دیا، جس کی تفصیل مالی حسابات کے نوٹ نمبر 32 میں بیان کی گئی ہے۔

بورڈ کی تشکیل اور ان کے اجلاس:

بورڈ کی تشکیل مندرجہ اداوں پر قابل اطلاق کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2019 کی ضروریات کی تعمیل کے مطابق ہے اور جو مندرجہ ذیل ہے:

ڈائریکٹرز کی کل تعداد

08	(a) مرد
01	(b) خاتون

تشکیل:

03	(a) آزاد ڈائریکٹرز (بشمول 01 خاتون ڈائریکٹر)
01	(b) ایگزیکٹو ڈائریکٹرز
05	(c) نان ایگزیکٹو ڈائریکٹرز

سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے:

نام	کمپنی	اجلاسوں کی تعداد
جناب شاہد عبداللہ	ایگزیکٹو ڈائریکٹر	5
جناب ندیم عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب عامر عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب یوسف عبداللہ	نان ایگزیکٹو ڈائریکٹر	4
جناب شایان عبداللہ	نان ایگزیکٹو ڈائریکٹر	5
جناب عبدالستار	نان ایگزیکٹو ڈائریکٹر	5
جناب ندیم ارشد الہی	آزاد ڈائریکٹر	5
جناب نجم حسین بخاری	آزاد ڈائریکٹر	5
محترمہ مریم چغتائی	آزاد ڈائریکٹر	5

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

ڈائریکٹرز جائزہ رپورٹ

شرمی، خیبر پختونخواہ میں 682 GWh کی سالانہ زرعی جزیشن کی پٹیشنل کے ساتھ 150 میگاواٹ کی خالص صلاحیت کا حامل ہائیڈرو الیکٹرک پاور جزیشن پراجیکٹ کی تعمیر، قیام اور چلانا ہوگا۔

سفارہ ہائیڈرو لمیٹڈ (SHL)، سفارہ الیکٹرک کمپنی لمیٹڈ کی ایک مکمل ملکیتی ذیلی کمپنی ہے جو خود سفارہ فابریز لمیٹڈ کی ایک ذیلی کمپنی ہے۔

سفارہ زرعی (پرائیویٹ) لمیٹڈ:

سفارہ زرعی (پرائیویٹ) لمیٹڈ (SEPL) 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 2021 کے مطابق ایس ای پی ایل کے 100% حصص کی مالک ہے۔

ایس ای پی ایل بجلی کی پیداوار میں مصروف عمل کمپنیوں میں انڈر ٹیک، پاور پروجیکٹس اور ڈویلپ اور ایکویٹی سرمایہ کاری، حصص رکھنے یا خریدنے کا اور تمام اقسام کی گیسوں اور تمام دیگر متعلقہ مائع، کیمیکل اینڈ پیٹرولیم مصنوعات تک کو پینڈنگ، ری گیسٹی فلیشن، سٹورج، ٹریڈنگ اور پروسیسنگ کے لئے ٹرمینل چلانے کا ارادہ رکھتی ہے۔

اگنائٹ پاور (پرائیویٹ) لمیٹڈ:

اگنائٹ پاور (پرائیویٹ) لمیٹڈ سفارہ زرعی (پرائیویٹ) لمیٹڈ- ایس ای پی ایل کا 60 فیصد ملکیتی ذیلی ادارہ ہے جو بیزنس کمپنی کا مکمل ملکیتی ماتحت ادارہ ہے اور 03 جولائی 2019 کو کمپنیز ایکٹ، 2017 کے تحت حصص کے ذریعے پبلک کمپنی لمیٹڈ کی حیثیت سے پاکستان میں قائم کیا گیا۔ یہ سٹیسی توانائی نظام اور اس سے وابستہ دیگر توانائی کی مصنوعات اور خدمات کی دیگر شکلوں سمیت بجلی کے منصوبوں کو شروع، تیار کرنے کا ارادہ رکھتا ہے۔

سفارہ ماننگ ایکسپلوریشن (پرائیویٹ) لمیٹڈ (SMEL):

سفارہ ماننگ ایکسپلوریشن (پرائیویٹ) لمیٹڈ (ایس ایم ای ایل) 25 اگست 2020 کو کمپنیز ایکٹ 2017 کے تحت ایک پرائیویٹ کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ضروری منظور یوں کے حوالہ سے، ایس ایم ای ایل گلگت میں تمام اقسام کے سیمنٹ اور اس کی متعلقہ مصنوعات کی تیاری کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

ایس ایم ای ایل سفارہ فابریز لمیٹڈ کی ذیلی کمپنی پری میئر سیمنٹ لمیٹڈ کی مکمل ملکیتی ذیلی کمپنی ہے۔

سفارہ بلڈنگ میٹریلز لمیٹڈ (SBML):

سفارہ بلڈنگ میٹریلز لمیٹڈ (ایس بی ایم ایل) 24 مارچ 2021 کو کمپنیز ایکٹ 2017 کے تحت ایک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ایس بی ایم ایل تعمیراتی صنعت میں استعمال ہونے والی متعلقہ مصنوعات میں ڈیل کرنے کا ارادہ رکھتی ہے۔

ایس بی ایم ایل سفارہ فابریز لمیٹڈ کی ذیلی کمپنی پری میئر سیمنٹ لمیٹڈ کی مکمل ملکیتی ذیلی کمپنی ہے۔

سفارہ پاور لمیٹڈ (SPL):

سفارہ پاور لمیٹڈ (کمپنی) 19 اپریل 2021 کو کمپنیز آرڈیننس 1984 (اب کمپنیز ایکٹ 2017) کے تحت ایک پبلک غیر مندرج کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ کمپنی کی اصل سرگرمی ہائیڈرو اور ونڈ پاور سسٹم سمیت بجلی کی پیداوار، خریداری، درآمد، ٹرانسفارم، کنورٹ، تقسیم اور سپلائی کرنا ہے۔ کمپنی سفارہ فابریز لمیٹڈ (ہولڈنگ کمپنی) کی مکمل ملکیتی ذیلی کمپنی ہے۔

متعلقہ پارٹیوں سے لین دین:

متعلقہ پارٹیوں کے ساتھ تمام لین دین قابل رسائی قیمتوں کی بنیاد پر پر کئے 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 کمیٹی 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 کمیٹی کے بغور جائزہ کے بعد، ان کے غور و خوض اور منظوری کے لئے ٹرانزیکشنز بورڈ کے روبرو پیش کی گئی ہیں۔ سال کے دوران، کمپنی نے اپنی

ڈائریکٹرز جائزہ رپورٹ

- 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، ڈیویڈنڈ، لیویز اور چارجز کی مد میں تمام ادائیگیاں مکمل طور پر فراہم کی گئی ہیں اور مقررہ وقت میں ادا کر دی جائیں گی باجہاں قرض کے دعویٰ کا اعتراف نہیں کیا ان کا مالی حسابات میں انکشاف کیا گیا ہے؛
- 7- کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 8- کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- 9- کمپنی نے اپنے صدر دفتر کے ملازمین کے لئے مینجمنٹ سٹاف گریجویٹ فنڈ قائم کیا ہے جو بتدریج ملازمین 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 2021 کو گریجویٹ اور پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر بالترتیب 10 ملین روپے اور 136 ملین روپے ہے۔
- 10- گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- 11- کوڈ آف کنڈکٹ کو کمپنی کے ہر ڈائریکٹر اور ملازمین کی طرف سے تسلیم اور مطلع کیا گیا ہے۔
- 12- ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری، ان کے شریک حیات اور نابالغ بچوں کے ذریعے کمپنی کے حصص میں کوئی تجارت نہیں کی گئی ہے۔

نمونہ حصص داری

30 جون 2021 کے مطابق کمپنی کا نمونہ حصص داری منسلک ہے۔ یہ سٹیٹمنٹ کوڈ آف کارپوریٹ گورننس ریگولیشنز 2019 اور کنینیر ایکٹ 2017 کے مطابق تیار کی گئی ہے۔

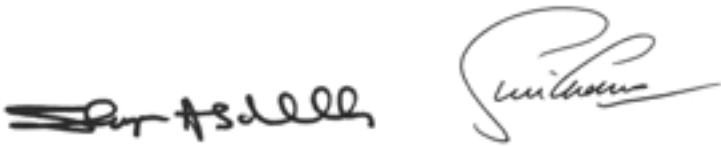
محاسب کا تقرر

موجودہ محاسب شیونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر اپنے آپ کو دوبارہ تفری کے لئے پیش کرتے ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے 30 جون 2022 کو ختم ہونے والے سال کے لئے بطور محاسب ان کی تفری کی منظوری بھی دے دی ہے۔

اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز



شایان عبد اللہ
ڈائریکٹر

شاہد عبد اللہ
چیف ایگزیکٹو

لاہور

تاریخ: 23 ستمبر 2021ء

ڈائریکٹرز جائزہ رپورٹ

آڈٹ کمیٹی

سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے:

نام	کیٹگری	اجلاسوں کی تعداد
جناب ندیم ارشد الہی	چیئرمین (آزاد)	4
جناب شایان عبداللہ	رکن	4
جناب یوسف عبداللہ	رکن	4
جناب نجم حسین بخاری	رکن	4

ہیومن ریورس اینڈ ریٹرنیشن کمیٹی

سال کے دوران ہیومن ریورس اینڈ ریٹرنیشن کمیٹی کا ایک اجلاس منعقد ہوا۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے:

نام	کیٹگری
جناب نجم حسین بخاری	چیئرمین (آزاد)
جناب شاہد عبداللہ	رکن
جناب یوسف عبداللہ	رکن
جناب شایان عبداللہ	رکن

ڈائریکٹرز کا مشاہرہ:

بورڈ آف ڈائریکٹرز کے اجلاس میں کمپنی کی طرف سے ڈائریکٹرز کے معاوضے کا تعین کیا جاتا ہے۔ معاوضے کا تعین مارکیٹ میں معیارات کی بنیاد پر کیا جاتا ہے اور ان کے کام کے دائرہ کار اور ڈائریکٹرز کی ذمہ داریوں میں اضافے کی روشنی میں قابلیت اور کوششوں کے مطابق کی عکاسی کرتا ہے۔ تاہم، کارپوریٹ گورننس کے کوڈ کے مطابق، یہ یقینی بنایا جاتا ہے کہ کوئی بھی ڈائریکٹر اپنی معاوضے کے فیصلے میں حصہ نہیں لے گا۔ چیف ایگزیکٹو اور دیگر ایگزیکٹو ڈائریکٹرز کے معاوضے کا نتیجہ مالی حسابات کے نوٹ نمبر 39 میں منکشف ہے۔

بورڈ کی تخصیص:

سال کے دوران، بورڈ آف ڈائریکٹرز نے سیلف ایسیمنٹ کی بنیاد پر اپنی کارکردگی کا جائزہ لینے کے لئے ایک مؤثر طریقہ کار قائم کیا ہے۔ بورڈ مناسب طور پر قابل قدر رہنمائی فراہم کرتا اور مؤثر کارپوریٹ گورننس کو یقینی بناتا ہے۔

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،

INDEPENDENT AUDITOR'S REPORT

To the Members of Sapphire Fibres Limited

Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **SAPPHIRE FIBRES LIMITED** (the Company) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 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. 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.

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, 2021.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

Chartered Accountants

Audit Engagement Partner: Osman Hameed Chaudhri

Lahore
23 September 2021

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company [Sapphire Fibres Limited](#) year ended June 30, 2021.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019 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 complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 09 as per the following:
 - a. Male: 08
 - b. Female: 01
2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Tajammal Husain Bokharee Mr. Nadeem Arshad Elahi Ms. Mariam Chughtai
Executive Director	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 seven listed companies, including this company.
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
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.

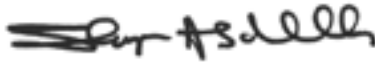
STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of total nine (9) Directors of the Company, seven (7) Directors meet the requirements. Four (4) Directors have already attained certification under directors training program and three (3) Directors meet the requirements of the exemption under regulation.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment and complied with relevant requirements of the Regulations. There was new appointment of Head of Internal Audit during the year approved by the Board.
11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
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 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. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

For and on behalf of the Board



Shayan Abdullah
Director



Shahid Abdullah
Chief Executive

Lahore

Dated: September 23, 2021

SIX YEARS AT A GLANCE

Particulars	UOM	2021	2020	2019	2018	2017	2016
Sales	Rs. (000)	27,531,203	22,491,619	21,750,250	17,828,047	14,465,759	12,478,390
Gross profit	Rs. (000)	3,940,602	2,824,049	2,864,697	1,825,406	974,035	1,089,719
Net profit before taxation	Rs. (000)	2,673,795	1,511,069	1,015,855	1,448,615	1,399,197	1,501,999
Net profit after taxation	Rs. (000)	2,273,565	1,125,323	759,197	1,145,072	1,139,074	1,401,731
Share capital	Rs. (000)	206,719	206,719	196,875	196,875	196,875	196,875
Shareholders' equity	Rs. (000)	18,915,479	15,888,230	15,287,207	16,283,524	17,055,008	15,364,415
Fixed assets - net	Rs. (000)	12,897,773	11,903,976	10,595,081	10,340,483	8,857,741	8,288,598
Total assets	Rs. (000)	40,859,720	34,316,762	34,902,819	32,656,142	30,840,380	26,526,287
Cash dividend	%	100.00	-	80.00	120.00	65.00	140.00

RATIOS:

Profitability Ratios

Gross profit	%	14.31	12.56	13.17	10.24	6.73	8.73
Profit before tax	%	9.71	6.72	4.67	8.13	9.67	12.04
Profit after tax	%	8.26	5.00	3.49	6.42	7.87	11.23

Return to Shareholders

Return on equity before tax	%	14.14	9.51	6.65	8.90	8.20	9.78
Return on equity after tax	%	12.02	7.08	4.97	7.03	6.68	9.12
Basic earning per share after tax	Rs.	109.98	55.61	36.72	58.16	57.86	71.20

Activity

Sale to fixed assets	Times	2.13	1.89	2.05	1.72	1.63	1.51
Sale to total assets	Times	0.67	0.66	0.62	0.55	0.47	0.47

Liquidity Ratios

Current ratio		1.21 : 1	1.06 : 1	1.01 : 1	1.12 : 1	1.29 : 1	1.10 : 1
Debt to equity ratio	Times	0.328	0.308	0.291	0.288	0.211	0.138
Total liability to equity ratio	Times	0.86	1.16	1.28	1.01	0.81	0.73

Breakup value per share	Rs. Per share	915.03	768.59	776.49	827.10	866.29	780.41
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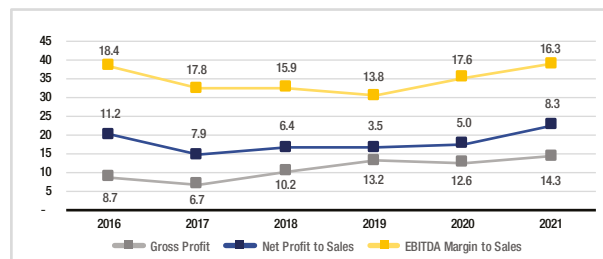
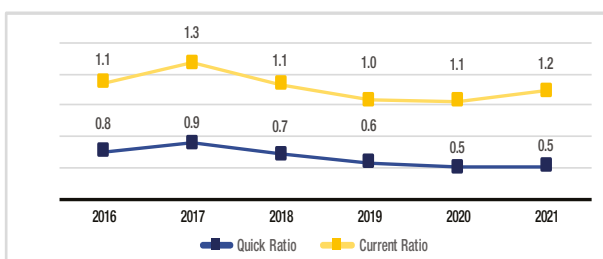
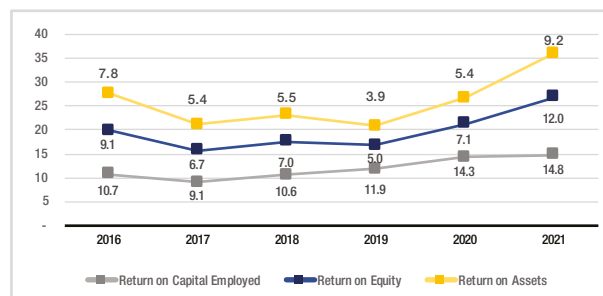
FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

Profitability Ratios

Profitability ratios are financial metrics which help to assess the Company's ability in terms of its earnings. This includes Gross Profit Ratio, Net Profit to Sales Ratio, EBITDA Margin to Sales, Return on Assets, Return on Equity and Return on Capital Employed.

Liquidity Ratios

Liquidity ratios are financial metrics used to determine Company's ability to meet its short term debt and other short term liabilities when they fall due. This include Current Ratio and Quick Ratio.

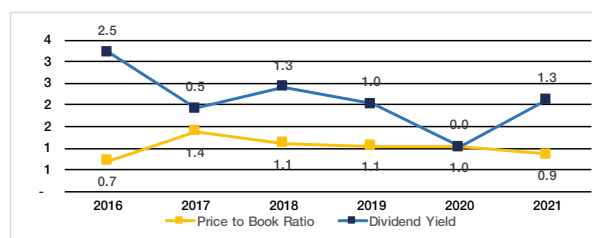
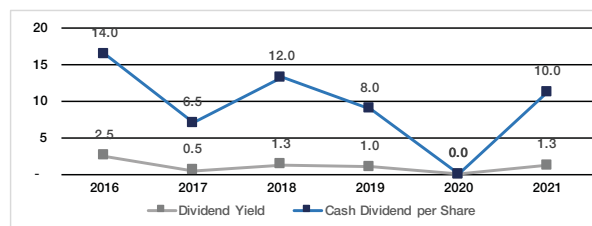
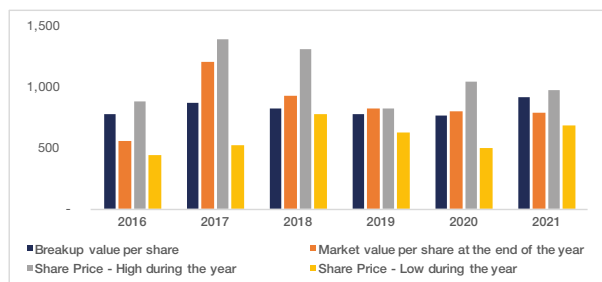


	UOM	2016	2017	2018	2019	2020	2021
Capital Structure Ratios							
Gross Profit	Percentage	8.7	6.7	10.2	13.2	12.6	14.3
Net Profit to Sales	Percentage	11.2	7.9	6.4	3.5	5.0	8.3
EBITDA Margin to Sales	Percentage	18.4	17.8	15.9	13.8	17.6	16.3
Return on Capital Employed	Percentage	10.7	9.1	10.6	11.9	14.3	14.8
Return on Equity	Percentage	9.1	6.7	7.0	5.0	7.1	12.0
Return on Assets	Percentage	7.8	5.4	5.5	3.9	5.4	9.2
Liquidity Ratios							
Current Ratio	Times	1.1	1.3	1.1	1.0	1.1	1.2
Quick Ratio	Times	0.8	0.9	0.7	0.6	0.5	0.5

FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

Share Price Sensitivity Analysis

Share price in the stock market moves due to various factors such as company performance, general market sentiment, economic events and interest rates, etc. Being a responsible and law-compliant Company, SFL circulates price sensitive information to stock exchanges in accordance with the requirements of listing regulations in a timely manner. During the year 2021, SFL's share price touched the peak of Rupees 975 while the lowest recorded price as Rupees 682 with a closing price of Rupees 790 at the end of the year.



	UOM	2016	2017	2018	2019	2020	2021
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Investor Ratios

Earning per Share	Rs. Per share	71.2	57.9	58.2	36.7	55.6	110.0
Price Earning Ratio	Times	7.9	20.7	15.9	22.4	14.4	7.2
Price to Book Ratio	Times	0.7	1.4	1.1	1.1	1.0	0.9
Dividend Yield	Percentage	2.5	0.5	1.3	1.0	0.0	1.3
Cash Dividend per Share	Rs. Per share	14.0	6.5	12.0	8.0	0.0	10.0
Dividend Payout Ratio	Percentage	19.7	11.2	20.6	21.8	0.0	9.1
Dividend Cover Ratio	Times	5.1	8.9	4.8	4.6	0.0	11.0
Breakup Value per Share	Rs. Per share	780.5	866.3	827.1	776.5	768.6	915.1
Market Value per Share at the End of the Year	Rs. Per share	560.0	1200.0	922.5	821.1	801.0	790.0
Share Price - High During the Year	Rs. Per share	880.9	1386.0	1314.8	821.1	1045.0	980.0
Share Price - Low During the Year	Rs. Per share	438.0	526.0	778.8	628.3	502.0	682.0

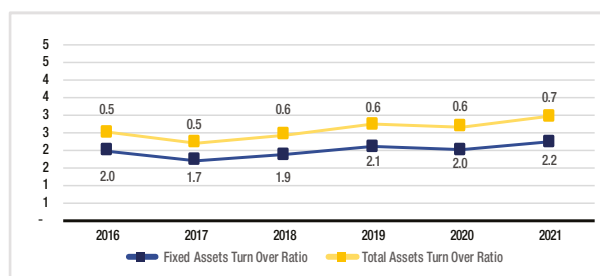
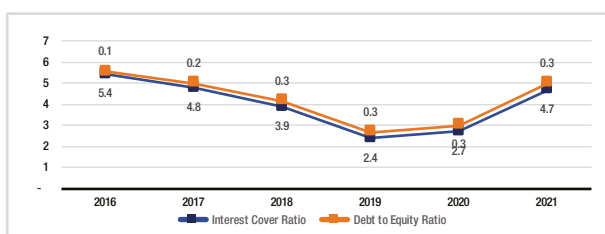
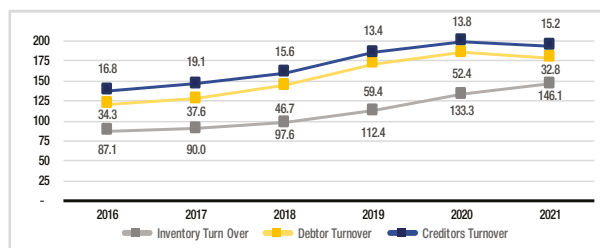
FINANCIAL RATIOS WITH GRAPHICAL PRESENTATION

Capital Structure

Capital structure describes the mix of a Company's long-term capital, which consists of a combination of debt and equity. Capital structure is a permanent type of funding that supports a company's growth and related assets. Capital structure includes Financial Leverage ratios, Interest Cover ratio and Debt to Equity ratio.

Cash Operating Cycle / Activity

The cash operating cycle (also known as the working capital cycle or the cash conversion cycle) is the number of days between paying suppliers and receiving cash from sales. Cash operating cycle includes Inventory Days, Receivables Days and Payables Days.



UOM	2016	2017	2018	2019	2020	2021
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Capital Structure Ratios

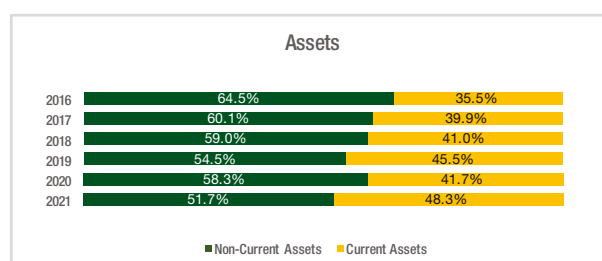
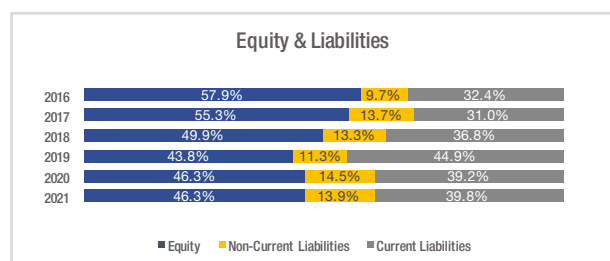
Financial Leverage Ratio	Times	0.6	0.6	0.8	1.1	0.9	0.9
Weighted Average Cost of Capital	Percentage	5.8	5.1	5.6	8.8	9.6	6.4
Debt to Equity Ratio	Times	0.1	0.2	0.3	0.3	0.3	0.3
Interest Cover Ratio	Times	5.4	4.8	3.9	2.4	2.7	4.7

Activity / Turnover Ratio

Inventory Turn Over	Days	87.1	90.0	97.6	112.4	133.3	146.1
Inventory Turn Over Ratio	Times	4.2	4.1	3.7	3.2	2.7	2.5
Debtor Turnover	Days	34.3	37.6	46.7	59.4	52.4	32.8
Debtors Turn Over Ratio	Times	10.6	9.7	7.8	6.1	7.0	11.1
Creditors Turnover	Days	16.8	19.1	15.6	13.4	13.8	15.2
Creditors Turnover Ratio	Times	21.8	19.1	23.4	27.2	26.4	24.1
Fixed Assets Turn Over Ratio	Times	2.0	1.7	1.9	2.1	2.0	2.2
Total Assets Turn Over Ratio	Times	0.5	0.5	0.6	0.6	0.6	0.7
Operating Cycle	Days	104.7	108.5	128.8	158.4	171.9	163.8

SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

Financial Position

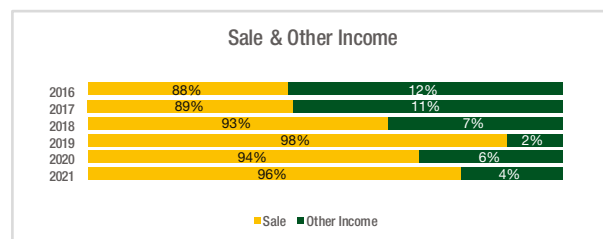
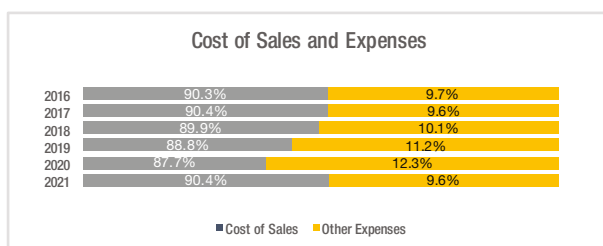


	2021	2020	2019	2018	2017	2016
Rupees in thousands						
Total Equity	18,915,479	15,888,230	15,287,207	16,283,524	17,055,008	15,364,415
Total non-current liabilities	5,673,501	4,964,497	3,928,640	4,354,411	4,224,767	2,578,279
Total current liabilities	16,270,740	13,464,036	15,686,972	12,018,208	9,560,605	8,583,593
	40,859,720	34,316,762	34,902,819	32,656,142	30,840,380	26,526,287
Total non-current assets	21,105,382	20,011,880	19,031,808	19,254,437	18,546,492	17,099,422
Total current assets	19,754,338	14,304,882	15,871,011	13,401,705	12,293,888	9,426,865
Total assets	40,859,720	34,316,762	34,902,819	32,656,142	30,840,380	26,526,287

	Variance in %					
Total Equity	19.05	3.93	(6.12)	(4.52)	11.00	2.89
Total non-current liabilities	14.28	26.37	(9.78)	3.07	63.86	461.41
Total current liabilities	20.85	(14.17)	30.53	25.71	11.38	40.46
	19.07	(1.68)	6.88	5.89	16.26	23.36
Total non-current assets	5.46	5.15	(1.16)	3.82	8.46	16.02
Total current assets	38.10	(9.87)	18.43	9.01	30.41	39.33
Total assets	19.07	(1.68)	6.88	5.89	16.26	23.36

SIX YEARS HORIZONTAL ANALYSIS WITH GRAPHICAL PRESENTATION

Statement of Profit or Loss



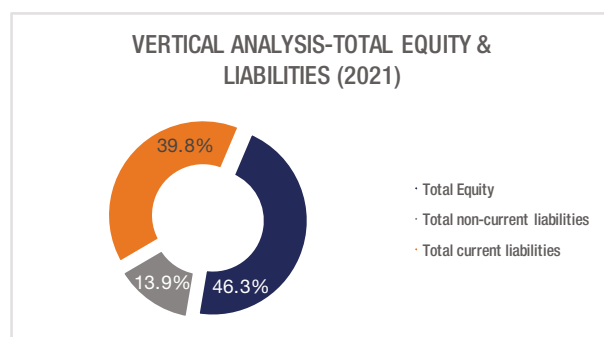
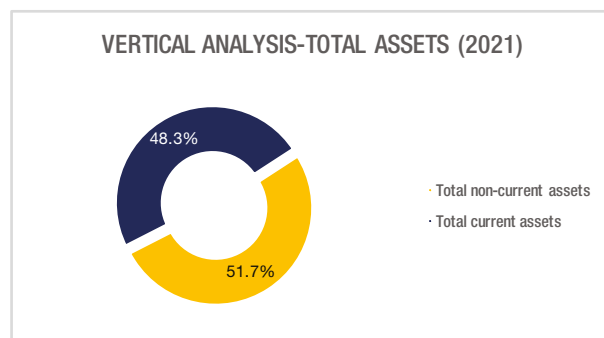
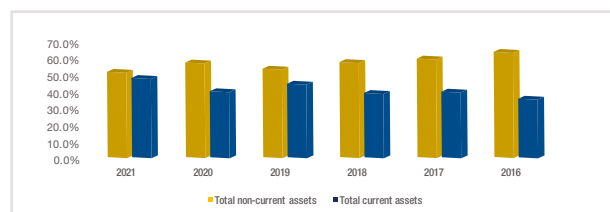
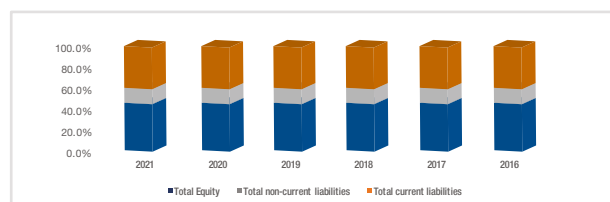
	2021	2020	2019	2018	2017	2016
Rupees in '000						
Statement of Profit or Loss						
Net Sales	27,531,203	22,491,619	21,750,250	17,828,047	14,465,759	12,478,390
Cost of Sales	23,590,601	19,667,570	18,885,554	16,002,642	13,491,724	11,388,672
Gross Profit	3,940,602	2,824,049	2,864,697	1,825,406	974,035	1,089,719
Selling and Distribution cost	1,056,595	846,382	721,021	590,408	463,271	379,139
Admin Expenses	372,229	332,331	313,198	303,556	302,999	269,453
Other Income	1,246,894	1,445,360	530,368	1,419,921	1,855,690	1,633,722
Other Expenses	122,028	116,204	82,518	169,871	127,521	148,412
Profit From Operations	3,636,644	2,974,492	2,278,327	2,181,492	1,935,934	1,926,438
Finance Cost	962,850	1,463,422	1,262,473	732,877	536,737	424,439
Profit Before Taxation	2,673,795	1,511,069	1,015,855	1,448,615	1,399,197	1,501,999
Taxation	400,230	385,746	256,657	303,543	260,122	100,268
Profit After Taxation	2,273,565	1,125,323	759,197	1,145,072	1,139,074	1,401,730

Profit and Loss Account	Variance in %					
Net Sales	22.41	3.41	22.00	23.24	15.93	(6.51)
Cost of Sales	19.95	4.14	18.02	18.61	18.47	(4.37)
Gross Profit	39.54	(1.42)	56.93	87.41	(10.62)	(24.21)
Selling and Distribution cost	24.84	17.39	22.12	27.44	22.19	(22.16)
Admin Expenses	12.01	6.11	3.18	0.18	12.45	8.57
Other Income	(13.73)	172.52	(62.65)	(23.48)	13.59	65.60
Other Expenses	5.01	40.82	(51.42)	33.21	(14.08)	63.08
Profit From Operations	22.26	30.56	4.44	12.68	0.49	20.54
Finance Cost	(34.21)	15.92	72.26	36.54	26.46	19.08
Profit Before Taxation	76.95	48.75	(29.87)	3.53	(6.84)	20.96
Taxation	3.75	50.30	(15.45)	16.69	159.43	(59.21)
Profit After Taxation	102.04	48.23	(33.70)	0.53	(18.74)	40.76

SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

Financial Position

Total assets comprise of current and non-current assets. At 30 June 2021, non-current assets are 51.7% of total assets while current assets are 48.3%. On the other side, share capital and reserves are 46.3% of the total equity and liabilities while non-current liabilities and current liabilities are 13.9% and 39.8% respectively. Share capital and reserves mainly constitute issued subscribed and paid up share capital, share premium, general reserves and unappropriated profit. Non-current liabilities mainly constitute deferred liabilities and long term financing. Current liabilities mainly constitute short term financing and trade and other payables.



