

SAPPHIRE FIBRES LIMITED

Half Yearly Accounts December 31, 2017

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Company Profile

BOARD OF DIRECTORS

Board of Directors

Chairman	: Mr. Amer Abdullah
Chief Executive	: Mr. Shahid Abdullah
Director	: Mr. Nadeem Abdullah Mr. Yousuf Abdullah Mr. Shayan Abdullah Mr. Abdul Sattar
Independent Director	: Mr. Tajammal Husain Bokharee Mr. Nadeem Arshad Elahi

Audit Committee

Chairman	: Mr. Nadeem Arshad Elahi
Member	: Mr. Shayan Abdullah
Member	: Mr. Yousuf Abdullah
Member	: Mr. Tajammal Husain Bokharee

Human Resource And Remuneration Committee

Chairman	: Mr. Tajammal Husain Bokharee
Member	: Mr. Yousuf Abdullah
Member	: Mr. Shahid Abdullah
Member	: Mr. Shayan Abdullah

Chief Financial Officer

: Mr. Jawwad Faisal

Secretary

: Mr. Shaukat Mahmud

Auditors

: Shinewing Hameed Chaudhri & Company
Chartered Accountants

Tax Consultants

: Mushtaq & Company
Chartered Accountants

Legal Advisor

: Hassan & Hassan Advocates

Bankers

: Allied Bank Limited,
Bank Alfiah Limited
MCB Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
United Bank Limited

Share Registrars

: THK Associates (Pvt.) Limited,
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi.

Registered Office

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

Mills

: Kharianwala
Tehsil and District Sheikhpura.

Feroze Watwan,
Tehsil and District Sheikhpura.

Raiwind Road, Lahore.

DIRECTORS' REPORT

We are pleased to present un-audited interim financial statements of the Company for the half year ended 31 December 2017, duly reviewed by the auditors.

Financial Highlights

	31 December	
	2017	2016
	Rupees in thousand	
Sales & services	8,368,174	6,799,990
Gross profit	706,934	412,610
Other Income	1,184,416	1,280,965
Profit from operations	1,375,917	1,275,407
Profit before taxation	1,010,416	1,003,013
Taxation:		
- Current	169,224	128,293
- Deferred	9,155	13,648
	178,379	141,941
Profit after taxation	832,037	861,072

The Company achieved sales of Rs.8,368 million compared to Rs.6,800 million during corresponding period of last year; an increase of 23.1%. Gross profit as a percentage of sales improved to 8.45% as compared to 6.07% during last year. The Company earned profit after tax of Rs.832 million as against Rs.861 million in the same period of last year.

Earnings per share

The company's earnings per share (EPS) were at Rs.42.26 as compared to Rs. 43.74 during the same period of last year.

Future outlook

In spite of challenging conditions, Company's core textile operations have shown improvement during the period under review and the management is optimistic about further improvement of results in near future. However, continuation of existing duty draw back scheme is imperative for Pakistan's textile industry to compete in the global market.

The directors appreciate the hard work and commendable services rendered by staff and workers of the company.

For and on behalf of the Board

Lahore
Dated: 22 February, 2018

Shahid Abdullah
Chief Executive

ڈائریکٹرز رپورٹ

ہم 31 دسمبر 2017 کو ختم ہونے والی ششماہی کے لئے آڈیٹرز کی طرف سے جائزہ شدہ، کمپنی کے غیر نظر ثانی شدہ عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

روپے ہزاروں میں		تفصیل
31 دسمبر 2016ء	31 دسمبر 2017ء	
6,799,990	8,368,174	فروخت اور خدمات
412,610	706,934	مجموعی منافع
1,280,965	1,184,416	دیگر آمدن
1,275,407	1,375,917	آپریٹنگ سے منافع
1,003,013	1,010,416	ٹیکس سے پہلے منافع
		ٹیکسیشن
128,293	169,224	موجودہ
13,648	9,155	موخر
141,941	178,379	
861,072	832,037	ٹیکس کے بعد منافع

کمپنی نے گزشتہ سال کی اسی مدت میں 6,800 ملین روپے کے مقابلے میں 8,368 ملین روپے فروخت حاصل کی جو 23.1 فیصد کا اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 6.07 فیصد کے مقابلے میں 8.45 فیصد تک بہتر ہوا۔ کمپنی نے گزشتہ سال اسی مدت میں درج 861 ملین روپے کے مقابلے میں موجودہ ششماہی کے دوران 832 ملین روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

کمپنی کی موجودہ ششماہی کی فی شیئر آمدنی (EPS) 42.26 روپے ہے جو کہ پچھلے سال کی اسی ششماہی کی 43.74 روپے تھی۔

مستقبل کا نقطہ نظر

ان مشکل حالات کے باوجود، آپ کی کمپنی کے بنیادی ٹیکسٹائل آپریٹنگ نے زیر جائزہ مدت کے دوران بہتری ظاہر کی ہے اور انتظامیہ مستقبل قریب میں نتائج کی مزید بہتری بارے پر امید ہے۔ تاہم، عالمی مارکیٹ میں مقابلے کے لئے پاکستانی ٹیکسٹائل انڈسٹری کے لئے موجودہ ڈیوٹی ڈرایبیک اسکیم کا تسلسل ضروری ہے۔

اعتراف

ڈائریکٹرز، کمپنی کے عملے اور کارکنوں کی سخت محنت اور قابل ستائش خدمات کو سراہتے ہیں۔

مخانب بورڈ آف ڈائریکٹرز

لاہور

تاریخ: 22 فروری 2018ء

شاہد عبداللہ
چیف ایگزیکٹو

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION****Introduction**

We have reviewed the accompanying condensed interim balance sheet of SAPPHIRE FIBRES LIMITED (the Company) as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2017.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months period ended December 31, 2017 is not prepared, in all material aspects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi:
Dated : 22 February, 2018

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner:
Raheel Ahmed

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2017**

	Note	Un-audited December 31, 2017	Audited June 30, 2017
		----- Rupees -----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	9,741,433,228	8,824,397,614
Investment property		31,750,000	31,750,000
Intangible assets		4,846,654	1,593,123
Long term investments	6	9,029,271,936	9,656,754,996
Long term loans		3,195,000	3,755,000
Long term deposits		28,241,645	28,241,645
		18,838,738,463	18,546,492,378
Current assets			
Stores, spare parts and loose tools		230,269,114	224,557,495
Stock-in-trade	7	5,732,371,325	3,764,057,038
Trade debts		2,060,910,808	1,712,805,380
Loans and advances		313,182,224	138,575,316
Trade deposits and short term prepayments		8,353,979	11,820,029
Short term investments		3,700,838,726	4,859,591,123
Other receivables		715,960,917	593,715,867
Tax refunds due from Government		966,654,892	957,256,586
Cash and bank balances		124,662,036	31,508,884
		13,853,204,021	12,293,887,718
Total assets		32,691,942,484	30,840,380,096
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital		350,000,000	350,000,000
35,000,000 ordinary shares of Rs.10 each			
Issued, subscribed and paid-up capital		196,875,000	196,875,000
19,687,500 ordinary shares of Rs.10 each			
Reserves		15,823,778,248	16,858,133,265
		16,020,653,248	17,055,008,265
Liabilities			
Non-current liabilities			
Long term finances	8	3,641,528,345	3,590,098,182
Staff retirement benefit - gratuity		324,775,133	322,591,928
Deferred taxation		134,816,189	312,076,447
		4,101,119,667	4,224,766,557
Current liabilities			
Trade and other payables		2,488,512,028	1,754,066,409
Accrued mark-up / interest		108,430,480	113,949,459
Short term borrowings	9	9,247,630,604	7,289,563,613
Current portion of long term finances		486,125,350	121,675,950
Provision for taxation		239,471,107	281,349,843
		12,570,169,569	9,560,605,274
Total liabilities		16,671,289,236	13,785,371,831
Contingencies and commitments	10		
Total equity and liabilities		32,691,942,484	30,840,380,096

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore:

Dated: February 22, 2018

SHAHID ABDULLAH

Chief Executive

SHAYAN ABDULLAH

Director

JAWWAD FAISAL

Chief Financial Officer

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

	Note	Quarter ended		Six months period	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
----- Rupees -----					
Sales - net		4,223,998,600	3,533,973,687	8,368,173,657	6,799,990,282
Cost of sales	11	(3,884,526,617)	(3,381,106,475)	(7,661,239,550)	(6,387,380,343)
Gross profit		339,471,983	152,867,212	706,934,107	412,609,939
Distribution cost		(153,880,974)	(111,045,319)	(267,134,480)	(199,688,219)
Administrative expenses		(68,486,444)	(80,528,193)	(144,544,464)	(147,851,013)
Other income	12	992,633,977	1,088,034,479	1,184,416,104	1,280,965,275
Other expenses		(94,976,217)	(61,000,983)	(103,753,942)	(70,628,922)
Profit from operations		1,014,762,325	988,327,196	1,375,917,325	1,275,407,060
Finance cost		(199,402,567)	(144,100,656)	(365,501,309)	(272,394,370)
Profit before taxation		815,359,758	844,226,540	1,010,416,016	1,003,012,690
Taxation		(110,238,912)	(90,752,702)	(178,379,348)	(141,940,539)
Profit after taxation		705,120,846	753,473,838	832,036,668	861,072,151
Earnings per share					
- basic and diluted		35.82	38.27	42.26	43.74

