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Sapphire Fibres Limited

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Company Profile

Board Of Directors

Chairman :

Mr. Amer Abdullah

Chief Executive :

Mr. Shahid Abdullah

Director :

Mr. Nadeem Abdullah

Mr. Yousuf Abdullah

Mr. Shayan Abdullah

Mr. Abdul Sattar

Independent Director:

Mr. Tajammal Husain Bokharee

Mr. Nadeem Arshad Elahi

Audit Committee :

Chairman :

Mr. Nadeem Arshad Elahi

Member :

Mr. Shayan Abdullah

Mr. Yousuf Abdullah

Mr. Tajammal Husain Bokhree

Human Resource

& Remuneration Committee :

Chairman :

Mr. Tajammal Husain Bokharee

Member :

Mr. Yousuf Abdullah

Mr. Shahid Abdullah

Mr. Shayan Abdullah

Chief Financial Officer :

Mr. Jawwad Faisal

Secretary :

Mr. Shaukat Mahmud

Auditors :

Shinewing Hameed Chaudhri & Co.,
Chartered Accountants

Tax Consultants :

Deloitte Yousuf Adil,
Chartered Accountants

Legal Advisor :

Hassan & Hassan Advocates

Bankers :

Allied Bank Limited,
Bank Alfalah Limited
MCB Bank Limited, Habib Bank Limited
Habib Metropolitan Bank Ltd.
United Bank Limited

Share Registrar :

THK Associates (Private) Ltd.
1st Floor, 40-C, Block-6
P.E.C.H.S, Karachi-75400

Registered Office :

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

Mills :

Kharianwala
Tehsil and District Sheikhpura.
Feroze Watwan,
Tehsil and District Sheikhpura.
Raiwind Road, Lahore.

Directors' Report

The Directors of the Company are pleased to present un-audited interim financial statements for the half year ended 31 December 2018, duly reviewed by the auditors.

Financial Highlights

	31 December	
	2018	2017
	Rupees in thousand	
Sales & services	9,482,220	8,368,174
Gross profit	1,290,023	706,934
Other Income		
Profit from operations	258,392	1,184,416
	1,010,070	1,375,917
Profit before taxation	463,176	1,010,416
Taxation:		
- Current	136,175	169,224
- Deferred	8,976	9,155
	145,151	178,379
Profit after taxation	<u>318,025</u>	<u>832,037</u>

The Company achieved sales of Rs.9,482 million compared to Rs.8,368 million during corresponding period of last year; an increase of 13.3%. Gross profit as a percentage of sales improved to 13.60% against 8.45% during last year. However, other income dropped from Rs.1,184 million to Rs.258 million. The Company earned profit after tax of Rs.318 million as compared to Rs.832 million in the same period of last year.

Earnings per share

The Company's earnings per share (EPS) were at Rs.16.15 as compared to Rs.42.26 during the same period of last year.

Future outlook

Your Company's core textile operations have shown considerable improvement during the period under review and similar trend is expected to continue in remaining part of the financial year.

The management is focused on achieving a desirable scale in the value added segments of your Company in order to improve overall competitive advantage. The ongoing expansions in Denim, Knitting, Processing and Garments divisions will play a vital role in increasing shareholder value in near future.

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: 26 February, 2019

Shayan Abdullah
Director

Shahid Abdullah
Chief Executive

ڈائریکٹرز رپورٹ

ڈائریکٹرز رپورٹ

ہم 31 دسمبر 2018ء کو ختم ہونے والی ششماہی کے لئے آڈیٹرز کی طرف سے باقاعدہ جائزہ شدہ کمپنی کے غیر نظر ثانی شدہ عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی جھلکیاں

روپے ہزاروں میں		تفصیل
2017ء دسمبر	2018ء دسمبر	
8,368,174	9,482,220	فروخت اور خدمات
706,934	1,290,023	مجموعی منافع
1,184,416	258,392	دیگر آمدن
1,375,917	1,010,070	آپریٹنگ منافع
1,010,416	463,176	ٹیکس سے پہلے منافع
		ٹیکسیشن
169,224	136,175	موجودہ
9,155	8,976	فرق
178,379	145,151	
832,037	318,025	ٹیکس کے بعد منافع

کمپنی نے گزشتہ سال کی اسی مدت کے دوران 8,368,174 روپے کے مقابلے مالی سال کی پہلی ششماہی کے دوران 9,482,220 روپے فروخت حاصل کی جو 13.3 فیصد اضافہ ہے۔ فروخت فیصد کے طور پر مجموعی منافع گزشتہ سال کے دوران 8.45 فیصد کے برعکس 13.60 فیصد بہتر ہوا۔ تاہم، دیگر آمدن 1,184,416 روپے سے کم ہو کر 258,392 روپے ہو گئی ہے۔ کمپنی نے گزشتہ سال کی اسی مدت میں 832,037 روپے کے مقابلے 318,025 روپے ٹیکس کے بعد منافع کمایا ہے۔

فی حصص آمدنی

کمپنی کی فی شیئر آمدنی (EPS) 16.15 روپے ہے جو کہ پچھلے سال کی اسی مدت میں 42.26 روپے تھی۔

مستقبل کا نقطہ نظر

کمپنی کے بنیادی ٹیکسٹائل آپریٹنگز نے زیر جائزہ مدت کے دوران قابل ذکر بہتری ظاہر کی ہے اور اسی طرح کاروبار مالی سال کے باقی حصہ میں جاری رہنے کی توقع ہے۔