2021		2020		2019		2018		2017		2016	
Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%

Statement of financial position

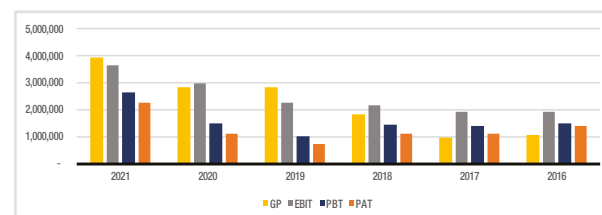
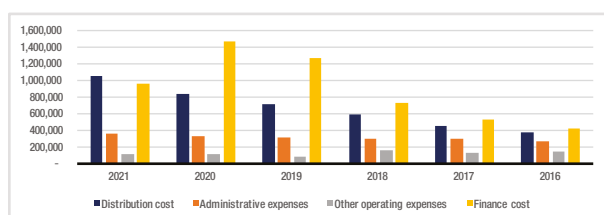
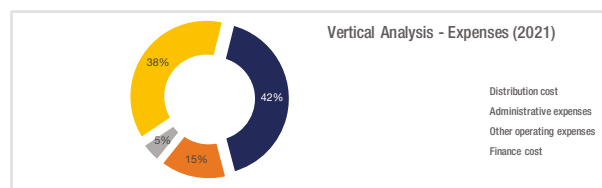
As at 30 June 2020

Total Equity	18,915,479	46.29	15,888,230	46.30	15,287,207	43.80	16,283,524	49.86	17,055,008	55.30	15,364,415	57.92
Total Non-Current Liabilities	5,673,501	13.89	4,964,497	14.47	3,928,640	11.26	4,354,411	13.33	4,224,767	13.70	2,578,279	9.72
Total Current Liabilities	16,270,740	39.82	13,464,036	39.23	15,686,972	44.94	12,018,208	36.80	9,560,605	31.00	8,583,593	32.36
Total equity and liabilities	40,859,720	100.00	34,316,762	100.00	34,902,819	100.00	32,656,142	100.00	30,840,380	100.00	26,526,287	100.00
Total Non-Current Assets	21,105,382	51.65	20,011,880	58.32	19,031,808	54.53	19,254,437	58.96	18,546,492	60.14	17,099,422	64.46
Total Current Assets	19,754,338	48.35	14,304,882	41.68	15,871,011	45.47	13,401,705	41.04	12,293,888	39.86	9,426,865	35.54
Total assets	40,859,720	100.00	34,316,762	100.00	34,902,819	100.00	32,656,142	100.00	30,840,380	100.00	26,526,287	100.00

SIX YEARS VERTICAL ANALYSIS WITH GRAPHICAL PRESENTATION

Statement of Profit or Loss

During the year, Company has recorded sales amounting to Rs. 27.5 billion as compared to Rs. 22.5 from last year showing an escalation of 22.4%. Gross profit has reached to 14.3% as compared to 12.6% from last year whereas, profit after tax increased to 8.3% from 5.0%. This increase in sales and profits are mainly attributable to improved operating performances of spinning and denim divisions.



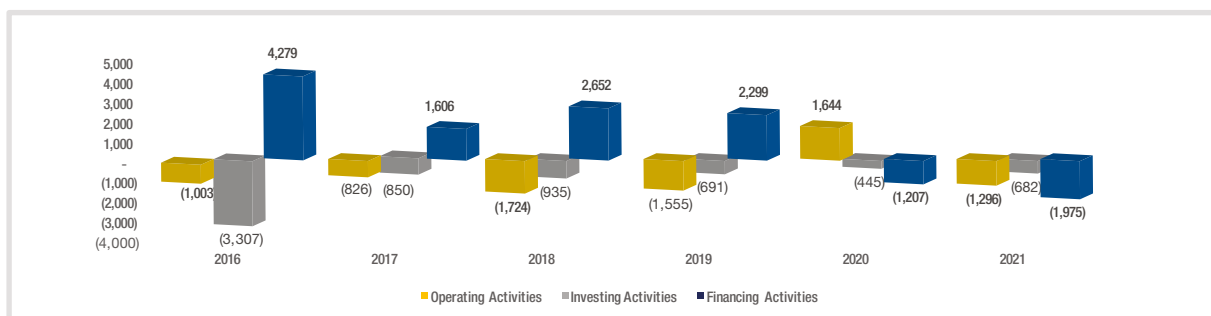
	2021		2020		2019		2018		2017		2016	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%

Statement of financial position

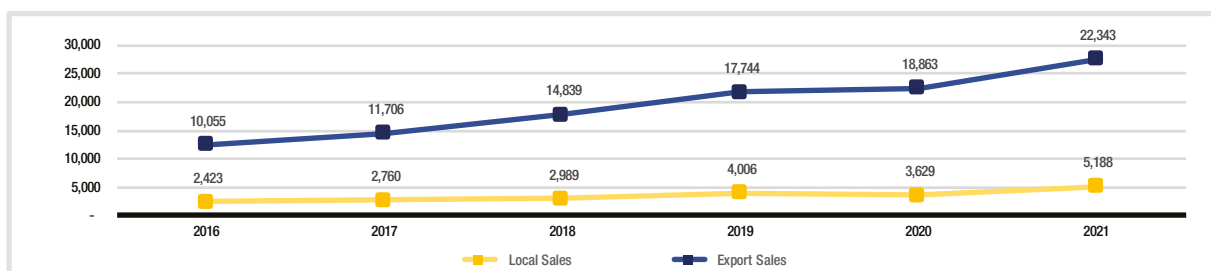
Net Turnover	27,531,203	100.00	22,491,619	100.00	21,750,250	100.00	17,828,047	100.00	14,465,759	100.00	12,478,390	100.00
Cost of sales	23,590,601	85.69	19,667,570	87.44	18,885,554	86.83	16,002,642	89.76	13,491,724	93.27	11,388,672	91.27
Gross profit	3,940,602	14.31	2,824,049	12.56	2,864,697	13.17	1,825,406	10.24	974,035	6.73	1,089,719	8.73
Distribution cost	1,056,595	3.84	846,382	3.76	721,021	3.32	590,408	3.31	463,271	3.20	379,139	3.04
Administrative expenses	372,229	1.35	332,331	1.48	313,198	1.44	303,556	1.70	302,999	2.09	269,453	2.16
Other operating expenses	122,028	0.44	116,204	0.52	82,518	0.38	169,871	0.95	127,521	0.88	148,412	1.19
Other income	1,246,894	4.53	1,445,360	6.43	530,368	2.44	1,419,921	7.96	1,855,690	12.83	1,633,722	13.09
Earnings before interest & tax	3,636,644	13.21	2,974,492	13.22	2,278,327	10.47	2,181,492	12.24	1,935,934	13.38	1,926,438	15.44
Finance cost	962,850	3.50	1,463,422	6.51	1,262,473	5.80	732,877	4.11	536,737	3.71	424,439	3.40
Profit before taxation	2,673,795	9.71	1,511,069	6.72	1,015,855	4.67	1,448,615	8.13	1,399,197	9.67	1,501,999	12.04
Provision for taxation	400,230	1.45	385,746	1.72	256,657	1.18	303,543	1.70	260,122	1.80	100,268	0.80
Profit after taxation	2,273,565	8.26	1,125,323	5.00	759,197	3.49	1,145,072	6.42	1,139,074	7.87	1,401,730	11.23

SIX YEARS ANALYSIS OF CASH FLOWS WITH GRAPHICAL PRESENTATION

Cash Flow Analysis



	UOM	2016	2017	2018	2019	2020	2021
Cash Flows							
Operating Activities	Rs. In Million	(1,003)	(826)	(1,724)	(1,555)	1,644	(1,296)
Investing Activities	Rs. In Million	(3,307)	(850)	(935)	(691)	(445)	(682)
Financing Activities	Rs. In Million	4,279	1,606	2,652	2,299	(1,207)	(1,975)



	UOM	2016	2017	2018	2019	2020	2021
Local and export sales							
Local Sales	Rs. In Million	2,423	2,760	2,989	4,006	3,629	5,188
Export Sales	Rs. In Million	10,055	11,706	14,839	17,744	18,863	22,343
Total Sales	Rs. In Million	12,478	14,466	17,828	21,750	22,492	27,531



UNCONSOLIDATED
**FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

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, 2021, 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, 2021 and of the profit, other comprehensive income, 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:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Capitalisation of property, plant and equipment</p> <p>Refer note 4 to the financial statements.</p> <p>The Company incurred significant capital expenditure mainly to enhance production capacity and technological upgrade of the plant as part of its expansion activity. The Company has capitalization operating fixed assets aggregating Rs.2.073 billion during the year.</p> <p>There are number of areas where management judgement is involved in connection with the above activities. These include:</p> <ul style="list-style-type: none"> - Determining which costs meet the criteria for capitalisation as per International Accounting Standard - IAS - 16; - Determining the date on which assets under construction are transferred to operating fixed assets and the respective dates from which their depreciation should commence; 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - obtained an understanding of the design and implementation of management controls over capitalization and performed tests of controls over authorization of capital expenditure and accuracy of its recording in the system; - assessed, on a sample basis, costs capitalised during the year by comparing the costs capitalised with the relevant underlying documentation, which included purchase agreements and invoices; - assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable financial reporting framework; - checked the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates, on a sample basis; and - assessed whether the disclosures were made in accordance with the applicable financial reporting framework.

Sr. No.	Description	How the matter was addressed in our audit
	<ul style="list-style-type: none"> - Capitalisation of borrowing costs and related implications; - The estimation of economic useful lives and residual values assigned to property, plant and equipment; and - Impairment testing; assessing whether there are any indicators of impairment present. <p>We consider the above as a key audit matter being significant transactions and events for the Company during the year.</p> <p>2. Valuation of stock-in-trade</p> <p>The total value of stock in trade as at the reporting date amounted to Rs.11.352 billion, representing 57% of the Company's total current assets. Stock in trade as at reporting date included raw material and finished goods. Refer note 10 to the financial statements.</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 raw material and finished goods and in determining the appropriate value of slow moving and obsolete stocks.</p> <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>	<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 data; - assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis; - 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 NRV of raw material thereon by performing tests on the subsequent purchase price; and - tested the cost of inventories for finished goods 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>

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Sapphire Fibres Limited

Report on the Audit of the Financial Statements

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 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 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 Osman Hameed Chaudhri.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,
Chartered Accountants

Lahore

Date: 23 September 2021

Unconsolidated Statement of Financial Position

As at June 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	4	12,863,179,320	11,867,917,137
Investment property	5	31,750,000	31,750,000
Intangible assets	6	2,844,140	4,309,170
Long term investments	7	8,178,072,307	8,079,035,424
Long term loans	8	930,000	262,000
Long term deposits		28,606,645	28,606,645
		21,105,382,412	20,011,880,376
Current assets			
Stores, spare parts and loose tools	9	466,689,452	358,027,617
Stock-in-trade	10	11,352,379,787	7,537,897,128
Trade debts	11	2,727,658,571	2,226,110,623
Loans and advances	12	144,542,468	160,400,271
Trade deposits and short term prepayments	13	7,990,921	5,413,764
Short term investments	14	2,977,735,568	2,394,357,739
Other receivables	15	902,010,831	673,310,150
Tax refunds due from Government	16	1,110,337,150	880,506,826
Cash and bank balances	17	64,993,047	68,857,658
		19,754,337,795	14,304,881,776
Total assets		40,859,720,207	34,316,762,152
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 35,000,000 ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital	18	206,718,750	206,718,750
Reserves	19	3,178,586,331	2,429,793,680
Unappropriated profit		15,530,173,708	13,251,717,505
Total equity		18,915,478,789	15,888,229,935
Non current liabilities			
Long term liabilities	20	5,205,402,463	4,510,411,784
Deferred income - Government grant	21	3,487,882	-
Staff retirement benefit - gratuity	22	341,556,615	310,591,147
Deferred taxation	23	123,054,208	143,493,774
		5,673,501,168	4,964,496,705
Current liabilities			
Trade and other payables	24	3,221,855,521	2,022,566,851
Contract liabilities		492,483,771	454,244,612
Accrued mark-up / interest	25	195,808,765	186,517,482
Short term borrowings	26	10,939,583,162	10,026,256,385
Current portion of long term liabilities	27	1,016,060,869	375,597,223
Unclaimed dividend		6,194,951	6,137,961
Provision for taxation		398,753,211	392,714,998
		16,270,740,250	13,464,035,512
Total liabilities		21,944,241,418	18,428,532,217
Contingencies and commitments	28		
Total equity and liabilities		40,859,720,207	34,316,762,152

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



Chief Executive Officer



Director



Chief Financial Officer

Unconsolidated Statement of Profit or Loss

For the Year Ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
Sales	29	27,531,203,138	22,491,618,810
Cost of sales	30	(23,590,601,324)	(19,667,569,703)
Gross profit		3,940,601,814	2,824,049,107
Distribution cost	31	(1,056,595,160)	(846,381,791)
Administrative expenses	32	(372,228,822)	(332,331,080)
Other income	33	1,246,894,091	1,445,359,994
Other expenses	34	(122,027,645)	(116,204,488)
Profit from operations		3,636,644,278	2,974,491,742
Finance cost	35	(962,849,709)	(1,463,422,255)
Profit before taxation		2,673,794,569	1,511,069,487
Taxation	36	(400,229,963)	(385,746,264)
Profit after taxation		2,273,564,606	1,125,323,223
Earnings per share - basic and diluted	37	109.98	55.61

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



Chief Executive Officer



Director



Chief Financial Officer

Unconsolidated Statement of Other Comprehensive Income

For the Year Ended June 30, 2021

	2021 Rupees	2020 Rupees
Profit after taxation	2,273,564,606	1,125,323,223
Other comprehensive income / (loss)		
Items that will not be reclassified to statement of profit or loss subsequently		
Unrealised gain / (loss) on remeasurement of investment at fair value through other comprehensive income		
- long term	142,228,961	(344,837,056)
- short term	581,387,300	(142,952,701)
Impact of deferred tax	25,176,390	(25,176,390)
Realised loss on sale of investment at fair value through other comprehensive income	(5,202,590)	(94,607,088)
	743,590,061	(607,573,235)
Gain / (loss) on re-measurement of staff retirement benefit obligation	10,707,520	(15,768,827)
Impact of deferred tax	(613,333)	604,076
	10,094,187	(15,164,751)
	753,684,248	(622,737,986)
Total other comprehensive income for the year	3,027,248,854	502,585,237

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



Chief Executive Officer



Director



Chief Financial Officer

Unconsolidated Statement of Cash Flows

For the Year Ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
Cash flows from operating activities			
Cash generated from operations	38	78,021,860	3,656,018,188
Staff retirement benefit paid		(69,243,106)	(54,746,781)
Finance cost paid		(953,558,426)	(1,502,130,544)
Taxes paid		(290,678,425)	(411,687,429)
Workers' profit participation fund paid		(60,363,027)	(43,373,043)
Long term loans - net		(668,000)	180,000
Net cash (used in) / generated from operating activities		(1,296,489,124)	1,644,260,391
Cash flows from investing activities			
Fixed capital expenditure		(1,974,022,867)	(2,159,339,814)
Proceeds from disposal of operating fixed assets		217,821,075	47,036,078
Investment in Subsidiary Companies		(500,000)	(16,200,000)
Long and short term investments - net		36,498,958	276,214,955
Proceeds from sale of stores and spares		1,972,675	407,565
Dividend and interest income received		1,036,238,653	1,406,943,789
Net cash used in investing activities		(681,991,506)	(444,937,427)
Cash flows from financing activities			
Long term finances - obtained		1,542,955,065	990,153,577
- repaid		(481,722,813)	(549,750,685)
Proceeds from issuance of right shares		-	255,937,500
Dividend paid		56,990	(157,329,598)
Short term borrowings - net		913,326,777	(1,746,188,666)
Net cash generated from / (used in) financing activities		1,974,616,019	(1,207,177,872)
Net decrease in cash and cash equivalents		(3,864,611)	(7,854,908)
Cash and cash equivalents - at beginning of the year		68,857,658	76,712,566
Cash and cash equivalents - at end of the year		64,993,047	68,857,658

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



Chief Executive Officer



Director



Chief Financial Officer

Unconsolidated Statement of Changes in Equity

For the Year Ended June 30, 2021

	Reserves					Total Equity	
	Capital		Reserves				
	Issued, subscribed and paid-up capital	Share Premium	General	Unappropriated profit	Sub-total	Unrealised gain / (loss) on financial assets at fair value through other comprehensive income	
	Rupees						
Balance as at July 01, 2019	196,875,000	145,740,000	1,183,845,000	12,393,666,121	13,723,251,121	1,367,081,077	15,287,207,198
Transactions with owners of the Company - contribution 984,375 right shares issued at Rs.260 per share (including share premium of Rs.250 per share)	9,843,750	246,093,750	-	-	246,093,750	-	255,937,500
Transactions with owners of the Company - distributions							
Final dividend related to the year ended June 30, 2019 at the rate of Rs.8 per share			(157,500,000)		(157,500,000)		(157,500,000)
Total comprehensive income / (loss) for the year ended June 30, 2020							
Profit for the year	-	-	-	1,125,323,223	1,125,323,223	-	1,125,323,223
Other comprehensive loss	-	-	-	(15,164,751)	(15,164,751)	(607,573,235)	(622,737,986)
Reclassification adjustment of realised loss on sale of investment at fair value through other comprehensive income	-	-	-	1,110,168,472	1,110,168,472	(607,573,236)	502,595,237
				(94,607,088)	(94,607,088)	94,607,088	-
Balance as at June 30, 2020	206,718,750	391,833,750	1,183,845,000	13,251,177,505	14,827,396,255	854,114,930	15,888,229,935
Total comprehensive income for the year ended June 30, 2021							
Profit for the year	-	-	-	2,273,564,606	2,273,564,606	-	2,273,564,606
Other comprehensive income	-	-	-	10,094,187	10,094,187	743,590,061	753,684,248
Reclassification adjustment of realised loss on sale of investment at fair value through other comprehensive income	-	-	-	2,283,658,793	2,283,658,793	743,590,061	3,027,248,854
				(5,202,590)	(5,202,590)	5,202,590	-
Balance as at June 30, 2021	206,718,750	391,833,750	1,183,845,000	15,530,173,708	17,105,852,458	1,602,907,581	18,915,478,789

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


Chief Executive Officer


Director


Chief Financial Officer

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

1. LEGAL STATUS AND OPERATIONS

Sapphire Fibres Limited (the Company) was incorporated in Pakistan on June 05, 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 manufacturing 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 office	
7 A- K, Main Boulevard, Gulberg	Head office
3.5 km, Manga Road, Riawand	Production plant
Shiekhpora	
10 km, Sheikhupura / Faisalabad Road, Kharianwala	Production plant
26 km, Sheikhupura / 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 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS Standards, the provisions of and directives issued under the Act have been followed.

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investment valued at fair value, 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 rupees unless otherwise specified.

2.4 Change in accounting standards and interpretations

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, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

(although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

IAS 1 & IAS 8 Definition of material

Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

a) IAS 1 Classification of liabilities

Amendment to IAS 1 is effective for period beginning on April 01, 2021. The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of financial statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarifies that;

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights;
- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification;
- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date; and
- settlement is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

b) IAS 16 Proceeds before an asset's intended use

Amendment to IAS 16 'Property, plant and equipment' is effective from January 01, 2022. The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sale proceeds and related cost in profit or loss. The amendment applies retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendment.

c) IAS 37 Onerous contracts

Amendments to IAS 37 is effective from January 01, 2022. Under IAS 37 'Provisions, contingent liabilities and contingent assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations i.e. the lower of the costs of fulfilling the contract and the costs of terminating it outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs e.g. direct labour and materials; and an allocation of other direct costs e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The Company has assessed that the impact of these amendments is not expected to be significant.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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 policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

b) Stores & spares and stock-in-trade

The Company estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss model. Management used actual credit loss experience over past years for the calculation of expected credit loss. Trade and other receivables are written off when there is no reasonable expectation of recovery.

d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 22.

e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax laws and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

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.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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 or loss.

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 6. 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 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right of use assets equal to the present value of lease payments.

3.5 Financial assets

Initial measurement

The Company classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

- Equity Instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

- Debt Instruments at FVTOCI

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- Debt Instruments at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- Financial Assets measured at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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.

3.6 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.

Notes to the Unconsolidated Financial Statements

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

3.7 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.

3.8 Trade debts and other receivables and related impairment

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

3.9 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.

3.10 Impairment

a) Financial assets

The Company assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for the calculation of ECL.

For debt instruments measured as FVTOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The provision for impairment loss is recognized in the statement of profit or loss.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Non-financial assets

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

3.11 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.12 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.

3.13 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 profit or loss over the period of the borrowings as interest expense.

3.14 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, 2021 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.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

3.15 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.

3.16 Lease liability

Leases were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The present value of the lease payments is determined using interest rate implicit in lease. If interest rate implicit in lease is not readily determinable, then the Company uses incremental borrowing rate at the commencement of lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.17 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

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.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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:

Sale of goods

- revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;
- revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port;

Rendering of services

- revenue from contracts for provision of services is recognized at the point in time when the processed goods are dispatched from the mills to the customer;

Other sources of revenue

- export rebate income is recognized on accrual basis as and when the right to receive the income establishes;
- dividend income from investments is recognized when the Company's right to receive dividend is established; and
- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

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.

	Note	2021 Rupees	2020 Rupees
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	11,970,419,683	10,875,747,534
Capital work-in-progress	4.3	892,759,637	992,169,603
		12,863,179,320	11,867,917,137

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Freehold	Leasehold land	Residential buildings and others on freehold land	Leased office improvements	Factory buildings on freehold land	Plant and machinery	Electric installations	Equipment					Computer hardware	Vehicles	Furniture and fixtures	Arms and ammunition	Tools	Total	
								Fire fighting	Office	Mills	Electric / gas	Equipment							
												Equipment							Equipment
Rupees																			
At July 1, 2019																			
Cost	456,721,630	313,245,050	971,045,941	28,636,645	2,902,106,430	10,915,024,156	405,063,245	21,111,988	19,746,970	39,470,585	20,484,039	25,198,625	199,108,309	48,823,512	149,886	246,579	16,366,185,580		
Accumulated depreciation	-	-	245,115,362	23,769,151	1,049,489,352	4,264,741,913	146,764,550	3,362,488	16,244,235	25,613,972	11,620,972	17,431,327	97,991,574	29,072,987	134,495	218,666	5,931,560,044		
Net book value	456,721,630	313,245,050	725,930,579	4,868,494	1,852,617,078	6,650,282,243	258,298,695	17,749,510	3,502,735	13,856,593	8,863,067	7,767,298	101,126,735	19,750,525	15,391	29,913	10,434,625,536		
Year ended June 30, 2020																			
Opening net book value	456,721,630	313,245,050	725,930,579	4,868,494	1,852,617,078	6,650,282,243	258,298,695	17,749,510	3,502,735	13,856,593	8,863,067	7,767,298	101,126,735	19,750,525	15,391	29,913	10,434,625,536		
Additions	10,008,500	-	7,340,151	-	33,144,343	1,196,020,251	12,133,403	-	-	1,056,400	188,631	1,063,500	25,722,394	3,085,480	-	-	1,289,783,053		
Disposals:	-	-	-	-	-	186,766,437	-	-	-	-	-	-	13,086,833	-	-	-	199,853,270		
- cost	-	-	-	-	-	(155,559,468)	-	-	-	-	-	-	(7,305,051)	-	-	-	(162,864,519)		
- accumulated depreciation	-	-	-	-	-	31,206,969	-	-	-	-	-	-	5,781,782	-	-	-	36,998,751		
Depreciation charge	-	-	36,408,019	975,699	186,382,753	529,234,953	26,152,973	1,774,951	350,273	1,459,292	900,454	2,535,452	23,387,509	2,107,446	1,539	2,991	811,672,304		
Closing net book value	466,730,130	313,245,050	696,862,711	3,894,795	1,699,378,668	7,285,860,572	244,279,125	15,974,559	3,152,462	13,463,701	8,151,244	6,315,346	97,679,838	20,728,559	13,852	26,922	10,875,747,534		
At June 30, 2020																			
Cost	466,730,130	313,245,050	978,986,092	28,636,645	2,935,250,773	11,924,277,970	417,186,648	21,111,988	19,746,970	40,526,965	20,672,670	26,282,125	211,743,870	51,908,992	149,886	246,579	17,456,115,363		
Accumulated depreciation	-	-	281,523,381	24,741,850	1,235,872,105	4,638,417,398	172,917,523	5,137,439	16,594,508	27,073,264	12,521,426	19,966,779	114,064,032	31,180,433	136,034	221,657	6,590,367,829		
Net book value	466,730,130	313,245,050	696,862,711	3,894,795	1,699,378,668	7,285,860,572	244,279,125	15,974,559	3,152,462	13,463,701	8,151,244	6,315,346	97,679,838	20,728,559	13,852	26,922	10,875,747,534		
Year ended June 30, 2021																			
Opening net book value	466,730,130	313,245,050	696,862,711	3,894,795	1,699,378,668	7,285,860,572	244,279,125	15,974,559	3,152,462	13,463,701	8,151,244	6,315,346	97,679,838	20,728,559	13,852	26,922	10,875,747,534		
Additions	830,682,133	-	5,541,384	-	190,204,256	998,911,762	3,718,676	-	-	1,433,744	-	3,713,855	38,404,505	882,499	-	-	2,073,432,834		
Disposals:	-	-	-	-	-	168,404,644	-	-	-	-	-	222,000	14,619,500	-	-	-	263,831,617		
- cost	-	-	-	-	-	(130,610,988)	-	-	-	-	-	(144,083)	(11,047,420)	-	-	-	(141,802,491)		
- accumulated depreciation	-	-	-	-	-	37,783,656	-	-	-	-	-	77,917	3,572,080	-	-	-	122,120,126		
Depreciation charge	-	-	34,897,770	778,959	177,603,798	588,027,641	24,727,298	1,597,456	315,246	1,423,174	815,124	2,542,407	21,771,013	2,127,596	1,385	2,692	856,631,559		
Closing net book value	1,216,696,790	313,245,050	667,506,325	3,115,836	1,711,979,126	7,658,951,057	223,270,503	14,377,103	2,837,216	13,464,271	7,336,120	7,408,877	110,741,250	19,453,462	12,467	24,230	11,970,419,683		
At June 30, 2021																			
Cost	1,216,696,790	313,245,050	983,927,476	28,636,645	3,125,465,029	12,754,785,108	420,915,324	21,111,988	19,746,970	41,960,709	20,672,670	29,773,980	235,528,875	52,761,491	149,886	246,579	19,265,616,580		
Accumulated depreciation	-	-	316,421,151	25,520,809	1,413,475,903	5,095,834,051	197,644,821	6,734,865	16,909,754	28,496,488	13,336,550	22,365,103	124,787,625	33,308,029	137,419	224,349	7,295,196,897		
Net book value	1,216,696,790	313,245,050	667,506,325	3,115,836	1,711,979,126	7,658,951,057	223,270,503	14,377,103	2,837,216	13,464,271	7,336,120	7,408,877	110,741,250	19,453,462	12,467	24,230	11,970,419,683		
Depreciation rate (% - per annum)			5	20	10	5 & 10	10	10	10	10	10	30	20	10	10	10			

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

4.1.1 Preceding years carrying value of freehold land included 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 Ltd., Diamond Fabrics Ltd., and Sapphire Finishing Mills Ltd. (Related Parties). This freehold land has been sold during the year.

4.1.2 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	569,156
- Riawind, District Lahore.	Production plant	925,169
- Mauza Paaji, Riawind, District Lahore.	Proposed Mill / Factory	113,075
Leasehold Land		
- Nooriabad, Karachi.	Proposed Mill / Factory	135,520
- Port Qasim Authority, Karachi.	Proposed warehouse	14,520
- Defence Housing Authority, Karachi.	Proposed office	666

	2021 Rupees	2020 Rupees
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4.2 Depreciation charge has been allocated as follows:

Cost of goods manufactured	838,309,738	791,848,091
Administrative expenses	18,321,821	19,824,213
	856,631,559	811,672,304

4.3 Capital work-in-progress

Buildings	273,269,753	177,159,344
Plant and machinery {including in transit aggregating Rs.50.455 million (June 30, 2020: Rs.18.439 million)}	557,272,008	401,629,894
Advance payments against:		
- land - freehold	24,554,700	390,000,000
- factory / office building	17,175,861	6,668,800
- electric installation	15,764,565	15,764,565
- vehicles	4,203,000	-
- computer software	519,750	947,000
	62,217,876	413,380,365
	892,759,637	992,169,603

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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							
Land							
Plot No.62 D/1 Gulberg III, Lahore (share 30%)	80,685,473	-	80,685,473	187,050,000	106,364,527	Negotiation	M/s. Sitara Heights (Pvt.) Limited
Plant and machinery							
6 Nos. Caterpillar Gas Engine 3516 A	49,523,651	36,853,459	12,670,191	6,146,349	(6,523,842)	Negotiation	M/s. Stameco Energy Solutions
1 No. Murata Auto Cone 7-V	14,245,736	12,614,016	1,631,720	1,600,000	(31,720)	Negotiation	M/s. Ideal Trading Company
Assorted Cylinder Assay Electric Motors	26,385,126	23,866,113	2,519,013	2,863,635	344,622	Negotiation	M/s. Vj Textile Traders
2 No. Generators with All Accessories	69,841,849	49,672,455	20,169,394	6,239,316	(13,930,078)	Negotiation	M/s. Stameco Energy Solutions
	159,996,362	123,006,043	36,990,318	16,849,300	(20,141,018)		
Vehicles							
Honda Accord	5,953,000	5,333,111	619,889	3,200,000	2,580,111	Negotiation	Ms. Ammara Ali
Toyota Corolla	1,805,500	1,176,898	628,602	1,500,000	871,398	Negotiation	Mr. Basharat Nazir
Suzuki Swift DLX 1.3	1,555,000	539,066	1,015,934	1,700,000	684,066	Insurance claims	M/s. Adamjee Insurance Company Limited
	9,313,500	7,049,075	2,264,425	6,400,000	4,135,575		
Various assets having net book value upto Rs.500,000 each							
	13,936,282	11,747,373	2,188,909	7,521,775	5,332,866		
June 30, 2021	263,931,617	141,802,491	122,129,125	217,821,075	95,691,950		
June 30, 2020	199,853,270	162,864,519	36,988,751	47,036,078	10,047,327		

4.4.1 These include an asset costing Rs.135 thousand sold to Mr. Jawad Faisal (key management personnel).

5. INVESTMENT PROPERTY

5.1 This represents free-hold land situated at Raiwand 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, 2021 was Rs.75 million (2020: Rs.70 million).