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

	Quarter ended		Six months period	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- Rupees -----			
Profit after taxation	705,120,846	753,473,838	832,036,668	861,072,151
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to profit and loss				
Unrealised (loss) / gain due to change in fair values of available for sale investments:				
- long term	(38,172,664)	693,418,257	(703,383,533)	876,391,867
- short term	(303,081,202)	757,064,436	(1,291,890,549)	926,280,638
Impact of deferred tax	33,262,595	(141,462,622)	186,415,759	(180,511,092)
Adjustment for gain included in profit and loss account upon sale of available-for-sale investments	(6,201,657)	(29,143,264)	(43,031,149)	(65,394,210)
	(314,192,928)	1,279,876,807	(1,851,889,472)	1,556,767,203
Unrealised gain on remeasurement of forward foreign exchange contracts	15,169,380	803,138	15,169,380	2,234,532
Adjustment for gain included in profit and loss account upon settlement of forward exchange contracts	-	-	(140,343)	(1,090,222)
	15,169,380	803,138	15,029,037	1,144,310
Other comprehensive (loss) / income for the period	(299,023,548)	1,280,679,945	(1,836,860,435)	1,557,911,513
Total comprehensive income / (loss) for the period	406,097,298	2,034,153,783	(1,004,823,767)	2,418,983,664

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Note	Six months period	
		December 31, 2017	December 31, 2016
----- Rupees -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	13	(1,224,972,863)	(1,664,830,265)
Staff retirement benefits paid		(44,839,678)	(29,420,119)
Finance cost paid		(315,873,563)	(244,455,542)
Taxes paid		(183,636,629)	(71,004,831)
Workers' profit participation fund paid		(66,247,556)	(76,195,156)
Long term loans - net		560,000	(4,270,500)
Long term deposits - net		-	(5,000)
Net cash used in operating activities		(1,835,010,289)	(2,090,181,413)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,245,448,551)	(856,196,175)
Proceeds from disposal of operating fixed assets		8,674,637	25,217,902
Investment in a Subsidiary Company		(110,000,000)	(1,000,000)
Increase in investments		(163,081,212)	(1,017,953,792)
Proceeds from sale of investments		61,684,574	640,645,712
Proceeds from sale of stores and spares		200,000	766,486
Dividend and interest income received		1,087,009,934	1,169,659,216
Net cash generated from / (used in) investing activities		(360,960,618)	(38,860,651)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		450,014,000	455,722,000
- repaid		(34,134,437)	(9,046,166)
Dividend paid		(29,675,770)	(274,995,077)
Short term borrowings - net		1,902,920,266	1,925,333,065
Net cash generated from financing activities		2,289,124,059	2,097,013,822
Net increase / (decrease) in cash and cash equivalents		93,153,152	(32,028,242)
Cash and cash equivalents - at beginning of the period		31,508,884	101,213,600
Cash and cash equivalents - at end of the period		124,662,036	69,185,358

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Reserves						Total	
	Issued, subscribed and paid-up capital	Capital	General	Unrealised gain on available for sale investments	Unrealised gain on hedging instrument	Unappropriated profit		Sub-total
				Rupees				
Balance as at July 1, 2016 (Audited)	196,875,000	145,740,000	1,183,845,000	3,900,388,804	1,090,222	9,936,475,908	15,167,539,934	15,364,414,934
Transaction with owners								
Final dividend for the year ended June 30, 2016 at the rate of Rs.14 per share	-	-	-	-	-	(275,625,000)	(275,625,000)	(275,625,000)
Total comprehensive income for the six months period ended December 31, 2016								
Profit for the period	-	-	-	-	-	861,072,151	861,072,151	861,072,151
Other comprehensive income	-	-	-	1,566,767,203	1,144,310	-	1,557,911,513	1,557,911,513
	-	-	-	1,566,767,203	1,144,310	861,072,151	2,418,983,664	2,418,983,664
Balance as at December 31, 2016 (Un-audited)	196,875,000	145,740,000	1,183,845,000	5,457,156,007	2,234,532	10,521,923,059	17,310,898,598	17,507,773,598
Balance as at July 1, 2017 (Audited)	196,875,000	145,740,000	1,183,845,000	4,835,120,062	140,343	10,693,287,860	16,858,133,265	17,055,008,265
Transaction with owners								
Final dividend for the year ended June 30, 2017 at the rate of Rs.1.5 per share	-	-	-	-	-	(29,531,250)	(29,531,250)	(29,531,250)
Total comprehensive income for six months period ended December 31, 2017								
Profit for the period	-	-	-	-	-	832,036,668	832,036,668	832,036,668
Other comprehensive (loss) / income	-	-	-	(1,851,889,472)	15,029,037	-	(1,836,860,435)	(1,836,860,435)
	-	-	-	(1,851,889,472)	15,029,037	832,036,668	(1,004,823,767)	(1,004,823,767)
Balance as at December 31, 2017 (Un-audited)	196,875,000	145,740,000	1,183,845,000	2,983,230,590	15,169,380	11,495,793,278	15,823,778,248	16,020,653,248

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Lahore:

Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017****1. LEGAL STATUS AND NATURE OF BUSINESS**

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

2. BASIS OF PREPARATION**2.1 Statement of compliance**

The Companies Act, 2017 has been promulgated with effect from May 30, 2017. However, as per the requirements of Circular # 23 of 2017 dated October 4, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and related clarification issued by the Institute of Chartered Accountants of Pakistan through its Circular # 17 of 2017 dated October 6, 2017, companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance).

2.2 This condensed interim financial information of the Company for the six months period ended December 31, 2017 is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. The figures for the six months period ended December 31, 2017 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2017.

2.3 This condensed interim financial information is being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2017.

There are certain new International Financial Reporting Standards (standards), amendments to published standards and interpretations that are mandatory for the financial period beginning on July 1, 2017. These considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this condensed interim financial information.

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

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

- (a) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.
- (b) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

3.2 In addition to the foregoing, the Companies Act, 2017 which is not effective on these condensed interim financial statements has added certain disclosure requirements which will be applicable in the future.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited annual financial statements for the year ended June 30, 2017.

5. PROPERTY, PLANT AND EQUIPMENT

		Un-audited December 31, 2017	Audited June 30, 2017
	Note	----- Rupees -----	
Operating fixed assets	5.1	8,198,773,176	8,335,534,845
Capital work-in-progress	5.3	1,542,660,052	488,862,769
		<u>9,741,433,228</u>	<u>8,824,397,614</u>

5.1 Operating fixed assets

Net book value at beginning of the period / year		8,335,534,845	7,568,105,475
Additions during the period / year	5.1.1	187,754,369	1,416,024,732
Disposals costing Rs. 38.060 million (June 30, 2017: Rs.88.062 million) - at net book value		(6,422,105)	(16,345,378)
Depreciation charge for the period / year		(318,093,933)	(632,249,984)
Net book value at end of the period / year		<u>8,198,773,176</u>	<u>8,335,534,845</u>

5.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:

		Un-audited December 31, 2017	Audited June 30, 2017
		----- Rupees -----	
Freehold land		-	84,885,473
Leasehold land		-	206,531,800
Residential buildings and others on freehold land		-	71,339,699
Factory buildings on freehold land		1,802,158	175,400,114
Plant and machinery		163,730,482	785,357,841
Electric installations		-	19,874,153
Equipment:			
• fire fighting		123,000	343,031
• office		-	374,850
• mills		180,000	5,183,717
• electric / gas		-	916,490
Computer hardware		342,500	3,136,569
Vehicles		20,709,291	55,988,064
Furniture and fixtures		866,938	6,692,931
		<u>187,754,369</u>	<u>1,416,024,732</u>

5.2 Operating fixed assets includes freehold land valuing Rs.80.685 million representing the Company's 30% share of jointly controlled freehold land located at Block-D/1, Gulberg, Lahore, registered in the name of the Company along with Sapphire Textile Mills Limited, Diamond Fabrics Limited, and Sapphire Finishing Mills Limited (Associated Companies).

5.3 Capital work-in-progress

		Un-audited December 31, 2017	Audited June 30, 2017
	Note	----- Rupees -----	
Buildings		264,629,876	132,495,181
Plant and machinery {including in transit aggregating Rs.447.764 million (June 30, 2017: Rs.Nil)}	5.3.1	758,685,739	212,176,425
Computer hardware		1,046,500	-
Furniture and fixtures		59,744	-
Advance payments against:			
• freehold land		49,655,737	38,730,656
• factory / office building		89,847,086	79,210,265
• plant and machinery		368,311,495	13,538,559
• vehicles		9,453,900	9,911,683
• computer software		969,975	2,800,000
		518,238,193	144,191,163
		1,542,660,052	488,862,769

5.3.1 Borrowing cost at the rates ranging from 2.50% to 6.76% (June 30, 2017: 7.10% to 7.12%) per annum amounting Rs.3.858 million (June 30, 2017: Rs.58 thousand) has been included in the cost of plant and machinery.