انتظامیہ نے مجموعی مسابقت کے مفاد کو بہتر بنانے کی مد میں کمپنی کے ویلیو ایڈڈ شعبوں میں مطلوبہ معیار حاصل کرنے پر توجہ مرکوز کی ہے۔ ڈینیم، جیننگ، پروسیڈنگ اور گارمنٹس ڈویژنز میں جاری توسیع مستقبل قریب میں حصص دار کی قدر کو بڑھانے

میں اہم کردار ادا کرے گی۔

انٹھارٹشکر

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

منجانب بورڈ آف ڈائریکٹرز

شایان عبداللہ
ڈائریکٹرشاید عبداللہ
چیف ایگزیکٹو

لاہور

تاریخ: 26 فروری 2019ء

Independent Auditors' Review Report to the Members of Sapphire Fibres Limited report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Sapphire Fibres Limited (the Company) as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of other comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

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 statements 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

Karachi:
Dated : 26 February, 2019

SHINEWING HAMEED CHAUDHRI & CO.,
Chartered Accountants

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	Un-audited December 31, 2018	Audited June 30, 2018
		----- Rupees -----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	10,366,766,622	10,304,595,162
Investment property		31,750,000	31,750,000
Intangible assets		3,430,021	4,138,337
Long term investments	6	8,641,743,612	8,885,049,371
Long term loans		327,000	297,000
Long term deposits		28,606,645	28,606,645
		<u>19,072,623,900</u>	<u>19,254,436,515</u>
Current assets			
Stores, spare parts and loose tools		290,399,157	198,770,544
Stock-in-trade	7	9,162,864,801	4,796,272,234
Trade debts		3,023,873,029	2,850,910,999
Loans and advances		114,924,676	131,125,089
Trade deposits and short term prepayments		12,561,114	48,843,636
Short term investments		3,062,206,759	3,760,187,223
Other receivables		785,132,151	939,634,391
Tax refunds due from Government		862,378,928	651,913,975
Cash and bank balances		36,128,686	24,047,126
		<u>17,350,469,301</u>	<u>13,401,705,217</u>
Total assets		<u>36,423,093,201</u>	<u>32,656,141,732</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
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 ordinary shares of Rs.10 each		196,875,000	196,875,000
Reserves		3,211,501,221	4,258,029,746
Unappropriated profit		<u>11,910,394,567</u>	<u>11,828,618,830</u>
		<u>15,318,770,788</u>	<u>16,283,523,576</u>
Liabilities			
Non-current liabilities			
Long term finances	8	3,654,996,794	3,877,170,007
Staff retirement benefit - gratuity		234,263,186	346,597,468
Deferred taxation		111,554,978	130,643,092
		<u>4,000,814,958</u>	<u>4,354,410,567</u>
Current liabilities			
Trade and other payables		1,871,408,689	1,715,796,554
Contract liabilities		221,684,594	118,573,973
Accrued mark-up / interest		191,601,989	125,062,516
Short term borrowings	9	13,780,161,992	9,001,597,944
Current portion of long term finances		838,143,051	804,466,175
Unclaimed dividend		6,523,655	5,353,374
Provision for taxation		193,983,485	247,357,053
		<u>17,103,507,455</u>	<u>12,018,207,589</u>
Total liabilities		<u>21,104,322,413</u>	<u>16,372,618,156</u>
Contingencies and commitments	10		
Total equity and liabilities		<u>36,423,093,201</u>	<u>32,656,141,732</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Lahore :
Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE QUARTER AND SIX MONTHS PERIOD DECEMBER 31, 2018

	Note	Quarter ended		Six months period ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
----- Rupees -----					
Sales - net	11	4,699,137,798	4,223,998,600	9,482,220,424	8,368,173,657
Cost of sales	12	(3,931,341,298)	(3,884,526,617)	(8,192,197,760)	(7,661,239,550)
Gross profit		767,796,500	339,471,983	1,290,022,664	706,934,107
Distribution cost		(175,909,127)	(153,880,974)	(321,935,865)	(267,134,480)
Administrative expenses		(76,721,134)	(68,486,444)	(160,403,009)	(144,544,464)
Other income	13	138,520,898	992,633,977	258,391,832	1,184,416,104
Other expenses		(39,688,973)	(94,976,217)	(56,005,752)	(103,753,942)
Profit from operations		613,998,164	1,014,762,325	1,010,069,870	1,375,917,325
Finance cost		(326,484,018)	(199,402,567)	(546,893,346)	(365,501,309)
Profit before taxation		287,514,146	815,359,758	463,176,524	1,010,416,016
Taxation		(80,705,766)	(110,238,912)	(145,150,787)	(178,379,348)
Profit after taxation		206,808,380	705,120,846	318,025,737	832,036,668
Earnings per share					
- basic and diluted		10.50	35.82	16.15	42.26

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER AND SIX MONTHS PERIOD DECEMBER 31, 2018