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
6. INTANGIBLE ASSETS			
These represent computer software licenses.			
Net carrying value as at July 1,			
Opening net book value		4,309,170	6,092,817
Amortization for the year		(1,465,030)	(1,783,647)
Net book value as at June 30,		2,844,140	4,309,170
Gross carrying value as at June 30,			
Cost		29,890,171	29,890,171
Accumulated amortization		27,046,031	25,581,001
Net book value		2,844,140	4,309,170
Amortization rate (% per annum)		20	20
7. LONG TERM INVESTMENTS			
Subsidiary Companies - at cost	7.1	3,574,808,316	3,574,308,316
Associated Companies - at cost	7.2	758,276,769	758,276,769
Others - equity instruments	7.3	3,797,987,222	3,682,773,859
- debt instruments	7.4	47,000,000	63,676,480
		8,178,072,307	8,079,035,424
7.1 Subsidiary Company - unquoted			
Sapphire Electric Company Limited (SECL)			
288,782,600 ordinary shares of Rs.10 each	7.1.1	3,039,008,316	3,039,008,316
Equity held: 68.11%			
Premier Cement Limited (PCL)			
46,860,000 ordinary shares of Rs.10 each	7.1.2	468,600,000	468,600,000
Equity held: 100%			
Sapphire Cement Company Limited (SCCL)			
50,000 ordinary shares of Rs.10 each	7.1.3	500,000	500,000
Equity held: 100%			
Sapphire Energy (Pvt.) Limited (SEPL)			
6,620,000 (2020: 5,000,000) ordinary shares of Rs.10 each	7.1.4	66,200,000	50,000,000
Equity held: 100%			
Share deposit money		-	16,200,000
		66,200,000	66,200,000
Sapphire Power Limited (SPL)			
50,000 ordinary shares of Rs.10 each	7.1.5		
Equity held: 100%		500,000	-
		3,574,808,316	3,574,308,316

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

7.1.1 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.

7.1.2 PCL is a wholly owned Subsidiary Company incorporated 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.

7.1.3 SCCL is a wholly owned Subsidiary Company incorporated 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.

7.1.4 SEPL is a wholly owned Subsidiary Company incorporated 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.

7.1.5 SPL is wholly owned subsidiary Company incorporated during the current year as public unlisted company. The Subsidiary Company intends to establish and install plant to generate, purchase, import, transform, convert, distribute and supply electricity including the hydril and wind power system.

	2021 Rupees	2020 Rupees
7.2 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.26.905 million (2020: Rs.17.779 million)		
SFL Limited - note 7.2.1		
10,199 ordinary shares of Rs.10 each	100,000	100,000
Equity held: 0.051%		
Fair value: Rs.8.057 million (2020: Rs.1.682 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.86.65 (2020: Rs.77.18)		
Sapphire Dairies (Private) Limited		
10,000,000 ordinary shares of Rs.10 each	100,000,000	100,000,000
Equity held: 5.50% (2020: 8.00%)		
Break-up value per share on the basis of un-audited financial statements Rs.11.79 (2020: Rs.11.62)		
Tricon Boston Consulting Corporation (Private) Limited (TBCCL) - note 7.2.2		
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.23.02 (2020: Rs.18.06)		
	758,276,769	758,276,769

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

7.2.1 SFL Limited is in process of voluntary delisting from Pakistan Stock Exchange and has made an offer to buy-back its shares at an agreed price of Rs.160 per share.

7.2.2 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.

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

	2021 Rupees	2020 Rupees
7.3 Equity Instruments - at FVTOCI		
Quoted		
MCB Bank Limited		
18,213,195 (2020: 18,213,195) ordinary shares of Rs.10 each - cost	896,451,123	896,451,123
Adjustment arising from re-measurement to fair value	2,014,563,834	2,055,361,391
	2,911,014,957	2,951,812,514
Habib Bank Limited		
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	(330,601,344)	(515,328,342)
	886,472,265	701,745,267
Unquoted		
Novelty Enterprises (Private) Limited		
2,351,995 ordinary shares of Rs.10 each	-	28,716,078
TCC Management Services (Private) Limited		
50,000 ordinary shares of Rs.10 each	500,000	500,000
	3,797,987,222	3,682,773,859
7.4 Debt Instruments - at FVTOCI		
Habib Bank Limited - term finance certificates (TFCs)	7.4.1	
500 (2020: 650) Term finance certificates of Rs.100,000 each - cost	50,000,000	64,976,000
Adjustment arising from re-measurement to fair value	(3,000,000)	(1,299,520)
	47,000,000	63,676,480

7.4.1 These carry profit at the rate of 3 months KIBOR + 1.60%. Effective profit rates charged, during the year, ranged from 7.71% to 13.99% per annum.

	2021 Rupees	2020 Rupees
8 LONG TERM LOANS - Secured		
Loans due from employees	1,965,000	442,000
Less: recoverable within one year and grouped under current assets	1,035,000	180,000
	930,000	262,000

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

- 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 Company has not provided any loan to its Key management personnel.

		2021 Rupees	2020 Rupees
9. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		176,156,968	192,693,725
Spare parts		128,744,740	118,643,270
Loose tools		239,981	92,852
Items in transit		173,567,885	58,653,313
		478,709,574	370,083,160
Less: provision for slow moving items	9.1	12,020,122	12,055,543
		466,689,452	358,027,617

9.1 Provision for slow moving items

Balance at beginning of the year		12,055,543	6,491,586
Add: provision made during the year		-	5,563,957
Less: provision reversed during the year		(35,421)	-
Balance at end of the year		12,020,122	12,055,543

10. STOCK-IN-TRADE

Raw materials:			
- at mills		7,128,035,967	5,059,559,891
- in transit		1,495,785,295	375,777,267
- at third party's premises		-	40,002,394
		8,623,821,262	5,475,339,552
Work-in-process		1,072,589,736	798,954,257
Finished goods:			
- at mills	10.1	1,655,968,789	1,077,525,876
- at third party's premises		-	186,077,443
		1,655,968,789	1,263,603,319
		11,352,379,787	7,537,897,128

- 10.1** Preceding year finished goods included items costing Rs.736.504 million stated at their net realizable value aggregated Rs.558.898 million. The amount charged to cost of sales in respect of stocks written down to their realizable value was Rs.177.605 million.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

		2021 Rupees	2020 Rupees
11. TRADE DEBTS			
Considered good			
Unsecured - local	11.1	1,838,184,170	1,040,250,267
Secured - foreign debts		898,462,451	1,176,568,247
Considered doubtful			
Unsecured - foreign debts	11.4	69,951,066	68,565,103
		2,806,597,687	2,285,383,617
Less: provision for expected credit loss	11.5	78,939,116	59,272,994
		2,727,658,571	2,226,110,623
11.1 These include the following amounts due from related parties:			
Diamond Fabrics Ltd.		9,361,383	11,104,098
Reliance Cotton Spinning Mills Ltd.		5,743,553	803,113
Amer Cotton Mills (Pvt.) Ltd.		22,100,801	1,580,171
Sapphire Textile Mills Ltd.		23,642,135	6,822,369
Sapphire Power Generation Ltd.		-	6,400
		60,847,872	20,316,151

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

	Related parties		Others	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Not past due	660,114	10,541,245	1,406,132,361	1,182,443,683
Past due 1-30 days	43,762,454	6,371,969	818,202,369	467,448,203
Past due 31-60 days	4,209,921	3,402,937	186,735,708	200,494,466
Past due 61-90 days	281,180	-	85,408,947	79,387,890
Past due 91-365 days	11,628,319	-	113,620,824	245,393,785
Past due one year	305,884	-	56,710,490	30,626,445
	60,847,872	20,316,151	2,666,810,699	2,205,794,472

11.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.83.790 million (2020: Rs.82.855 million).

11.4 These mainly include doubtful receivables amounting U.S. Dollar 372.506 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.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
11.5 Provision for expected credit loss			
Balance at the beginning of the year		59,272,994	50,978,943
Charged during the year		21,662,180	8,294,051
Reversal made during the year		(1,996,058)	-
Balance at the end of the year		78,939,116	59,272,994
12. LOANS AND ADVANCES			
- Considered good			
Current portion of long term loans to employees	8	1,035,000	180,000
Advances to:			
- suppliers and contractors		141,398,124	98,967,321
- employees		2,109,344	2,032,001
- others		-	59,220,949
		143,507,468	160,220,271
		144,542,468	160,400,271
13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		1,008,608	1,068,608
Margin against letter of credit		3,372,478	-
Prepayments		3,609,835	4,345,156
		7,990,921	5,413,764
14. SHORT TERM INVESTMENTS			
Equity instruments	14.1	2,977,735,568	2,394,357,739

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

14.1 Equity Instruments - at FVTOCI

(Investment in quoted securities)

2021	2020	Name of the investee company	Market value		Cost	
			2021	2020	2021	2020
			Rupees			
54,720	54,720	Attock Petroleum Ltd.	17,566,762	16,700,544	12,153,848	12,153,848
9,538,500	9,538,500	Bank Al-Habib Ltd.	668,839,620	498,863,550	419,888,054	419,888,054
341,103	341,103	Charat Packaging Ltd.	67,848,798	39,960,216	35,824,418	35,824,418
2,636,260	2,636,260	Engro Corporation Ltd.	776,668,559	772,213,279	589,213,189	589,213,189
125,000	125,000	Fauji Cement Company Ltd.	2,875,000	2,110,000	3,683,337	3,683,337
7,766,704	7,766,704	Habib Bank Ltd.	950,411,568	752,360,616	1,603,060,152	1,603,060,152
10,500	10,500	Haji Muhammad Ismail Mills Ltd.	-	-	126,000	126,000
12,878,000	12,878,000	K-Electric Ltd.	53,830,040	38,762,780	120,385,975	120,385,975
303,000	303,000	Lucky Cement Ltd.	261,622,320	139,858,740	117,777,538	117,777,538
448,934	448,934	Pakistan State Oil Company Ltd.	100,673,450	71,003,402	63,918,848	63,918,848
101,783	90,074	The Searle Company Ltd.	24,694,591	17,945,444	4,562,016	2,571,487
431,300	431,300	United Bank Ltd.	52,704,860	44,579,168	80,749,609	80,749,609
			2,977,735,568	2,394,357,739	3,051,342,984	3,049,352,455
		Add: Adjustment arising from re-measurement to fair value			(73,607,416)	(654,994,716)
		Market value			2,977,735,568	2,394,357,739

	Note	2021 Rupees	2020 Rupees
15. OTHER RECEIVABLES			
Advance income tax		430,708,600	435,002,093
Export rebate & duty drawbacks		86,290,467	76,285,092
Dividend receivable		26,889,852	-
Accrued mark-up on term finance certificates		72,063	59,528
Loans to Subsidiary Companies (including mark-up thereon)			
- Premier Cement Ltd.	15.1	122,115,890	54,273,554
- Sapphire Energy (Pvt.) Ltd.	15.2	226,548,268	104,912,002
Due from the related parties			
- Sapphire Power Ltd.	15.4	131,035	-
- Sapphire Cement Company Ltd.	15.4	168,600	168,600
- Reliance Cotton Spinning Mills Ltd.	15.4	285,104	285,104
Others		8,800,952	2,324,177
		902,010,831	673,310,150

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

- 15.1** The Company has entered into a loan agreement with Premier Cement Ltd. (the Subsidiary Company), to provide an unsecured loan upto an amount of 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, ranged from 7.10% to 7.44% (2021: 8.06% to 10.93%) per annum. The maximum aggregate amount outstanding against this loan at the end of any month during the year was Rs.122.116 million (2020: Rs.54.273 million)
- 15.2** The Company has entered into a loan agreement with Sapphire Energy (Pvt.) Limited (the Subsidiary Company), to provide an unsecured loan upto an amount Rs.250 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 7.10% to 7.44% (2020: 8.06% to 11.74%) per annum. The maximum aggregate amount outstanding against this loan at the end of any month during the year was Rs.226.548 million (2020: Rs.104.912 million).
- 15.3** These balances have arisen during the normal course of business activity. Receivable from Sapphire Cement Company Ltd. and Reliance Cotton Spinning Mills Ltd. are past due for more than one year.
- 15.4** The aggregate maximum outstanding balance due from the related parties (associated companies) at the end of any month during the year was Rs.0.584 million (2020: Rs.0.454 million).

	Note	2021 Rupees	2020 Rupees
16 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax		923,908,933	600,253,284
Income tax		444,300,841	539,397,182
Excise duty		24,201,390	22,930,374
Less: provision for doubtful tax refunds	16.1	282,074,014	282,074,014
		1,110,337,150	880,506,826

16.1 Provision for doubtful tax refunds

Balance at beginning of the year		282,074,014	259,551,843
Add: provision for the year		-	36,886,988
Less: provision reversed during the year		-	14,364,817
Balance at end of the year		282,074,014	282,074,014

17. CASH AND BANK BALANCES

Cash-in-hand	17.1	5,021,238	4,590,750
Balances with banks on:			
- current accounts	17.2	47,751,996	51,997,508
- term deposit account (TDA)	17.3	6,040,000	6,040,000
- dividend account		6,179,813	6,229,400
		59,971,809	64,266,908
		64,993,047	68,857,658

- 17.1** Cash-in-hand includes Rs.1.210 million (2020: Rs.2.170 million) advanced to employees for various expenses.
- 17.2** These include foreign currency deposits amounting to US.\$ 83,343 (2020: US.\$ 144,432).
- 17.3** Effective rates of profit on TDA, during the year, ranged from 5.73% to 7.75% (2020: 5.71% to 11.39%) 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.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021 Number	2020 Number		2021 Rupees	2020 Rupees
12,759,375	12,759,375	Ordinary shares of Rs.10 each fully paid in cash	127,593,750	127,593,750
7,912,500	7,912,500	Ordinary shares of Rs.10 each issued as fully paid bonus shares	79,125,000	79,125,000
20,671,875	20,671,875		206,718,750	206,718,750

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

18.2 10,714,798 (2020: 10,714,798) ordinary shares of Rs.10 each are held by the related parties as at year-end.

	Note	2021 Rupees	2020 Rupees
19. RESERVES			
Share premium - capital reserve	19.1	391,833,750	391,833,750
General reserve - revenue reserve	19.2	1,183,845,000	1,183,845,000
Unrealized gain on financial assets at fair value through other comprehensive income	19.3	1,602,907,581	854,114,930
		3,178,586,331	2,429,793,680

19.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued. This reserve can only be utilised for purposes specified in section 81 of the Companies Act, 2017.

19.2 This represents reserves funds set aside from unappropriated profit.

19.3 This represents unrealized gain on re-measurement of investments at fair value through OCI and is not available for distribution.

	Note	2021 Rupees	2020 Rupees
20. LONG TERM LIABILITIES - Secured			
Long term finances	20.1	5,924,357,343	4,886,009,007
Provision for Gas infrastructure Development Cess	20.2	297,105,989	-
		6,221,463,332	4,886,009,007
Less: current portion grouped under current liabilities		(1,016,060,869)	(375,597,223)
		5,205,402,463	4,510,411,784

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
20.1 Long term finances			
(from banking companies)			
- MCB Bank Limited			
- Long term finance facility - I	20.1.1	59,264,608	59,918,000
- Long term finance facility - II	20.1.2	1,309,668,142	1,346,190,750
- Demand finance	20.1.3	6,614,608	6,614,608
		1,375,547,358	1,412,723,358
- Habib Bank Limited			
- Long term finance facility - I	20.1.4	-	250,000,000
- Long term finance facility - II	20.1.5	256,780,000	242,500,000
- Long term finance facility (under refinance scheme for payment of wages and salaries)	20.1.6	377,395,778	-
		634,175,778	492,500,000
- Allied Bank Limited	20.1.7	687,191,050	713,403,000
- United Bank Limited	20.1.8	1,473,221,407	1,519,729,072
- Faysal Bank Limited	20.1.9	1,353,698,750	723,653,577
- Bank Alfalah Limited	20.1.10	184,633,000	24,000,000
- Habib Metropolitan Limited	20.1.11	215,890,000	-
		5,924,357,343	4,886,009,007

20.1.1 The Company has arranged long term finance facilities amounting Rs.110 million from MCB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.80.663 million in ten tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 3.00% to 12.19% (2020: 3.00% to 5.50%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.

20.1.2 The Company has arranged long term finance facilities amounting Rs.1,500 million from MCB Bank Limited to retire import documents of plant and machinery. The bank against the said facility disbursed Rs.1,457.978 million in thirty eight tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rate 2.50% (2020: at the rate ranged from 2.50% to 13.37%) per annum and are secured against first charge of Rs.2,000 million over the specific plant and machinery of the Company.

20.1.3 MCB Bank Limited, on request of the Company, converted four tranches of long term finance facility 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, is 2.5% (2020: at the rate ranged from 12.13% to 14.24%) per annum. This finance facility is secured against joint pari passu charge of Rs.200 million over the imported machinery.

20.1.4 The Company had 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 was repayable in eight equal quarterly installments commenced September, 2018 and carried mark-up at the rate of 3 month Kibor + 0.12% per annum; effective mark-up rates charged, during the year, ranged from 2.85% to 11.38% (2020: 11.44% to 13.97%) per annum. This finance facility was secured against ranking charge of Rs.1,334 million with 25% margin over the specific plant and machinery of the Company. During the year the entire amount of loan has been repaid.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

- 20.1.5** The Company has arranged long term finance facilities amounting Rs.500 million from Habib Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.242.500 million in seven tranches of different amounts during the preceding year and Rs.14.280 million in two tranches of different amounts during the current year. Each tranche is repayable in 32 equal quarterly installments commencing from different months of financial year 2022. These finances, during the year, carry mark-up at the rates ranged from 2.85% to 11.38% (2020: at the rate of 2.85%) per annum and are secured against first charge of Rs.667 million with 25% margin over the specific plant and machinery of the Company.
- 20.1.6** The Company, during the year, arranged a long term finance facility amounting Rs.525 million from Habib Bank Limited under the State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries. According to conditions of the scheme, the Company after availing this loan will not to lay off its workers / employees at least during three months from date of first disbursement. The bank, against the said facility, disbursed Rs.522.089 million. This finance facility is repayable in 8 equal quarterly installments commenced from January, 2021. This finance facility carries mark-up at reduced rate of Rs.0.6% per annum, payable on quarterly basis. This facility is secured against pari passu charge over present and future plant and machinery of the Company for Rs.583.333 million
- As the above loan is below market rate of interest, it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market- related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as a Government grant (note 21).
- 20.1.7** 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% (2020: 2.50%) per annum and are secured against first pari passu charge of Rs.1,333 million with 25% margin over the fixed and movable assets including plant and machinery of the Company.
- 20.1.8** The Company has arranged long term finance facilities amounting Rs.1,900 million from United Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.1,821.794 million in forty five tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranged from 2.50% to 3.50% (2020: 2.50% to 3.50%) per annum and are secured against joint pari passu charge of Rs.2,000 million with 25% margin over the specific plant and machinery of the Company.
- 20.1.9** The Company has arranged an long term islamic finance facility (Diminishing Musharakah Facility) amounting Rs.1,450 million from Faysal Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.723.654 million in eighteen tranches of different amounts during the preceding year and Rs. 630.063 million in twenty two tranches of different amounts during the current year. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranged from 3.00% to 4.00% (2020: 4.00% to 14.66%) per annum and are secured against first pari passu charge of Rs.900 million with 25% margin over the specific plant and machinery of the Company.
- 20.1.10** The Company has arranged long term finance facility amounting Rs.1,000 million from Bank Alfalah Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.24 million in three tranches of different amounts during the preceding year and Rs.160.633 million in four tranches of different amounts during the current year. Each tranche is repayable in 32 equal quarterly installments commencing from different months of financial year 2022. These finances carry mark-up at the rates ranged from 3.00% to 4.00% (2020: 3.00% to 14.66%) per annum and are secured against first joint pari passu charge of Rs.1,333.340 million with 25% margin over the specific plant and machinery of the Company.
- 20.1.11** The Company, during the year, has arranged a long term finance facilities amounting Rs.270 million from Habib Metropolitan Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility has disbursed Rs.215.890 million in twenty four tranches of different amounts and each tranche is repayable in 40 equal quarterly installments commencing from different months of financial year 2023.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

These finances carry mark-up at the rate of 3.50% per annum and are secured against joint pari pasu charge of Rs.361 million over the specific plant and machinery of the Company.

	Note	2021 Rupees	2020 Rupees
20.2 Movement in Gas Infrastructure Development Cess payable			
Balance of provision for GIDC	20.2.1	325,853,952	-
Effect of discounting		(48,195,586)	-
Unwinding of interest		19,447,623	-
		297,105,989	-

20.2.1 The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated August 13, 2020 decided the appeal against the Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgement which was also dismissed. However, partial relief was granted and recovery period was extended to 48 months from 24 months. SCP in its detailed judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who on account of their industrial or commercial dealings had passed on GIDC burden to their end customers.

The Company has filed a civil suit before the Honorable Sindh High Court (SHC) on the grounds that the Company falls under the category of consumer and had not passed on the impact of GIDC to end customers. SHC has granted stay order in the said suit and has restrained SNGPL from taking any coercive action against the Company.

The Company has already recorded a provision for GIDC (included in trade and other payable in the preceding year). The amount has now been classified as long term liability at its present value, by discounting future estimated cash flows using risk free rate of return. This resulted in income of Rs.48.195 million which has been netted-off against the cost of sales.

	Note	2021 Rupees	2020 Rupees
21 DEFERRED INCOME - GOVERNMENT GRANT			
Government grant on loan at below market rate of interest - net		16,336,589	-
Less: current portion grouped under current liabilities		12,848,707	-
		3,487,882	-

21.1 As fully detailed in note 20.1.6 to these financial statements, the Company has recorded Rs.35.733 million as Government grant on loan at below-market rate of interest, as per the requirements of IAS-20 'Accounting for government grant and disclosure of government assistance'.

21.2 The Company has adhered to the terms of the grant, hence, it is being amortised over the term of the loan. During the year, Rs.19.396 million has been recognized in the statement of profit or loss.

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:

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	2021 Rupees	2020 Rupees
22.1 Amount recognized in the statement of financial position		
Net liability at the beginning of the year	310,591,147	242,930,143
Charge to statement of profit or loss	110,916,094	106,638,958
Remeasurement recognized in statement of other comprehensive income	(10,707,520)	15,768,827
Payments made during the year	(69,243,106)	(54,746,781)
Net liability at the end of the year	341,556,615	310,591,147

22.2 Movement in the present value of defined benefit obligation

Balance at beginning of the year	310,591,147	242,930,143
Current service cost	87,458,679	75,922,121
Interest cost	23,457,415	30,716,837
Benefits paid	(69,243,106)	(54,746,781)
Remeasurements on obligation	(10,707,520)	15,768,827
Balance at end of the year	341,556,615	310,591,147

22.3 Expense recognized in statement of profit or loss

Current service cost	87,458,679	75,922,121
Interest cost	23,457,415	30,716,837
	110,916,094	106,638,958

22.4 Remeasurements recognized in statement of other comprehensive income

Experience adjustment	(12,479,822)	22,003,272
Actuarial loss / (gain)	1,772,302	(6,234,445)
	(10,707,520)	15,768,827

22.5 Actuarial assumptions used

	2021	2020
Discount rate	10.00%	8.50%
Expected rate of increase in future salaries	9.00%	7.50%
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 assumptions	Increase in assumption	Decrease in assumption
		Rupees	
Discount rate	1.00%	(319,275,198)	367,214,073
Increase in future salaries	1.00%	368,208,925	(317,968,739)

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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, 2022 amounts to Rs.132.065 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	Rupees	Rupees	Rupees	Rupees
As at June 30, 2021	62,829,509	138,390,872	191,952,648	3,947,749,581	4,340,922,610
	2021 Rupees	2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees

22.10 Historical information:

Present value of defined benefit obligation	341,556,615	310,591,147	242,930,143	346,597,468	322,591,928
Experience adjustment on obligation / actuarial loss	(10,707,520)	15,768,827	(29,644,795)	8,423,010	8,949,179

	2021 Rupees	2020 Rupees
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23. DEFERRED TAXATION - Net

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

Taxable temporary differences arising in respect of:

- accelerated tax depreciation allowance	158,677,228	153,247,437
- re-measurement of investments	-	25,176,390
	158,677,228	178,423,827

Deductible temporary differences arising in respect of:

- staff retirement benefit - gratuity	17,026,939	16,338,958
- provision for slow moving inventory	599,215	634,194
- provision for doubtful tax refunds	14,061,672	14,838,786
- provision for impairment in trade debts	3,935,194	3,118,115
	35,623,020	34,930,053
	123,054,208	143,493,774

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

- 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.

	Note	2021 Rupees	2020 Rupees
24. TRADE AND OTHER PAYABLES			
Trade creditors	24.1	1,231,738,190	491,836,383
Accrued expenses		791,994,697	1,050,834,481
Bills payable	24.2	749,346,003	140,331,485
Sindh government infrastructure fee	24.3	313,966,770	245,331,235
Workers' profit participation fund	24.4	119,661,295	59,227,537
Workers' welfare fund		815,671	815,671
Staff provident fund		-	397,333
Loss on remeasurement of foreign currency commitments		-	32,271,980
Current portion of Government grant	21	12,848,707	-
Others		1,484,188	1,520,746
		3,221,855,521	2,022,566,851

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

Reliance Cotton Spinning Mills Ltd.	50,897,959	22,826,455
Amer Cotton Mills Ltd.	176,877,206	98,036,525
Sapphire Textile Mills Ltd.	-	139,464
	227,775,165	121,002,444

- 24.2** These are secured against import documents.

- 24.3** 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, 2021, the Company has provided bank guarantees aggregating Rs.296.950 million (2020: Rs.209.950 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 Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
24.4 Workers' profit participation fund			
Balance at beginning of the year		59,227,537	39,957,753
Add: interest on funds utilized by the Company		1,135,490	3,415,290
		60,363,027	43,373,043
Less: payments made during the year		60,363,027	43,373,043
		-	-
Add: allocation for the year		119,661,295	59,227,537
Balance at end of the year		119,661,295	59,227,537

25. ACCRUED MARK-UP / INTEREST

Mark-up / interest accrued on:			
- long term finances		83,234,264	44,827,059
- short term borrowings		112,574,501	141,690,423
		195,808,765	186,517,482

26. SHORT TERM BORROWINGS

Running / cash finances - secured	26.1	9,939,583,162	9,026,256,385
Running Musharaka finance	26.1	1,000,000,000	1,000,000,000
		10,939,583,162	10,026,256,385

26.1 Short term finance facilities available from various commercial / Islamic banks under mark-up arrangements aggregate to Rs.19,200 million (2020: Rs.19,800 million). These finance facilities, during the year, carried mark-up at the rates ranged from 2.25% to 8.84% (2020: 2.15% to 14.81%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.47,353 million (2020: Rs.42,820 million) over current assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Included in preceding year short term finances Rs.449.752 million (U.S.\$ 2.859 million) representing foreign currency loans obtained from various banks.

Facilities available for opening letters of credit and guarantees aggregate to Rs.12,080 million (2020: Rs.10,330 million) out of which the amount remained unutilized at the year-end was Rs.4,584 million (2020: Rs.6,237 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.

Abovementioned facilities are expiring on various dates upto September 30, 2022.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
27. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term finances	20	859,922,517	375,597,223
Current portion of Gas Infrastructure			
Development Cess payable	20	156,138,352	-
		1,016,060,869	375,597,223

28 CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

28.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.781.468 million (2020: Rs.697.685 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

28.1.2 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 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 and 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. Initially SHC accepted the CP and granted stay against the newly amended section 5A. During the year, SHC vide its order dated April 04, 2021 decided the case in favor of the Company.