6. LONG TERM INVESTMENTS

		Un-audited December 31, 2017	Audited June 30, 2017
	Note	----- Rupees -----	
Subsidiary Companies - at cost		3,040,008,316	3,040,008,316
Deposit for shares - Subsidiary Company		110,000,000	-
Associated Companies - at cost		758,276,769	758,276,769
Others - available for sale	6.1	5,120,986,851	5,858,469,911
		9,029,271,936	9,656,754,996

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Un-audited December 31, 2017	Audited June 30, 2017
	----- Rupees -----	
6.1 Others - available for sale		
Quoted		
MCB Bank Limited		
18,213,195 (June 30, 2017: 18,368,286) ordinary shares of Rs.10 each - cost	896,451,123	893,476,093
Adjustment arising from re-measurement to fair value	2,970,574,440	2,971,762,329
	<u>3,867,025,563</u>	<u>3,865,238,422</u>
Habib Bank Limited		
7,244,196 (June 30, 2017: 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	(6,640,899)	732,629,302
	1,210,432,710	1,949,702,911
Term finance certificates - Habib Bank Limited		
150 (June 30, 2017: 150) term finance certificates of Rs.100,000 each - cost	14,991,000	15,000,000
Adjustment arising from re-measurement to fair value	(178,500)	(187,500)
	14,812,500	14,812,500
	<u>5,092,270,773</u>	<u>5,829,753,833</u>
Unquoted		
Novelty Enterprises (Private) Limited		
2,351,995 (June 30, 2017: 2,351,995) ordinary shares of Rs.10 each - cost	28,716,078	28,716,078
	<u>5,120,986,851</u>	<u>5,858,469,911</u>
7. STOCK-IN-TRADE		
Raw materials	4,638,078,708	2,757,642,344
Work-in-process	396,746,259	309,426,974
Finished goods	697,546,358	696,987,720
	<u>5,732,371,325</u>	<u>3,764,057,038</u>
8. LONG TERM FINANCES - secured		
Balance at beginning of the period / year	3,711,774,132	2,128,501,298
Add: disbursements during the period / year	450,014,000	1,592,989,000
Less: repayments made during the period / year	(34,134,437)	(9,716,166)
Balance at end of the period / year	4,127,653,695	3,711,774,132
Less: current portion grouped under current liabilities	(486,125,350)	(121,675,950)
	<u>3,641,528,345</u>	<u>3,590,098,182</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

8.1 All the terms and conditions of the long term finances are same as disclosed in audited annual consolidated financial statements of the Group for the year ended June 30, 2017. Effective mark-up rates charged, during the current period, ranged from 2.50% to 7.13% (June 30, 2017: 2.50% to 9.40%) per annum.

9. SHORT TERM BORROWINGS - secured

The Company has short term running and cash finance facilities, including facilities for foreign currency loans, aggregating Rs.15,350 million (June 30, 2017: Rs.14,700 million) from various commercial banks under mark-up arrangements. These finance facilities are secured against hypothecation charge over current assets of the Company, lien on export / import documents, trust receipts and promissory notes duly signed by the directors. These finances carry mark-up at the rates ranging from 1.15% to 7.15% (June 30, 2017: 1.00% to 7.37%) per annum. These facilities are expiring on various dates upto December 31, 2018.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.382.621 million (June 30, 2017: Rs.259.776 million) have been issued by banks of the Company to various Government institutions and Sui Northern Gas Pipeline Limited.

10.1.2

Section 5A of the Income Tax Ordinance, 2001 imposes tax on every public company at the rate of 7.5% of its accounting profit before tax for the year in case the Company does not distribute 40% of the accounting profit either through cash dividend or issuance of bonus shares within six months of the end of the said year. The Company has filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2017 challenging the vires of Section 5A of the Income Tax Ordinance, 2001. The SHC accepted the CP and has granted stay against the applicability of section 5A. In case the SHC's decision is not in favour of the Company; the Company will either be required to declare balance amount of dividend or it will be liable to pay additional tax. The case is pending adjudication.

10.2 Commitments in respect of :

- letters of credit for capital expenditure
- letters of credit for purchase of raw materials and stores, spare parts & chemicals
- capital expenditure other than letters of credit
- foreign bills discounted
- forward foreign exchange contracts

Un-audited December 31, 2017	Audited June 30, 2017
----- Rupees -----	
307,168,621	699,262,767
526,873,702	142,589,420
402,916,203	349,428,568
1,110,160,203	561,045,440
530,576,800	263,145,000

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

11. COST OF SALES

		----- Un-audited -----			
		Quarter ended		Six months period ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Note		----- Rupees -----			
	Finished goods at beginning of the period	655,837,589	681,113,589	696,987,720	514,758,796
	Cost of goods manufactured	3,912,017,782	3,309,678,938	7,642,136,726	6,467,553,425
	Cost of raw materials sold	14,217,604	12,222,675	19,661,462	26,976,849
		3,926,235,386	3,321,901,613	7,661,798,188	6,494,530,274
		4,582,072,975	4,003,015,202	8,358,785,908	7,009,289,070
	Finished goods at end of the period	(697,546,358)	(621,908,727)	(697,546,358)	(621,908,727)
		3,884,526,617	3,381,106,475	7,661,239,550	6,387,380,343
11.1	Cost of goods manufactured				
	Work-in-process at beginning of the period	345,980,305	171,180,219	309,426,974	160,305,731
	Raw materials consumed	2,496,597,320	2,179,662,864	4,897,505,182	4,169,478,955
	Direct labour and other overheads	1,466,186,416	1,147,103,952	2,831,950,829	2,326,036,836
		3,962,783,736	3,326,766,816	7,729,456,011	6,495,515,791
		4,308,764,041	3,497,947,035	8,038,882,985	6,655,821,522
	Work-in-process at end of the period	(396,746,259)	(188,268,097)	(396,746,259)	(188,268,097)
		3,912,017,782	3,309,678,938	7,642,136,726	6,467,553,425

12. OTHER INCOME

The Company, during the current period, received dividend amounting Rs.866.348 million (December 31, 2016: Rs.866.348 million) from Sapphire Electric Company Limited - Subsidiary Company.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

13. CASH USED IN OPERATIONS

	Note	Un-audited	
		Six months period ended	
		December 31, 2017	December 31, 2016
		----- Rupees -----	
Profit before taxation		1,010,416,016	1,003,012,690
Adjustments for non-cash and other items:			
Depreciation		318,093,933	304,108,422
Amortization of intangible assets		643,368	874,478
Staff retirement benefit - gratuity		47,022,883	50,160,000
Provision for workers' profit participation fund		51,245,908	50,559,526
Provision for doubtful tax refunds		51,522,468	-
Provision for workers' welfare fund		85,566	19,212,620
Gain on disposal of operating fixed assets		(2,252,532)	(17,188,570)
Gain on sale of investments		(36,829,492)	(61,594,318)
Loss / (gain) on sale of stores and spares		159,473	(49,960)
Dividend and interest income		(1,134,997,865)	(1,183,116,679)
Finance cost		310,354,584	272,394,370
Exchange loss / (gain)		55,146,725	(6,961,325)
Working capital changes	13.1	(1,895,583,898)	(2,096,241,519)
		<u>(1,224,972,863)</u>	<u>(1,664,830,265)</u>
13.1 Working capital changes			
(Increase) / decrease in current assets:			
- stores, spare parts and loose tools		(6,071,092)	(70,213,143)
- stock-in-trade		(1,968,314,287)	(2,458,820,802)
- trade debts		(348,105,428)	(140,089,404)
- loans and advances		(174,606,908)	3,005,773
- deposits, other receivables and sales tax		(148,077,970)	328,237,415
		<u>(2,645,175,685)</u>	<u>(2,337,880,161)</u>
Increase in trade and other payables		749,591,787	241,638,642
		<u>(1,895,583,898)</u>	<u>(2,096,241,519)</u>

14. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Company's sensitivity to these risks since June 30, 2017, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the current period.

This condensed interim financial information does not include all financial risk management information and disclosures as are required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2017.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

15. TRANSACTIONS WITH RELATED PARTIES

15.1 Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	Un-audited	
		Six months period ended	
		December 31, 2017	December 31, 2016
----- Rupees -----			
(i) Subsidiaries	Dividend received	866,347,800	866,647,800
	Deposit for shares	110,000,000	-
	Expenses charged to	21,823,252	1,264,183
(ii) Associates	Sales:		
	• raw material / yarn / fabric / stores	420,836,236	367,480,203
	• assets	-	15,000,000
	Purchases:		
	• raw material / yarn / fabric / stores	384,061,080	211,613,743
	• assets	1,700,000	10,824,557
	• electricity	60,648,235	112,165,646
	Services:		
	• rendered	1,895,761	26,890,059
	• obtained	1,416,911	1,059,831
	Expenses charged by	13,545,163	11,669,235
	Expenses charged to	9,152,958	8,272,899
	Dividend:		
• received	239,002	782,027	
• paid	15,294,894	142,756,544	
(iii) Key management personnel	Remuneration and other benefits	85,542,929	128,358,126
(iv) Retirement fund	Contribution made	5,620,928	5,051,570

**15.2 Period / year end balances are as follows:
Receivables from related parties**

	Un-audited December 31, 2017	Audited June 30, 2017
----- Rupees -----		
Investments	3,798,285,085	3,798,285,085
Trade debts	81,461,894	78,159,234
Other receivables	47,290,593	26,554,167
Payable to related parties		
Trade and other payables	128,917,286	230,633,923

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017****16. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2017, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial information of the Company for the six months period ended December 31, 2016.

17. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorised for issue on February 22, 2018.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

DIRECTORS' REPORT

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiaries Sapphire Electric Company Limited, Premier Cement Limited and Sapphire Cement Company Limited for the half year ended 31 December, 2017. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited (SECL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 on 18 January, 2005. It became subsidiary of Sapphire Fibres Limited (SFL) on 1st July, 2008. SFL holds 68.11% shares of SECL as on 31 December, 2017.