	Quarter ended		Six months period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	----- Rupees -----			
Profit after taxation	206,808,380	705,120,846	318,025,737	832,036,668
Other comprehensive income / (loss)				
Items that may be reclassified to statement of profit or loss subsequently				
Unrealised loss due to change in fair values of available for sale investments:				
- long term	(362,652,339)	(38,172,664)	(410,142,969)	(703,383,533)
- short term	(504,745,704)	(303,081,202)	(657,138,339)	(1,291,890,549)
Impact of deferred tax	757,763	33,262,595	28,064,658	186,415,759
Adjustment for gain included in statement of profit or loss upon sale of available-for-sale investments	(7,311,875)	(6,201,657)	(7,311,875)	(43,031,149)
	(873,952,155)	(314,192,928)	(1,046,528,525)	(1,851,889,472)
Unrealised gain on remeasurement of forward foreign exchange contracts	-	15,169,380	-	15,169,380
Adjustment for gain included in statement of profit or loss upon settlement of forward exchange contracts	-	-	-	(140,343)
	-	15,169,380	-	15,029,037
Other comprehensive loss for the period	(873,952,155)	(299,023,548)	(1,046,528,525)	(1,836,860,435)
Total comprehensive (loss) / income for the period	(667,143,775)	406,097,298	(728,502,788)	(1,004,823,767)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER AND SIX MONTHS PERIOD DECEMBER 31, 2018

	Note	Six months period ended	
		December 31, 2018	December 31, 2017
----- Rupees -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	14	(3,175,045,523)	(1,224,972,863)
Staff retirement benefits paid		(157,644,620)	(44,839,678)
Finance cost paid		(479,611,772)	(315,873,563)
Taxes paid		(148,000,794)	(183,636,629)
Workers' profit participation fund paid		(58,012,182)	(66,247,556)
Long term loans - net		(30,000)	560,000
Net cash used in operating activities		(4,018,344,891)	(1,835,010,289)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(415,597,316)	(1,245,448,551)
Proceeds from disposal of operating fixed assets		4,140,000	8,674,637
Investment in a Subsidiary Company		(166,840,210)	(110,000,000)
Short term investments		(33,530,249)	(163,081,212)
Proceeds from sale of investments		43,304,940	61,684,574
Proceeds from sale of stores and spares		6,027,336	200,000
Dividend and interest income received		238,676,059	1,087,009,934
Net cash used in investing activities		(323,819,440)	(360,960,618)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		198,029,000	450,014,000
- repaid		(386,525,337)	(34,134,437)
Dividend paid		(235,079,719)	(29,675,770)
Short term borrowings - net		4,777,821,947	1,902,920,266
Net cash generated from financing activities		4,354,245,891	2,289,124,059
Net increase in cash and cash equivalents		12,081,560	93,153,152
Cash and cash equivalents - at beginning of the period		24,047,126	31,508,884
Cash and cash equivalents - at end of the period		36,128,686	124,662,036

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER AND SIX MONTHS PERIOD DECEMBER 31, 2018

	Reserves		Other Components of equity				Total
	Capital	Revenue	Unrealised gain / (loss)	on available for sale investments	on hedging instrument	Sub-total	
Issued, subscribed and paid-up capital							
	196,875,000	1,183,845,000	10,693,287,860	12,022,872,860	4,835,120,062	140,343	4,835,260,405
Balance as at July 1, 2017 (Audited)	196,875,000	1,183,845,000	10,693,287,860	12,022,872,860	4,835,120,062	140,343	17,055,008,265
Transaction with owners							
Final dividend related to the year ended June 30, 2017 at the rate of Rs.1.5 per share	-	-	(29,531,250)	(29,531,250)	-	-	-
Total comprehensive income / (loss) for the 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)
Balance as at December 31, 2017 (Un-audited)	196,875,000	1,183,845,000	11,495,793,278	12,825,378,278	2,983,230,590	15,169,380	16,020,653,248
Balance as at July 1, 2018 (Audited)	196,875,000	1,183,845,000	11,828,618,830	13,158,203,830	2,928,444,746	-	16,283,523,576
Transaction with owners							
Final dividend for the year ended June 30, 2018 at the rate of Rs.12 per share	-	-	(236,250,000)	(236,250,000)	-	-	(236,250,000)
Total comprehensive income / (loss) for the six months period ended December 31, 2018							
Profit for the period	-	-	318,025,737	318,025,737	-	-	318,025,737
Other comprehensive loss	-	-	-	(1,046,528,525)	(1,046,528,525)	(1,046,528,525)	(1,046,528,525)
Balance as at December 31, 2018 (Un-audited)	196,875,000	1,183,845,000	11,910,394,567	13,239,979,567	1,881,916,221	-	15,318,770,788

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Lahore :

Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

-International Accounting Standard ('IAS') 34, 'Interim Financial Reporting', issued by International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017, and

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

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.2 These condensed interim financial statements does not include all the information and disclosures as required in an annual audited financial statements, and these should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2018. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

2.2 New standards, amendments to approved accounting standards and interpretations that are effective during the period and are relevant to the Company

2.2.1 During the period, the Company has adopted following new standard / interpretation:

- IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2.3 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2018 except for the change specified in note 3 below.

3. CHANGE IN ACCOUNTING POLICY

3.1 IFRS 15 'Revenue from Contracts with Customers'

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

3.1.1 Following the application of IFRS 15, the Company policy for revenue recognition under different contracts with customers stands amended as follows:

a) **Sale of goods**

The Company sold its products in separately identifiable contracts. The contracts entered into with the customers generally includes one performance obligation i.e. the provision of goods to the customer.

Revenue from local sale of goods is recognised when the Company satisfies a performance obligation under a contract by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from export sale of goods is recognised at the point in time when the customer obtains control over the goods, depending on the relevant incoterms of shipment.

b) **Processing services**

The Company provides different textile related processing services. These services mainly include yarn and fabric processing. The contracts entered into with the customers for provision of these services generally include a single performance obligation.