	2021 Rupees	2020 Rupees
28.2 Commitments		
Commitments in respect of :		
- letters of credit for capital expenditure	1,009,617,786	174,371,178
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	1,709,336,309	449,831,421
- capital expenditure other than letters of credit	366,475,127	704,279,646
- foreign & local bills discounted	3,246,576,158	2,599,128,792

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

29. SALES - Net

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

For the year ended June 30, 2021

	Spinning Rupees	Knits Rupees	Denim Rupees	Total Rupees
Types of goods and services				
Local sales				
- Yarn	3,277,486,845	60,478,730	38,405,215	3,376,370,790
- Fabric	-	1,083,754,001	1,910,827,680	2,994,581,681
- Garments	-	39,399,098	-	39,399,098
- Waste	199,675,058	40,590,073	67,077,646	307,342,777
- Raw materials	131,719,783	-	-	131,719,783
- Local steam income	22,882,860	-	-	22,882,860
- Processing income	1,085,201	175,759,455	1,950,419	178,795,075
	3,632,849,747	1,399,981,357	2,018,260,960	7,051,092,064
Export Sales				
- Yarn	11,265,592,467	517,308,812	-	11,782,901,279
- Fabric	-	897,818,051	6,740,122,748	7,637,940,799
- Garments	-	2,412,446,303	-	2,412,446,303
- Waste	392,215,514	-	-	392,215,514
	11,657,807,981	3,827,573,166	6,740,122,748	22,225,503,895
Export rebate				
- Yarn	-	473,261	-	473,261
- Fabric	-	13,131,040	50,007,056	63,138,096
- Garments	-	53,833,012	-	53,833,012
	-	67,437,313	50,007,056	117,444,369
Less: sales tax	740,311,981	260,472,262	862,052,947	1,862,837,190
	14,550,345,747	5,034,519,574	7,946,337,817	27,531,203,138
Timing of revenue recognition				
Goods transferred at a point in time	14,549,260,546	4,858,760,119	7,944,387,398	27,352,408,063
Services rendered at a point in time	1,085,201	175,759,455	1,950,419	178,795,075
	14,550,345,747	5,034,519,574	7,946,337,817	27,531,203,138

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

For the year ended June 30, 2020

	Spinning Rupees	Knits Rupees	Denim Rupees	Total Rupees
Types of goods and services				
Local sales				
- Yarn	3,049,437,954	15,181,388	42,208,572	3,106,827,914
- Fabric	-	254,545,014	1,017,512,152	1,272,057,166
- Garments	-	39,314,702	-	39,314,702
- Waste	234,814,073	43,284,128	46,190,512	324,288,713
- Raw materials	56,433,451	-	-	56,433,451
- Local steam income	19,633,770	-	-	19,633,770
- Processing income	6,698,126	73,719,190	4,035,298	84,452,614
	3,367,017,374	426,044,422	1,109,946,534	4,903,008,330
Export Sales				
- Yarn	8,743,144,606	255,849,910	-	8,998,994,516
- Fabric	-	716,401,663	5,407,054,334	6,123,455,997
- Garments	-	3,148,493,964	-	3,148,493,964
- Waste	343,363,068	-	-	343,363,068
	9,086,507,674	4,120,745,537	5,407,054,334	18,614,307,545
Export rebate				
- Yarn	24,551,171	-	-	24,551,171
- Fabric	-	22,452,413	49,347,791	71,800,204
- Garments	-	152,038,882	-	152,038,882
	24,551,171	174,491,295	49,347,791	248,390,257
Less: sales tax	625,127,147	63,873,576	585,086,599	1,274,087,322
	11,852,949,072	4,657,407,678	5,981,262,060	22,491,618,810
Timing of revenue recognition				
Goods transferred at a point in time	11,846,250,946	4,583,688,488	5,977,226,762	22,407,166,196
Services rendered at a point in time	6,698,126	73,719,190	4,035,298	84,452,614
	11,852,949,072	4,657,407,678	5,981,262,060	22,491,618,810

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

29.1 This includes indirect export of Rs.5,797.515 million (2020: Rs.3,898.465 million).

29.1 Waste sales include sale of comber noil.

29.1 Exchange (loss) / gain due to currency rate fluctuations relating to export sales amounting to Rs.56.019 million (2020: Rs.108.993 million) has been included in export sales.

	Note	2021 Rupees	2020 Rupees
30. COST OF SALES			
Finished goods at beginning of the year		1,263,603,319	1,309,473,560
Cost of goods manufactured	30.1	23,873,446,924	19,545,767,167
Cost of raw materials sold		109,519,870	75,932,295
		23,982,966,794	19,621,699,462
		25,246,570,113	20,931,173,022
Finished goods at end of the year		(1,655,968,789)	(1,263,603,319)
		23,590,601,324	19,667,569,703

30.1 Cost of goods manufactured

Work-in-process at beginning of the year		798,954,257	830,588,354
Raw materials consumed	30.2	17,868,066,021	13,789,114,288
Salaries, wages and benefits	30.3	2,009,665,721	1,737,032,444
Packing stores consumed		315,724,696	235,900,979
General stores consumed		414,369,929	341,454,559
Processing charges		921,639,852	1,079,613,489
Depreciation	4.2	838,309,738	791,848,091
Fuel and power		1,543,355,388	1,360,744,818
Repair and maintenance		67,020,671	47,842,625
Insurance		44,044,085	29,913,969
Vehicles' running		32,020,218	29,654,071
Travelling and conveyance		34,155,462	35,346,540
Printing and stationery		423,021	290,263
Legal and professional charges		3,856,266	9,545,494
Fee and subscription		13,432,711	4,366,826
Entertainment		13,368,742	11,189,814
Telephone		2,789,434	2,556,499
Postage		11,715,957	2,636,644
Rent, rates and taxes		13,124,491	5,081,657
		24,946,036,660	20,344,721,424
Work-in-process at end of the year		(1,072,589,736)	(798,954,257)
		23,873,446,924	19,545,767,167

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
30.2 Raw materials consumed			
Stocks at beginning of the year		5,099,562,285	4,374,083,873
Purchases		19,896,539,703	14,514,592,700
		24,996,101,988	18,888,676,573
Stocks at end of the year		(7,128,035,967)	(5,099,562,285)
		17,868,066,021	13,789,114,288

30.3 Salaries, wages and benefits include Rs.112.390 million (2020: Rs.106.639 million) in respect of staff retirement benefit - gratuity and Rs.19.010 million (2020: Rs.17.160 million) contribution in respect of staff provident fund.

	Note	2021 Rupees	2020 Rupees
31. DISTRIBUTION COST			
Salaries and other benefits	31.1	81,252,043	77,023,470
Travelling, conveyance and entertainment		2,024,557	14,706,057
Vehicles' running		1,837,241	1,801,474
Telephone		762,245	632,163
Postage		12,466,528	17,495,054
Printing and stationery		12,927	15,677
Sample expenses		96,995	418,060
Commission:			
- local		15,397,840	5,033,329
- export		248,240,571	210,182,757
		263,638,411	215,216,086
Freight and forwarding:			
- local		11,493,585	7,170,407
- export		496,674,925	350,699,527
		508,168,510	357,869,934
Export development surcharge		41,716,784	40,515,985
Other export expenses		17,719,961	22,636,983
Sales promotion		107,232,836	89,756,797
Provision for expected credit loss in trade debts		19,666,122	8,294,051
		1,056,595,160	846,381,791

31.3 Salaries and other benefits include Rs.3.063 million (2020: Rs.2.657 million) in respect of contribution to staff provident fund.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
32 ADMINISTRATIVE EXPENSES			
Directors' remuneration		36,000,000	36,000,000
Director's meeting fee		865,000	840,000
Salaries and other benefits	32.1	181,283,426	179,852,022
Telephone		8,079,013	5,642,925
Postage		646,835	563,900
Fee and subscription		20,858,760	8,608,944
Legal and professional charges		17,055,411	4,504,297
Entertainment		3,462,146	4,450,719
Travelling and conveyance		3,603,313	6,849,279
Printing and stationery		5,098,949	4,912,081
Rent, rates and taxes		7,761,861	9,283,102
Advertisement		462,486	167,564
Electricity, gas and water		8,004,634	9,262,945
Repair and maintenance		23,716,597	18,948,243
Vehicles' running		13,301,287	12,231,963
Charity and donations	32.2	19,062,304	5,354,550
Insurance		3,179,949	3,250,686
Depreciation	4.2	18,321,821	19,824,213
Amortization of intangible assets	6	1,465,030	1,783,647
		372,228,822	332,331,080

32.1 Salaries and other benefits include Rs.8.425 million (2020: Rs.8.375 million) in respect of contribution to staff provident fund.

32.2 Donations exceeding 10% of the total donations of the Company

These include donations amounted Rs.16.290 million (2020: Rs.3.040 million) 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.

	Note	2021 Rupees	2020 Rupees
33. OTHER INCOME			
Income from financial assets			
Dividend income from:			
- related parties		461,418,900	867,579,448
- others		595,886,743	512,883,833
		1,057,305,643	1,380,463,281
Interest income on bank deposits		5,835,397	599,160
Mark-up earned on loan to a related parties		19,126,184	8,470,839
Mark-up earned on term finance certificates		-	9,396,172
Amortisation of deferred income - government grant		19,396,034	-
		1,101,663,258	1,398,929,452
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	4.4	95,691,950	10,047,513
Gain on sale of store and spares		1,440,589	18,429
Scrap sales [Net of sales tax aggregating Rs.24.130 million (2020: Rs.7.102 million)]		48,098,294	36,364,600
		145,230,833	46,430,542
		1,246,894,091	1,445,359,994

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	Note	2021 Rupees	2020 Rupees
34. OTHER EXPENSES			
Workers' profit participation fund	24.4	119,661,295	59,227,537
Auditors' remuneration	34.1	2,366,350	2,182,800
Provision for doubtful tax refunds	16.1	-	22,522,171
Remeasurement loss on foreign currency commitments		-	32,271,980
		122,027,645	116,204,488

34.1 Auditors' remuneration

Fee for:			
Annual audit		1,617,000	1,540,800
Half yearly review		220,500	210,000
Review of Code of Corporate Governance		65,100	62,000
Audit of retirement funds and workers' profit participation fund		313,750	220,000
Out-of-pocket expenses		150,000	150,000
		2,366,350	2,182,800

35. FINANCE COST

Mark-up / interest on long term finances		188,305,141	161,040,982
Mark-up / interest on short term borrowings		705,036,995	1,069,183,286
Exchange (gains) / loss on foreign currency loans		(69,765,886)	123,881,118
		635,271,109	1,193,064,404
Interest on workers' profit participation fund	24.4	1,135,490	3,415,290
Unwinding effect of long term liabilities	20.2	19,447,623	-
Bank and other financial charges		118,690,346	105,901,579
		962,849,709	1,463,422,255

36. TAXATION

Current			
Current tax on profit for the year	36.1	398,753,211	392,714,998
Adjustments in respect of prior years		(2,646,739)	5,781
		396,106,472	392,720,779
Deferred			
Origination and reversal of temporary differences		4,123,491	(6,974,515)
		400,229,963	385,746,264

36.1 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.

36.2 Numeric tax rate reconciliation is not presented as the Company's income is chargeable to tax under presumptive tax regime.

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

	2021 Rupees	2020 Rupees
37. EARNINGS PER SHARE		
37.1 Basic earnings per share		
Net profit for the year	2,273,564,606	1,125,323,223
	Number of Shares	
Weighted average ordinary shares in issues	20,671,875	20,237,671
	Number of Shares	
Earnings per share	109.98	55.61

37.2 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, 2021 and June 30, 2020 which would have any effect on the earnings per share if the option to convert is exercised.

	Note	2021 Rupees	2020 Rupees
38. CASH GENERATED FROM OPERATIONS			
Profit before taxation		2,673,794,569	1,511,069,487
Adjustments for non-cash charges and other items:			
Depreciation		856,631,559	811,672,304
Amortization		1,465,030	1,783,647
Amortization of deferred income - Government grant		(19,396,034)	-
Staff retirement benefit - gratuity		110,916,094	106,638,958
Provision for slow moving items		(35,421)	5,563,957
Dividend and interest income		(1,063,141,040)	(1,390,458,613)
Gain on sale of stores and spares		(1,440,589)	(18,429)
Gain on disposal of operating fixed assets		(95,691,950)	(10,047,513)
Provision for workers' profit participation fund		119,661,295	59,227,537
Provision for impairment of trade debts - net		19,666,122	8,294,051
Provision for doubtful tax refunds		-	22,522,171
Remeasurement loss on foreign currency commitments		-	32,271,980
Finance cost		962,849,709	1,463,422,255
Working capital changes	38.1	(3,487,257,484)	1,034,076,396
		78,021,860	3,656,018,188

31.8 Working capital changes

(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(109,158,500)	(115,895,336)
Stock-in-trade		(3,814,482,659)	(707,267,049)
Trade debts		(521,214,070)	1,998,480,063
Loans and advances		15,857,803	(63,586,178)
Deposits, other receivables and sales tax		(533,595,609)	35,376,068
		(4,962,593,035)	1,147,107,568
Increase / (decrease) in trade and other payables		1,475,335,551	(113,031,172)
		(3,487,257,484)	1,034,076,396

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for the year ended June 30, 2021

39. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Managerial remuneration	24,001,200	24,001,200	166,641,557	165,693,352
Contribution to provident fund trust	-	-	13,250,732	13,050,927
House rent and utilities	11,998,800	11,998,800	77,835,459	75,250,468
Medical	-	-	3,389,749	3,378,088
Leave encashment / bonus	-	-	31,489,611	29,794,765
Other benefits	-	-	10,460,468	9,465,240
	36,000,000	36,000,000	303,067,576	296,632,840
Number of persons	1	1	59	61

39.1 Certain executives are provided with Company maintained vehicles.

39.2 During the year, meeting fees of Rs.865 thousand (2020: Rs.840 thousand) was paid to two non-executive director.

39.3 No remuneration is paid to any director of the Company.

40. 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 Ltd.	Subsidiary Company	68.11%
Premier Cement Ltd.	Subsidiary Company	100%
Sapphire Energy (Pvt.) Ltd.	Subsidiary Company	100%
Sapphire Power Limited (SPL)	Subsidiary Company	100%
Reliance Cotton Spinning Mills Ltd.	Common directorship	1.35%
SFL Ltd.	Common directorship	0.051%
Sapphire Power Generation Ltd.	Common directorship	17.63%
Sapphire Finishing Mills Ltd.	Common directorship	-
Neelam Textile Mills Ltd.	Common directorship	-
Amer Cotton Mills Ltd.	Common directorship	-
Sapphire Textile Mills Ltd.	Common directorship	-
Diamond Fabrics Ltd.	Common directorship	-
Salman Ismail (SMC-Pvt.) Ltd.	Common directorship	-
Sapphire Agencies (Pvt.) Ltd.	Common directorship	-
Crystal Enterprises Ltd.	Common directorship	-
Sapphire Holding Ltd.	Common directorship	-
Four Strength (Pvt) Ltd.	Common directorship	-
SANIFA Agri Services Ltd.	-	-

Notes to the Unconsolidated Financial Statements

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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.

	2021 Rupees	2020 Rupees
Significant transactions with the related parties		
i) Subsidiary Companies		
Deposit for shares	-	16,200,000
Dividend received	433,173,900	866,347,800
Loan provided	170,352,419	150,714,717
Mark-up charged	19,126,184	8,470,839
Expenses charges to	14,176,893	14,194,107
ii) Associated Companies		
Sales of:		
- raw material / yarn / fabric / stores	298,481,074	194,402,607
- assets	2,800,000	550,000
Purchases:		
- raw material / yarn / fabric / stores	2,350,556,642	1,482,709,893
- assets	-	2,223,414
- electricity	-	110,430
Services:		
- rendered	7,622	2,403,898
- obtained	164,680	1,359,850
Expenses charged by	39,177,949	35,668,663
Expenses charged to	15,197,634	29,704,802
Loans repaid	-	56,645,000
Shares allotted	-	134,082,520
Dividend:		
- received	28,245,000	1,231,648
- paid	-	81,580,768
iii) Director and their related parties		
Loans repaid	-	67,262,000
Shares allotted	-	61,586,200
iv) Key management personnel		
Salary and other employment benefits	109,287,852	104,082,806
Sale of asset	-	1,731,935
v) Retirement Fund		
Contribution towards provident fund	30,300,358	28,266,327

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41. FINANCIAL RISK MANAGEMENT

41.1 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.41.4, the financial assets exposed to credit risk aggregated to Rs.10,109.256 million as at June 30, 2021 (2020: Rs.8,698.799 million). Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 96% (2020: 97%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2021 Rupees	2020 Rupees
Long term investments	3,844,987,222	3,746,450,339
Long term loans	930,000	262,000
Long term deposits	28,606,645	28,606,645
Trade debts	2,806,597,687	2,285,383,617
Loans and advances	1,035,000	180,000
Trade deposits	4,381,086	1,068,608
Short term investments	2,977,735,568	2,394,357,739
Other receivables	385,011,764	162,022,965
Bank balances	59,971,809	64,266,908
	10,109,256,781	8,682,598,821

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. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the Company various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Export sales made to major customers are secured through letters of credit.

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

	2021 Rupees	2020 Rupees
Domestic	1,838,184,170	1,040,250,267
Export	968,413,517	1,245,133,350
	2,806,597,687	2,285,383,617

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:

	2021 Rupees	2020 Rupees
Yarn	1,249,742,172	1,228,710,419
Fabric	1,262,469,915	725,694,150
Garments	254,219,282	312,029,119
Waste	40,166,318	18,949,929
	2,806,597,687	2,285,383,617

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

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

	Short term	Rating Long term	Agency
Banks			
MCB Bank Limited	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AAA	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	A-1+	AA+	PACRA
Bank Al-Habib Limited	A-1+	AAA	PACRA
Soneri Bank Limited	A-1+	AA-	PACRA
Dubai Islamic Bank	A-1+	AA	JCR-VIS
Allied Bank Limited	A-1+	AAA	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AA+	PACRA
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA

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

Notes to the Unconsolidated Financial Statements

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(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, 2021					
Long term liabilities	6,221,463,332	7,011,765,929	1,107,043,064	3,932,195,057	1,972,527,808
Trade and other payables	2,793,606,736	2,793,606,736	2,793,606,736	-	-
Accrued mark-up / interest	195,808,765	195,808,765	195,808,765	-	-
Short term borrowings	10,939,583,162	11,247,519,832	11,247,519,832	-	-
Unclaimed dividend	6,194,951	6,194,951	6,194,951	-	-
	20,156,656,946	21,254,896,213	15,350,173,348	3,932,195,057	1,972,527,808

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
			Rupees		
June 30, 2020					
Long term finances	4,886,009,007	5,528,376,401	543,623,130	2,942,121,751	2,042,631,520
Trade and other payables	1,684,920,428	1,684,920,428	1,684,920,428	-	-
Accrued mark-up / interest	186,517,482	186,517,482	186,517,482	-	-
Short term borrowings	10,026,256,385	11,960,206,501	11,960,206,501	-	-
Unclaimed dividend	6,137,961	6,137,961	6,137,961	-	-
	16,789,841,263	19,366,158,773	14,381,405,502	2,942,121,751	2,042,631,520

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.

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

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for the year ended June 30, 2021

	Rupees	U.S.\$	Euro	JPY	CHF
For the year ended June 30, 2021					
Bills payables	749,346,003	4,507,193	36,714	-	207,000
Advance payments	374,848,496	2,372,538	-	-	-
	1,124,194,499	6,879,731	36,714	-	207,000
Trade debts	(968,413,517)	(6,198,345)	-	-	-
Bank balances	(13,151,544)	(83,343)	-	-	-
Net balance sheet exposure	142,629,438	598,043	36,714	-	207,000
Outstanding letters of credit	2,718,954,095	11,199,708	2,468,563	18,000,000	2,644,096
	2,861,583,533	11,797,751	2,505,277	18,000,000	2,851,096

	Rupees	U.S.\$	Euro	JPY	CHF
For the year ended June 30, 2020					
Bills payables	140,331,485	621,427	103,730	847,016	84,541
Advance payments	344,912,510	2,199,045	-	-	-
	485,243,995	2,820,472	103,730	847,016	84,541
Trade debts	(1,245,133,350)	(20,239,700)	-	-	-
Bank balances	(24,300,719)	(144,432)	-	-	-
Net balance sheet exposure	(784,190,074)	(17,563,660)	103,730	847,016	84,541
Outstanding letters of credit	624,202,599	3,340,667	103,600	-	230,000
	(159,987,475)	(14,222,993)	207,330	847,016	314,541

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
U.S. Dollar to Rupee	158.06	162.89	158.30 / 157.80	168.75 / 168.25
Euro to Rupee	188.42	176.74	188.71 / 188.12	189.73 / 189.11
Swiss Frank to Rupee	171.59	125.87	171.86 / 171.32	177.43 / 176.83
Japanese Yen to Rupee	1.4300	1.4700	1.4324 / 1.4279	1.5664 / 1.5617

At June 30, 2021, if Rupee had strengthened by 10% against US Dollar, Euro and CHF 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.

	2021 Rupees	2020 Rupees
Effect on profit for the year:		
U.S. Dollar to Rupee	9,437,119	(295,508,580)
Euro to Rupee	690,664	1,968,069
CHF to Rupee	3,546,324	-
	13,674,107	(293,540,511)

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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:

Particulars	Effective rate		Carrying amount	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	5.73 to 7.75	5.71 to 11.39	6,040,000	6,040,000
Financial liabilities				
Long term finances	2.5 to 4.00	2.50 to 14.66	5,283,566,957	4,386,894,399
Variable rate instruments				
Financial liabilities				
Long term finances	0.6 to 11.38	2.15 to 14.25	640,790,386	499,114,608
Short term borrowings	2.25 & 8.84	2.15 & 14.81	10,939,583,162	10,026,256,385

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, 2021, if the interest rate on the Company's variable rate 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.115.804 million (2020: Rs.105.254 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.

(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.6,822.722 million (2020: Rs.6,140.808 million) are exposed to price risk due to changes in market price.

At June 30, 2021, 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.682.272 million (2020: Rs.614.080 million).

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

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41.2 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The table below analyses 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.6,822.722 million (2020: Rs.6,140.808 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

41.3 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.

	2021 Rupees	2020 Rupees
Total borrowings	17,161,046,494	14,912,265,392
Less: cash and bank balances	64,993,047	68,857,658
Net debt	17,096,053,447	14,843,407,734
Total equity	18,915,478,789	15,888,229,935
Total capital	36,011,532,236	30,731,637,669
Gearing ratio	47%	48%

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41.4 Financial instruments by category

	As at June 30, 2021			As at June 30, 2020		
	Amortised cost	At fair value through OCI	Total	Amortised cost	At fair value through OCI	Total
	Rupees					
Financial assets as per statement of financial position						
Long term investments	-	3,844,987,222	3,844,987,222	-	3,746,450,339	3,746,450,339
Long term loans	930,000	-	930,000	262,000	-	262,000
Long term deposits	28,606,645	-	28,606,645	28,606,645	-	28,606,645
Trade debts	2,806,597,687	-	2,806,597,687	2,285,383,617	-	2,285,383,617
Loans and advances	1,035,000	-	1,035,000	180,000	-	180,000
Trade deposits	4,381,086	-	4,381,086	1,068,608	-	1,068,608
Short term investments	-	2,977,735,568	2,977,735,568	-	2,394,357,739	2,394,357,739
Other receivables	385,011,764	-	385,011,764	162,022,965	-	162,022,965
Cash and bank balances	64,993,047	-	64,993,047	68,857,658	-	68,857,658
	3,291,555,229	6,822,722,790	10,114,278,019	2,546,381,493	6,140,808,078	8,687,189,571

	Financial liabilities measured at amortised cost	
	2021 Rupees	2020 Rupees
Financial liabilities as per statement of financial position		
Long term liabilities and accrued mark-up	6,304,697,596	4,930,836,066
Trade and other payables	2,793,606,736	1,723,330,369
Unclaimed dividend	6,194,951	6,137,961
Short term borrowings and accrued mark-up	11,052,157,663	10,167,946,808
	20,156,656,946	16,828,251,204

42. RECOILATION OF MOVEMENT OF LIABILITES TO CASH FLOWS ARISING FROM FINANCIAL ACTIVITIES

	Liabilities		
	Long term liabilities	Short term borrowings	Dividend
	Rupees		
Balance as at July 01, 2020	4,886,009,007	10,026,256,385	6,137,961
Changes from financing activities			
Finances obtained	1,542,955,065	913,326,777	-
Finances repaid	(481,722,813)	-	-
Dividends paid	-	-	56,990
Proceed from issue of right shares			
Share premium reserve			
Dividend declared	-	-	-
Total changes from financing cash flows	5,947,241,259	10,939,583,162	6,194,951
Other changes / adjustments	(22,883,916)	-	-
Balance as at June 30, 2021	5,924,357,343	10,939,583,162	6,194,951

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

42. RECOILATION OF MOVEMENT OF LIABILITES TO CASH FLOWS ARISING FROM FINANCIAL ACTIVITIES

	Long term liabilities	Liabilities		Equity
		Short term borrowings	Dividend	Share capital
Rupees				
Balance as at July 01, 2019	4,445,606,115	11,772,445,051	5,967,559	196,875,000
Changes from financing activities				
Finances obtained	990,153,577	(1,746,188,666)	-	-
Finances repaid	(549,750,685)	-	-	-
Dividends paid	-	-	(157,329,598)	-
Proceed from issue of right shares				255,937,500
Share premium reserve				(246,093,750)
Dividend declared	-	-	157,500,000	-
Total changes from financing cash flows	4,886,009,007	10,026,256,385	6,137,961	206,718,750
Other changes	-	-	-	-
Balance as at June 30, 2020	4,886,009,007	10,026,256,385	6,137,961	206,718,750

	2021	2020
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43. CAPACITY AND PRODUCTION

43.1 Spinning units

Number of spindles installed		102,336	102,096
Number of spindles worked		100,041	97,397
Number of shifts worked per day		3	3
Total number of days worked		365	366
Installed capacity after conversion into 20's count	Lbs.	62,707,830	56,512,425
Actual production after conversion into 20's count	Lbs.	55,484,333	49,919,058

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

43.2 Dyeing

Fabric Dyeing Unit

Total number of days worked		360	316
Installed capacity	Lbs.	13,965,242	13,965,242
Actual production	Lbs.	11,020,187	9,415,107

43.3 Knitting unit

Total number of days worked		364	312
Installed capacity	Lbs.	14,612,963	14,612,963
Actual production	Lbs.	7,366,118	6,157,193

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

43.3.1 Low production is due to low demand.

		2021	2020
43.4	Stitching unit		
	Installed capacity	Pcs. 1,967,000	1,967,000

43.4.1 Sluggish sale in the international markets and higher fuel cost forced management to temporarily close its stitching unit.

		2021 Rupees	2020 Rupees
43.5	Denim unit		
	Total number of days worked	364	333
	Installed capacity	Mtrs. 19,200,000	15,740,000
	Actual production	Mtrs. 18,890,552	14,290,822

		2021	2020
44.	NUMBER OF EMPLOYEES		
	Average number of employees during the year	4,531	4,192
	Number of employees at the June 30,	4,752	4,015

45. PROVIDENT FUND RELATED DISCLOSURE

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

	2021 Rupees	2020 Rupees
Size of the Fund - Total Assets	136,425,500	114,668,543
Cost of investments made	135,689,332	109,986,985
Percentage of investments made	99.46%	95.92%
Fair value of investments made	137,979,244	118,576,935

Notes to the Unconsolidated Financial Statements

for the year ended June 30, 2021

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

	2021	2020	2021	2020
	Percentage		Rupees	
Special account in a scheduled bank	2.55	0.57	3,466,263	626,466
Government securities	95.94	97.60	130,184,369	107,345,869
Listed securities	1.50	1.83	2,038,700	2,014,650
	100.00	100.00	135,689,332	109,986,985

45.3 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.

46. 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 in these financial statements. Earning per share of prior year has been restated due to issuance of right shares during the year.

47. GENERAL

47.1 Non adjusting events subsequent to the reporting date

The Board of Directors, in their meeting held on September 23, 2021, has proposed a final cash dividend of 100% (i.e. Rs.10 per share) amounting to Rs.206.719 million for the year ended June 30, 2021, for approval of the members at the Annual General Meeting to be held on October 27, 2021.

47.2 Date of authorisation for issue

These financial statements were authorized for issue on September 23, 2021 by the Board of Directors of the Company.



Chief Executive Officer



Director



Chief Financial Officer

The background is a deep blue gradient with abstract, overlapping geometric shapes and light rays emanating from the bottom left, creating a sense of depth and movement.

CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2021

Director's 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, Premier Cement Limited, Sapphire Cement Company Limited, Sapphire Hydro Limited, Sapphire Energy (Pvt.) Limited, Ignite Power (Private) Limited, Sapphire Mining Exploration (Private) Limited, Sapphire Building Materials Limited and Sapphire Power Limited for the period ended 30 June, 2021. 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 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% (2020: 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. SFL holds 100% shares of PCL as on 30 June 2021.

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 2021.

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 Pakhtunkhawa.

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 2021.

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.

Ignite Power (Private) Limited

Ignite power (Private) Limited is a 60% owned subsidiary of Sapphire Energy (Private) Limited -SEPL which is a wholly owned subsidiary of the Parent Company and was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on July, 03, 2019. It intends to undertake, develop power projects including the use of solar energy systems and all other forms of energy and products or services associated therewith.

Sapphire Mining Exploration (Private) Limited (SMEL)

Sapphire Mining Exploration (Private) Limited (SMEL) was incorporated in Pakistan as a private company limited by shares under the Companies Act, 2017 on August 25, 2020. Subject to necessary approvals, SMEL intends to establish and install plant for manufacturing of all kinds of cement and its allied products in Gilgit.

SMEL is a wholly owned subsidiary of Premier Cement Limited which is a subsidiary of Sapphire Fibres Limited.

Sapphire Building Materials Limited - SBML

Sapphire Building Materials Limited (SBML) was incorporated in Pakistan as a company limited by shares under the Companies Act, 2017 on March 24, 2021. SBML intends to deal in allied products used in construction industry. SBML is a wholly owned subsidiary of Premier Cement Limited which is a subsidiary of Sapphire Fibres Limited.

Sapphire Power limited – SPL

Sapphire Power Limited (the Company) is a public unlisted company limited by shares incorporated in Pakistan on April 19, 2021 under the Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the company is to generate, purchase, import, transform, convert, distribute and supply electricity including the hydril and wind power system. The Company is a wholly owned subsidiary of Sapphire Fibres Limited ("the Holding Company").