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

SAPPHIRE HYDRO LIMITED

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

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

PREMIER CEMENT LIMITED

Premier Cement Limited (PCL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 on 26 July, 2016. SFL holds 100% shares of PCL as on 31 December, 2017.

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

SAPPHIRE CEMENT COMPANY LIMITED

Sapphire Cement Company Limited (SCCL) was incorporated in Pakistan as an unlisted public company limited by shares under companies ordinance 1984 on 28 October, 2016. SFL holds 100% shares of SCCL as on 31 December, 2017.

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

For and on behalf of the Board of Directors

Lahore:
Dated: 22 February, 2018

Shahid Abdullah
Chief Executive

ڈائریکٹرز رپورٹ

ڈائریکٹرز 31 دسمبر 2017ء کو ختم ہونے والی ششماہی کے لئے سفارز فائبرز لمیٹڈ اور اسکی ذیلی کمپنیوں سفارز الیکٹریک کمپنی لمیٹڈ، پریکٹیس سیمٹ لمیٹڈ اور سفارز سیمٹ کمپنی لمیٹڈ کے اہتمام شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار-27 (اہتمام شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اہتمام 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 2005ء کو کلینیز آرڈیننس، 1984ء کے تحت غیر مندرج پبلک کمپنی لمیٹڈ کے طور پر پاکستان میں قائم ہوئی۔ یہ یکم جولائی 2008ء کو سفارز فائبرز لمیٹڈ (ایس ایف ایل) کی ذیلی کمپنی بنی۔ ایس ایف ایل 31 دسمبر 2017ء کے مطابق ایس ای سی ایل کے 68.11% حصص کی مالک ہے۔

ذیلی کمپنی کی اصل سرگرمی مرید کے ضلع شیخوپورہ میں 212 میگا واٹ کی خالص صلاحیت کے کمپائونڈ سائیکل پاور سٹیشن کی ملکیت، کو چلانا اور برقرار رکھنا ہے۔

سفارز ہائیڈرو لمیٹڈ:

سفارز ہائیڈرو لمیٹڈ (SHL) 07 ستمبر 2017ء کو کلینیز ایکٹ 2017ء کے تحت پبلک کمپنی لمیٹڈ کے طور پر پاکستان میں قائم ہوئی۔ ذیلی کمپنی کا اصل کاروبار شمسی، خیر پختونخواہ میں 682 GWh کی سالانہ بجلی کی پیداوار کی پمپنگ 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) بیزنس کمپنی کی ذیلی کمپنی سفارز الیکٹریک کمپنی لمیٹڈ کی ایک مکمل ملکیتی ذیلی کمپنی ہے۔

پریکٹیس سیمٹ لمیٹڈ:

پریکٹیس سیمٹ لمیٹڈ (پی سی ایل) کلینیز آرڈیننس 1984ء کے تحت ایک غیر مندرج پبلک کمپنی لمیٹڈ کے طور پر پاکستان میں قائم ہوئی۔ ایس ایف ایل 31 دسمبر 2017ء کے مطابق پی سی ایل کے 100% حصص کی مالک ہے۔

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

سفارز سیمٹ کمپنی لمیٹڈ:

سفارز سیمٹ کمپنی لمیٹڈ (ایس سی ایل) 28 اکتوبر 2016ء کو کلینیز آرڈیننس 1984ء کے تحت ایک غیر مندرج پبلک کمپنی لمیٹڈ کے طور پر پاکستان میں قائم ہوئی۔ ایس ایف ایل 31 دسمبر 2017ء کے مطابق ایس سی ایل کے 100% حصص کی مالک ہے۔

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

مخائب بورڈ آف ڈائریکٹرز

لاہور

تاریخ: 22 فروری 2018ء

شاہد عبداللہ

چیف ایگزیکٹو

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2017**

	Note	Un-audited December 31, 2017	Audited June 30, 2017
		----- Rupees -----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	23,304,459,667	22,620,365,051
Investment property		31,750,000	31,750,000
Intangible assets		10,459,558	7,206,027
Long term investments	6	6,094,391,265	6,856,911,437
Long term loans		3,195,000	3,755,000
Long term deposits		30,341,445	30,341,445
		<u>29,474,596,935</u>	<u>29,550,328,960</u>
Current assets			
Stores, spare parts and loose tools		230,269,114	224,557,495
Stock-in-trade	7	5,927,650,690	4,005,327,908
Trade debts	8	8,305,368,845	7,914,991,732
Loans and advances		325,253,596	170,209,756
Trade deposits and short term prepayments		104,864,007	41,657,612
Short term investments		3,700,838,726	4,859,591,123
Other receivables		871,073,350	693,038,000
Tax refunds due from Government		966,654,892	992,588,904
Cash and bank balances		573,098,624	456,720,245
		<u>21,005,071,844</u>	<u>19,358,682,775</u>
Total assets		<u>50,479,668,779</u>	<u>48,909,011,735</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 (June 30, 2017: 35,000,000) ordinary shares of Rs.10 each		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid-up capital			
19,687,500 (June 30, 2017: 19,687,500) ordinary shares of Rs.10 each		<u>196,875,000</u>	<u>196,875,000</u>
Reserves		<u>19,715,547,405</u>	<u>20,899,637,194</u>
Equity attributable to shareholders of the Parent Company		<u>19,912,422,405</u>	<u>21,096,512,194</u>
Non-controlling interest		<u>3,151,722,485</u>	<u>3,207,187,832</u>
Total Equity		<u>23,064,144,890</u>	<u>24,303,700,026</u>
Liabilities			
Non-current liabilities			
Long term finances	9	7,320,138,235	8,151,085,974
Staff retirement benefit - gratuity		324,775,133	322,591,928
Deferred taxation		139,273,006	315,722,538
		<u>7,784,186,374</u>	<u>8,789,400,440</u>
Current liabilities			
Trade and other payables		3,555,958,882	3,494,306,409
Accrued mark-up / interest		267,241,935	144,515,971
Short term borrowings	10	13,382,783,240	10,199,515,680
Current portion of long term finances		2,185,882,351	1,696,223,366
Provision for taxation		239,471,107	281,349,843
		<u>19,631,337,515</u>	<u>15,815,911,269</u>
		<u>27,415,523,889</u>	<u>24,605,311,709</u>
Contingencies and commitments	11		
Total equity and liabilities		<u>50,479,668,779</u>	<u>48,909,011,735</u>

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

Lahore: **SHAHID ABDULLAH** **SHAYAN ABDULLAH** **JAWWAD FAISAL**
Dated: February 22, 2018 Chief Executive Director Chief Financial Officer

**CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

	Note	Quarter ended		Six months period	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
----- Rupees -----					
Sales - net		5,566,181,458	6,362,409,599	12,922,702,893	13,015,318,430
Cost of sales	12	(4,402,966,848)	(5,429,548,944)	(10,644,108,724)	(11,084,457,525)
Gross profit		1,163,214,610	932,860,655	2,278,594,169	1,930,860,905
Distribution cost		(153,880,974)	(111,045,319)	(267,134,480)	(199,688,219)
Administrative expenses		(124,057,998)	(96,393,102)	(242,811,131)	(193,181,248)
Other income		126,213,462	220,929,487	318,176,899	414,280,090
Other expenses		(101,184,292)	(61,245,074)	(110,643,318)	(71,278,439)
Profit from operations		910,304,808	885,106,647	1,976,182,139	1,880,993,089
Finance cost		(383,064,971)	(342,873,277)	(739,696,174)	(670,113,697)
		527,239,837	542,233,370	1,236,485,965	1,210,879,392
Share of (loss) / profit of Associated Companies		(1,667,439)	(3,940,910)	(7,785,042)	3,583,525
Profit before taxation		525,572,398	538,292,460	1,228,700,923	1,214,462,917
Taxation		(110,318,463)	(90,608,151)	(179,190,074)	(142,029,407)
Profit after taxation		415,253,935	447,684,309	1,049,510,849	1,072,433,510
Attributable to:					
- Shareholders of the Parent Company		229,352,401	267,409,952	699,314,964	729,607,915
- Non-controlling interest		185,901,534	180,274,357	350,195,885	342,825,595
		415,253,935	447,684,309	1,049,510,849	1,072,433,510
Earnings per share					
- attributable to the shareholders of Parent Company		11.65	13.58	35.52	37.06