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

3.1.2 **Effect of change in accounting policy**

a) The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires an entity to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The above mentioned revised policy do not have any significant impact on these condensed interim financial statements as the revised policy do not have an impact on the timing or the amount of revenue recognition from the contracts in case of local sales and processing services where as, in case of export sales contract the revised policy only have an immaterial impact on the timing of revenue recognition with no effect on the amount of revenue recognised.

b) The adoption of IFRS 15 also resulted in reclassification of "Advance payments from customers", previously grouped under trade and other payables, to the statement financial position as 'Contract liabilities'. The affect of which is presented below:

	As previously reported	Re-statement	As restated
	----- Rupees -----		
As at June 30, 2018			
Effect on statement of financial position			
Trade and other payable	1,834,370,527	(118,573,973)	1,715,796,554
Contract liabilities	-	118,573,973	118,573,973
As at July 01, 2017			
Trade and other payable	1,748,499,443	(258,946,777)	1,489,552,666
Contract liabilities	-	258,946,777	258,946,777

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements require 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 these condensed interim financial statements, 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, 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

5. PROPERTY, PLANT AND EQUIPMENT	Un-audited December 31, 2018	Audited June 30, 2018
	----- Rupees -----	
Operating fixed assets	5.1 9,236,044,783	9,469,436,155
Capital work-in-progress	5.3 1,130,721,839	835,159,007
	10,366,766,622	10,304,595,162
5.1 Operating fixed assets		
Net book value at beginning of the period / year	5.1.1 9,469,436,155	8,335,534,845
Additions during the period / year	5.1.1 120,034,484	1,812,670,720
Disposals costing Rs.16.799 million (June 30, 2018: Rs.133.596 million) - at net book value	(2,602,767)	(19,676,618)
Depreciation charge for the period / year	(350,823,089)	(659,092,792)
Net book value at end of the period / year	9,236,044,783	9,469,436,155
5.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:		
Freehold land	15,428,500	41,671,750
Residential buildings and others on freehold land	-	174,366,450
Factory buildings on freehold land	18,758,111	315,205,997
Plant and machinery	68,457,931	1,224,716,424
Equipment:		
• fire fighting	590,000	19,145,390
• mills	-	180,000
• electric / gas	-	421,430
Computer hardware	1,082,500	2,147,250
Vehicles	15,717,442	33,949,091
Furniture and fixtures	-	866,938
	120,034,484	1,812,670,720
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 (related parties).		

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

		Un-audited December 31, 2018	Audited June 30, 2018
		----- Rupees -----	
5.3 Capital work-in-progress	Note		
Buildings		218,994,607	165,158,330
Plant and machinery (including in transit aggregating Rs.32.210 million (June 30, 2018: Rs.79.980 million)		852,455,999	579,792,490
Equipments		200,000	200,000
Advance payments against:			
• freehold land		10,000,000	15,428,500
• factory / office building		27,585,691	45,965,772
• electric installation		18,812,275	20,030,273
• vehicles		86,667	7,613,667
• computer software		2,586,600	969,975
		59,071,233	90,008,187
		1,130,721,839	835,159,007
6. LONG TERM INVESTMENTS			
Subsidiary Companies - at cost	6.1	3,407,348,526	3,275,008,316
Deposit for shares	6.1	34,500,000	-
Associated Companies - at cost		758,276,769	758,276,769
Others	6.2	4,441,618,317	4,851,764,286
		8,641,743,612	8,885,049,371
6.1			
The Company, during the period, made further investment of Rs.166.840 million in Premier Cement Limited (Subsidiary Company). The Subsidiary Company has allotted 13,234,021 ordinary shares of Rs.10 each valuing Rs.132.340 million till reporting date.			
6.2			
Others - available for sale		Un-audited December 31, 2018	Audited June 30, 2018
		----- Rupees -----	
Quoted			
MCB Bank Limited			
18,213,195 ordinary shares of Rs.10 each - cost		896,451,123	896,451,123
Adjustment arising from re-measurement to fair value		2,629,077,033	2,705,572,452
		3,525,528,156	3,602,023,575
Habib Bank Limited			
7,244,196 ordinary shares of Rs.10 each - cost		1,217,073,609	1,217,073,609
Adjustment arising from re-measurement to fair value		(344,510,201)	(11,349,626)
		872,563,408	1,205,723,983
Term finance certificates - Habib Bank Limited			
150 term finance certificates of Rs.100,000 each - cost		14,985,000	14,988,000
Adjustment arising from re-measurement to fair value		(674,325)	(187,350)
		14,310,675	14,800,650
		4,412,402,239	4,822,548,208

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Un-audited December 31, 2018	Audited June 30, 2018
	----- Rupees -----	
Unquoted Novelty Enterprises (Private) Limited		
2,351,995 ordinary shares of Rs.10 each	28,716,078	28,716,078
TCC Management Services (Private) Limited		
50,000 ordinary shares of Rs. 10 each	500,000	500,000
	<u>4,441,618,317</u>	<u>4,851,764,286</u>
7. STOCK-IN-TRADE		
Raw materials	7,088,433,756	3,714,435,713
Work-in-process	581,282,838	439,022,953
Finished goods	1,493,148,207	642,813,568
	<u>9,162,864,801</u>	<u>4,796,272,234</u>
8. LONG TERM FINANCES - secured		
Balance at beginning of the period / year	4,681,636,182	3,711,774,132
Add: disbursements during the period / year	198,029,000	1,103,458,000
Less: repayments made during the period / year	(386,525,337)	(133,595,950)
Balance at end of the period / year	4,493,139,845	4,681,636,182
Less: current portion grouped under current liabilities	(838,143,051)	(804,466,175)
	<u>3,654,996,794</u>	<u>3,877,170,007</u>
8.1	All the terms and conditions of the long term finances are same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2018. Effective mark-up rates charged, during the period, ranged from 2.50% to 10.50% (June 30, 2018: 2.50% to 7.42%) per annum.	
9. SHORT TERM BORROWINGS		
	Note	
From banking companies - secured	9.1	13,654,151,703
Temporary bank overdraft - unsecured		2,103,289
From related parties - unsecured		123,907,000
		<u>13,780,161,992</u>
		<u>9,001,597,944</u>
9.1	The Company has obtained short term finance facilities, including facilities for foreign currency loans, aggregating Rs.16,850 million (June 30, 2018: Rs.16,200 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 2.25% to 10.90% (June 30, 2018: 2.25% to 7.52%) per annum. These facilities are expiring on various dates upto December 31, 2019.	