For and on behalf of the Board of Directors



Shahid Abdullah
Chief Executive



Shayan Abdullah
Director

Lahore:

Dated: September 23, 2021

لمیٹڈ (آئی پی ایل) 03 جولائی 2019ء کو کمپنیز ایکٹ 2017 کے تحت ایک پبلک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ سولر انرجی سسٹم کے استعمال اور توانائی کی تمام دیگر شکلوں اور مصنوعات یا اس سے متعلقہ خدمات سمیت پاور پروڈیکشن حاصل، ترقی دینے کا ارادہ رکھتی ہے۔

سفار مائنگ ایکسپلوریشن (پرائیویٹ) لمیٹڈ (SMEL):

سفار مائنگ ایکسپلوریشن (پرائیویٹ) لمیٹڈ (ایس ایم ای ایل) 25 اگست 2020 کو کمپنیز ایکٹ 2017 کے تحت ایک پرائیویٹ کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ضروری منظور یوں کے حوالہ سے، ایس ایم ای ایل گلگت میں تمام اقسام کے سینٹ اور اس کی متعلقہ مصنوعات کی تیاری کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔ ایس ایم ای ایل سفار فابریز لمیٹڈ کی ذیلی کمپنی پریمر سینٹ لمیٹڈ کی مکمل ملکیتی ذیلی کمپنی ہے۔

سفار بلڈنگ میٹریلز لمیٹڈ (SBML):

سفار بلڈنگ میٹریلز لمیٹڈ (ایس بی ایم ایل) 24 مارچ 2021 کو کمپنیز ایکٹ 2017 کے تحت ایک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ایس بی ایم ایل تعمیراتی صنعت میں استعمال ہونے والی متعلقہ مصنوعات میں ذیل کرنے کا ارادہ رکھتی ہے۔ ایس بی ایم ایل سفار فابریز لمیٹڈ کی ذیلی کمپنی پریمر سینٹ لمیٹڈ کی مکمل ملکیتی ذیلی کمپنی ہے۔

سفار پاور لمیٹڈ (SPL):

سفار پاور لمیٹڈ (کمپنی) 19 اپریل 2021 کو کمپنیز آرڈیننس 1984 (اب کمپنیز ایکٹ 2017) کے تحت ایک پبلک غیر مندرج کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ کمپنی کی اصل سرگرمی ہائیڈرو پاور سسٹم سمیت بجلی کی پیداوار، خریداری، درآمد، ٹرانسفارم، کنورٹ، تقسیم اور سپلائی کرنا ہے۔ کمپنی سفار فابریز لمیٹڈ (ہولڈنگ کمپنی) کی مکمل ملکیتی ذیلی کمپنی ہے۔

منجانب بورڈ آف ڈائریکٹرز



شایان عبداللہ
ڈائریکٹر



شاہد عبداللہ
چیف ایگزیکٹو

لاہور

تاریخ: 23 ستمبر 2021ء

ڈائریکٹرز رپورٹ

ڈائریکٹرز 30 جون 2021ء کو ختم ہونے والی مدت کے لئے سفارز فابریز لمیٹڈ اور اسکی ذیلی کمپنیوں سفارز الیکٹریک کمپنی لمیٹڈ، پری میجر سیمنٹ لمیٹڈ، سفارز سیمنٹ کمپنی لمیٹڈ، سفارز ہائیڈرو لمیٹڈ، سفارز انرجی (پرائیویٹ) لمیٹڈ، آگنائٹ پاور (پرائیویٹ) لمیٹڈ، سفارز مائننگ ایکسپلوریشن (پرائیویٹ) لمیٹڈ، سفارز بلڈنگ میٹریلز لمیٹڈ اور سفارز پاور لمیٹڈ کے اشتہال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوش محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اشتہال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتہال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

سفارز الیکٹریک کمپنی لمیٹڈ:

سفارز الیکٹریک کمپنی لمیٹڈ (SECL) 18 جنوری 2005 کو کمپنیز آرڈیننس، 1984 کے تحت غیر مندرج پبلک کمپنی کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ سفارز فابریز لمیٹڈ ذیلی کمپنی کے 68.11% (2020 : 68.11%) حصص کیپٹل کی مالک ہے۔ ذیلی کمپنی کی اصل سرگرمی 212 میگا واٹ کی خالص صلاحیت کے حامل کمبائنڈ سائیکل پاور سٹیشن کی ملکیت، کو چلانا اور برقرار رکھنا ہے۔

پری میجر سیمنٹ لمیٹڈ:

پری میجر سیمنٹ لمیٹڈ (پی سی ایل) 26 جولائی 2016 کو کمپنیز آرڈیننس 1984 کے تحت ایک غیر مندرج پبلک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2021ء کے مطابق پی سی ایل کے 100% حصص کی مالک ہے۔ 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 سی ایل) 28 اکتوبر 2016ء کو کمپنیز آرڈیننس 1984 کے تحت ایک غیر مندرج پبلک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2021ء کے مطابق ایس سی سی ایل کے 100% حصص کی مالک ہے۔ ایس سی سی ایل ہر قسم کے سیمنٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفارز ہائیڈرو لمیٹڈ:

سفارز ہائیڈرو لمیٹڈ (SHL) 07 ستمبر 2017ء کو کمپنیز ایکٹ 2017ء کے تحت پبلک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ذیلی کمپنی کا اصل کاروبار شرمش، خیبر پختونخواہ میں 682 GWh کی سالانہ بجلی کی پیداوار کی پمپشل کے ساتھ 150 میگا واٹ کی خالص صلاحیت کا حامل ایک ہائیڈرو الیکٹریک پاور جنریشن منصوبہ تعمیر، قائم اور چلانا ہوگا۔ سفارز ہائیڈرو لمیٹڈ (ایس ایچ ایل) پیرنٹ کمپنی سفارز فابریز لمیٹڈ کی ذیلی کمپنی سفارز الیکٹریک کمپنی لمیٹڈ کی ایک مکمل ملکیتی ذیلی کمپنی ہے۔

سفارز انرجی (پرائیویٹ) لمیٹڈ:

سفارز انرجی (پرائیویٹ) لمیٹڈ (ایس ای پی ایل) 11 دسمبر 2017ء کو کمپنیز ایکٹ 2017 کے تحت ایک پرائیویٹ کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 30 جون 2021ء کے مطابق ایس ای پی ایل کے 100% حصص کی مالک ہے۔ SEPL بجلی پیدا کرنے اور تمام قسم کی گیسوں اور تمام دیگر متعلقہ مائع، کیمیکل اور پٹرولیم مصنوعات کی پینڈنگ، ری گیس فکیشن، اسٹوریج، ٹریڈنگ اور پروسیسنگ کے لئے ایک ٹرمینل چلانے میں مصروف کمپنیوں میں توانائی کے منصوبوں میں حصہ لینے، شرکت کرنے اور سرمایہ کاری کرنے یا حصص حاصل کرنے کا ارادہ رکھتی ہے۔

آگنائٹ پاور (پرائیویٹ) لمیٹڈ:

آگنائٹ پاور (پرائیویٹ) لمیٹڈ (آئی پی ایل) پیرنٹ کمپنی سفارز فابریز لمیٹڈ کی ذیلی کمپنی سفارز انرجی پرائیویٹ لمیٹڈ کی 60% ملکیتی ذیلی کمپنی ہے۔ آگنائٹ پاور (پرائیویٹ)

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 consolidated financial statements of **Sapphire Fibres Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2021, 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, 2021, 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 your attention to:

- a) notes 1.1 and 11.5 to the annexed consolidated financial statements, which describe the impact of the Master Agreement and PPA Amendment Agreement; and
- b) note 11.5 to the annexed consolidated financial statements, which describes the matter regarding recoverability of capacity revenue and delayed payment charges.

Our opinion is not modified in respect of these matters.

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:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Capitalisation of property, plant and equipment</p> <p>Refer note 4 to the consolidated financial statements.</p> <p>The Group incurred significant capital expenditure mainly to enhance production capacity and technological upgrade of the plant as part of its expansion activity. The Group has capitalized operating fixed assets aggregating Rs.2.162 billion during the year.</p> <p>There are number of areas where management judgement is involved in connection with the above activities. These include:</p> <ul style="list-style-type: none"> - Determining which costs meet the criteria for capitalisation as per International Accounting Standard - IAS - 16; - Determining the date on which assets under construction are transferred to operating fixed assets and the respective dates from which their depreciation should commence; - Capitalisation of borrowing costs and related implications; 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • obtained an understanding of the design and implementation of management controls over capitalization and performed tests of controls over authorization of capital expenditure and accuracy of its recording in the system; • assessed, on a sample basis, costs capitalised during the year by comparing the costs capitalised with the relevant underlying documentation, which included purchase agreements and invoices; • assessed whether the costs capitalized met the relevant criteria for capitalization as per the applicable financial reporting framework; • checked the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates, on a sample basis; and • assessed whether the disclosures were made in accordance with the applicable financial reporting framework.

Sr. No.	Key audit matters	
	<ul style="list-style-type: none"> - The estimation of economic useful lives and residual values assigned to property, plant and equipment; and - Impairment testing; assessing whether there are any indicators of impairment present. <p>We consider the above as a key audit matter being significant transactions and events for the Group during the year.</p>	
Sr. No.	Key audit matters	How the matter was addressed in our audit
2	<p>Valuation of stock-in-trade</p> <p>The total value of stock in trade as at the reporting date amounted to Rs.11.628 billion, representing 18% of the Group's total current assets. Stock in trade as at reporting date included raw material and finished goods. Refer note 10 to the consolidated financial statements.</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 raw material and finished goods and in determining the appropriate value of slow moving and obsolete stocks.</p> <p>We identified this matter as key in our audit due to the judgement and assumption applied by the Group in determining the cost and NRV of stock in trade at the year-end.</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; • 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 NRV of raw material thereon by performing tests on the subsequent purchase price; and • tested the cost of inventories for finished goods 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 Group's disclosure in the consolidated financial statement in respect of stock in trade.</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 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Sapphire Fibres Limited

Report on the Audit of the Financial Statements

We have nothing to report in this regard.

Responsibilities of Management and the 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.

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 Osman Hameed Chaudhri.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,
Chartered Accountants

Lahore

Date: 23 September 2021

Consolidated Statement of Financial Position

AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	4	24,882,544,287	24,384,906,761
Investment property	5	31,750,000	31,750,000
Intangible assets	6	8,457,044	9,922,074
Long term investments	7	5,633,980,396	5,222,731,748
Long term loans	8	6,455,000	262,000
Long term deposits		31,406,445	31,206,445
		30,594,593,172	29,680,779,028
Current assets			
Stores, spare parts and loose tools	9	466,689,452	358,027,617
Stock-in-trade	10	11,628,834,739	7,655,601,257
Trade debts	11	15,463,264,229	12,760,022,311
Loans and advances	12	389,420,341	336,477,715
Trade deposits and short term prepayments	13	52,542,883	46,301,440
Short term investments	14	2,977,735,568	2,394,357,739
Other receivables	15	1,192,268,488	950,517,918
Tax refunds due from Government	16	1,566,060,547	1,185,320,807
Cash and bank balances	17	518,979,417	813,632,124
		34,255,795,664	26,500,258,928
Total assets		64,850,388,836	56,181,037,956
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 35,000,000 ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital	18	206,718,750	206,718,750
Reserves	19	3,359,267,129	2,567,390,132
Unappropriated profit		25,714,887,539	21,937,736,251
Equity attributable to shareholders of the Parent Company		29,280,873,418	24,711,845,133
Non-controlling interest		5,877,689,063	5,273,421,703
Total equity		35,158,562,481	29,985,266,836
Non current liabilities			
Long term liabilities	20	5,205,402,463	4,510,411,784
Deferred income - Government grant	21	3,487,882	-
Staff retirement benefit - gratuity	22	341,556,615	310,591,147
Deferred taxation	23	131,030,214	148,638,412
		5,681,477,174	4,969,641,343
Current liabilities			
Trade and other payables	24	4,902,664,949	3,847,677,442
Contract liabilities		492,483,771	469,134,612
Unclaimed dividend		6,194,951	6,137,961
Accrued mark-up / interest	25	235,856,893	280,910,442
Short term borrowings	26	16,957,573,134	15,264,321,049
Current portion of long term liabilities	20	1,016,060,869	963,305,080
Provision for taxation		399,514,614	394,643,191
		24,010,349,181	21,226,129,777
Total liabilities		29,691,826,355	26,195,771,120
Contingencies and commitments	27		
Total equity and liabilities		64,850,388,836	56,181,037,956

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



Chief Executive Officer



Director



Chief Financial Officer

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Sales	28	39,732,449,120	32,717,006,346
Cost of sales	29	(32,556,312,211)	(25,209,355,862)
Gross profit		7,176,136,909	7,507,650,484
Distribution cost	30	(1,056,820,775)	(846,381,791)
Administrative expenses	31	(527,756,478)	(456,387,690)
Other income	32	787,296,077	585,388,484
Other expenses	33	(270,059,681)	(154,019,365)
Profit from operations		6,108,796,052	6,636,250,122
Finance cost	34	(1,423,374,750)	(2,427,455,207)
		4,685,421,302	4,208,794,915
Share of profit from Associated Companies		334,491,163	358,681,959
Profit before taxation		5,019,912,465	4,567,476,874
Taxation	35	(403,903,924)	(387,362,711)
Profit after taxation		4,616,008,541	4,180,114,163
Attributable to:			
- Shareholders of the Parent Company		3,808,878,435	3,033,750,207
- Non-controlling interest		807,130,106	1,146,363,956
		4,616,008,541	4,180,114,163
Earnings per share - attributable to the shareholders			
of Parent Company	36	184.25	149.91

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



Chief Executive Officer



Director



Chief Financial Officer

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
Profit after taxation	4,616,008,541	4,180,114,163
Other comprehensive income / (loss)		
Items that will not be reclassified to statement of profit or loss subsequently		
Unrealised gain / (loss) on remeasurement of investment at fair value through other comprehensive income		
- long term	142,228,961	(344,837,056)
- short term	581,387,300	(142,952,701)
Impact of deferred tax	25,176,390	(25,176,390)
Realised loss on sale of investment at fair value through other comprehensive income	(5,202,590)	(94,607,088)
Share of fair value gain / (loss) on remeasurement of investment at fair value through other comprehensive income by Associates	6,975,273	(5,668,534)
	750,565,334	(613,241,769)
Gain / (loss) on remeasurement of staff retirement benefit obligation	10,707,520	(15,768,827)
Share of loss on remeasurement of staff retirement benefit obligation of Associates	(97,038)	(42,665)
Impact of deferred tax	(613,333)	604,076
	9,997,149	(15,207,416)
	760,562,483	(628,449,185)
Items that will be reclassified to statement of profit or loss subsequently		
Forward foreign exchange contracts		
Share of unrealised loss on remeasurement of hedging instrument of Associates	(14,156)	(33,593)
Other comprehensive income / (loss) for the year	760,548,327	(628,482,778)
Total comprehensive income for the year	5,376,556,868	3,551,631,385
Attributable to:		
- Shareholders of the Parent Company	4,569,426,762	2,405,267,429
- Non-controlling interest	807,130,106	1,146,363,956
Total comprehensive income for the year	5,376,556,868	3,551,631,385

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



Chief Executive Officer



Director



Chief Financial Officer

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Cash flows from operating activities			
Cash generated from operations	37	741,913,060	8,957,304,667
Staff retirement benefit paid		(69,243,106)	(54,746,781)
Finance cost paid		(1,476,153,026)	(2,569,053,801)
Taxes paid		(308,938,674)	(425,254,049)
Workers' profit participation fund paid		(60,363,027)	(43,373,043)
Long term loans - net		(6,193,000)	180,000
Long term deposits - net		(200,000)	10,900,000
Net cash (used in) / generated from operating activities		(1,179,177,773)	5,875,956,993
Cash flows from investing activities			
Fixed capital expenditure		(2,078,261,688)	(2,190,853,826)
Proceeds from disposal of operating fixed assets		219,101,702	47,055,264
Long and short term investments - net		36,498,958	277,053,794
Proceeds from sale of stores and spares		1,972,675	407,565
Dividend and interest income received		604,124,394	542,040,131
Net cash used in investing activities		(1,216,563,959)	(1,324,297,072)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		1,651,544,030	990,153,577
- repaid		(1,069,430,670)	(3,173,489,664)
Share capital issued		-	258,737,500
Dividend paid		(202,773,626)	(561,814,222)
Short term borrowings - net		1,721,749,291	(2,315,675,066)
Net cash generated from / (used in) financing activities		2,101,089,025	(4,802,087,875)
Net decrease in cash and cash equivalents		(294,652,707)	(250,427,954)
Cash and cash equivalents - at beginning of the year		813,632,124	1,064,060,078
Cash and cash equivalents - at end of the year		518,979,417	813,632,124

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



Chief Executive Officer



Director



Chief Financial Officer

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2021

	Reserves					Other components of equity				Non-Controlling Interest		
	Capital			Revenue		Unrealised gain / (loss)		Sub-total	Sub-total		Total	
	Issued, subscribed and paid-up capital	Share premium	Maintenance reserve	General	Unappropriated profit	on financial assets at fair value through other comprehensive income	on hedging instruments					
Balance as at July 1, 2019	196,875,000	145,740,000	113,752,279	1,183,845,000	19,214,376,030	20,657,713,309	1,355,378,026	291,482	1,355,669,508	22,210,257,817	4,529,981,873	
NCI recognised on new Subsidiary Company - IPPL Contribution by the owners	-	-	-	-	-	-	-	-	-	-	2,737,107	
984,375 right shares issued at Rs.260 per share (including share premium of Rs.250 per share)	9,843,750	246,093,750	-	-	-	246,093,750	-	-	-	255,937,500	-	
Distribution to owners	-	-	40,957,869	-	(40,957,869)	-	-	-	-	-	-	
Final dividend for the year ended June 30, 2019 at the rate of Rs.8.00 per share	-	-	-	-	(157,500,000)	(157,500,000)	-	-	-	(157,500,000)	(405,661,233)	
Transfer from unappropriated profit	-	-	-	-	(40,957,869)	-	-	-	-	-	-	
Effect of items directly credited in equity by the Associated companies	-	-	-	-	(2,117,613)	(2,117,613)	-	-	-	(2,117,613)	-	
Total comprehensive income for the year ended June 30, 2020	-	-	-	-	3,033,750,207	3,033,750,207	(613,241,769)	(33,593)	(613,275,362)	3,033,750,207	1,146,363,956	
Profit for the year	-	-	-	-	(15,207,416)	(15,207,416)	-	-	-	(15,207,416)	-	
Other comprehensive loss	-	-	-	-	3,018,542,791	3,018,542,791	(613,241,769)	(33,593)	(613,275,362)	2,405,267,429	1,146,363,956	
Reclassification adjustment of realised gain on sale of investment at fair value through other comprehensive income	-	-	-	-	(94,607,088)	(94,607,088)	94,607,088	-	94,607,088	-	-	
Balance as at June 30, 2019	206,718,750	391,833,750	154,710,148	1,183,845,000	21,937,736,251	23,668,125,149	836,743,345	257,889	837,001,234	24,711,845,133	5,273,421,703	
Distribution to owners	-	-	-	-	-	-	-	-	-	-	(202,862,746)	
Dividend paid by Subsidiary Company - SECL	-	-	-	-	(36,123,229)	-	-	-	-	-	-	
Transfer from unappropriated profit	-	-	36,123,229	-	(36,123,229)	-	-	-	-	-	-	
Effect of items directly credited in equity by the Associated companies	-	-	-	-	(398,477)	(398,477)	-	-	-	(398,477)	-	
Total comprehensive income for the year ended June 30, 2021	-	-	-	-	3,808,878,435	3,808,878,435	750,565,334	(14,156)	750,551,178	3,808,878,435	807,130,106	
Profit for the year	-	-	-	-	9,997,149	9,997,149	-	(14,156)	-	9,983,000	-	
Other comprehensive income	-	-	-	-	3,818,875,584	3,818,875,584	750,565,334	(14,156)	750,551,178	4,569,426,762	807,130,106	
Reclassification adjustment of realised loss on sale of investment at fair value through other comprehensive income	-	-	-	-	(5,202,590)	(5,202,590)	5,202,590	-	5,202,590	-	-	
Balance as at June 30, 2021	206,718,750	391,833,750	190,833,377	1,183,845,000	25,714,887,539	27,481,399,666	1,592,511,269	243,733	1,592,755,002	29,280,873,418	5,877,689,063	

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

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

The Parent Company

- Sapphire Fibres Limited

Subsidiary Company

- Sapphire Electric Company Limited - SECL
- Premier Cement Limited - PCL
- Sapphire Cement Company Limited - SCCL
- Sapphire Energy (Private) Limited - SEL
- Sapphire Hydro Limited - SHL
- Ignite Power (Private) Limited - IPPL
- Sapphire Power Limited - SPL
- Sapphire Building Materials Limited - SBML
- Sapphire Mining Exploration Private Limited - SMEL

- **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 office	
7 A- K, Main Boulevard, Gulberg	Head office
3.5 km, Manga Road, Riawand	Production plant
Shiekhupura	
10 km, Sheikhpura / Faisalabad Road, Kharianwala	Production plant
26 km, Sheikhpura / Faisalabad Road, Feroze wattoan	Production plant

- **Sapphire Electric Company Limited - SECL**

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:

Lahore	Purpose
7 A / K, Main Boulevard, Gulberg	Registered office
Sheikhupura	
Muridke, District Sheikhupura	Production plant

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

- **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 in setup phase and has not yet commenced commercial operations.

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

- **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, 2018. 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 Power Limited (the Company) is a public unlisted company limited by shares incorporated in Pakistan on April 19, 2021 under the Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the company generate, purchase, import, transform, convert, distribute and supply electricity including the hydril and wind power system. The Company is a wholly owned subsidiary of Sapphire Fibres Limited ('the Holding Company').

The registered office of the Company is situated at 7A/K, Main Boulevard, Gulberg-II, Lahore.

- **Sapphire Building Materials Limited - SBML**

Sapphire Building Materials Limited (the Company) is a wholly owned subsidiary of Premier Cement Limited - PCL which is a subsidiary of the Parent Company. SBML is a public unlisted company limited by shares incorporated in Pakistan on March 24, 2021 under the Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the Company is to deal, trade, import, purchase and sale of cement and allied products.

The registered office of the Company is situated at 7A/K, Main Boulevard, Gulberg-II, Lahore.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

- **Sapphire Mining Exploration Private Limited - SMEL**

Sapphire Mining Exploration (Private) Limited (the Company) is a wholly owned subsidiary of Premier Cement Limited - PCL which is a subsidiary of the Parent Company. SMEL was incorporated on August 25, 2020 as a private company under the Companies Act, 2017. The principal activity of the Company is to explore, operating and working on mines, quarries and purchase, acquire, set up of plant or take on lease or otherwise acquire any working on mines, mining rights, licenses and concession and metalliferous land having mineral reserves and to crush, win, query, smelt, refine, manufacture, process, excavate, dig survey, produce, undertake and barter. Geographical location and addresses of major business unit of the Company is as under:

Hunza	Purpose
Passu Ambassador Hotel, Gojal, Hunza, Gilgit.	Registered office

1.1 Master Agreement and PPA Amendment Agreement

The Group in the larger national interest and sustainability of the power sector, voluntarily agreed to alter its existing contractual arrangements with the CPPA for the sale and purchase of electricity, has signed on February 11, 2021 a "Master Agreement" and a "PPA Amendment Agreement" (hereinafter referred to as the 'Agreements'). Under these Agreements, the Group and CPPA have primarily agreed on the following matters that are subject to fulfillment of certain terms and conditions mentioned in the Agreements:

- Mechanism of settlement of outstanding acknowledged overdue receivables aggregating Rs. 9,041.418 million as on November 30, 2020, in two installments;
- Discounts in tariff components i.e. Return on Equity (ROE) including Return on Equity During Construction (RoEDC) shall be changed to 12% per annum for foreign equity investment registered with the State Bank of Pakistan, while United States Dollar (USD) indexation will be retained for local investor, the rate will be changed to 17% per annum in Pak Rupee (PKR) calculated at PKR/USD exchange rate of PKR 148/USD, with no future USD indexation. However, the existing ROE and RoEDC, together with applicable indexation, shall continue to be applied until the date when the applicable exchange rate under the present tariff reaches PKR 168/USD, whereupon the revised RoE and RoEDC shall become applicable for remainder of the term of the PPA;
- Fuel and 'Operations and Maintenance' (O&M) savings shall be taken as one consolidated line item and if the reserve for overhaul remains unutilized at the end of the term, it shall be shared in the ratio of 60:40 between CPPA and the Group, respectively. The fuel and O&M savings shall apply from July 1, 2021 onwards. The parties also agree that if the overhaul expense exceeds the reserves available at the time of overhaul, the difference shall be carried over to the future years;
- Reduction in delayed payment markup rate in respect of energy invoices of High Speed Diesel from Karachi Inter-Bank Offered Rate (KIBOR) plus 4.5% per annum to KIBOR plus 2% per annum for the first 60 days after the due date;
- Waiver of late payment interest on late payment interest invoices in consideration of CPPA making payments on First In First Out (FIFO) principle in respect of past and future payment of invoices raised by the Group;
- Conversion of the PPA to 'Take and Pay Basis' when competitive trading arrangement is implemented and becomes fully operational, as per terms stipulated in the Generation License; and
- Amicable resolution of the capacity revenue dispute involving Rs 576.073 million for the period ('disputed period') in which the plant was not fully available for power generation due to non-availability of fuel owing to non-payment by CPPA as stated in note 15.2. Pursuant to the PPA Amendment Agreement, the disputed period has been treated as an Other Force Majeure Event ('OFME') under the PPA. The OFME period will commence from October 5, 2021 and end on November 26, 2021, consequently, the term of PPA has been extended by 53 days, till November 26, 2040.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

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 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS Standards, the provisions of and directives issued under the Act 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, 2021, in the SECL is 68.11% (2020: 68.11%) and effective holding in SHL is also 68.11% as SHL is wholly owned Subsidiary of SECL. SEPL is a wholly owned subsidiary and effective holding of the Parent Company in IPPL is also 60% as IPPL is 60% owned Subsidiary of SEPL. The other companies PCL, SCCL, SPL, SBML and SMEL are wholly owned as well.

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 affect 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 of 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, 2021

2.5 Changes in accounting standards and interpretations

2.5.1 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, 2020 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:

IAS 1 & IAS 8 Definition of material

Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose consolidated financial statements in accordance with IFRSs.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2021 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements, except for the following:

(a) IAS 1 Classification of liabilities

Amendment to IAS 1 is effective for period beginning on April 01, 2021. The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of consolidated financial statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarifies that;

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights;
- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification;
- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date; and
- settlement is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

(b) IAS 16 Proceeds before an asset's intended use

Amendment to IAS 16 'Property, plant and equipment' is effective from January 01, 2022. The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a Group will recognise such sale proceeds and related cost in profit or loss. The amendment applies retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the consolidated financial statements in which the Group first applies the amendment.

(c) IAS 37 Onerous contracts

Amendments to IAS 37 is effective from January 01, 2022. Under IAS 37 'Provisions, contingent liabilities and contingent assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations i.e. the lower of the costs of fulfilling the contract and the costs of terminating it outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs e.g. direct labour and materials; and an allocation of other direct costs e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

The Group has assessed that the impact of these amendments is not expected to be significant.

- (a) SECP through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies to the extent of their power purchase agreements executed before January 1, 2019. Therefore, the standard will not have any impact on the Subsidiary Company - SECL's financial statements to the extent of its power purchase agreement. For the remaining leases, the Subsidiary Company - SECL has assessed that the application of this standard does not have any material impact on its financial statements.

Under IFRS 16, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease. The Group's power plant's control due to purchase of total output by National Transmission and dispatch Company Limited ('NTDC') appears to fall under the scope of a finance lease under IFRS 16. Consequently, if the Group were to follow IFRS 16 with respect to its power purchase agreement, the effect on the consolidated financial statements would be as follows:

	2021 Rupees	2020 Rupees
De-recognition of property, plant and equipment	(11,402,451,862)	(11,970,169,363)
De-recognition of trade debts	(4,045,977,326)	(7,185,484,611)
Recognition of lease debtor	9,388,140,708	13,186,338,800
Decrease in un-appropriated profit at the beginning of the year	(5,969,315,174)	(4,388,756,433)
Decrease in profit for the year	(90,973,306)	(1,580,558,740)
Decrease in un-appropriated profit at the end of the year	(6,060,288,480)	(5,969,315,173)

- (b) In respect of companies holding financial assets due from the Government of Pakistan ('GoP'), SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that the requirements contained in IFRS 9 with respect to application of Expected Credit Losses (ECL) method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurements' in respect of above referred financial assets during the exemption period. Accordingly, the Group has not followed the requirements of IFRS 9 with respect to application of Expected Credit Losses in respect of trade debts and other receivables due from CPPA.

2.6 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Group reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

(b) Stores & spares and stock-in-trade

The Group estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

(c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss (ECL) model. Management used actual credit loss experience over past years to base the calculation of ECL. Trade and other receivables are written off when there is no reasonable expectation of recovery.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 22.

(e) Income taxes

In making the estimates for income taxes, the Group takes into account the current income tax laws and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Group views differs with the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

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 consolidated 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, 2021

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.

Amortization

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 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Group recognised right of use assets equal to the present value of lease payments.

3.5 Financial assets

Initial measurement

The Group classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

- Equity Instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

- Debt Instruments at FVTOCI

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.

- Debt Instruments at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the consolidated statement of profit or loss.

- Financial Assets measured at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts and other receivables due from CPPA-G under the PPA that also includes accrued amounts. As referred to in note 2.2.1(a) to these consolidated financial statements, SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all the amount due according to the original terms of the receivable.

3.6 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.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

3.7 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 realizable value
Waste	- net realizable value

3.8 Trade debts and other receivables and related impairment

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Group uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Group has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

3.9 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 consolidated statement of profit or loss as deduction from the relevant expenses on matching basis.

3.10 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the consolidated statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.11 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 consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss. Amounts accumulated in equity are reclassified to the consolidated statement of profit or loss in the periods in which the hedged item will affect the consolidated 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 consolidated

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

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.

3.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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.

3.13 Impairment

(a) Financial assets

The Group assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Group followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years to base the calculation of ECL.

For debt instruments measured as FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the consolidated statement of profit or loss.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(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 recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

3.14 Cash and cash equivalents

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

3.15 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 consolidated statement of profit or loss over the period of the borrowings as interest expense.

3.16 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.

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for the year ended June 30, 2021

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, 2021 on the basis of projected unit credit method by an Independent Actuary. The liability recognised in the consolidated 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 consolidated statement of financial position immediately, with a charge or credit to consolidated statement of other comprehensive income in the periods in which they occur.

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.

3.17 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 consolidated 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 consolidated 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 consolidated statement of profit or loss, except in the case of items credited or charged to consolidated statement of other comprehensive income / equity in which case it is included in consolidated statement of other comprehensive income / equity.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

3.18 Lease liability

Leases were classified as either finance or operating leases. Payments made under operating leases were charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Under IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The present value of the lease payments is determined using interest rate implicit in lease. If interest rate implicit in lease is not readily determinable, then the Group uses incremental borrowing rate at the commencement of lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.19 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group Companies.

3.20 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.

3.21 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 consolidated statement of profit or loss.

3.22 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:

Sale of goods

Revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers.

Revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port;

Provision of Services

Revenue from contracts for provision of services is recognized at the point in time when the processed goods are dispatched from the mills to the customer.

Others

- Export rebate income is recognized on accrual basis as and when the right to receive the income establishes;
- dividend income from investments is recognized when the Group's right to receive dividend is established;
- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income establishes.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

Revenue from the sale of electricity to NTDC, the sole customer of the Group, is recorded on the following basis:

- (i) Capacity revenue is recognised based on the capacity made available to NTDC; and
- (ii) Energy revenue is recognised based on the Net Electrical Output (NEO) delivered to NTDC.

Capacity and Energy revenue is recognised based on the rates determined under the mechanism laid down in the PPA.

Delayed payment mark-up on amounts due under the PPA is accrued on a time proportion basis by reference to the amount outstanding and the applicable rate of return under the PPA.

- (iii) Energy invoices for Re-Gasified Liquefied Natural Gas (RLNG) fuel are generally raised on a weekly basis to Central Power Purchasing Agency (Guarantee) Limited (CPPA) and are due after 3 days from the date of invoice.
- (iv) Energy invoices for High Speed Diesel (HSD) fuel are generally raised on a monthly basis to CPPA and are due after 30 days from the date of invoice.

3.23 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 consolidated statement of profit or loss.

3.24 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.

3.25 Dividend and appropriation to reserves

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

3.26 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.