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

	Quarter ended		Six months period	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
----- Rupees -----				
Profit after taxation	415,253,935	447,684,309	1,049,510,849	1,072,433,510
Other comprehensive income / (loss)				
Items that are or may be reclassified subsequently to profit and loss				
Unrealised (loss) / gain due to change in fair values of available for sale investments:				
- long term	(38,172,664)	693,418,257	(703,383,533)	876,391,867
- short term	(303,081,202)	757,064,436	(1,291,890,549)	926,280,638
Impact of deferred tax	33,262,595	(141,462,622)	186,415,759	(180,511,092)
Adjustment for gain included in profit and loss account upon sale of available-for-sale investments	(6,201,657)	(29,143,264)	(43,031,149)	(65,394,210)
Share of fair value (loss) / gain on remeasurement of available for sale investments of Associated Companies	(2,916,713)	5,594,385	(17,151,210)	7,066,243
	(317,109,641)	1,285,471,192	(1,869,040,682)	1,563,833,446
Forward foreign exchange contracts				
Unrealised gain on remeasurement of forward foreign exchange contracts	15,169,380	803,138	15,169,380	2,234,532
Adjustment for gain included in profit and loss account upon settlement of forward exchange contracts	-	-	(140,343)	(1,090,222)
Share of unrealised gain / (loss) on remeasurement of hedging instruments of Associated Companies	81,868	4,632	113,223	(9,042)
	15,251,248	807,770	15,142,260	1,135,268
Other comprehensive (loss) / income for the period	(301,858,393)	1,286,278,962	(1,853,898,422)	1,564,968,714
Total comprehensive income / (loss) for the period	113,395,542	1,733,963,271	(804,387,573)	2,637,402,224
Attributable to:				
- Shareholders of the Parent Company	(72,505,992)	1,553,688,914	(1,154,583,458)	2,294,576,629
- Non-controlling interest	185,901,534	180,274,357	350,195,885	342,825,595
	113,395,542	1,733,963,271	(804,387,573)	2,637,402,224

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Note	Six months period ended	
		December 31, 2017	December 31, 2016
		----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	13	(189,765,715)	(1,238,069,893)
Staff retirement benefits paid		(44,839,678)	(29,420,119)
Finance cost paid		(561,823,485)	(670,181,237)
Taxes paid		(205,987,980)	(73,528,478)
Workers' profit participation fund paid		(66,247,556)	(76,195,156)
Long term loans - net		560,000	(4,270,500)
Long term deposits - net		-	(5,000)
Net cash used in operating activities		(1,068,104,414)	(2,091,670,383)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,295,265,384)	(864,633,311)
Increase in investments		(163,081,212)	(1,017,953,792)
Proceeds from sale of investments		61,684,574	640,645,712
Proceeds from disposal of operating fixed assets		8,697,637	25,217,902
Proceeds from disposal of stores and spares		200,000	766,486
Dividend and interest income received		220,807,113	317,221,486
Net cash used in investing activities		(1,166,957,272)	(898,735,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		450,014,000	455,722,000
- repaid		(791,302,754)	(664,910,372)
Dividend paid		(435,392,016)	(680,711,323)
Short term borrowings - net		3,128,120,835	3,773,760,065
Net cash generated form financing activities		2,351,440,065	2,883,860,370
Net increase / (decrease) in cash and cash equivalents		116,378,379	(106,545,530)
Cash and cash equivalents - at beginning of the period		456,720,245	608,377,326
Cash and cash equivalents - at end of the period		573,098,624	501,831,796

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Capital				Reserves			Equity attributable to shareholders of the Parent Company	Non-controlling interest	
	Issued, subscribed and paid-up capital	Share premium	Maintenance reserve	General	Unrealised gain on available-for-sale investments	Unrealised gain on hedging instruments	Unappropriated profit			Total Reserves
Balance as at July 1, 2016 (Audited)	196,875,000	145,740,000	237,251,349	1,183,845,000	3,902,837,075	1,164,210	12,998,223,115	18,469,060,749	18,665,935,749	2,852,834,074
Transaction with owners										
Cash dividend for the year ended June 30, 2016 at the rate of Rs. 1.5 per share	-	-	-	-	-	-	(275,625,000)	(275,625,000)	(275,625,000)	(405,661,208)
Total comprehensive income for the six months period ended December 31, 2016										
Profit for the period	-	-	-	-	1,563,833,446	-	729,607,915	729,607,915	729,607,915	342,825,595
Other comprehensive income	-	-	-	-	-	1,135,268	-	1,564,968,714	1,564,968,714	-
Transfer to maintenance reserve	-	-	43,292,404	-	1,563,833,446	1,135,268	729,607,915	2,294,576,629	2,294,576,629	342,825,595
Effect of items directly credited in equity by the Associated Companies	-	-	-	-	-	-	(43,292,404)	-	-	-
	-	-	-	-	-	-	6,897,667	6,897,667	6,897,667	-
Balance as at December 31, 2016 (Un-audited)	196,875,000	145,740,000	280,543,753	1,183,845,000	5,466,670,521	2,299,478	13,415,811,293	20,494,910,045	20,691,785,045	2,789,998,461
Balance as at July 1, 2017 (Audited)	196,875,000	145,740,000	336,444,851	1,183,845,000	4,850,890,908	174,046	14,382,542,389	20,899,637,194	21,096,512,194	3,207,187,832
Transaction with owners										
Final dividend for the year ended June 30, 2017 at the rate of Rs. 1.5 per share	-	-	-	-	-	-	(29,531,250)	(29,531,250)	(29,531,250)	(405,661,232)
Total comprehensive income for six months period ended December 31, 2017										
Profit for the period	-	-	-	-	(1,869,040,682)	15,142,260	699,314,964	699,314,964	699,314,964	350,195,885
Other comprehensive income	-	-	-	-	(1,869,040,682)	-	-	(1,853,898,422)	(1,853,898,422)	-
Transfer to maintenance reserve	-	-	42,849,729	-	(1,869,040,682)	15,142,260	699,314,964	(1,154,583,458)	(1,154,583,458)	350,195,885
Effect of items directly credited in equity by the Associated Companies	-	-	-	-	-	-	(42,849,729)	-	-	-
	-	-	-	-	-	-	24,919	24,919	24,919	-
Balance as at December 31, 2017 (Un-audited)	196,875,000	145,740,000	379,294,580	1,183,845,000	2,981,850,226	15,316,306	15,009,501,293	19,715,847,405	19,912,422,405	3,151,722,485

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

1. THE GROUP AND ITS OPERATIONS

The Group consists of Sapphire Fibres Limited the Parent Company and its subsidiary companies Sapphire Electric Company Limited, Premier Cement Limited, Sapphire Cement Company Limited and Sapphire Hydro Limited.

- **Sapphire Fibres Limited (the Parent Company)**

The Parent Company is a public limited company incorporated in Pakistan and its shares are listed on Pakistan Stock Exchange Limited. The Parent Company is principally engaged in manufacture and sale of yarn, fabrics and garments.

- **Sapphire Electric Company Limited**

Sapphire Electric Company Limited (the Subsidiary Company) was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 on January 18, 2005. The principal activity of the Subsidiary Company is to build, own, operate and maintain a combined cycle power station having a net capacity of 212 MW at Muridke, District Sheikhupura, Punjab.

- **Premier Cement Limited**

Premier Cement Limited is a wholly owned subsidiary of the Parent Company and was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984, on July 26, 2016. The principal activity of subsidiary company is to manufacture and sale of cement and allied products. The Subsidiary Company obtained license from Directorate General Mines and Minerals, Khyber Pakhtunkhwa for setting up cement plant in D.I Khan district. The Subsidiary Company is expecting to commence operations in the year 2018/2019.

- **Sapphire Cement Company Limited**

Sapphire Cement Company Limited is also a wholly owned subsidiary of the Parent Company and was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 on October 28, 2016. The principal activity of the 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.

- **Sapphire Hydro Limited (the Subsidiary Company)**

Sapphire Hydro Limited (SHL) is a wholly owned subsidiary of Sapphire Electric Company Limited which is a subsidiary of the Parent Company and was incorporated in Pakistan as a public company limited by shares under the Companies Act, 2017 on September 07, 2017. The principal business of the subsidiary company 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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Companies Act, 2017 has been promulgated with effect from May 30, 2017. However, as per the requirements of Circular # 23 of 2017 dated October 4, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and related clarification issued by the Institute of Chartered Accountants of Pakistan through its Circular # 17 of 2017 dated October 6, 2017, companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance).

2.2 This consolidated condensed interim financial information of the Group for the six months period ended December 31, 2017 is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. The figures for the six months period ended December 31, 2017 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This consolidated condensed interim financial information does not include all the information required for annual consolidated financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements of the Group for the year ended June 30, 2017.

2.3 This consolidated condensed interim financial information is being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

These consolidated financial statements of the Group include the financial statements of the Parent Company and of its Subsidiary Companies. The Parent Company's direct interest in Sapphire Electric Company Limited, as at December 31, 2017 is 68.11% (June 30, 2017: 68.11%) where as Premier Cement Limited and Sapphire Cement Company Limited are wholly owned Subsidiaries of the Parent Company. Sapphire Hydro Limited is a wholly owned Subsidiary of Sapphire Electric Company Limited.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim consolidated financial information are consistent with those applied in the preparation of audited annual consolidated financial statements for the year ended June 30, 2017.

There are certain International Financial Reporting Standards, amendments to published standards and interpretations that are mandatory for the financial period beginning on July 1, 2017. These are considered not to be relevant or to have any significant effect on Group's financial reporting and operations and are, therefore, not disclosed in the condensed interim consolidated financial information.

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

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

- (a) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.
- (b) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today.