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

9.2 The Company, during the period, obtained short term loans aggregated Rs.67.262 million from directors of the Company and their related parties and Rs.56.645 million from its associated companies to meet its working capital requirements. These loans are interest free and are repayable on demand.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Outstanding bank guarantees

Guarantees aggregating Rs.514.467 million (June 30, 2018: Rs.538.248 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. The dividend paid by the Company for the financial year 2017 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the SHC's decision is not in favor of the Company; the Company will be liable to pay additional tax at the rate of 7.5% of its profit before tax for the financial year ended June 30, 2017. As at reporting date no charge has been recorded in this respect. The case is pending adjudication.

	Un-audited December 31, 2018	Audited June 30, 2018
	----- Rupees -----	
10.2 Commitments in respect of :		
• letters of credit for capital expenditure	<u>136,880,020</u>	<u>145,536,511</u>
• letters of credit for purchase of raw materials and stores, spare parts & chemicals	<u>558,174,136</u>	<u>220,464,198</u>
• capital expenditure other than letters of credit	<u>168,735,990</u>	<u>205,122,142</u>
• foreign bills discounted	<u>464,136,060</u>	<u>1,297,115,345</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

11. SALES - net

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

For the six months period ended December 31, 2018- Un-audited

	Spinning	Knits	Denim	Total
	----- Rupees -----			
Types of goods and services				
Local sales				
- Yarn	1,212,369,091	5,918,851	10,248,929	1,228,536,871
- Fabric	-	16,343,457	372,325,860	388,669,317
- Garments	-	15,383,824	-	15,383,824
- Waste	83,666,590	17,473,960	13,809,719	114,950,269
- Raw materials	21,843,715	-	-	21,843,715
- Local steam income	3,475,000	-	-	3,475,000
- Processing income	46,800	28,519,730	-	28,566,530
	1,321,401,196	83,639,822	396,384,508	1,801,425,526
Export Sales				
- Yarn	4,097,972,661	115,126,821	-	4,213,099,482
- Fabric	-	281,460,758	1,298,318,779	1,579,779,537
- Garments	-	1,673,611,158	-	1,673,611,158
- Waste	133,382,168	-	-	133,382,168
	4,231,354,829	2,070,198,737	1,298,318,779	7,599,872,345
Export rebate				
- Fabric	-	2,041,304	10,864,156	12,905,460
- Garments	-	68,017,093	-	68,017,093
	-	70,058,397	10,864,156	80,922,553
	5,552,756,025	2,223,896,956	1,705,567,443	9,482,220,424
Timing of revenue recognition				
Goods transferred at a point in time	5,552,709,225	2,195,377,226	1,705,567,443	9,453,653,894
Services rendered at a point in time	46,800	28,519,730	-	28,566,530
	5,552,756,025	2,223,896,956	1,705,567,443	9,482,220,424

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

For the six months period ended December 31, 2017 - Un-audited

	Spinning	Knits	Denim	Total
	----- Rupees -----			
Types of goods and services				
Local sales				
- Yarn	1,458,227,043	3,221,498	3,876,275	1,465,324,816
- Fabric	-	49,111,362	122,989,599	172,100,961
- Garments	-	6,287,271	-	6,287,271
- Waste	78,215,408	19,974,283	10,466,613	108,656,304
- Raw materials	19,658,469	-	-	19,658,469
- Local steam income	6,330,000	-	-	6,330,000
- Processing income	492,390	27,932,521	1,325,902	29,750,813
	1,562,923,310	106,526,935	138,658,389	1,808,108,634
Export Sales				
- Yarn	3,462,957,076	160,227,385	-	3,623,184,461
- Fabric	-	102,026,866	946,738,750	1,048,765,616
- Garments	-	1,498,219,415	-	1,498,219,415
- Waste	122,434,853	-	-	122,434,853
	3,585,391,929	1,760,473,666	946,738,750	6,292,604,345
Export rebate				
- Yarn	120,931,894	6,745,823	-	127,677,717
- Fabric	-	4,477,338	25,864,469	30,341,807
- Garments	-	109,441,154	-	109,441,154
	120,931,894	120,664,315	25,864,469	267,460,678
	5,269,247,133	1,987,664,916	1,111,261,608	8,368,173,657
Timing of revenue recognition				
Goods transferred at a point in time	5,268,754,743	1,959,732,395	1,109,935,706	8,338,422,844
Services rendered at a point in time	492,390	27,932,521	1,325,902	29,750,813
	5,269,247,133	1,987,664,916	1,111,261,608	8,368,173,657