	Note	2021 Rupees	2020 Rupees
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	23,611,318,331	23,029,887,357
Capital work-in-progress	4.3	1,271,225,956	1,355,019,404
		24,882,544,287	24,384,906,761

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

4.1.1 Preceding years carrying value of freehold land included Rs.80.685 million representing the Group's 30% share of jointly controlled property located at Block-D/1, Gulberg, Lahore, registered in the name of the Group along with Sapphire Textile Mills Ltd., Diamond Fabrics Ltd., and Sapphire Finishing Mills Ltd. (Related Parties). This freehold land has been sold during the year.

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	569,156
- Riawind, District Lahore.	Production plant	925,169
- Mauza Paaji, Riawind, District Lahore.	Proposed Mill / Factory	113,075
- Muridke, District Sheikhpura.	Production plant	286,010
- Billot Shareef, District Dera Ismail Khan	Proposed production plant	2,906,581
Leasehold Land		
- Nooriabad, Karachi.	Proposed Mill / Factory	135,520
- Port Qasim Authority, Karachi.	Proposed warehouse	14,520
- Defence Housing Authority, Karachi.	Proposed office	666
- Billot Shareef, District Dera Ismail Khan	Proposed production plant	31,469
	Note	2021 Rupees
		2020 Rupees

4.2 Depreciation charge has been allocated as follows:

Cost of goods manufactured	1,431,229,150	1,381,272,631
Administrative expenses	25,985,259	21,829,645
	1,457,214,409	1,403,102,276

	Note	2021 Rupees	2020 Rupees
4.3 Capital work-in-progress			
Buildings		273,269,753	177,159,344
Plant and machinery (including in transit aggregating Rs.50.455 million (June 30, 2020: Rs.18.429 million))		557,272,008	401,629,894
Un-allocated capital expenditure	4.3.1	378,466,319	362,849,801
Advance payments against:			
- land - freehold		24,554,700	390,000,000
- factory / office building		17,175,861	6,668,800
- electric installation		15,764,565	15,764,565
- vehicles		4,203,000	-
- computer software		519,750	947,000
		62,217,876	413,380,365
		1,271,225,956	1,355,019,404

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

4.3.1 These include RS.220.867 million incurred by Subsidiary Company - PCL for its proposed cement project and Rs. 157.599 million in respect of pre-commencement expenditure of Subsidiary Company - SHL. These also include charges of different foreign and local parties for engineering consultancy services including preparation of feasibility report, engineering designs, bidding and tendering documents, and environmental and social impact assessment report of the project to be constructed by the Group.

A generation license for the hydro power project was granted to the Group by National Electric Power Regulatory Authority subsequent to the year end. Moreover, the management is confident that the tariff petition for constructing the power project would be approved in due course. Therefore, these costs have been recognised as an asset under International Accounting Standard 16 'Property, Plant and Equipment' since management believes that it is highly probable that the power project will be constructed and future economic benefits associated with these costs will flow to the Group.

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

Particulars of assets	Cost	Accumulated depreciation	Net book value Rupees	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to:
Assets having net book value exceeding Rs.500,000 each							
Land							
Plot No.62 D/1 Gulberg III, Lahore (share 30%)	80,685,473	-	80,685,473	187,050,000	106,364,527	Negotiation	M/s. Sitara Heights (Pvt.) Limited
Plant and machinery							
6 Nos. Caterpillar Gas Engine 3516 A	49,523,651	36,853,459	12,670,192	6,146,349	(6,523,843)	Negotiation	M/s. Stameco Energy Solutions
1 No. Murata Auto Cone 7-V	14,245,736	12,614,016	1,631,720	1,600,000	(31,720)	Negotiation	M/s. Ideal Trading Company
Assorted Cylinder Assay Electric Motors	26,385,126	23,866,113	2,519,013	2,863,635	344,622	Negotiation	M/s. Vj Textile Traders
2 No. Generators with All Accessories	69,841,849	49,672,455	20,169,394	6,239,316	(13,930,078)	Negotiation	M/s. Stameco Energy Solutions
	159,996,362	123,006,043	36,990,319	16,849,300	(20,141,019)		
Vehicles							
Honda Accord	5,953,000	5,333,111	619,889	3,200,000	2,580,111	Negotiation	Ms. Ammara Ali
Toyota Corolla	1,805,500	1,176,898	628,602	1,500,000	871,398	Negotiation	Mr. Basharat Nazir
Suzuki Swift DLX 1.3	1,555,000	539,066	1,015,934	1,700,000	684,066	Insurance claims	M/s. Adamjee Insurance Company Limited
	9,313,500	7,049,075	2,264,425	6,400,000	4,135,575		
Various assets having net book value upto Rs.500,000 each							
	16,604,257	13,134,721	3,469,536	8,802,402	5,332,866		
June 30, 2021	266,599,592	143,189,839	123,409,753	219,101,702	95,691,949		
June 30, 2020	199,913,770	162,925,019	36,988,751	47,055,264	10,066,513		

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

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, 2021 was Rs.75 million (2020: Rs.70 million).

	Computer Softwares	Goodwill	Total
	Rupees	Rupees	Rupees
6. INTANGIBLE ASSETS			
At July 1, 2019			
Cost	29,890,171	5,612,904	35,503,075
Accumulated amortization	23,797,354	-	23,797,354
Year ended June 30, 2020	6,092,817	5,612,904	11,705,721
Year ended June 30, 2020			
Amortization charge	1,783,647	-	1,783,647
Net book value as at June 30, 2020	4,309,170	5,612,904	9,922,074
Year ended June 30, 2020			
Amortization charge	1,465,030	-	1,465,030
Net book value as at June 30, 2021	2,844,140	5,612,904	8,457,044
At June 30, 2020			
Cost	29,890,171	5,612,904	35,503,075
Accumulated amortization	25,581,001	-	25,581,001
Net book value	4,309,170	5,612,904	9,922,074
At June 30, 2021			
Cost	29,890,171	5,612,904	35,503,075
Accumulated amortization	27,046,031	-	27,046,031
Net book value	2,844,140	5,612,904	8,457,044
Amortization 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 .

	Note	2021 Rupees	2020 Rupees
7. LONG TERM INVESTMENTS			
Associates - equity accounted investments	7.1	1,788,993,174	1,476,281,409
Others - equity instruments	7.3	3,797,987,222	3,682,773,859
- debt instruments	7.4	47,000,000	63,676,480
		5,633,980,396	5,222,731,748

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
7.1 Associated Companies Quoted			
Reliance Cotton Spinning Mills Limited - RCSM	7.1.1	59,854,524	41,384,808
SFL Limited - SFLL	7.1.2	2,489,110	2,083,041
Unquoted			
Sapphire Power Generation Limited - SPGL	7.1.3	244,765,165	246,203,156
Sapphire Dairies (Private) Limited - SDL	7.1.4	117,900,174	116,228,510
Tricon Boston Consulting Corporation (Private) Limited - TBCCL	7.1.5	1,363,984,201	1,070,381,894
Energas Terminal (Private) Limited - ETL	7.1.6	-	-
Energas Marketing (Private) Limited (EML)	7.1.7	-	-
		1,788,993,174	1,476,281,409

7.1.1 Investment in RCSM represents 138,900 fully paid ordinary shares of Rs.10 each representing 1.35% (2020: 1.35%) of RCSM's issued, subscribed and paid-up capital as at June 30, 2021. 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, 2021 was Rs. 26.905 million (2020: Rs.17.779 million). RCSM is an associate of the Group due to common directorship.

7.1.2 Investment in SFLL represents 10,199 fully paid ordinary shares of Rs.10 each representing 0.051% (2020: 0.051%) of SFLL's issued, subscribed and paid-up capital as at June 30, 2021. SFLL was incorporated on April 26, 2010 as a public limited company and its shares are quoted on Pakistan Stock Exchange. The main business of SFLL is to investment in the shares of Related Parties. Market value of the Group's investment in SFLL as at June 30, 2021 was Rs.8.057 million (2020: Rs.1.682 million). SFLL is an associate of the Group due to common directorship.

7.1.3 Investment in SPGL represents 2,824,500 fully paid ordinary shares of Rs.10 each representing 17.63% (2020: 17.63%) of SPGL's issued, subscribed and paid-up capital as at June 30, 2021. 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 5.50% (2020: 8.00%) of SDL's issued, subscribed and paid-up capital as at June 30, 2021. 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% (2020: 7.13%) of TBCCL's issued, subscribed and paid-up capital as at June 30, 2021. The Parent Company has pledged these shares through an Onshore Security Trustee under Share Pledge Group Agreement dated May 08, 2018 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 has 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. 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.13.453 million. Subsidiary Company's - SEL share of loss was recognised upto the extent of cost of investment of Rs.30,000.

7.1.7 The Subsidiary Company - SEL has made investment in EML's 3,000 fully paid ordinary shares of Rs.10 each representing 30% of EML's issued, subscribed and paid-up capital as at June 30, 2021. EML was incorporated as a private limited company. The principal activity of EML shall be to import, process and sell natural gas, liquefied natural gas all other related items.

EML during the year incurred loss amounting Rs.0.172 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, 2021

7.2 Summarised financial information of associates

The table below summarise the financial information / reconciliation of based on un-audited financial statements of Associates as at June 30, 2021. Financial statements have been amended to reflect adjustments made by the entity using the equity method.

	RCSM		SFLL		SPGL		SDL		TBCCCL		EML		ETL	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Summarised Statement of Financial Position														
Non current assets	3,237,606,119	2,946,376,178	4,886,445,621	4,085,827,723	1,432,456,174	1,268,186,963	4,003,096,319	2,765,787,162	35,981,901,506	40,281,846,435	500,000	500,000	403,177,668	403,177,668
Current assets	4,457,379,641	4,284,333,101	49,039,275	38,602,458	134,830,966	351,903,858	601,346,388	448,120,800	14,358,498,117	11,201,671,716	24,097	77,889	62,158,240	62,158,240
	7,694,985,760	7,210,709,279	4,935,484,896	4,124,430,181	1,567,287,140	1,620,090,821	4,604,442,687	3,213,907,962	50,340,399,623	51,483,518,151	524,097	577,889	465,335,908	465,335,908
Non current liabilities	1,167,442,160	1,006,835,835	30,409,145	19,287,005	163,695,979	129,880,781	1,384,829,460	823,633,672	26,307,005,422	32,015,261,223	-	-	-	-
Current liabilities	2,092,531,490	3,137,405,133	1,669,933	1,670,812	14,964,675	93,425,403	1,079,430,315	937,417,921	4,889,756,299	4,445,953,151	847,148	728,746	532,372,517	532,372,517
	3,259,973,650	4,144,240,968	32,079,078	20,957,817	178,660,654	223,306,184	2,464,259,775	1,761,051,593	31,196,761,721	36,460,614,374	847,148	728,746	532,372,517	532,372,517
Net assets	4,435,012,110	3,066,468,311	4,903,405,818	4,103,472,364	1,388,626,486	1,396,784,637	2,140,182,912	1,452,856,368	19,143,637,902	15,022,903,777	(323,051)	(151,057)	(67,036,609)	(67,036,609)
Reconciliation to carrying amount														
Opening net assets	3,066,468,311	2,798,536,314	4,103,472,364	3,594,691,588	1,396,784,637	1,387,124,794	1,452,856,368	1,292,150,293	15,022,903,777	10,174,379,299	(151,057)	26,174	(67,036,609)	(26,290,456)
Profit / (loss) for the year	1,330,697,754	392,882,264	706,861,668	575,825,756	116,085,778	39,693,888	38,279,917	12,088,019	4,120,734,125	4,848,524,478	(171,994)	(177,231)	(13,453,320)	(40,746,153)
Other comprehensive (loss) / income	38,893,615	(47,577,492)	93,414,665	(68,911,008)	36,004,412	(30,033,845)	(989,973)	(1,361,944)	-	-	-	-	-	-
Other adjustments	(1,050,570)	4,964,225	(342,879)	1,866,028	(8,953)	-	-	-	-	-	-	-	-	-
Issuance of shares	-	-	-	-	-	-	650,037,500	150,000,000	-	-	-	-	-	-
Dividend paid during the year	-	(82,336,000)	-	-	(160,242,380)	-	-	-	-	-	-	-	-	-
Closing net assets	4,435,009,110	3,066,468,311	4,903,405,818	4,103,472,364	1,388,626,484	1,396,784,637	2,140,182,912	1,452,856,368	19,143,637,902	15,022,903,777	(323,051)	(151,057)	(60,489,929)	(67,036,609)
Group's share (percentage)	1.35%	1.35%	0.051%	0.051%	17.63%	17.63%	5.50%	9.09%	7.13%	7.13%	30.00%	30.00%	30.00%	30.00%
Carrying amount of investment (Rupees)														
	59,854,524	41,384,808	2,489,110	2,063,041	244,765,165	246,203,156	117,900,174	116,228,510	1,363,984,201	1,070,381,894	-	-	-	-
Summarised Statement of profit or loss														
Revenue	7,881,902,021	5,986,720,080	11,990,743	2,311,331	-	540,000	1,875,536,135	1,428,308,718	9,203,400,224	10,485,000,097	-	-	1,247,832	3,382,808
Profit / (loss) before tax	1,432,453,958	461,316,967	716,721,533	579,294,334	148,611,704	62,150,168	66,324,591	66,388,241	4,146,851,260	4,851,092,424	-	(177,231)	(13,453,320)	(40,746,153)
Profit / (loss) after tax	1,330,697,754	392,882,264	706,861,668	575,825,756	116,085,778	39,693,888	38,279,917	12,088,019	4,120,734,125	4,848,524,478	(171,994)	(177,231)	(13,453,320)	(40,746,153)
Other comprehensive income / (loss)	38,893,615	(47,577,492)	93,414,665	(68,911,008)	36,004,412	(30,033,845)	(989,973)	(1,361,944)	-	-	-	-	-	-
Total comprehensive income / (loss)	1,369,591,369	345,304,772	800,276,333	506,914,748	152,089,190	9,659,843	37,289,944	10,706,076	4,120,734,125	4,848,524,478	(171,994)	(177,231)	(13,453,320)	(40,746,153)

		2021 Rupees	2020 Rupees
7.3 Equity Instruments - at FVTOCI			
Quoted			
MCB Bank Limited			
18,213,195 (2020: 18,213,195) ordinary shares of Rs.10 each - cost		896,451,123	896,451,123
Adjustment arising from re-measurement to fair value		2,014,563,834	2,055,361,391
		2,911,014,957	2,951,812,514
Habib Bank Limited			
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		(330,601,344)	(515,328,342)
		886,472,265	701,745,267
Unquoted			
Novelty Enterprises (Private) Limited -			
2,351,995 ordinary shares of Rs.10 each		-	28,716,078
TCC Management Services (Private) Limited			
50,000 ordinary shares of Rs.10 each		500,000	500,000
		3,797,987,222	3,682,773,859
7.4 Debt Instruments - at FVTOCI			
Habib Bank Limited - term finance certificates (TFCs)			
500 (2020: 650)Term finance certificates of Rs.100,000 each - cost		50,000,000	64,976,000
Adjustment arising from re-measurement to fair value		(3,000,000)	(1,299,520)
		47,000,000	63,676,480
7.4.1	These carry profit at the rate of 3 months KIBOR + 1.60%. Effective profit rates charged, during the current financial year, ranged from 7.71% to 13.99% per annum.		
	Note	2021 Rupees	2020 Rupees
8 LONG TERM LOANS - Secured			
Loans due from employees	8.1 & 8.2	7,490,000	442,000
Less: recoverable within one year and grouped under current assets		1,035,000	180,000
		6,455,000	262,000

- 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 loan to its Key management personnel.

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	Note	2021 Rupees	2020 Rupees
9. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		176,156,968	192,693,725
Spare parts		128,744,740	118,643,270
Loose tools		239,981	92,852
Items in transit		173,567,885	58,653,313
		478,709,574	370,083,160
Less: provision for slow moving items	9.1	12,020,122	12,055,543
		466,689,452	358,027,617
9.1 Provision for slow moving items			
Balance at beginning of the year		12,055,543	6,491,586
Add: provision made during the year		-	5,563,957
Less: provision reversed during the year		(35,421)	-
Balance at end of the year		12,020,122	12,055,543
10. STOCK-IN-TRADE			
Raw materials:			
- at mills		7,404,490,919	5,177,264,020
- in transit		1,495,785,295	375,777,267
- at third party's premises		-	40,002,394
		8,900,276,214	5,593,043,681
		1,072,589,736	798,954,257
Work-in-process			
Finished goods:			
- at mills		1,655,968,789	1,077,525,876
- at third party's premises		-	186,077,443
		1,655,968,789	1,263,603,319
		11,628,834,739	7,655,601,257

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

		2021 Rupees	2020 Rupees
11. TRADE DEBTS			
Considered good			
Unsecured			
- local	11.1	1,838,184,170	1,040,250,267
Secured			
- foreign debts		898,462,451	1,176,568,247
- local	11.5	12,735,605,658	10,533,911,688
		13,634,068,109	11,710,479,935
Considered doubtful			
Unsecured - foreign debts	11.4	69,951,066	68,565,103
		15,542,203,345	12,819,295,305
Less: provision for impairment	11.6	78,939,116	59,272,994
		15,463,264,229	12,760,022,311

11.1 These include the following amounts due from related parties:

Diamond Fabrics Ltd.	9,361,383	11,104,098
Reliance Cotton Spinning Mills Ltd.	5,743,553	803,113
Amer Cotton Mills (Pvt.) Ltd.	22,100,801	1,580,171
Sapphire Textile Mills Ltd.	23,642,135	6,822,369
Sapphire Power Generation Ltd.	-	6,400
	60,847,872	20,316,151

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

	Related Parties		Others	
	2021	2020	2021	2020
	Rupees			
Not past due	660,114	10,541,245	4,925,914,874	3,902,435,302
Past due 1-30 days	43,762,454	6,371,969	2,470,719,170	922,594,749
Past due 31-60 days	4,209,921	3,402,937	1,571,597,602	764,877,479
Past due 61-90 days	281,180	-	646,459,320	518,121,337
Past due 91-365 days	11,628,319	-	5,731,014,901	3,761,969,012
Past due one year	305,884	-	56,710,490	2,869,708,281
	60,847,872	20,316,151	15,402,416,357	12,739,706,160

11.3 The aggregate maximum outstanding balance due from the related parties at the end of any month during the year was Rs.83.790 million (2020: Rs.82.855 million).

11.4 These represent doubtful receivables amounting U.S. Dollar 372.506 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.

11.5 These represent trade receivables from CPPA 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

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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 the due dates, with the exception of RLNG fuel cost component invoices, in which case, the delayed payment markup at the rate of three months KIBOR plus 2% is charged on the amounts not paid within a period of thirty days from the due date and at the rate of three months KIBOR plus 4.5% after the first thirty days. The rate of delayed payment markup charged during the year on outstanding amounts ranges from 9.15% to 18.42% (2020: 10.29% to 18.42%) per annum. These include unbilled receivables aggregating to Rs 1,765.193 million (2020: Rs 1,504.040 million).

Prior to the signing of the Agreements as referred to in note 1.1, included in trade debts was an amount of Rs 576.073 million relating to capacity revenue that was not acknowledged by NTDC/CPPA 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/CPPA. Since management considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC/CPPA, therefore, management believes that the Group cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the Group took up this issue in consultation with NTDC and 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 Group by NTDC. Pursuant to the Expert's determination, the Group demanded the payment of the aforesaid amount of Rs 576.073 million from NTDC. The Group filed a request for arbitration in the London Court of International Arbitration ('LCIA') in accordance with the terms of the PPA whereby an Arbitrator was appointed.

'On October 29, 2017, the Arbitrator declared his Final Award whereby he ordered NTDC to pay to the Group: 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 Group's cost of proceedings; v) GBP 30,157 for Group'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 to the Group that works out to Rs 381.065 million upto June 30, 2021. Thereafter, on November 29, 2017, the Group filed an application before the Lahore High Court ('LHC') for implementation/enforcement of the Final Award that is pending adjudication. On prudence basis, the amounts other than the principal amount of Rs 576.073 million were not recognised in the Group's financial statements since their collectability was not certain.

On February 11, 2021, as part of the PPA Amendment Agreement, the CPPA and the Group acknowledged that the dispute relating to withheld capacity payments of Rs. 575.073 million was settled by the LCIA through its Award. The Group and CPPA agreed that the disputed period of 53 days shall be treated as an "Other Force Manjeure Event" under the PPA. Further, CPPA agreed to make certain payments to Group, subject to certain terms, as compensation of the withheld capacity payments. In return, the Group agreed to forgo the abovementioned LCIA Award amounts aggregating Rs. 572.277 million. Further, a joint application to withdraw Awards's enforcement proceedings in LHC will be filed by the Group and CPPA upon the later of full payment of disputed period payments and the first installments under the payment mechanism defined in the Master Agreement.

Pursuant to the provision of the PPA Amendment Agreement as mentioned above, out of the recognised receivable of Rs. 576.073 million, the Group has assessed that amounts aggregating Rs.145.198 million stand impaired at June 30,2021 and have been written off during the year in 'Other expenses'. However, due to extension in PPA from October 5, 2040 to November 26, 2040, the tariff component representing such amount would be invoiced to CPPA and recognised in such period on satisfying the performance obligation i.e. ensuring plant available for the dispatch as per PPA.

Included in trade debts are amounts aggregating Rs 227.610 million relating to capacity revenue not acknowledged by NTDC/CPPA for the period from March 2011 to September 2011. The Group's management raised this matter with NTDC, SNGPL and Private Power & Infrastructure Board ('PPIB'), however, the dispute remained unresolved. Hence, the Group had taken up this issue at appropriate forums.

On June 28, 2013, the Group 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 Group before the Supreme Court of Pakistan on the above mentioned issue would be withdrawn unconditionally and it would be

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the Group 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 Group in consultation with NTDC, appointed an Expert for dispute resolution under PPA. In August 2015, the Expert gave his determination whereby the Group's claim regarding the above-mentioned amount of Rs 227.610 million was not accepted. In addition to the Expert Determination process mentioned above, the Group had also filed a request for arbitration in the London Court of International Arbitration ('LCIA') in accordance with the terms of the GSA against SNGPL whereby an Arbitrator was appointed. The Arbitrator through his order dated March 9, 2016, decided the matter in the Group's favor whereby the aforesaid amount of Rs 227.610 million was determined to be payable to the Group 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 Group 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 Group filed an application before the court of Senior Civil Judge, Lahore to pass appropriate directions for the implementation/enforcement of the Arbitration Award, which is pending adjudication.

Based on the advice of the Group's legal counsel and Arbitration Award in the Group's favour, management strongly feels that under the terms of the PPA, Implementation Agreement and the GSA, this receivable will be recovered in due course of time. Consequently, it is unimpaired as of the reporting date.

	Note	2021 Rupees	2020 Rupees
11.6 Provision for expected credit loss			
Balance at the beginning of the year		59,272,994	50,978,943
Charged during the year		21,662,180	8,294,051
Reversal made during the year		(1,996,058)	-
Closing at the end of the year		78,939,116	59,272,994

12. LOANS AND ADVANCES

- Considered good			
Current portion of long term loans to employees	8	1,035,000	180,000
Due from related party	12.1	203,965,000	161,000,000
Advances to:			
- suppliers and contractors		180,610,997	112,344,765
- employees		2,109,344	2,032,001
- others		1,700,000	60,920,949
		184,420,341	175,297,715
		389,420,341	336,477,715

12.1 The Subsidiary Company - SEL has entered into a loan agreement with Energas Terminal (Private) Limited (a related party), to provide an unsecured loan of Rs.204 million for a period of one year. This loan carries mark-up at the rate of 6 month KIBOR (applicable on the first working day of each month) + 0.25% and is repayable on date of maturity of the loan. Effective mark-up rate charged by the Company, during the year, ranged from 7.95% to 14.33% (2020: 7.95% to 14.33%) per annum. The maximum aggregate amount outstanding against this loan at the end of any month during the period was Rs.204 million.

Notes to the Consolidated Financial Statements

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	Note	2021 Rupees	2020 Rupees
13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits - unsecured and considered good		1,008,608	1,068,608
Margin against letter of credit		3,372,478	-
Prepayments		48,161,797	45,232,832
		52,542,883	46,301,440

14. SHORT TERM INVESTMENTS

Equity instruments	14.1	2,977,735,568	2,394,357,739
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14.1 Equity Instruments - at FVTOCI

(Investment in quoted securities)

2021	2020	Name of the investee company	Market value		Cost	
			2021	2020	2021	2020
No. of shares / certificates			Rupees			
54,720	54,720	Attock Petroleum Ltd.	17,566,762	16,700,544	12,153,848	12,153,848
9,538,500	9,538,500	Bank Al-Habib Ltd.	668,839,620	498,863,550	419,888,054	419,888,054
341,103	341,103	Charat Packaging Ltd.	67,848,798	39,960,216	35,824,418	35,824,418
2,636,260	2,636,260	Engro Corporation Ltd.	776,668,559	772,213,279	589,213,189	589,213,189
125,000	125,000	Fauji Cement Company Ltd.	2,875,000	2,110,000	3,683,337	3,683,337
7,766,704	7,766,704	Habib Bank Ltd.	950,411,568	752,360,616	1,603,060,152	1,603,060,152
10,500	10,500	Haji Muhammad Ismail Mills Ltd.	-	-	126,000	126,000
12,878,000	12,878,000	K-Electric Ltd.	53,830,040	38,762,780	120,385,975	120,385,975
303,000	303,000	Lucky Cement Ltd.	261,622,320	139,858,740	117,777,538	117,777,538
448,934	448,934	Pakistan State Oil Company Ltd.	100,673,450	71,003,402	63,918,848	63,918,848
101,783	90,074	The Searle Company Ltd.	24,694,591	17,945,444	4,562,016	2,571,487
431,300	431,300	United Bank Ltd.	52,704,860	44,579,168	80,749,609	80,749,609
			2,977,735,568	2,394,357,739	3,051,342,984	3,049,352,455
Add: Adjustment arising from re-measurement to fair value					(73,607,416)	(654,994,716)
Market value					2,977,735,568	2,394,357,739

Notes to the Consolidated Financial Statements

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	Note	2021 Rupees	2020 Rupees
15. OTHER RECEIVABLES			
Advance income tax		442,331,705	435,171,272
Export rebate & duty drawbacks		86,290,467	76,285,092
Dividend receivable		26,889,852	-
Claim recoverable from NTDCL for pass through item			
- Workers' Profit Participation Fund	15.1	465,262,698	338,878,329
- Punjab Workers' Welfare Fund		122,459,259	71,905,511
Accrued mark-up on term finance certificates		31,165,516	16,761,817
Others		17,868,991	11,515,897
		1,192,268,488	950,517,918

15.1 Under section 9.3(a) of PPA with NTDC, payments made by the Subsidiary Company - SECL to Workers' Profit Participation Fund and Workers' Welfare Fund are recoverable from NTDC as a pass through item.

	Note	2021 Rupees	2020 Rupees
16 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax		1,295,275,083	825,628,038
Income tax		528,658,088	618,836,409
Excise duty		24,201,390	22,930,374
Less: provision for doubtful tax refunds	16.1	282,074,014	282,074,014
		1,566,060,547	1,185,320,807

16.1 Provision for doubtful tax refunds

Balance at beginning of the year		282,074,014	259,551,843
Add: provision for the year		-	36,886,988
Less: provision reversed during the year		-	14,364,817
Balance at end of the year		282,074,014	282,074,014

17. CASH AND BANK BALANCES

Cash-in-hand	17.1	5,164,162	4,608,250
Balances with banks on:			
- off shore current account	17.2	399,255,158	425,695,059
- on shore:			
current accounts	17.3	85,813,488	108,135,430
term deposit account (TDA)	17.4	11,666,796	258,063,985
term deposit receipt (TDR)		10,900,000	10,900,000
dividend account		6,179,813	6,229,400
		513,815,255	809,023,874
		518,979,417	813,632,124

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

- 17.1** Cash-in-hand includes Rs.1.210 million (2020: Rs.2.170 million) advanced to employees for various expenses.
- 17.2** This represent U.S.\$ 2.722 million (2020: U.S.\$ 2.530 million) translated in Pakistan Rupees at the reporting date.
- 17.3** These include foreign currency deposits amounting to US.\$ 83,434 (2020: US.\$ 144,432).
- 17.4** Effective rates of profit on TDA, during the year, ranged from 5.73% to 7.75% (2020: 5.71% to 11.39%) 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 Parent Company.
- 17.5** These TDRs are under lien against performance guarantee issued by the bank (note 27). During the year, these carried mark-up at the rates ranged from 5.73% to 9.80% (2020:10.26% to10.75%) per annum and are having a maturity period of one year.

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021 Number	2020 Number		2021 Rupees	2020 Rupees
12,759,375	12,759,375	Ordinary shares of Rs.10 each fully paid in cash	127,593,750	127,593,750
7,912,500	7,912,500	Ordinary shares of Rs.10 each issued as fully paid bonus shares	79,125,000	79,125,000
20,671,875	20,671,875		206,718,750	206,718,750

- 18.1** 10,714,798 (2020: 10,714,798) ordinary shares of Rs.10 each are held by Related Parties as at year-end.
- 18.2** Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholdings of shareholders.

	Note	2021 Rupees	2020 Rupees
19. RESERVES			
Capital reserve			
- share premium	19.1	391,833,750	391,833,750
- maintenance reserve	19.2	190,833,377	154,710,148
General reserve - revenue reserve	19.3	1,183,845,000	1,183,845,000
Unrealized gain on financial assets at fair value through other comprehensive income	19.4	1,592,511,269	836,743,345
Unrealised gain on remeasurement of hedging instruments		243,733	257,889
		3,359,267,129	2,567,390,132

- 19.1** This represents excess of consideration received, by the Parent Company, on issue of ordinary shares over the face value of ordinary shares.
- 19.2** Under the terms of the project agreements, the Subsidiary Company - 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.
- 19.3** This represents reserves funds set aside from unappropriated profit.
- 19.4** These represent unrealized gain on re-measurement of investments at fair value through OCI and are not available for distribution.