The management is in the process of assessing the impact of changes laid down by these standards on its Group financial statements

3.2 In addition to the foregoing, the Companies Act, 2017 which is not effective on these condensed interim consolidated financial information has added certain disclosure requirements which will be applicable in the future.**4. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements for the year ended June 30, 2017.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

5. PROPERTY, PLANT AND EQUIPMENT	Note	Un-audited December 31, 2017 ----- Rupees -----	Audited June 30, 2017
Operating fixed assets	5.1	21,446,650,412	21,901,722,857
Capital work-in-progress	5.3	1,644,171,500	505,004,439
Stand-by-equipment		213,637,755	213,637,755
		23,304,459,667	22,620,365,051
5.1 Operating fixed assets			
Net book value at beginning of the period / year		21,901,722,857	21,710,885,357
Additions during the period / year	5.1.1	190,449,429	1,425,128,621
Disposals costing Rs.76.332 million (June 30, 2017: Rs.89.939 million) - at net book value		(44,694,353)	(18,018,867)
Depreciation charge for the period / year		(600,827,521)	(1,216,272,254)
Net book value at end of the period / year		21,446,650,412	21,901,722,857
5.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year were as follows:			
Freehold land		-	84,885,473
Leasehold land		-	206,531,800
Residential buildings and others on freehold land		-	71,339,699
Factory buildings on freehold land		1,802,158	175,400,114
Plant and machinery		163,730,482	785,357,841
Electrical installations		-	19,874,153
Equipment:			
• fire fighting		123,000	343,031
• office		59,500	1,287,159
• mills		180,000	5,183,717
• electric / gas		-	916,490
Computer hardware		728,500	4,263,069
Vehicles		22,958,851	62,354,644
Furniture and fixtures		866,938	7,391,431
		190,449,429	1,425,128,621
5.2			
Operating fixed assets includes freehold land valuing Rs.80.685 million representing the Parent Company's 30% share of jointly controlled freehold land located at Block-D/1, Gulberg, Lahore, registered in the name of the Parent Company along with Sapphire Textile Mills Limited, Diamond Fabrics Limited, and Sapphire Finishing Mills Limited (Associated Companies).			

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

		Un-audited December 31, 2017	Audited June 30, 2017
		----- Rupees -----	
5.3	Capital work-in-progress		
	Buildings	264,629,876	132,495,181
	Plant and machinery {including in transit aggregating Rs.447.764 million (June 30, 2017: Rs.Nil)}	972,520,694	212,373,625
	Un-allocated capital expenditure	99,249,548	14,944,470
	Stand-by-equipment	213,637,755	213,637,755
	Computer hardware	1,046,500	-
	Furniture and fixtures	59,744	-
	Advance payments against:		
	• freehold land	49,655,737	38,730,656
	• factory / office building	89,847,086	79,210,265
	• plant and machinery	368,311,495	13,538,559
	• computer software	969,975	2,800,000
	• vehicles	11,518,600	10,911,683
		520,302,893	145,191,163
		1,857,809,255	718,642,194

5.3.1 Borrowing cost at the rates ranging from 2.50% to 6.76% (June 30, 2017: 7.10% to 7.12%) per annum amounting Rs.3.858 million (June 30, 2017: Rs.58 thousand) has been included in the cost of plant and machinery.

		Un-audited December 31, 2017	Audited June 30, 2017
		----- Rupees -----	
6.	LONG TERM INVESTMENTS		
	Associated Companies	973,404,414	998,441,526
	Others - available for sale	5,120,986,851	5,858,469,911
		6,094,391,265	6,856,911,437
6.1	Associated Companies- equity method		
	Quoted		
	Reliance Cotton Spinning Mills Limited (RCSML)	29,687,740	29,087,105
	SFL Limited (SFL)	1,446,072	1,487,881
	Unquoted		
	Sapphire Power Generation Limited (SPGL)	270,367,811	287,844,593
	Sapphire Dairies (Private) Limited (SDL)	91,486,288	97,097,722
	Tricon Boston Consulting Corporation (Private) Limited - TBCCL	580,416,503	582,924,225
		973,404,414	998,441,526

6.1.1 Investment in RCSML represents 138,900 fully paid ordinary shares of Rs.10 each representing 1.35% (June 30, 2017: 1.35%) of RCSML's issued, subscribed and paid-up capital as at December 31, 2017. RCSML was incorporated on June 13, 1990 as a public limited company and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of RCSML is manufacturing and sale of yarn. Market value of the Group's investment in RCSML as at December 31, 2017 was Rs.17.362 million (June 30, 2017: Rs.18.326 million). RCSML is an associate of the Group due to common directorship.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

- 6.1.2** Investment in SFLL represents 10,199 fully paid ordinary shares of Rs.10 each representing 0.051% (June 30, 2017: 0.051%) of SFLL's issued, subscribed and paid-up capital as at December 31, 2017. SFLL was incorporated on April 26, 2010 as a public limited company and its shares are quoted on Pakistan Stock Exchange Limited. The main business of SFLL is to investment in the shares of Associated Companies. Market value of the Group's investment in SFLL as at December 31, 2017 was Rs.1.463 million (June 30, 2017: Rs.1.499 million). SFLL is an associate of the Group due to common directorship.
- 6.1.3** Investment in SPGL represents 2,824,500 fully paid ordinary shares of Rs.10 each representing 17.63% (June 30, 2017: 17.63%) of SPGL's issued, subscribed and paid-up capital as at December 31, 2017. 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.
- 6.1.4** Investment in SDL represents 10,000,000 fully paid ordinary shares of Rs.10 each representing 9.09% (June 30, 2017: 9.09%) of SDL's issued, subscribed and paid-up capital as at December 31, 2017. 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.
- 6.1.5** Investment in TBCCL represents 59,251,500 fully paid ordinary shares of Rs.10 each representing 7.13% (June 30, 2017: 7.13%) of TBCCL's issued, subscribed and paid-up capital. 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.

	Un-audited December 31, 2017	Audited June 30, 2017
	----- Rupees -----	
6.2 Others - available for sale		
Quoted		
MCB Bank Limited		
18,213,195 (June 30, 2017: 18,368,286) ordinary shares of Rs.10 each - cost	896,451,123	893,476,093
Adjustment arising from remeasurement to fair value	2,970,574,440	2,971,762,329
	3,867,025,563	3,865,238,422
Habib Bank Limited		
7,244,196 (June 30, 2017: 7,244,196) ordinary shares of Rs.10 each - cost	1,217,073,609	1,217,073,609
Adjustment arising from remeasurement to fair value	(6,640,899)	732,629,302
	1,210,432,710	1,949,702,911
Term finance certificates - Habib Bank Limited		
150 (June 30, 2017: 150) Term finance certificates of Rs.100,000 each - cost	14,991,000	15,000,000
Adjustment arising from remeasurement to fair value	(178,500)	(187,500)
	14,812,500	14,812,500
Unquoted		
Novelty Enterprises (Private) Limited		
2,351,995 (June 30, 2017: 2,351,995) ordinary shares of Rs.10 each - cost	28,716,078	28,716,078
	5,120,986,851	5,858,469,911

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7. STOCK-IN-TRADE	Un-audited December 31, 2017	Audited June 30, 2017
	----- Rupees -----	
Raw materials	4,833,358,073	2,998,913,214
Work-in-process	396,746,259	309,426,974
Finished goods	697,546,358	696,987,720
	5,927,650,690	4,005,327,908

8. TRADE DEBTS

8.1 These include trade receivables aggregating Rs.6,244 million (June 30, 2017: Rs.6,202 million) from NTDC and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 4.5% is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the period on outstanding amounts ranges from 10.55% to 13.01% (June 30, 2017: 10.48% to 13.01%) per annum.

8.1.2 Included in trade debts is an amount of Rs 576.073 million (June 30, 2017: Rs 576.073 million) relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC.

Since management of the Subsidiary Company -SECL considers that the primary reason for claiming these payments is that plant was available, however, could not generate electricity due to non-payment by NTDC, therefore, management of the Subsidiary Company -SECL believes that company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the PPA. Hence, the Subsidiary Company -SECL had taken up this issue at appropriate forums. On June 28, 2013, the Subsidiary Company -SECL entered into a Memorandum of Understanding ('MoU') for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the Subsidiary Company -SECL before the Supreme Court of Pakistan on the abovementioned issue would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, the Subsidiary Company -SECL applied for withdrawal of the aforesaid petition and on January 25, 2018, the Supreme Court disposed off the petitions filed before it. During the financial year 2014, the Subsidiary Company -SECL in consultation with NTDC, appointed an Expert for dispute resolution under the PPA.

8.2 Also included in trade debts are amounts aggregating Rs.227.610 million (June 30, 2017: Rs.227.610 million) relating to capacity purchase price not acknowledged by NTDC. The Subsidiary Company - SECL's management raised this matter with NTDC, SNGPL and the Private Power and Infrastructure Board ('PPIB'), however, the dispute remained unresolved. As a result of the abovementioned MoU, all disputed amounts were agreed to be resolved through the dispute resolution mechanism under the PPA.

Consequently, with respect to both matters discussed above, during the year ended June 30, 2014, the Subsidiary Company - SECL in consultation with NTDC, appointed an Expert for dispute resolution under the PPA. During the prior year, the Expert gave his determination whereby the aforesaid amount of Rs 576.073 million was determined to be payable to the Subsidiary Company - SECL by NTDC while the Subsidiary Company's - SECL claim regarding the amount of Rs 227.610 million was not accepted. Pursuant to the Expert's determination, the Subsidiary Company - SECL has demanded the payment of the aforesaid amount of Rs.576.073 million from NTDC that has not yet been paid by NTDC.

8.3 In addition to the Expert Determination process mentioned above, the Subsidiary Company -SECL had also filed request for arbitration in respect of the above mentioned disputed amounts in the London Court of International Arbitration (LCIA) in accordance with the terms of the PPA and Gas Supply Agreement (GSA) against NTDC and SNGPL, whereby arbitrators were appointed.