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

12. COST OF SALES

		----- Un-audited -----			
		Quarter ended		Six months period ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Note		----- Rupees -----			
	Finished goods at beginning of the period	839,773,862	655,837,589	642,813,568	696,987,720
12.1	Cost of goods manufactured	4,566,564,466	3,912,017,782	9,020,483,563	7,642,136,726
	Cost of raw materials sold	18,151,177	14,217,604	22,048,836	19,661,462
		4,584,715,643	3,926,235,386	9,042,532,399	7,661,798,188
		5,424,489,505	4,582,072,975	9,685,345,967	8,358,785,908
	Finished goods at end of the period	(1,493,148,207)	(697,546,358)	(1,493,148,207)	(697,546,358)
		3,931,341,298	3,884,526,617	8,192,197,760	7,661,239,550
12.1	Cost of goods manufactured				
	Work-in-process at beginning of the period	469,518,710	345,980,305	439,022,953	309,426,974
	Raw materials consumed	3,043,280,714	2,496,597,320	5,933,327,650	4,897,505,182
	Direct labour and other overheads	1,635,047,880	1,466,186,416	3,229,415,798	2,831,950,829
		4,678,328,594	3,962,783,736	9,162,743,448	7,729,456,011
		5,147,847,304	4,308,764,041	9,601,766,401	8,038,882,985
	Work-in-process at end of the period	(581,282,838)	(396,746,259)	(581,282,838)	(396,746,259)
		4,566,564,466	3,912,017,782	9,020,483,563	7,642,136,726

13. OTHER INCOME

Figure of comparative period, included dividend amounted Rs.866.348 million received from Sapphire Electric Company Limited - Subsidiary Company.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

14. CASH USED IN OPERATIONS

	Note	Un-audited	
		Six months period ended	
		December 31, 2018	December 31, 2017
		----- Rupees -----	
Profit before taxation		463,176,524	1,010,416,016
Adjustments for non-cash and other items:			
Depreciation		350,823,089	318,093,933
Amortization of intangible assets		708,316	643,368
Staff retirement benefit - gratuity		45,310,338	47,022,883
Provision for workers' profit participation fund		16,223,255	51,245,908
Provision for doubtful tax refunds		38,882,497	51,522,468
Provision for workers' welfare fund		-	85,566
Gain on disposal of operating fixed assets		(1,537,233)	(2,252,532)
Gain on sale of investments		(9,774,691)	(36,829,492)
(Gain) / loss on sale of stores and spares		(642,882)	159,473
Dividend and interest income		(234,527,443)	(1,134,997,865)
Finance cost		546,151,245	310,354,584
Exchange loss		742,101	55,146,725
Working capital changes	14.1	<u>(4,390,580,639)</u>	<u>(1,895,583,898)</u>
		<u>(3,175,045,523)</u>	<u>(1,224,972,863)</u>
14.1 Working capital changes			
(Increase) / decrease in current assets:			
- stores, spare parts and loose tools		(97,036,329)	(6,071,092)
- stock-in-trade		(4,366,592,567)	(1,968,314,287)
- trade debts		(172,962,030)	(348,105,428)
- loans and advances		16,200,413	(174,606,908)
- deposits, other receivables and sales tax		(65,375,824)	(148,077,970)
		<u>(4,685,766,337)</u>	<u>(2,645,175,685)</u>
Increase / (decrease) in current liabilities:			
- trade and other payables		192,075,077	889,964,591
- contract liabilities		103,110,621	(140,372,804)
		<u>(4,390,580,639)</u>	<u>(1,895,583,898)</u>

15. 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, 2018, 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 period.

These condensed interim financial statement 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, 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

15.1 Fair value estimation

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

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

The Company's financial assets measured at fair value consists of level 1 financial assets amounting to Rs.7,474.609 million (June 30, 2018: Rs.8,582.735 million) and level 3 financial assets amounting to Rs.29.216 million (June 30, 2018: Rs.29.216 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

16. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and advances		Available for sale	
	Un-audited December 31, 2018	Audited June 30, 2018	Un-audited December 31, 2018	Audited June 30, 2018
Financial assets as per statement of financial position	---- Rupees ----		---- Rupees ----	
Long term investments	-	-	4,441,618,317	4,851,764,286
Long term loans	327,000	297,000	-	-
Long term deposits	28,606,645	28,608,645	-	-
Trade debts	3,023,873,029	2,850,910,999	-	-
Loans and advances	120,000	121,000	-	-
Trade deposits	4,883,758	43,800,651	-	-
Short term investments	-	-	3,062,206,759	3,760,187,223
Other receivables	2,607,987	5,879,905	-	-
Cash and bank balances	36,128,686	24,047,126	-	-
	3,096,547,105	2,953,665,326	7,503,825,076	8,611,951,509
	Financial liabilities measured at amortised cost			
	Un-audited December 31, 2018		Audited June 30, 2018	
Financial liabilities as per statement of financial position	--- Rupees ---			
Long term finances and accrued mark-up	4,706,430,938		4,708,042,169	
Trade and other payables	1,788,514,232		1,479,770,271	
Unclaimed dividend	6,523,655		5,353,374	
Short term borrowings and accrued mark-up	13,946,969,226		9,085,505,210	
	20,448,438,051		15,278,671,024	