Notes to the Consolidated Financial Statements

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	Note	2021 Rupees	2020 Rupees
20. LONG TERM LIABILITIES - Secured			
Long term finances	20.1	5,924,357,343	5,473,716,864
Provision for Gas infrastructure Development Cess	20.2	297,105,989	-
		6,221,463,332	5,473,716,864
Less: current portion grouped under current liabilities		(1,016,060,869)	(963,305,080)
		5,205,402,463	4,510,411,784

20.1 Long term finances

(a) Sapphire Fibres Limited

(from banking companies)

- MCB Bank Limited			
- Long term finance facility - I	20.1.1	59,264,608	59,918,000
- Long term finance facility - II	20.1.2	1,309,668,142	1,346,190,750
- Demand finance	20.1.3	6,614,608	6,614,608
		1,375,547,358	1,412,723,358
- Habib Bank Limited			
- Long term finance facility - I	20.1.4	-	250,000,000
- Long term finance facility - II	20.1.5	256,780,000	242,500,000
- Long term finance facility (under refinance scheme for payment of wages and salaries)	20.1.6	377,395,778	-
		634,175,778	492,500,000
- Allied Bank Limited	20.1.7	687,191,050	713,403,000
- United Bank Limited	20.1.8	1,473,221,407	1,519,729,072
- Faysal Bank Limited	20.1.9	1,353,698,750	723,653,577
- Bank Alfalah Limited	20.1.10	184,633,000	24,000,000
- Habib Metropolitan Limited	20.1.11	215,890,000	-
		5,924,357,343	4,886,009,007

(b) Sapphire Electric Company Limited

20.1.12

(from banking companies)

- National Bank of Pakistan		-	79,386,912
- Habib Bank Limited		-	138,100,835
- United Bank Limited		-	92,067,210
- MCB Bank Limited		-	92,067,213
- Allied Bank Limited		-	92,067,215
- Bank Alfalah Limited		-	58,713,572
- Silk Bank Limited		-	11,762,678
- Meezan Bank Limited		-	23,542,222
		-	587,707,857
		5,205,402,463	5,473,716,864

Notes to the Consolidated Financial Statements

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- 20.1.1** The Parent Company has arranged long term finance facilities amounting Rs.110 million from MCB Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.80.663 million in ten tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranging from 3.00% to 12.19% (2020: 3.00% to 5.50%) per annum and are secured against joint pari passu charge of Rs.200 million over the machinery financed by the bank.
- 20.1.2** The Parent Company has arranged long term finance facilities amounting Rs.1,500 million from MCB Bank Limited to retire import documents of plant and machinery. The bank against the said facility disbursed Rs.1,457.978 million in thirty eight 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% (2020: at the rate ranged from 2.50% to 13.37%) per annum and are secured against first charge of Rs.2,000 million over the specific plant and machinery of the Parent Company.
- 20.1.3** MCB Bank Limited, on request of the Parent Company, converted four tranches of long term finance facility 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, is 2.5% (2020: at the rate ranged from 12.13% to 14.24%) per annum. This finance facility is secured against joint pari passu charge of Rs.200 million over the imported machinery.
- 20.1.4** The Parent Company had 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 was repayable in eight equal quarterly installments commenced September, 2018 and carried mark-up at the rate of 3 month Kibor + 0.12% per annum; effective mark-up rates charged, during the year, ranged from 2.85% to 11.38% (2020: 11.44% to 13.97%) per annum. This finance facility was secured against ranking charge of Rs.1,334 million with 25% margin over the specific plant and machinery of the Parent Company. During the year the entire amount of loan has been repaid.
- 20.1.5** The Parent Company has arranged long term finance facilities amounting Rs.500 million from Habib Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.242.500 million in seven tranches of different amounts during the preceding year and Rs.14.280 million in two tranches of different amounts during the current year. Each tranche is repayable in 32 equal quarterly installments commencing from different months of financial year 2022. These finances, during the year, carry mark-up at the rates ranged from 2.85% to 11.38% (2020: at the rate of 2.85%) per annum and are secured against first charge of Rs.667 million with 25% margin over the specific plant and machinery of the Parent Company.
- 20.1.6** The Parent Company, during the year, arranged a long term finance facility amounting Rs.525 million from Habib Bank Limited under the State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries. According to conditions of the scheme, the Company after availing this loan will not to lay off its workers / employees at least during three months from date of first disbursement. The bank, against the said facility, disbursed Rs.522.089 million. This finance facility is repayable in 8 equal quarterly installments commenced from January, 2021. This finance facility carries mark-up at reduced rate of Rs.0.6% per annum, payable on quarterly basis. This facility is secured against pari passu charge over present and future plant and machinery of the Parent Company for Rs.583.333 million.

As the above loan is below market rate of interest, it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market-related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as a Government grant (note 21).

- 20.1.7** 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% (2020: 2.50%) 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 Parent Company.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

- 20.1.8** The Parent Company has arranged long term finance facilities amounting Rs.1,900 million from United Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.1,821.794 million in forty five tranches of different amounts. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranged from 2.50% to 3.50% (2020: 2.50% to 3.50%) per annum and are secured against joint pari passu charge of Rs.2,000 million with 25% margin over the specific plant and machinery of the Parent Company.
- 20.1.9** The Parent Company has arranged an long term islamic finance facility (Diminishing Musharakah Facility) amounting Rs.1,450 million from Faysal Bank Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.723.654 million in eighteen tranches of different amounts during the preceding year and Rs. 630.063 million in twenty two tranches of different amounts during the current year. Each tranche under this finance facility has different repayment terms. These finances carry mark-up at the rates ranged from 3.00% to 4.00% (2020: 4.00% to 14.66%) per annum and are secured against first pari passu charge of Rs.900 million with 25% margin over the specific plant and machinery of the Parent Company.
- 20.1.10** The Parent Company has arranged long term finance facility amounting Rs.1,000 million from Bank Alfalah Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility disbursed Rs.24 million in three tranches of different amounts during the preceding year and Rs.160.633 million in four tranches of different amounts during the current year. Each tranche is repayable in 32 equal quarterly installments commencing from different months of financial year 2022. These finances carry mark-up at the rates ranged from 3.00% to 4.00% (2020: 3.00% to 14.66%) per annum and are secured against first joint pari passu charge of Rs.1,333.340 million with 25% margin over the specific plant and machinery of the Parent Company.
- 20.1.11** The Company, during the year, has arranged a long term finance facilities amounting Rs.270 million from Habib Metropolitan Limited to retire import documents under SBP scheme for imported plant and machinery. The bank against the said facility has disbursed Rs.215.890 million in twenty four tranches of different amounts and each tranche is repayable in 40 equal quarterly installments commencing from different months of financial year 2023. These finances carry mark-up at the rate of 3.50% per annum and are secured against joint pari pasu charge of Rs.361 million over the specific plant and machinery of the Company.
- 20.1.12** This represented long term finances obtained from a consortium of banking companies led by United Bank Limited ('Agent Bank'). The overall financing was secured against all and each of the Group's mortgaged project receivables, lien over the project bank accounts, mortgage of immoveable property, hypothecation of all present and future assets and properties of the Group (excluding the mortgaged project receivables and the mortgaged immoveable property) and by the collectively agreed pledge of 51% shares of the Parent held by the sponsors. It carried markup at the rate of three months Karachi Inter-Bank Offered Rate ('KIBOR') plus three percent per annum, payable on quarterly basis. The markup rate charged during the year on outstanding balance was 10.26% per annum. The loan was fully repaid during the year.

	Note	2021 Rupees	2020 Rupees
20.2 Movement in Gas Infrastructure Development Cess payable			
Balance of provision for GIDC	20.2.1	325,853,952	-
Effect of discounting		(48,195,586)	-
Unwinding of interest		19,447,623	-
		297,105,989	-

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

20.2.1 The Honorable Supreme Court of Pakistan (SCP) vide its judgement dated August 13, 2020 decided the appeal against the Parent Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgement which was also dismissed. However, partial relief was granted and recovery period was extended to 48 months from 24 months. SCP in its detailed judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who on account of their industrial or commercial dealings had passed on GIDC burden to their end customers.

The Parent Company has filed a civil suit before the Honorable Sindh High Court (SHC) on the grounds that the Company falls under the category of consumer and had not passed on the impact of GIDC to end customers. SHC has granted stay order in the said suit and has restrained SNGPL from taking any coercive action against the Parent Company.

The Parent Company has already recorded a provision for GIDC (included in trade and other payable in the preceding year). The amount has now been classified as long term liability at its present value, by discounting future estimated cash flows using risk free rate of return. This resulted in income of Rs.48.195 million which has been netted-off against the cost of sales.

	2021 Rupees	2020 Rupees
21 DEFERRED INCOME - GOVERNMENT GRANT		
Government grant on loan at below market rate of interest - net	16,336,589	-
Less: current portion grouped under current liabilities	12,848,707	-
	3,487,882	-

21.1 As fully detailed in note 20.6 to these consolidated financial statements, the Group has recorded Rs.35.733 million as Government grant on loan at below-market rate of interest, as per the requirements of IAS-20 'Accounting for government grant and disclosure of government assistance'.

21.2 The Group has adhered to the terms of the grant, hence, it is being amortised over the term of the loan. During the year, Rs.19.396 million has been recognized in the consolidated statement of profit or loss.

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:

Notes to the Consolidated Financial Statements

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	2021 Rupees	2020 Rupees
22.1 Amount recognized in the statement of financial position		
Net liability at the beginning of the year	310,591,147	242,930,143
Charge to statement of profit or loss	110,916,094	106,638,958
Remeasurement recognized in statement of other comprehensive income	(10,707,520)	15,768,827
Payments made during the year	(69,243,106)	(54,746,781)
Net liability at the end of the year	341,556,615	310,591,147
22.2 Movement in the present value of defined benefit obligation		
Balance at beginning of the year	310,591,147	242,930,143
Current service cost	87,458,679	75,922,121
Interest cost	23,457,415	30,716,837
Benefits paid	(69,243,106)	(54,746,781)
Remeasurements on obligation	(10,707,520)	15,768,827
Balance at end of the year	341,556,615	310,591,147
22.3 Expense recognized in statement of profit or loss		
Current service cost	87,458,679	75,922,121
Interest cost	23,457,415	30,716,837
	110,916,094	106,638,958
22.4 Remeasurements recognized in statement of other comprehensive income		
Experience adjustment	(12,479,822)	22,003,272
Actuarial loss / (gain)	1,772,302	(6,234,445)
	(10,707,520)	15,768,827
22.5 Actuarial assumptions used		
Discount rate	10.00%	8.50%
Expected rate of increase in future salaries	9.00%	7.50%
Mortality rates (for death in service)	SLIC	SLIC
	(2001-05)	(2001-05)

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22.6 Sensitivity analysis for actuarial assumptions

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

	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(319,275,198)	367,214,073
Increase in future salaries	1.00%	368,208,925	(317,968,739)

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, 2021 amounts to Rs.132.065 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 Rupees	Between 1 - 2 years Rupees	Between 2 - 5 years Rupees	Over 5 years Rupees	Total Rupees
As at June 30, 2021	62,829,509	138,390,872	191,952,648	3,947,749,581	4,340,922,610
	2021 Rupees	2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees

22.10 Historical information:

Present value of defined benefit obligation	341,556,615	310,591,147	242,930,143	346,597,468	322,591,928
Experience adjustment on obligation / actuarial loss	(10,707,520)	15,768,827	(29,644,795)	8,423,010	8,949,179

Notes to the Consolidated Financial Statements

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	Note	2021 Rupees	2020 Rupees
23. DEFERRED TAXATION - Net			
Credit balances arising in respect of:			
- accelerated tax depreciation allowance / investment in associates		166,653,234	158,392,075
- re-measurement of short term investments		-	25,176,390
		166,653,234	183,568,465
Debit balances arising in respect of:			
- staff retirement benefit - gratuity		17,026,939	16,338,958
- provision for slow moving items		599,215	634,194
- provision for doubtful tax refunds		14,061,672	14,838,786
- provision for impairment in trade debts		3,935,194	3,118,115
		35,623,020	34,930,053
		131,030,214	148,638,412

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; PCL, SCCL, SEL, SHL, IPPL, SPL, SBML and SMEL.

	Note	2021 Rupees	2020 Rupees
24. TRADE AND OTHER PAYABLES			
Trade creditors	24.1	2,310,877,304	1,894,243,374
Accrued expenses		804,380,323	1,062,408,475
Bills payable	24.2	749,346,003	140,331,485
Sindh government infrastructure fee	24.3	313,966,770	245,331,235
Workers' profit participation fund	24.4	584,923,993	398,105,866
Workers' welfare fund - federal		123,274,930	815,671
Workers' welfare fund - Punjab		-	71,905,511
Staff provident fund		-	397,333
Loss on remeasurement of foreign currency commitments		-	32,271,980
Current portion of Government grant		12,848,707	
Others		3,046,919	1,866,512
		4,902,664,949	3,847,677,442

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

Reliance Cotton Spinning Mills Ltd.	50,897,959	22,826,455
Amer Cotton Mills (Pvt.) Ltd.	176,877,206	98,036,525
Sapphire Textile Mills Ltd.	-	139,464
	227,775,165	121,002,444

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for the year ended June 30, 2021

24.1.1 The balance also includes Rs 805.911 million (2020: Rs 396.782 million) due to Sui Northern Gas Pipelines Limited ('SNGPL'), out of which Rs 257.374 million represents the aggregate amount (Rs 227.610 million and certain arbitration costs plus interest thereon) awarded to the Group by the Arbitrator through his order dated March 9, 2016 as referred to in note 15.3. Under the relevant provisions of the Arbitration Act, 1940, the Group has 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. The Group has set off this amount from SNGPL's bill for the month of April 2016, however, an adjustment to setoff the payable with the related receivable from CPPA to the extent of Rs 227.610 million would be made in these consolidated financial statements when the award is implemented. SNGPL has filed a suit for recovery before the District Judge, Lahore (Invested with Powers of the Gas Utility Court) on March 01, 2019 against this adjustment and has also filed a request for arbitration before the London Court of International Arbitration (LCIA) on March 22, 2019. In its submission to LCIA on March 06, 2020, SNGPL has claimed adjustment amount of Rs 257.374 million and markup amount of Rs 225.037 million from the date of such adjustment. The Group's position is that no amount is payable to SNGPL and in any case, LCIA is the only competent forum to decide on this matter.

24.2 These are secured against import documents.

24.3 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 came 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, 2021, the Company has provided bank guarantees aggregating Rs.296.950 million (2020: Rs.209.950 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.

	Note	2021 Rupees	2020 Rupees
24.4 Workers' profit participation fund			
Balance at beginning of the year		398,105,866	199,072,304
Add: interest on funds utilised by the Group companies		1,135,490	3,415,290
		399,241,356	202,487,594
Less: payments made during the year		60,363,027	43,373,043
		338,878,329	159,114,551
Add: allocation for the year		246,045,664	238,991,315
Balance at end of the year		584,923,993	398,105,866

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	Note	2021 Rupees	2020 Rupees
25. ACCRUED MARK-UP / INTEREST			
Mark-up / interest accrued on:			
- long term finances		83,234,264	85,716,555
- short term borrowings		152,622,629	195,193,887
		235,856,893	280,910,442
26. SHORT TERM BORROWINGS			
Running / cash finances - secured	26.1	15,563,202,993	13,768,753,299
Running Musharaka and Murahabha finances - secured	26.2	1,392,219,782	1,495,567,750
Temporary bank overdraft - unsecured	26.3	2,150,359	-
		16,957,573,134	15,264,321,049

26.1 Short term finance facilities available from various commercial / Islamic banks under mark-up arrangements aggregate to Rs.19,200 million (2020: Rs.19,800 million). These finance facilities, during the year, carried mark-up at the rates ranged from 2.25% to 8.84% (2020: 2.15% to 14.81%) per annum. The aggregate short term finance facilities are secured against hypothecation charge of Rs.47,353 million (2020: Rs.42,820 million) over current assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors.

Included in preceding year short term finances Rs.449.752 million (U.S.\$ 2.859 million) representing foreign currency loans obtained from various banks.

Facilities available for opening letters of credit and guarantees aggregate to Rs.12,080 million (2020: Rs.10,330 million) out of which the amount remained unutilized at the year-end was Rs.4,584 million (2020: Rs.6,237 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.

Abovementioned facilities are expiring on various dates upto September 30, 2022.

26.2 Murabaha and musharaka finance facilities available from various commercial banks amount to Rs 2,200 million (2020: Rs 2,000 million) to finance the procurement of multiple oils from fuel suppliers. Mark-up on murabaha is payable at maturity of the respective murabaha transaction, while the markup on musharaka is payable monthly on the balance outstanding. The mark-up rate charged during the year on the outstanding balance ranges from 2.25% to 8.84% (2020: 8.93% to 14.31%) per annum.

26.3 This represents book overdraft balance due to unrepresented cheques.

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Guarantees aggregating Rs.2,805.138 million (2020: Rs.2,722.998 million) have been issued by banks of the Group to various Government institutions and SNGPL.

27.1.2 SNGPL has claimed late payment surcharge amounting to Rs 333.682 million on account of partial payments made by the Group against the RLNG consumed by it prior to the Price Determinations of RLNG by the Oil and Gas Regulatory Authority ('OGRA'). The management is of the view that, as per the terms of the Gas Supply Agreement ('GSA') and the Operating Procedure signed by the Group, Ministry of Petroleum and Natural Resources, Ministry

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of Water and Power, SNGPL and Central Power Purchasing Agency (Guarantee) Limited, the Group is liable to make payments to SNGPL on the basis of the prices notified by OGRA, therefore, the partial payments made by the Group to SNGPL prior to OGRA price determinations do not constitute a default on the Group's part. Based on the advice of the Group's legal counsel, management considers that under the terms of the GSA and the Operating Procedure, there are meritorious grounds to support the Group's stance. Consequently, no provision for the abovementioned amount has been made in these consolidated financial statements.

27.1.3 A sales tax demand of Rs 830.031 million was raised against the Group through order dated 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 Group on account of 'capacity price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the Group was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy price' admissible to the Group. Against the aforesaid order, the Group 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 Group's other grounds of appeal. Consequently, the Group 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.

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 Group for the tax periods from July 2012 to June 2013 on the abovementioned grounds of the ACIR and non-payment of sales tax on interest on delayed payment of energy price. Aggrieved by this show cause notice, the Group filed a writ petition before the Lahore High Court ('LHC') to the extent of aforesaid matters amounting to Rs 504.909 million while the Group has provided for the remaining amount of Rs 0.631 million in these financial statements. LHC has disposed of the petition in the Group's favour through its order dated October 31, 2016, by stating that there is no existence of exempt supply. Accordingly, the Group 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 aforesaid LHC's order which is pending adjudication.

Moreover, during the year on March 5, 2021, the DCIR issued a show cause notice whereby intentions were shown to raise a sales tax demand of Rs 149.742 million for the period from December 2019 to January 2021 on similar grounds. Subsequent to year end on July 30, 2021, a demand of the same amount was raised. The Group has preferred an appeal against the same before CIR(A) on August 27, 2021 which is pending adjudication.

Based on the advice of the Group's legal counsel and above mentioned LHC's decision dated October 31, 2016, management believes that there are meritorious grounds to defend the Group's stance. Consequently, no provision has been made in these financial statements for the amounts aggregating Rs 1,484.682 million.

27.1.4 A sales tax demand of Rs 49.987 million (along with default surcharge and penalty to be calculated at the time of deposit) for the tax period from 2018 to 2020 was raised against the Group through a notice dated March 15, 2021 by the Additional Collector (Withholding), Khyber Pakhtunkhwa Revenue Authority on account of non-deposit of withholding taxes as required under Khyber Pakhtunkhwa Finance Act, 2013 read with the Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation, 2015. Against the aforesaid order, the Group submitted its reply on April 4, 2021, whereby the Group is of the view that (i) it is not a resident person under Khyber Pakhtunkhwa Finance Act, 2013; (ii) Khyber Pakhtunkhwa Sales Tax on Services Special Procedure (Withholding) Regulation, 2015 stands repealed; and (iii) the assessing officer has wrongly taken the closing accumulated balance of pre-commencement expenditure rather than expense for the relevant period while calculating the withholding taxes payable. There have been no further proceedings on this case till date.

Based on the advice of the Group's legal counsel, the management believes that there are meritorious grounds to defend the Group's stance and the matter would be decided in the Group's favour. Consequently, no provision has been made in these consolidated financial statements in this respect.

Notes to the Consolidated Financial Statements

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27.1.5 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 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 and 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. Initially SHC accepted the CP and granted stay against the newly amended section 5A. During the year, SHC vide its order dated April 04, 2021 decided the case in favor of the Parent Company.

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 that started from the Commercial Operations Date up to the earlier of the time when the power station has run 144,000 Fired Hours and October 4, 2040. Under the terms of the O&M agreement, the Group 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 :

	Note	2021 Rupees	2020 Rupees
- letters of credit for capital expenditure		1,009,617,786	174,371,178
- letters of credit for purchase of raw materials and stores, spare parts & chemicals		1,709,336,309	449,831,421
- capital expenditure other than letters of credit		366,475,127	704,279,646
- foreign bills discounted		3,246,576,158	2,599,128,792

28. SALES - Net

Segment wise disaggregation of revenue from contracts with respect to type of goods and services and geographical market is presented below:

For the year ended June 30, 2021

	Spinning	Knits	Denim	Power	Total
Types of goods and services					
Local sales					
- Yarn	3,277,486,845	60,478,730	38,405,215	-	3,376,370,790
- Fabric	-	1,083,754,001	1,910,827,680	-	2,994,581,681
- Garments	-	39,399,098	-	-	39,399,098
- Waste	199,675,058	40,590,073	67,077,646	-	307,342,777
- Energy revenue	-	-	-	9,072,850,724	9,072,850,724
- Capacity revenue	-	-	-	3,479,578,278	3,479,578,278
- Delayed payment mark-up	-	-	-	910,848,933	910,848,933
- Raw materials	131,719,783	-	-	-	131,719,783
- Local steam income	22,882,860	-	-	-	22,882,860
- Processing income	1,085,201	175,759,455	1,950,419	-	178,795,075
	3,632,849,747	1,399,981,357	2,018,260,960	13,463,277,935	20,514,369,999
Export Sales					
- Yarn	11,265,592,467	517,308,812	-	-	11,782,901,279
- Fabric	-	897,818,051	6,740,122,748	-	7,637,940,799
- Garments	-	2,412,446,303	-	-	2,412,446,303
- Waste	392,215,514	-	-	-	392,215,514
	11,657,807,981	3,827,573,166	6,740,122,748	-	22,225,503,895
Export rebate					
- Yarn	-	473,261	-	-	473,261
- Fabric	-	13,131,040	50,007,056	-	63,138,096
- Garments	-	53,833,012	-	-	53,833,012
	-	67,437,313	50,007,056	-	117,444,369
Less: sales tax	740,311,981	260,472,262	862,052,947	1,262,031,953	3,124,869,143
	14,550,345,747	5,034,519,574	7,946,337,817	12,201,245,982	39,732,449,120
Timing of revenue recognition					
Goods transferred at a point in time	14,549,260,546	4,858,760,119	7,944,387,398	12,201,245,982	27,352,408,063
Services rendered at a point in time	1,085,201	175,759,455	1,950,419	-	178,795,075
	14,550,345,747	5,034,519,574	7,946,337,817	12,201,245,982	39,732,449,120

For the year ended June 30, 2020

	Spinning	Knits	Denim	Power	Total
Types of goods and services					
Local sales					
- Yarn	3,049,437,954	15,181,388	42,208,572	-	3,106,827,914
- Fabric	-	254,545,014	1,017,512,152	-	1,272,057,166
- Garments	-	39,314,702	-	-	39,314,702
- Waste	234,814,073	43,284,128	46,190,512	-	324,288,713
- Energy revenue	-	-	-	4,604,831,738	4,604,831,738
- Capacity revenue	-	-	-	5,278,796,644	5,278,796,644
- Delayed payment mark-up	-	-	-	1,010,623,283	1,010,623,283
- Raw materials	56,433,451	-	-	-	56,433,451
- Local steam income	19,633,770	-	-	-	19,633,770
- Processing income	6,698,126	73,719,190	4,035,298	-	84,452,614
	3,367,017,374	426,044,422	1,109,946,534	10,894,251,665	15,797,259,995
Export Sales					
- Yarn	8,743,144,606	255,849,910	-	-	14,406,048,850
- Fabric	-	716,401,663	5,407,054,334	-	716,401,663
- Garments	-	3,148,493,964	-	-	3,148,493,964
- Waste	343,363,068	-	-	-	343,363,068
	9,086,507,674	4,120,745,537	5,407,054,334	-	18,614,307,545
Export rebate					
- Yarn	24,551,171	-	-	-	24,551,171
- Fabric	-	22,452,413	49,347,791	-	71,800,204
- Garments	-	152,038,882	-	-	152,038,882
	24,551,171	174,491,295	49,347,791	-	248,390,257
Less: sales tax	625,127,147	63,873,576	585,086,599	668,864,129	1,942,951,451
	11,852,949,072	4,657,407,678	5,981,262,060	10,225,387,536	32,717,006,346
Timing of revenue recognition					
Goods transferred at a point in time	11,846,250,946	4,583,688,488	5,977,226,762	10,225,387,536	32,632,553,732
Services rendered at a point in time	6,698,126	73,719,190	4,035,298	-	84,452,614
	11,852,949,072	4,657,407,678	5,981,262,060	10,225,387,536	32,717,006,346

28.1 This includes indirect export of Rs. 5,797.515 million (2020: Rs.3,898.465 million).

28.2 Waste sales include sale of comber noil.

28.3 Exchange (loss) / gain due to currency rate fluctuations relating to export sales amounting to Rs.56.019 million (2020: Rs.108.993 million) has been included in export sales.

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	Note	2021 Rupees	2020 Rupees
29. COST OF SALES			
Finished goods at beginning of the year		1,263,603,319	1,309,473,560
Cost of goods manufactured	29.1	32,839,157,811	25,087,553,326
Cost of raw materials sold		109,519,870	75,932,295
		32,948,677,681	25,163,485,621
		34,212,281,000	26,472,959,181
Finished goods at end of the year		(1,655,968,789)	(1,263,603,319)
		32,556,312,211	25,209,355,862

29.1 Cost of goods manufactured

Work-in-process at beginning of the year		798,954,257	830,588,354
Raw materials consumed	29.2	25,174,392,156	17,505,595,547
Salaries, wages and benefits	29.3	2,093,723,075	1,820,205,861
Operations and maintenance		665,966,540	845,090,351
Packing stores consumed		315,724,696	235,900,979
General stores consumed		414,369,929	341,454,559
Processing charges		921,639,852	1,079,613,489
Depreciation	4.2	1,431,229,150	1,381,272,631
Fuel and power		1,642,360,457	1,456,194,739
Repair and maintenance		67,020,671	47,842,625
Insurance		208,961,993	185,778,429
Vehicles' running		34,790,661	32,617,141
Travelling and conveyance		34,452,995	35,633,380
Printing and stationery		612,818	580,014
Legal and professional charges		3,856,266	9,545,494
Fee and subscription		18,932,102	10,496,857
Entertainment		16,509,621	13,952,661
Telephone		3,777,933	3,629,764
Postage		11,715,957	2,636,644
Rent, rates and taxes		13,124,491	5,081,657
Miscellaneous		26,184,366	42,796,407
		33,898,299,986	25,886,507,583
Work-in-process at end of the year		(1,072,589,736)	(798,954,257)
		32,825,710,250	25,087,553,326

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	Note	2021 Rupees	2020 Rupees
29.2 Raw materials consumed			
Stocks at beginning of the year		5,217,266,414	4,535,735,242
Purchases		27,361,616,661	18,187,126,719
		32,578,883,075	22,722,861,961
Stocks at end of the year		(7,404,490,919)	(5,217,266,414)
		25,174,392,156	17,505,595,547

29.3 Salaries, wages and benefits include Rs.115.062 million (2020: Rs.106.639 million) in respect of staff retirement benefit - gratuity and Rs.19.010 million (2020: Rs.19.650 million) contribution in respect of to staff provident fund.

	Note	2021 Rupees	2020 Rupees
30. DISTRIBUTION COST			
Salaries and other benefits	30.1	81,477,658	77,023,470
Travelling, conveyance and entertainment		2,024,557	14,706,057
Vehicles' running		1,837,241	1,801,474
Telephone		762,245	632,163
Postage		12,466,528	17,495,054
Printing and stationery		12,927	15,677
Sample expenses		96,995	418,060
Commission:			
- local		15,397,840	5,033,329
- export		248,240,571	210,182,757
		263,638,411	215,216,086
Freight and forwarding:			
- local		11,493,585	7,170,407
- export		496,674,925	350,699,527
		508,168,510	357,869,934
Export development surcharge		41,716,784	40,515,985
Other export expenses		17,719,961	22,636,983
Sales promotion		107,232,836	89,756,797
Provision for expected credit loss in trade debts		19,666,122	8,294,051
		1,056,820,775	846,381,791

30.1 Salaries and other benefits include Rs.3.063 million (2020: Rs.2.657 million) in respect of contribution to staff provident fund.

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	Note	2021 Rupees	2020 Rupees
31 ADMINISTRATIVE EXPENSES			
Salaries and other benefits	31.1	305,859,055	300,675,251
Telephone		8,196,856	5,709,755
Postage		646,835	563,900
Fee and subscription		42,909,347	10,336,204
Legal and professional charges		35,466,733	23,964,585
Entertainment		3,710,231	5,404,970
Travelling and conveyance		8,126,559	9,867,099
Printing and stationery		6,617,141	6,138,024
Rent, rates and taxes	31.2	13,304,059	14,248,130
Advertisement		761,665	167,564
Electricity, gas and water		8,589,007	9,824,248
Repair and maintenance		24,979,959	20,166,669
Vehicles' running		16,522,663	15,944,453
Charity and donations	31.3	19,812,304	5,354,550
Insurance		3,710,218	3,997,666
Depreciation	4.2	25,985,259	21,829,645
Amortisation	6	1,465,030	1,783,647
Others		1,093,557	411,330
		527,756,478	456,387,690

31.1 Salaries and other benefits include Rs.10.115 million (2020: Rs.10.055 million) in respect of contribution to staff provident fund.

31.2 Rent, rates and taxes includes Rs.0.156 million (2020: Rs. 0.529) paid to Yousuf Agencies (Private) Limited (a related party).

31.3 Donations exceeding 10% of the total donations of the Company

These include donations amounted Rs.16.290 million (2020: Rs.3.040 million) 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.