8.4 In respect of the matter of Rs 576.073 million, during the prior year, the Government of Pakistan ('GOP') through Private Power & Infrastructure Board ('PPIB') had filed a suit for declaration and permanent injunction along with an application for interim relief in the court of Senior Civil Judge, Lahore seeking suspension of the aforementioned decision of the Expert, praying it to be illegal (herein after referred to as "Civil Suit 2015") and obtained an interim order suspending the Expert's determination. Furthermore, NTDC filed an application for clarification of the aforementioned interim order and a stay application in the LCIA before the Arbitrator to stay the arbitration proceedings on the basis of the aforementioned interim order. During the prior year, in response to NTDC's stay application, the Arbitrator through his order dated July 8, 2016 has declared that the arbitration shall proceed and has denied NTDC's request for a stay. Also,

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the Arbitrator has ordered NTDC to withdraw the abovementioned application filed in the court of Senior Civil Judge, Lahore and has refrained it from taking any further steps therein to disrupt the arbitration proceedings.

Consequently, notices of arbitration were issued to the relevant parties including PPIB. In response to the aforementioned Arbitrator's order dated July 8, 2016, the Subsidiary Company - SECL and PPIB filed separate applications before the Civil Judge, Lahore. In its application, the Subsidiary Company - SECL prayed that the Civil Court, Lahore lacks the jurisdiction in respect of the case against the Expert's determination. Meanwhile, GOP through PPIB filed a suit in Civil Court, Lahore (herein after referred to as "Civil Suit 2016") praying it to restrain the participation in arbitration proceedings, Expert's determination and interim order of the Arbitrator. In respect of the aforementioned applications, through its interim orders dated April 18, 2017, the Civil Court, Lahore rejected the Subsidiary Company's - SECL application and granted the plea of PPIB whereby, the court suspended the arbitration proceedings and restrained the parties from participating in the arbitration proceedings. Being aggrieved, the Subsidiary Company filed an appeal before the Additional District Judge, Lahore against the aforementioned orders of the Civil Court and filed revision petition for lack of jurisdiction by Civil Court in respect of Civil Suit 2015 and Civil Suit 2016 and continued to take part in the arbitration proceedings, while NTDC and PPIB did not participate in any subsequent arbitration proceedings pursuant to the decisions of the Civil Court, Lahore dated April 18, 2017. Furthermore, in response to the Subsidiary Company's - SECL continued participation in the arbitration proceedings, PPIB filed a contempt petition before Lahore High Court ('LHC') in respect of the decision of the Civil Court, Lahore against which the Subsidiary Company - SECL filed an intra court appeal in LHC. On May 31, 2017, LHC has suspended the contempt of court orders.

8.5 On June 8, 2017, the Arbitrator declared his Partial Final Award wherein he decided the matter principally in the Subsidiary Company's - SECL favor and declared that the above mentioned Expert's determination is final and binding on all parties while deferring the quantum and security form of the Subsidiary Company's - SECL claim to October 01, 2017. Later, on July 19, 2017, in the order for interim measures, Arbitrator ordered the NTDC to provide security of claim paying Rs 576.073 million in LCIA's account by August 04, 2017, which was extended to August 21, 2017, that has not yet been paid by NTDC. On July 8, 2017, the Additional District Judge, Lahore in his order accepted the Subsidiary Company's - SECL prayer for vacating the orders of the Civil Court, Lahore for the Civil Suit 2015 and Civil Suit 2016, however, dismissed the Subsidiary Company's - SECL revision regarding lack of jurisdiction by Civil Court. The Subsidiary Company - SECL filed a writ petition in LHC regarding the lack of jurisdiction by Civil and District courts (herein after referred to as "Trial Courts"). On the other hand, GOP through PPIB filed revision petitions in LHC challenging the above mentioned orders of Additional District Judge, Lahore for the Civil Suit 2015 and Civil Suit 2016. NTDC also challenged the Partial Final Award before the Civil Court, Lahore and the same was suspended by the Civil Court, Lahore on July 10, 2017. The Civil Court's order was challenged by the Subsidiary Company - SECL in the District Court, Lahore by filing a revision petition. The District Court, Lahore, on August 12, 2017, ordered for the suspension of the Civil Court's order of July 10, 2017 and proceedings are still ongoing.

8.6 In response to the revision petition filed by PPIB before LHC against the abovementioned orders of the Trial Courts with respect to Civil Suit 2015 and Civil Suit 2016, LHC on August 4, 2017, suspended the Expert's determination till the next hearing of the case on October 5, 2017 while the case is pending adjudication. Furthermore, in response to the Subsidiary Company's - SECL writ petition, LHC on September 7, 2017, suspended impugned orders and proceedings of Trial Courts for the time being while the case is pending adjudication. On July 6, 2017, NTDC also initiated proceedings challenging the Partial Final Award in London which are pending before the Commercial Court in London. Meanwhile, the Subsidiary Company's - SECL has filed for an anti suit injunction against NTDC in the Commercial Court in London where on August 14, 2017, an order was issued to NTDC restraining it from pursuing the proceedings initiated in the Civil Court challenging the Partial Final Award and taking any steps or participating in any court outside England which seeks to set aside the Partial Final Award of the Arbitrator. Hearing took place on both the said cases in London in December 2017, and the parties await judgment from the London Courts.

Pursuant to above mentioned anti-suit injunction filed by the Subsidiary Company's - SECL in Commercial Court of England, District court in the matter of District Case 2017 sine die adjourned the proceeding on January 04, 2018.

On October 29, 2017, Arbitrator declared its Final Award whereby he has order NTDC to pay to the Company: i) Rs 576.073 million pursuant to expert determination; ii) Rs 133.696 million being Pre award interest; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 1.684 million and USD 612,310 for the Subsidiary Company's - SECL cost of proceedings; v) GBP 30,157 for Company's LCIA cost of Arbitration and vi) Interest at KIBOR + 4.5% compounded semiannually from the date of Final Award until payment of these amounts by NTDC.

On November 24, 2017, NTDC challenged Final Award in Commercial Court of England, which is pending adjudication. On November 29, 2017, the Subsidiary Company filed an application before Lahore High Court for implementation of Final Award that is also pending adjudication.

In respect of the matter of Rs 227.610 million, during the prior year, the Arbitrator through his order dated March 9, 2016, has decided the matter in the Subsidiary Company - SECL favor whereby the aforesaid amount of Rs 227.610

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million has been determined to be payable to the Subsidiary Company - SECL by SNGPL. Furthermore, the Arbitrator had 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 Subsidiary Company - SECL along with interest at the rate of 6% per annum from the date of award till the date of actual payment. Consequently, under the relevant provisions of the Arbitration Act, 1940, the Subsidiary Company - SECL had 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.

Based on the advice of the Subsidiary Company - SECL legal counsel, Expert's determination and Arbitration Awards, management strongly feels that under the terms of the PPA, Implementation Agreement and the GSA, there are meritorious grounds to support the Subsidiary Company - SECL stance and both amounts are likely to be recovered. Consequently, no provision for the above mentioned amounts aggregating Rs. 803.683 million has been made in these condensed interim consolidated financial information.

9. LONG TERM FINANCES - Secured	Un-audited December 31, 2017	Audited June 30, 2017
	----- Rupees -----	
Balance at beginning of the period / year	9,847,309,340	9,621,293,569
Add: disbursements during the period / year	450,014,000	1,592,989,000
Less: repayments made during the period / year	(791,302,754)	(1,366,973,229)
Balance at end of the period / year	<u>9,506,020,586</u>	<u>9,847,309,340</u>
Less: current portion grouped under current liabilities	<u>2,185,882,352</u>	<u>1,696,223,366</u>
	<u>7,320,138,235</u>	<u>8,151,085,974</u>

9.1 All the terms and conditions of the long term finances obtained by the Group are same as disclosed in audited annual consolidated financial statements of the Group for the year ended June 30, 2017. Effective mark-up rates charged, during the current period, ranged from 2.50% to 9.16% (June 30, 2017: 2.50% to 9.84%) per annum.

10. SHORT TERM BORROWINGS - secured

The Group Companies has short term running and cash finance facilities, murabaha facilities and musharka facilities including facilities for foreign currency loans, aggregating Rs.22,727 million (June 30, 2017: Rs.22,729 million) from various commercial banks under mark-up arrangements. These finance facilities are secured against hypothecation charge over current assets of the Group Companies, lien on export / import documents, trust receipts and promissory notes duly signed by the directors. These finances carry mark-up at the rates ranging from 1.15% to 8.15% (June 30, 2017: 1.00% to 8.12%) per annum. These facilities are expiring on various dates upto December 31, 2018.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Guarantees aggregating Rs.398.221 million (June 30, 2017: Rs.275.376 million) have been issued by banks of the Group to various Government institutions and Sui Northern Gas Pipeline Limited.

11.1.2 Section 5A of the Income Tax Ordinance, 2001 imposes tax on every public company at the rate of 7.5% of its accounting profit before tax for the year in case the Company does not distribute 40% of the accounting profit either through cash dividend or issuance of bonus shares within six months of the end of the said year. The Parent Company has filed a Constitutional Petition (CP) before the Honorable Sindh High Court (SHC) on July 28, 2017 challenging the vires of Section 5A of the Income Tax Ordinance, 2001. The SHC accepted the CP and has granted stay against the applicability of section 5A. In case the SHC's decision is not in favour of the Parent Company; the Parent Company will either be required to declare balance amount of dividend or it will be liable to pay additional tax. The case is pending adjudication.

11.1.3 SNGPL has claimed late payment surcharge from the Subsidiary Company - SECL amounting to Rs 681.814 million (June 30, 2017: Rs 245.866 million) on account of partial payments made by the Subsidiary Company - SECL against the Regasified Liquefied Natural Gas ('RLNG') consumed by it prior to the Price Determinations of RLNG by the Oil and Gas Regulatory Authority ('OGRA'). The management of Subsidiary Company - SECL is of the view that, as per the

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

	Un-audited December 31, 2017	Audited June 30, 2017
	----- Rupees -----	
11.2 Commitments in respect of :		
- letters of credit for capital expenditure	<u>307,168,621</u>	<u>699,262,767</u>
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	<u>526,873,702</u>	<u>142,589,420</u>
- capital expenditure other than through letters of credit	<u>402,916,203</u>	<u>349,428,568</u>
- foreign bills discounted	<u>1,110,160,203</u>	<u>561,045,440</u>
- forward foreign exchange contract	<u>530,576,800</u>	<u>263,145,000</u>
- future payments under operating lease	<u>-</u>	<u>17,765,748</u>

	----- Un-audited -----			
	Quarter ended		Six months period	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Note	----- Rupees -----			
Finished goods at beginning of the period	655,837,589	681,113,589	696,987,720	514,758,796
Cost of goods manufactured	<u>4,430,458,013</u>	5,358,121,407	<u>10,625,005,900</u>	11,164,630,607
Cost of raw materials sold	<u>14,217,604</u>	12,222,675	<u>19,661,462</u>	26,976,849
	<u>4,444,675,617</u>	5,370,344,082	<u>10,644,667,362</u>	11,191,607,456
	<u>5,100,513,206</u>	6,051,457,671	<u>11,341,655,082</u>	11,706,366,252
Finished goods at end of the period	<u>(697,546,358)</u>	(621,908,727)	<u>(697,546,358)</u>	(621,908,727)
	<u>4,402,966,848</u>	5,429,548,944	<u>10,644,108,724</u>	11,084,457,525
12.1 Cost of goods manufactured				
Work-in-process at beginning of the period	345,980,305	171,180,219	309,426,974	160,305,731
Raw materials consumed	<u>2,687,537,830</u>	3,874,601,162	<u>7,150,818,000</u>	8,122,283,027
Direct labour and other overheads	<u>1,793,686,137</u>	1,500,608,123	<u>3,561,507,185</u>	3,070,309,946
	<u>4,481,223,967</u>	5,375,209,285	<u>10,712,325,185</u>	11,192,592,973
	<u>4,827,204,272</u>	5,546,389,504	<u>11,021,752,159</u>	11,352,898,704
Work-in-process at end of the period	<u>(396,746,259)</u>	(188,268,097)	<u>(396,746,259)</u>	(188,268,097)
	<u>4,430,458,013</u>	5,358,121,407	<u>10,625,005,900</u>	11,164,630,607

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13. CASH GENERATED FROM OPERATIONS

	Note	Un-audited	
		Six months period	
		December 31, 2017	December 31, 2016
		----- Rupees -----	
Profit before taxation		1,236,485,965	1,210,879,392
Adjustments for non-cash and other items:			
Depreciation		600,827,521	596,121,536
Amortization of intangible assets		643,368	874,478
Staff retirement benefit - gratuity		47,022,883	50,160,000
Provision for workers' profit participation / workers' welfare fund		51,245,908	69,772,146
Provision for workers' welfare fund		85,566	-
Provision for doubtful tax refunds		51,522,468	-
Gain on disposal of operating fixed assets		(2,251,289)	(17,188,570)
Gain on sale of investments		(36,829,492)	(61,594,318)
Loss / (gain) on sale of stores and spares		159,473	(49,960)
Dividend and interest income		(268,795,044)	(316,380,202)
Finance cost		684,549,449	670,058,659
Exchange loss / (gain)		62,036,101	(6,311,808)
Working capital changes	13.1	(2,616,468,592)	(3,434,411,246)
		<u>(189,765,715)</u>	<u>(1,238,069,893)</u>

	Note	Un-audited	
		Six months period	
		December 31, 2017	December 31, 2016
		----- Rupees -----	
13.1 Working capital changes			
(Increase) / decrease in current assets:			
- Stores, spare parts and loose tools		(6,071,092)	(70,213,143)
- Stock-in-trade		(1,922,322,782)	(2,494,125,104)
- Trade debts		(390,377,113)	(1,049,976,168)
- Loans and advances		(155,043,840)	3,005,773
- Deposits, other receivables and sales tax		(223,956,873)	30,053,670
		<u>(2,697,771,700)</u>	<u>(3,581,254,972)</u>
Increase in trade and other payables		81,303,108	146,843,726
		<u>(2,616,468,592)</u>	<u>(3,434,411,246)</u>

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14. SEGMENT REPORTING

14.1 Reportable segments

The Group's reportable segments are as follows:

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

14.2 Information regarding the Group's reportable segments is presented below.

Segment revenues and results

	Spinning	Knitting, processing and garments	Denim	Power	Total
----- Rupees -----					
For the six months period ended December 31, 2017					
Revenue - external customers	5,269,247,133	1,987,664,916	1,111,261,608	4,554,529,236	12,922,702,893
Inter - segment sale	531,582,999	-	1,083,170	-	532,666,169
Segment results	281,767,084	117,165,961	(325,544,606)	1,198,375,074	1,271,763,513
For the six months period ended December 31, 2016					
Revenue - external customers	5,009,117,251	1,699,020,400	91,852,631	6,215,328,148	13,015,318,430
Inter - segment sale	270,401,293	-	-	-	270,401,293
Segment results	169,382,272	66,829,616	(295,684,538)	1,120,531,639	1,061,058,989

	Un-audited Six months period December 31,	
	2017	2016
----- Rupees -----		
Reconciliation of segment results with profit after tax is as follows:		
Total results for reportable segment	1,271,763,513	1,061,058,989
Administrative expenses	(242,811,131)	(193,181,248)
Other expenses	(110,643,316)	(71,278,439)
Other income	318,176,899	414,280,090
Share of profit of Associated Companies	(7,785,042)	3,583,525
Taxation	(179,190,074)	(142,029,407)
Profit after taxation	1,049,510,849	1,072,433,510

14.3 Segment assets and liabilities

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

	Spinning	Knitting, processing and garments	Denim	Power	Total
----- Rupees -----					
As at December 31, 2017					
Segment assets	8,604,053,611	2,079,421,265	5,102,274,980	20,504,282,431	36,290,032,287
Unallocatable assets					14,189,636,492
Total assets as per balance sheet					<u>50,479,668,779</u>
Segment liabilities	8,393,570,758	1,384,962,853	6,413,693,716	10,620,831,311	26,813,058,638
Unallocatable liabilities					602,465,251
Total liabilities as per balance sheet					<u>27,415,523,889</u>
As at June 30, 2017					
Segment assets	10,371,564,854	1,844,380,631	2,800,321,491	20,754,528,216	35,770,795,192
Unallocatable assets					13,138,216,543
Total assets as per balance sheet					<u>48,909,011,735</u>
Segment liabilities	8,255,389,405	1,159,985,256	3,703,940,688	10,697,150,012	23,816,465,361
Unallocatable liabilities					788,846,348
Total liabilities as per balance sheet					<u>24,605,311,709</u>

14.4 Geographical information

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

15. TRANSACTIONS WITH RELATED PARTIES**15.1 Significant transactions with related parties are as follows:**

Relationship with the Group	Nature of transactions	Un-audited Six months period ended	
		December 31, 2017	December 31, 2016
----- Rupees -----			
(i) Associates	Sales:		
	- raw material / yarn / fabric / stores	420,836,236	367,480,203
	- assets	-	15,000,000
	Purchases:		
	- raw material / yarn / fabric / stores	384,061,080	211,613,743
	- assets	1,700,000	10,824,557
	- electricity	60,648,235	112,165,646
	Services:		
	- rendered	1,895,761	26,890,059
	- obtained	1,416,911	1,059,831
	Expenses charged by	13,545,163	11,669,235
	Expenses charged to	9,152,958	8,272,899
	Dividend:		
	- received	239,002	782,027
	- paid	15,294,894	142,756,544
(ii) Key management personnel	Remuneration and other benefits	85,542,929	167,527,499
(iii) Retirement fund	Contribution made	5,620,928	6,473,087
(iv) Other	Rent expense	-	1,061,076

	Un-audited December 31, 2017	Audited June 30, 2017
	----- Rupees -----	
15.2 Period / year end balances are as follows:		
Receivables from related parties		
Investments	973,404,414	998,441,526
Trade debts	81,461,894	78,159,234
Payable to related parties		
Trade and other payables	128,917,286	230,633,923

16. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

This condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the audited annual consolidation financial statements and should be read in conjunction with the audited annual consolidated financial statement for the year ended June 30, 2017.

There has been no change in Group's sensitivity to these risks since June 30, 2017 except for the changes in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in the risk management policies during the period.

17. GENERAL

This condensed interim consolidated financial information has been authorized for issue by the Board of Directors of the Parent Company on February 22, 2018.

Lahore:
Dated: February 22, 2018

SHAHID ABDULLAH
Chief Executive

SHAYAN ABDULLAH
Director

JAWWAD FAISAL
Chief Financial Officer