	Note	2021 Rupees	2020 Rupees
32. OTHER INCOME			
Income from financial assets			
Dividend income		595,891,354	512,883,833
Interest income		21,592,259	15,305,533
Mark-up earned on term finance certificates		29,519	9,639,599
Amortisation of deferred income - government grant		19,396,034	-
		636,909,166	537,828,965
Income from assets other than financial assets			
Gain on disposal of operating fixed assets	4.4	95,691,950	10,066,513
Gain on sale of store and spares		1,440,589	18,429
Exchange gain		4,455,135	761,990
Scrap sales [Net of sales tax aggregating Rs.24.130 million (2020: Rs.7.102 million)]		48,799,237	36,712,587
		150,386,911	47,559,519
		787,296,077	585,388,484

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	Note	2021 Rupees	2020 Rupees
33. OTHER EXPENSES			
Workers' profit participation fund	24.4	119,661,295	59,227,537
Auditors' remuneration	33.1	5,200,467	6,861,285
Provision for doubtful tax refunds		-	22,522,171
Remeasurement loss on foreign currency commitments		-	64,378,077
Loss on deemed disposal of an Associated company		-	1,030,295
Receivable balance written off		145,197,919	-
		270,059,681	154,019,365

33.1 Auditors' remuneration

ShineWing Hameed Chaudhri & Co.			
- annual audit		2,048,625	1,840,800
- half yearly review		220,500	210,000
- review of Code of Corporate Governance		65,100	62,000
- audit of retirement funds		313,750	220,000
- out-of-pocket expenses		150,000	150,000
		2,797,975	2,482,800
A.F. Ferguson & Co.			
- audit fee		1,728,000	1,600,000
- group reporting		300,000	300,000
- tax services		230,000	2,099,600
- reimbursement of expenses		84,492	274,485
- assurance and other certification services		60,000	104,400
		2,402,492	4,378,485
		5,200,467	6,861,285

34. FINANCE COST

Mark-up / interest on long term finances		203,540,334	476,034,396
Mark-up / interest on short term borrowings		1,140,429,469	1,707,415,607
Exchange (gain) / loss on foreign currency loans		(69,765,886)	123,881,118
		1,070,663,583	1,831,296,725
Interest on workers' profit participation fund accrued	24.4	1,135,490	3,415,290
Unwinding effect of long term liabilities		19,447,623	-
Bank and other financial charges		127,462,720	115,208,796
Loan arrangement fee		1,125,000	1,500,000
		1,423,374,750	2,427,455,207

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Note	2021 Rupees	2020 Rupees
35. TAXATION			
Current			
Current tax on profit for the year	35.1	399,595,804	394,912,586
Adjustments in respect of prior years		(2,646,739)	5,781
		396,949,065	394,918,367
Deferred			
Origination and reversal of temporary differences		6,954,859	(7,555,656)
		403,903,924	387,362,711

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 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, SHL, IPPL, SPL, SBML and SMEL is not taxable due to losses; however, provision against any other sources of income has been provided for in these consolidated financial statements.

	2021 Rupees	2020 Rupees
36. EARNINGS PER SHARE		
36.1 Basic earnings per share		
Net profit for the year	3,808,878,435	3,033,750,207
	Number of Shares	
Weighted average ordinary shares in issues	20,671,875	20,237,671
	Number of Shares	
Earnings per share	184.25	149.91

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, 2021 and June 30, 2020 which would have any effect on the earnings per share if the option to convert is exercised.

	Note	2021 Rupees	2020 Rupees
37. CASH GENERATED FROM OPERATIONS			
Profit before taxation		4,685,421,302	4,208,794,915
Adjustments for non-cash charges and other items:			
Depreciation		1,457,214,409	1,403,102,276
Amortisation		1,465,030	1,783,647
Staff retirement benefit - gratuity		110,916,094	106,638,958
Dividend and interest income		(617,513,132)	(537,828,965)
Amortization on government grant		(19,396,034)	-
Gain on sale of stores and spares		(1,440,589)	(18,429)
Gain on disposal of operating fixed assets		(95,691,950)	(10,066,513)
Exchange (gain) / loss		(4,455,135)	63,616,087
Provision for workers' profit participation fund		119,661,295	59,227,537
Receivable balance written off		145,197,919	-
Provision for slow moving items		-	5,563,957
Provision for doubtful tax refunds		-	22,522,171
Finance cost		1,423,374,750	2,427,455,207
Provision for impairment of trade debts		19,666,122	8,294,051
Working capital changes	37.1	(6,482,507,021)	1,198,219,768
		741,913,060	8,957,304,667

37.1 Working capital changes

(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(108,661,835)	(115,895,336)
Stock-in-trade		(3,973,233,482)	(663,319,809)
Trade debts		(2,722,908,040)	2,099,228,398
Loans and advances		(52,942,626)	(196,992,524)
Deposits, other receivables and sales tax		(670,456,090)	(150,398,514)
		(7,528,202,073)	972,622,215
Increase in trade and other payables		1,045,695,052	225,597,553
		(6,482,507,021)	1,198,219,768

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38. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Managerial remuneration	53,209,010	49,440,846	216,928,228	211,801,167
Contribution to provident fund trust	-	-	16,874,506	16,363,290
House rent and utilities	22,718,425	22,441,891	97,787,974	93,887,304
Medical	686,503	669,743	7,827,866	7,446,731
Leave encashment / bonus	486,420	486,420	41,015,192	40,641,927
Other benefits	-	-	13,220,468	11,783,736
	77,100,358	73,038,900	393,654,234	381,924,155
Number of persons	3	3	72	72

38.1 Certain executives are provided with Company maintained vehicles.

38.2 During the year, meeting fees of Rs.865 thousand (2020: Rs.840 thousand) was paid to two non-executive director.

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%
Energas Marketing (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	-
Four Strength (Pvt.) Ltd.	Common directorship	-
Yousuf Agencies (Pvt.) Ltd.	Common directorship	-
Sanifa Agri Farms Services limited	Common directorship	-

Notes to the Consolidated Financial Statements

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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.

	2021 Rupees	2020 Rupees
Significant transactions with the related parties		
i) Subsidiary Companies		
Sales of:		
- raw material / yarn / fabric / stores	298,481,074	194,402,607
- assets	2,800,000	550,000
Purchases:		
- raw material / yarn / fabric / stores	2,350,556,642	1,482,709,893
- assets	-	2,223,414
- electricity	-	110,430
Services:		
- rendered	7,622	2,403,898
- obtained	164,680	1,359,850
Expenses charged by	39,177,949	35,668,663
Expenses charged to	15,197,634	29,704,802
Loans repaid	-	56,645,000
Shares allotted	-	134,082,520
Dividend:		
- received	28,245,000	1,231,648
- paid	136,000,916	353,582,599
Loan given	42,965,000	131,000,000
Interest charged	14,400,432	12,535,171
ii) Associated Companies		
Loans repaid		
Shares allotted	-	67,262,000
Dividend paid	-	61,586,200
	3,781,170	7,562,340
iii) Key management personnel		
Salary and other employment benefits	169,542,994	174,244,959
Sale of asset	-	1,731,935
iv) Retirement Fund		
Contribution towards provident fund	30,300,358	28,266,327

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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 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.

The carrying amount of financial assets represents the maximum credit exposure. Out of total financial assets (note 40.4), the financial assets exposed to credit risk aggregated to Rs.22,990.917 million (2020: Rs.19,891.783 million) as at June 30, 2021. Out of the total financial assets credit risk is concentrated in investments in securities, trade debts and deposits with banks as they constitute 99.49% (2020: 99.54%) of the total financial assets. The maximum exposure to credit risk at the end of the reporting period is as follows:

	2021 Rupees	2020 Rupees
Long term investments	3,844,987,222	3,746,450,339
Long term deposits	31,406,445	31,206,445
Trade debts	15,542,203,345	12,819,295,305
Loans and advances	4,844,344	63,132,950
Short term investments	2,977,735,568	2,394,357,739
Other receivables	75,924,359	28,277,714
Bank balances	513,815,255	809,023,874
	22,990,916,538	19,891,744,366

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:

	2021 Rupees	2020 Rupees
Domestic	14,573,789,828	11,574,161,955
Export	968,413,517	1,245,133,350
	15,542,203,345	12,819,295,305

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

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:

	2021 Rupees	2020 Rupees
Yarn	1,249,742,172	1,228,710,419
Fabric	1,262,469,915	725,694,150
Garments	254,219,282	312,029,119
Power	12,735,605,658	10,533,911,688
Waste	40,166,318	18,949,929
	15,542,203,345	12,819,295,305

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

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

	Rating		
	Short term	Long term	Agency
Banks			
MCB Bank Limited	A-1+	AAA	PACRA
National Bank of Pakistan	A-1+	AAA	PACRA
Meezan Bank Limited	A-1+	AAA	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	A-1+	AA+	PACRA
Habib Metropolitan Bank Limited	A-1+	AAA	PACRA
Bank Al-Habib Limited	A-1+	AA-	PACRA
Soneri Bank Limited	A-1+	AA	JCR-VIS
Dubai Islamic Bank	A-1+	AAA	PACRA
Allied Bank Limited	A-1+	AA+	PACRA
Askari Bank Limited	A-1+	AA+	PACRA
Bank Alfalah Limited	A-1+	AA+	PACRA
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA

(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:

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for the year ended June 30, 2021

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
Rupees					
June 30, 2021					
Long term finances	5,205,402,463	6,558,521,588	950,904,712	3,635,089,068	1,972,527,808
Trade and other payables	4,902,664,949	4,902,664,949	4,902,664,949	-	-
Accrued mark-up / interest	235,856,893	235,856,893	235,856,893	-	-
Short term borrowings	16,957,573,134	17,265,509,804	17,265,509,804	-	-
Unclaimed dividend	6,194,951	6,194,951	6,194,951	-	-
	27,307,692,390	28,968,748,185	23,361,131,309	3,635,089,068	1,972,527,808

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
Rupees					
June 30, 2020					
Long term finances	5,473,716,864	6,116,084,258	1,131,330,987	2,942,121,751	2,042,631,520
Trade and other payables	3,847,677,442	3,847,677,442	3,847,677,442	-	-
Accrued mark-up / interest	280,910,442	280,910,442	280,910,442	-	-
Short term borrowings	15,264,321,049	17,198,271,165	17,198,271,165	-	-
Unclaimed dividend	6,137,961	6,137,961	6,137,961	-	-
	24,872,763,758	27,449,081,268	22,464,327,997	2,942,121,751	2,042,631,520

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, 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:

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Rupees	U.S.\$	Euro	JPY	CHF
For the year ended June 30, 2021					
Bills payables	896,762,605	5,441,392	36,714	-	207,000
Advance payments	374,848,496	2,372,538	-	-	-
	1,271,611,101	7,813,930	36,714	-	207,000
Trade debts	(968,413,517)	(6,198,345)	-	-	-
Bank balances	(482,350,576)	(83,343)	-	-	-
Net balance sheet exposure	(179,152,992)	1,532,242	36,714	-	207,000
Outstanding letters of credit	2,718,954,095	11,199,708	2,468,563	18,000,000	2,644,096
	2,539,801,103	12,731,950	2,505,277	18,000,000	2,851,096

	Rupees	U.S.\$	Euro	JPY	CHF
For the year ended June 30, 2020					
Bills payables	521,972,004	621,427	103,730	847,016	84,541
Advance payments	344,912,510	2,199,045	-	-	-
	866,884,514	2,820,472	103,730	847,016	84,541
Trade debts	(1,245,133,350)	(20,239,700)	-	-	-
Bank balances	(482,350,576)	(2,866,868)	-	-	-
Net balance sheet exposure	(860,599,412)	(20,286,096)	103,730	847,016	84,541
Outstanding letters of credit	624,202,599	3,340,667	103,600	-	230,000
	(236,396,813)	(16,945,429)	207,330	847,016	314,541

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2021 Rupees	2021 Rupees	2021 Rupees	2021 Rupees
U.S. Dollar to Rupee	158.06	162.89	158.30 / 157.80	168.75 / 168.25
Euro to Rupee	188.42	176.74	188.71 / 188.12	189.73 / 189.11
Japanese Yen to Rupee	1.4300	1.4700	1.4324 / 1.4279	1.5664 / 1.5617
Swiss Frank to Rupee	171.59	125.87	171.86 / 171.32	177.43 / 176.83

At June 30, 2021, 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.

	2021 Rupees	2020 Rupees
Effect on profit for the year:		
U.S. Dollar to Rupee	24,178,779	(341,313,565)
Euro to Rupee	690,664	1,968,069
JPJ to Rupee	-	132,677
CHF to Rupee	3,546,324	1,500,011
	28,415,767	(337,712,808)

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for the year ended June 30, 2021

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:

	Effective rate		Carrying amount	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Fixed rate instruments				
Financial assets				
Term deposit account	5.73 to 7.75	5.71 to 11.39	11,666,796	258,063,985
Financial liabilities				
Long term finances	2.5 to 4.00	2.50 to 14.66	4,564,043,985	4,155,740,822
Variable rate instruments				
Financial assets				
Trade debts	9.15 to 18.42	10.29 to 18.42	12,735,605,658	10,533,911,688
Financial liabilities				
Long term finances	0.6 to 11.38	2.15 to 14.25	641,358,478	1,317,976,042
Short term borrowings	2.25 & 8.84	2.15 & 14.81	16,955,422,775	15,264,321,049

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, 2021, if the interest rate on the variable rate 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.175.967 million (2020: Rs.165.823 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.6,822.222 million (2020: Rs.6,111.592 million) are exposed to price risk due to changes in market price.

At June 30, 2021, 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.682.122 million (2020: Rs.611.159 million).

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

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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.6,822.222 million (2020: Rs.6,111.592 million). The carrying values of other financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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.

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 consolidated 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.

	2021 Rupees	2020 Rupees
Total borrowings	23,176,886,107	20,738,037,913
Less: cash and bank balances	518,979,417	813,632,124
Net debt	22,657,906,690	19,924,405,789
Total equity	29,280,873,418	24,711,845,133
Total capital	51,938,780,108	44,636,250,922
Gearing ratio	44%	45%

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

40.4 Financial instruments by category

	As at June 30, 2021			As at June 30, 2020		
	Amortised cost	At fair value through OCI	Total	Amortised cost	At fair value through OCI	Total
	Rupees					
Financial assets as per statement of financial position						
Long term investments	-	3,844,987,222	3,844,987,222	-	3,746,450,339	3,746,450,339
Long term loans	6,455,000	-	6,455,000	262,000	-	262,000
Long term deposits	31,406,445	-	31,406,445	31,206,445	-	31,206,445
Trade debts	15,542,203,345	-	15,542,203,345	12,819,295,305	-	12,819,295,305
Loans and advances	208,809,344	-	208,809,344	224,132,950	-	224,132,950
Trade deposits	4,381,086	-	4,381,086	1,068,608	-	1,068,608
Short term investments	-	2,977,735,568	2,977,735,568	-	2,394,357,739	2,394,357,739
Other receivables	75,924,359	-	75,924,359	28,277,714	-	28,277,714
Cash and bank balances	518,979,417	-	518,979,417	813,632,124	-	813,632,124
	16,388,158,996	6,822,722,790	23,210,881,786	13,917,875,146	6,140,808,078	20,058,683,224

	Financial liabilities measured at amortised cost	
	2021 Rupees	2020 Rupees
Financial liabilities as per statement of financial position		
Long term liabilities and accrued mark-up	5,288,636,727	5,559,433,419
Trade and other payables	3,221,896,579	-
Unclaimed dividend	6,194,951	6,137,961
Short term borrowings and accrued mark-up	17,110,195,763	15,459,514,936
	25,626,924,020	21,025,086,316

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

		2021 Rupees	2020 Rupees
41.	CAPACITY AND PRODUCTION		
41.1	Spinning units		
	Number of spindles installed	102,336	102,096
	Number of spindles worked	100,041	97,397
	Number of shifts worked per day	3	3
	Total number of days worked	365	366
	Installed capacity after conversion into 20's count	Lbs. 62,707,830	56,512,425
	Actual production after conversion into 20's count	Lbs. 55,484,333	49,919,058

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

		2021 Rupees	2020 Rupees
41.2	Dyeing		
	Fabric Dyeing Unit		
	Total number of days worked	360	316
	Installed capacity	Lbs. 13,965,242	13,965,242
	Actual production	Lbs. 11,020,187	9,415,107

41.2.1 During the year the Parent Company's management decided to wind-up the operation of its yarn / fibre dyeing unit. This was mainly because of the sluggish sales in the local and international markets and reduced profit margins (also refer note 4.4.1)

		2021 Rupees	2020 Rupees
41.3	Knitting unit		
	Total number of days worked	364	312
	Installed capacity	Lbs. 14,612,963	14,612,963
	Actual production	Lbs. 7,366,118	6,157,193

41.3.1 Low production is due to low demand.

41.4	Stitching unit		
	Installed capacity	Pcs. 1,967,000	1,967,000

41.2.1 Sluggish sale in the international markets, power shortage in the country and higher fuel cost forced management to temporarily close its stitching unit.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

		2021 Rupees	2020 Rupees
41.5	Denim unit		
	Total number of days worked	364	333
	Installed capacity	Mtrs. 19,200,000	15,740,000
	Actual production	Mtrs. 18,890,552	14,290,822
41.6	Power		
	De-rated capacity [based on 8,760 hours (2020: 8,760 hours)]	MWH 1,765,863	1,772,703
	Actual energy delivered	MWH 568,042	299,586

41.6.1 Output produced by the plant is dependent on the load demanded by NTDCL and plant availability.

41.7 The Subsidiary Companies; SEL, SCCL, PCL, SHL, SPL, SBML and SMEL are in setup phase and their plants are yet to be constructed.

42. SEGMENT INFORMATION

The Group's reportable segments are as follows:

- Spinning;
- Knitting, processing & garments;
- Denim; 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, 2021						
Sales	16,783,861,020	5,034,877,986	7,947,691,496	12,201,245,982	(2,235,227,364)	39,732,449,120
Cost of sales	(13,876,674,206)	(4,640,465,298)	(7,308,689,184)	(8,965,710,887)	2,235,227,364	(32,556,312,211)
Gross profit	2,907,186,814	394,412,688	639,002,312	3,235,535,095	-	7,176,136,909
Selling and distribution expenses	(646,903,752)	(155,472,425)	(254,444,598)	-	-	(1,056,820,775)
Profit before taxation and unallocated income and expenses	2,260,283,062	238,940,263	384,557,714	3,235,535,095	-	6,119,316,134
Unallocatable income and expenses						
Other income						787,296,077
Other expenses						(270,059,681)
Administrative expenses						(527,756,478)
Finance cost						(1,423,374,750)
Share of profit of Associates						334,491,163
Taxation						(403,903,924)
Profit after taxation						4,616,008,541

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

	Spinning	Knitting, processing and garments	Denim	Power	Elimination of inter segment transactions	Total
	Rupees					
For the year ended June 30, 2020						
Sales	13,640,863,184	4,657,407,677	5,981,647,260	10,225,387,536	(1,788,299,311)	32,717,006,346
Cost of sales	(11,947,533,483)	(3,938,297,846)	(5,570,037,685)	(5,541,786,159)	1,788,299,311	(25,209,355,862)
Gross profit	1,693,329,701	719,109,831	411,609,575	4,683,601,377	-	7,507,650,484
Selling and distribution expenses	(419,063,764)	(173,355,645)	(253,962,382)	-	-	(846,381,791)
Profit before taxation and unallocated income and expenses	1,274,265,937	545,754,186	157,647,193	4,683,601,377	-	6,661,268,693
Unallocatable income and expenses						
Other income						585,388,484
Other expenses						(154,019,365)
Administrative expenses						(456,387,690)
Finance cost						(2,427,455,207)
Share of profit of Associates						358,681,959
Taxation						(387,362,711)
Profit after taxation						4,180,114,163

42.2 SEGMENT ASSETS AND LIABILITIES

	Spinning	Knitting, processing and garments	Denim	Power	Total
	Rupees				
As at 30 June 2021					
Segment assets	11,803,439,035	4,288,192,255	8,994,829,623	25,689,712,536	50,776,173,449
Unallocatable assets					14,074,215,387
Total assets as per statement of financial position					64,850,388,836
Segment liabilities	5,916,169,837	3,510,510,292	12,047,169,880	7,270,743,407	28,744,593,416
Unallocatable liabilities					947,232,939
Total liabilities as per statement of financial position					29,691,826,355
As at June 30, 2020					
Segment assets	9,237,612,509	2,989,109,344	7,145,432,753	23,933,473,688	43,305,628,294
Unallocatable assets					12,875,409,662
Total assets as per statement of financial position					56,181,037,956
Segment liabilities	6,136,570,231	1,848,361,257	10,121,017,756	7,405,252,575	25,511,201,819
Unallocatable liabilities					684,569,301
Total liabilities as per statement of financial position					26,195,771,120

42.3 Sales to domestic customers (excluding Indirect export) in Pakistan are 48.00% (2020: 45.91%) and to customers outside Pakistan (including indirect export) are 52.00% (2020: 54.09%) of the total sales during the year.

42.4 The Group sells its manufactured products to local and foreign companies / organisations / institutions. One (2020: One) of the Group's customers contributed towards 31.50% (2020: 31.66%) of the local sales during the year aggregating Rs.13,463.278 million (2020: Rs.10,894.252 million) which exceeds 10% of the local sales of the Group.

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

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.

	2021 Rupees	2020 Rupees
Size of the Fund - Total Assets	136,425,500	114,668,543
Cost of investments made	135,689,332	109,986,985
Percentage of investments made	99.46%	95.92%
Fair value of investments made	137,979,244	118,576,935

	2021	2020	2021	2020
	Percentage		Rupees	
Special account in a	2.55	0.57	3,466,263	626,466
scheduled bank	95.94	97.60	130,184,369	107,345,869
Government securities	1.50	1.83	2,038,700	2,014,650
Listed securities	100.00	100.00	135,689,332	109,986,985

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.

	2021 Rupees	2020 Rupees
Size of the Fund - Total Assets	39,957,312	35,713,864
Cost of investments made	39,451,062	33,055,751
Percentage of investments made	98.73%	92.56%
Fair value of investments made	37,218,822	34,773,816

Notes to the Consolidated Financial Statements

for the year ended June 30, 2021

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

	2021	2020	2021	2020
	Percentage		Rupees	
Special account in a scheduled bank	6.85	2.63	2,738,490	940,048
Government securities	72.96	71.95	29,154,766	25,694,809
Listed securities	18.91	20.13	7,557,806	7,189,429
	1.27	5.29	506,250	1,889,578
	100.00	100.00	39,957,312	35,713,864

43.2.2 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.

	2021 Rupees	2020 Rupees
44. NUMBER OF EMPLOYEES		
Average number of employees during the year	4,569	4,229
Number of employees at the June 30,	4,789	4,054

45. 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 in these consolidated financial statements.

46. GENERAL

46.1 Non adjusting events subsequent to the reporting date

- the Board of Directors of the Parent Company, in their meeting held on September 23, 2021, has proposed a final cash dividend of 100% (i.e. Rs.10 per share) amounting to Rs.206.719 million for the year ended June 30, 2021, for approval of the members at the Annual General Meeting to be held on October 27, 2021.
- the Board of Directors of the Subsidiary Company - SECL, in their meeting held on September 22, 2021, has proposed a final cash dividend of 15% (i.e. Rs.1.5 per share) amounting to Rs.636.032 million for the year ended June 30, 2021.

These consolidated financial statements do not include the effect of above dividends.

46.2 Date of authorisation for issue

These consolidated financial statements were authorised for issue on September 23, 2021 by the Board of Directors of the Parent Company.



Chief Executive Officer



Director



Chief Financial Officer

PATTERN OF SHAREHOLDING

As at 30 June 2021

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
254	1	100	5,321
157	101	500	37,862
100	501	1000	64,000
74	1001	5000	131,525
12	5001	10000	86,169
4	10001	15000	47,980
1	15001	20000	18,910
2	20001	25000	46,147
1	25001	30000	28,237
2	30001	35000	63,868
1	35001	40000	37,275
1	40001	45000	40,506
1	50001	55000	54,184
1	75001	80000	75,038
1	95001	100000	98,207
3	100001	105000	305,124
1	115001	120000	118,125
1	120001	125000	122,272
1	160001	165000	163,518
1	165001	170000	168,697
1	215001	220000	217,505
1	220001	225000	225,000
1	225001	230000	226,485
1	240001	245000	240,658
1	250001	255000	250,128
1	285001	290000	287,906
1	335001	340000	335,120
1	340001	345000	344,333
1	345001	350000	349,000
1	355001	360000	355,084
1	385001	390000	386,038
1	415001	420000	420,000
1	420001	425000	420,367
1	450001	455000	450,339
1	495001	500000	496,003
3	520001	525000	1,574,477
3	525001	530000	1,579,686
1	565001	570000	570,000
1	595001	600000	599,288
1	615001	620000	616,671
1	760001	765000	761,425
1	820001	825000	822,143
1	1250001	1255000	1,250,744
1	1290001	1295000	1,290,806
1	1800001	1805000	1,800,349
1	3085001	3090000	3,089,355
649			20,671,875

CATEGORIES OF SHAREHOLDERS

As at 30 June 2021

Particulars	No. of Shares Held	Percentage %
Directors, CEO, spouses minor.Children	4,204,299	20.3383
Associated Companies, undertaking, related parties	10,714,898	51.8332
NIT & ICP	616,671	2.9831
Banks, DFI & NBFi	1,718	0.0083
Insurance Companies	250,128	1.2100
Modaraba & Mutual Fund	161	0.0008
General Public (Local)	4,056,408	19.6228
General Public (Foreign)	6,942	0.0336
Others	820,650	3.9699
	20,671,875	100.0000

PATTERN OF SHAREHOLDING

As at 30 June 2021

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	NO OF SHARES
Sapphire Textile Mills Limited.	145
Neelum Textile Mills (Private) Limited.	1,817,665
Sapphire Agencies (Pvt) Ltd.	2,371,390
Crystal Enterprises (Private) Limited	5,680
Sapphire Power Generation Limited	473,209
Salman Ismail (Pvt) Limited	23,302
Reliance Cotton Spinning Mills Limited	393,697
Sapphire Holding Limited	3,089,355
Amer Tex (Pvt.) Limited	869,711
Four Strength (Pvt) Limited	1,670,744
B) NIT & ICP	
CDC Trustee National Investment (UNIT) Trust	616,671
C) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN	
DIRECTORS & THEIR SPOUSES	
Mr. Nadeem Abdullah.	200,793
Mr. Amer Abdullah.	342,729
Mr. Yousuf Abdullah.	1,157,263
Mrs. Usma Yousuf	9,962
Mrs. Noshaba Nadeem.	280,669
Mrs. Ambareen Amer	943,621
Mr. Shayan Abdullah	525,000
Mr. Tajammal Hussain Bokharee	525
Mr. Nadeem Arshad Elahi	525
Mr. Abdul Sattar	525
Mariam Chughtai	500
CHIEF EXECUTIVE OFFICER & HIS SPOUSE	
Mr. Shahid Abdullah.	426,544
Mrs. Shireen Shahid.	316,143

PATTERN OF SHAREHOLDING

As at 30 June 2021














D)	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	NO OF SHARES
	BANKS, DFI & NBF	
	National Bank of Paksitan	1,300
	National Bank of Paksitan	81
	Prudential Discount & Guarantee House Ltd.	337
	INSURANCE COMPANIES	
	State Life Insurance Corporation of Pakistan	250,128
	MODARABAS & MUTUAL FUNDS	
	Modaraba-Al-Mali	112
	MUTUAL FUNDS	
	Golden Arrow Selected Stock Funds Limited	49
E)	SHAREHOLDERS HOLDING 5% OR MORE	
	Sapphire Agencies (Pvt) Ltd.	2,371,390
	Sapphire Holding Limited	3,089,355
	Neelum Textile Mills (Private) Limited.	1,817,665
	Four Strength (Pvt) Limited	1,670,744
	Mr. Yousuf Abdullah.	1,157,263
F)	TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTORS CHIEF EXCEUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDERN	NIL



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FORM OF PROXY SAPPHIRE FIBRES LIMITED

For the year ended 30 June 2021

I/we _____ of _____
a member(s) of Sapphire Fibres Limited and a holder of _____
Ordinary Shares, do hereby appoint _____ of _____
or failing him/her _____ of _____
who is also a member of Sapphire Fibres Limited, vide Registered Folio No. _____

as my/ our Proxy to act on my/ our behalf at Annual General Meeting of the Company to be held virtually on Wednesday the 27th October, 2021 at 04:00 pm through video conference and / or any adjournment thereof.

Signed this _____ day of _____ 2021

Signature of shareholder _____

CNIC No: _____

Folio No/ CDC and/or Sub Account No: _____

Email: _____

Signature of proxy: _____

CNIC No: _____

Folio No/ CDC and/or Sub Account No: _____

Email: _____



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

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, a certified copy of that Power of Attorney must be deposited along with this form.
4. This proxy form duly completed must be deposited at the Registered Office of the Company at least 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 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 _____
CNIC No. _____

Name _____
Address _____
CNIC No. _____

فارم برائے قائم مقام / متبادل سفارت فابرز لمیٹڈ

میں / ہم _____ جس کا تعلق _____ سے ہے:

سفارت فابرز لمیٹڈ کے ممبر کی حیثیت سے _____ شیئرز کی تحویل رکھتا / رکھتی ہوں۔ میں / ہم _____ کو یا ان کی عدم حاضری کی صورت میں _____ کو جس / جن کا تعلق _____ سے ہے، کو 27 اکتوبر 2021 شام 4:00 بجے ویڈیو کانفرنسنگ کے ذریعے منعقد ہونے والے سالانہ اجلاس عام یا ملتوی ہونے کی صورت میں دیگر تاریخ پر اپنی / ہماری غیر موجودگی میں شرکت اور ووٹ دینے کے لئے اپنا / ہمارا پراکسی مقرر کرتا / کرتے / کرتی ہوں۔

اس دستاویز پر مورخہ _____ 2021ء کو دستخط ہوئے۔

ریونیونیکٹ _____

شیئر ہولڈر کے دستخط _____

شیئر ہولڈر کا فوئیو نمبر: _____

اور / یا CDC _____

پراکسی کے دستخط _____

شیئر ہولڈر کا فوئیو نمبر: _____

اور / یا CDC _____

شریک ہونے والے ID نمبر _____

اور سب اکاؤنٹ نمبر _____

شریک ہونے والے CNIC نمبر _____

اور سب اکاؤنٹ نمبر _____

نوٹس

- 1۔ کوئی بھی پراکسی اس وقت تک درست نہیں سمجھی جائے گی جب تک اس پر پانچ (05) روپے کا محصول ٹکٹ نالگا یا جائے۔
- 2۔ بینک یا کمپنی کی صورت میں پراکسی فارم پر authorized person کے دستخط کے ساتھ کمپنی کی مشترکہ مہر لازم ہوگی۔
- 3۔ پاور آف اٹرنی یا دیگر authority کی صورت میں پراکسی فارم کے ساتھ اس کی تصدیق شدہ کاپی جمع کرنی ہوگی۔
- 4۔ دستخط شدہ پراکسی فارم کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ آفس میں جمع کرانا ہوگا۔

سی ڈی سی اکاؤنٹ ہولڈر کی صورت میں

- (i) پراکسی فارم پر دو افراد تصدیق کریں گے اور ان کے نام، پتے اور CNIC نمبر فارم پر موجود ہونا چاہئے۔
- (ii) Beneficial owners کے CNIC یا پاسپورٹ کی اسکین شدہ کاپی پراکسی فارم کے ساتھ جمع کرانے ہوں گے۔
- (iii) پراکسی میٹنگ کے وقت اپنا اصل CNIC یا پاسپورٹ پیش کرے۔
- (iv) کارپوریٹ اثباتی کی صورت میں، پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز Resolution / Power of Attorney بمعہ پراکسی ہولڈر کے دستخط بھی جمع کروائے جائیں گے (اگر یہ پہلے فراہم نہیں کیا گیا ہو)۔

گواہان:

(1) دستخط: _____

نام: _____

پتہ: _____

CNIC یا پاسپورٹ نمبر: _____

(2) دستخط: _____

نام: _____

پتہ: _____

CNIC یا پاسپورٹ نمبر: _____



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