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

17. TRANSACTIONS WITH RELATED PARTIES

17.1 Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	Un-audited	
		December 31, 2018	December 31, 2017
		----- Rupees -----	
(i) Subsidiaries	Dividend received	-	866,347,800
	Deposit for shares	34,500,000	110,000,000
	Shares allotted	132,340,210	-
	Expenses charged to	-	21,823,252
(ii) Associates	Sales:		
	• raw material / yarn / fabric / stores	288,798,477	420,836,236
	• assets	600,000	-
	Purchases:		
	• raw material / yarn / fabric / stores	503,085,236	384,061,080
	• assets	-	1,700,000
	• electricity	38,848,900	60,648,235
	Services:		
	• rendered	137,294	1,895,761
	• obtained	211,998	1,416,911
	Expenses charged by	15,311,893	13,545,163
	Expenses charged to	9,451,264	9,152,958
	Dividend:		
	• received	1,001,026	239,002
	• paid	4,724,364	15,294,894
Loans obtained	56,645,000	-	
(iii) Directors and their related parties	Loans obtained	67,262,000	-
(iv) Key management personnel	Remuneration and other benefits	44,742,984	39,072,833
(v) Retirement fund	Contribution made	12,846,107	5,620,928

17.2 Period / year end balances are as follows:

	Un-audited December 31, 2018	Audited June 30, 2018
		----- Rupees -----
Receivables from related parties		
Trade debts	86,313,231	22,078,449
Other receivables	14,673,206	168,600
Payable to related parties		
Trade and other payables	128,917,286	51,318,133

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018****18. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2018, whereas, the condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial statements of the Company for the six months period ended December 31, 2017.

19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 26, 2019.

Lahore :
Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

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Sapphire Fibres Limited

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Directors' Report

The directors are pleased to present their report together with consolidated financial statements of Sapphire Fibres Limited and its subsidiaries Sapphire Electric Company Limited, Sapphire Hydro Limited, Premier Cement Limited, Sapphire Cement Company Limited and Sapphire Energy (Pvt.) Limited for the period ended 31 December, 2018. The Company has annexed consolidated financial statements along with its separate financial statements in accordance with the requirements of the International Accounting Standard-27 (Consolidated and Separate Financial Statements)

SAPPHIRE ELECTRIC COMPANY LIMITED

Sapphire Electric Company Limited (SECL) was incorporated in Pakistan as an unlisted public Company limited by shares under Companies ordinance 1984 (now Companies Act 2017) on 18 January, 2005. It became subsidiary of Sapphire Fibres Limited (SFL) on 1st July, 2008. SFL holds 68.11% shares of SECL as on 31 December, 2018.

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

SAPPHIRE HYDRO LIMITED

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

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

PREMIER CEMENT LIMITED

Premier Cement Limited (PCL) was incorporated in Pakistan as an unlisted public Company limited by shares under Companies ordinance 1984 (now Companies Act 2017) on 26 July, 2016. SFL holds 100% shares of PCL as on 31 December, 2018.

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

SAPPHIRE CEMENT COMPANY LIMITED

Sapphire Cement Company Limited (SCCL) was incorporated in Pakistan as an unlisted public Company limited by shares under Companies ordinance 1984 (now Companies Act 2017) on 28 October, 2016. SFL holds 100% shares of SCCL as on 31 December, 2018.

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

SAPPHIRE ENERGY (PRIVATE) LIMITED

Sapphire Energy (Private) Limited (SEPL) was incorporated in Pakistan as a private Company limited by shares under Companies Act 2017 on 11 December, 2017. SFL holds 100% shares of SEPL as on 31 December, 2018.

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

For and on behalf of the Board of Directors

Lahore:
Dated: 26 February, 2019

Shayan Abdullah
Director

Shahid Abdullah
Chief Executive

ڈائریکٹرز رپورٹ

ڈائریکٹرز 31 دسمبر 2018ء کو ختم ہونے والی ششماہی کے لئے سفارز فابریز لمیٹڈ اور اسکی ذیلی کمپنیوں سفارز ایکسٹریکٹ کمپنی لمیٹڈ، سفارز ہائیڈرو لمیٹڈ، پری میجر سینٹ لمیٹڈ، سفارز سینٹ لمیٹڈ، سفارز سینٹ کمپنی لمیٹڈ اور سفارز انرجی (پرائیویٹ) لمیٹڈ کے اشتمال شدہ مالیاتی گوشواروں کے ہمراہ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کمپنی نے بین الاقوامی اکاؤنٹنگ معیار 27 (اشتمال شدہ اور الگ مالی گوشوارے) کی ضروریات کے مطابق اشتمال شدہ مالی گوشواروں کے ساتھ ساتھ اپنے الگ الگ مالی گوشوارے منسلک کئے ہیں۔

سفارز ایکسٹریکٹ کمپنی لمیٹڈ:

سفارز ایکسٹریکٹ کمپنی لمیٹڈ (SECL) 18 جنوری 2005 کو کمپنیز آرڈیننس، 1984 (ایب کمپنیز ایکٹ 2017) کے تحت غیر مندرج پبلک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ یہ یکم جولائی 2008 کو سفارز فابریز لمیٹڈ (ایس ایف ایل) کی ذیلی کمپنی بنی۔ ایس ایف ایل 31 دسمبر 2018 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 کمانڈ سائیکل پاور سٹیشن کی ملکیت، کوجانا اور برقر رکھنا ہے۔

سفارز ہائیڈرو لمیٹڈ:

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

پری میجر سینٹ لمیٹڈ:

پری میجر سینٹ لمیٹڈ (پی سی ایل) 26 جولائی 2016 کو کمپنیز آرڈیننس 1984 (ایب کمپنیز ایکٹ 2017) کے تحت ایک غیر مندرج پبلک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 31 دسمبر 2018 کے مطابق پی سی ایل کے 100% حصص کی مالک ہے۔ ضروری منظور یوں کے حوالہ سے، پی سی ایل ہر قسم کے سینٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفارز سینٹ کمپنی لمیٹڈ:

سفارز سینٹ کمپنی لمیٹڈ (ایس سی ایل) 28 اکتوبر 2016 کو کمپنیز آرڈیننس 1984 (ایب کمپنیز ایکٹ 2017) کے تحت ایک غیر مندرج پبلک کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 31 دسمبر 2018ء کے مطابق ایس سی ایل کے 100% حصص کی مالک ہے۔ ضروری منظور یوں کے حوالہ سے، ایس سی ایل ہر قسم کے سینٹ اور اس کی متعلقہ مصنوعات بنانے کے لئے پلانٹ قائم اور نصب کرنے کا ارادہ رکھتی ہے۔

سفارز انرجی (پرائیویٹ) لمیٹڈ:

سفارز انرجی (پرائیویٹ) لمیٹڈ (ایس ای پی ایل) 11 دسمبر 2017 کو کمپنیز ایکٹ 2017 کے تحت ایک پرائیویٹ کمپنی لمیٹڈ کے طور پر شراکت سے پاکستان میں قائم ہوئی۔ ایس ایف ایل 31 دسمبر 2018ء کے مطابق ایس ای پی ایل کے 100% حصص کی مالک ہے۔ ایس ای پی ایل بجلی پیدا کرنے اور تمام قسم کی گیسوں اور تمام دیگر متعلقہ مائع، کیمیکل اور پٹرولیم مصنوعات کی ہینڈلنگ، ری گیس فلڈیشن، اسٹوریج، ہٹ ٹینٹ اور پروسیسنگ کے لئے ایک ٹریٹمنٹ پلانٹ میں مصروف کمپنیوں میں توانائی کے منصوبوں میں حصہ لینے، شریک کرنے اور سرمایہ کاری کرنے یا حصص حاصل کرنے کا ارادہ رکھتی ہے۔

منجانب بورڈ آف ڈائریکٹرز

شایان عبداللہ
ڈائریکٹر

شاہد عبداللہ
چیف ایگزیکٹو

لاہور

تاریخ: 26 فروری 2019ء

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Unaudited

As at 30 September 2018

	Note	Un-audited December 31, 2018	Audited June 30, 2018
----- Rupees -----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	23,669,773,186	23,665,614,952
Investment property		31,750,000	31,750,000
Intangible assets		9,042,925	9,751,241
Long term investments	6	5,424,258,024	5,818,143,428
Long term loans		327,000	297,000
Long term deposits		41,606,445	41,606,445
		29,176,757,580	29,567,163,066
Current assets			
Stores, spare parts and loose tools		290,399,157	198,770,544
Stock-in-trade	7	9,342,323,825	4,997,559,341
Trade debts	8	11,811,229,491	10,557,331,224
Loans and advances		153,741,685	171,580,598
Trade deposits and short term prepayments		130,311,481	82,454,092
Short term investments		3,081,745,099	3,760,187,223
Other receivables		1,056,962,633	1,059,715,249
Tax refunds due from Government		862,378,928	751,998,697
Cash and bank balances		432,516,618	534,201,894
		27,161,608,917	22,113,798,862
Total assets		56,338,366,497	51,680,961,928
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
35,000,000 ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital			
19,687,500 ordinary shares of Rs.10 each		196,875,000	196,875,000
Reserves		3,266,513,636	4,293,755,844
Unappropriated profit		17,507,578,910	16,434,544,121
Equity attributable to shareholders of the Parent Company		20,970,967,546	20,925,174,965
Non-controlling interest		3,985,641,973	3,515,865,102
Total equity		24,956,609,519	24,441,040,067
Liabilities			
Non-current liabilities			
Long term finances	9	5,352,768,366	6,603,234,422
Staff retirement benefit - gratuity		234,263,186	346,597,468
Deferred taxation		116,843,847	135,561,462
		5,703,875,399	7,085,393,352
Current liabilities			
Trade and other payables		2,897,044,259	2,978,944,755
Contract liabilities		221,684,594	118,573,973
Accrued mark-up / interest		275,375,029	171,898,931
Short term borrowings	10	19,263,801,339	13,992,789,726
Current portion of long term finances		2,818,981,371	2,639,389,553
Unclaimed dividend		6,523,655	5,353,374
Provision for taxation		194,471,332	247,578,197
		25,677,881,579	20,154,528,509
Total liabilities		31,381,756,978	27,239,921,861
Contingencies and commitments	11		
Total equity and liabilities		56,338,366,497	51,680,961,928

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Lahore :
Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS - Unaudited
FOR THE QUARTER AND SIX MONTHS PERIOD DECEMBER 31, 2018

	Note	Quarter ended		Six months period	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		----- Rupees -----			
Sales - net	12	6,844,291,029	5,566,181,458	17,009,280,992	12,922,702,893
Cost of sales	13	(5,079,444,285)	(4,402,966,848)	(13,753,705,156)	(10,644,108,724)
Gross profit		1,764,846,744	1,163,214,610	3,255,575,836	2,278,594,169
Distribution cost		(175,909,127)	(153,880,974)	(321,935,865)	(267,134,480)
Administrative expenses		(99,943,061)	(124,057,998)	(206,270,455)	(242,811,131)
Other income		140,301,053	126,213,462	262,455,135	318,176,899
Other expenses		(39,697,998)	(101,184,292)	(56,014,777)	(110,643,318)
Profit from operations		1,589,597,611	910,304,808	2,933,809,874	1,976,182,139
Finance cost		(567,838,863)	(383,064,971)	(1,006,500,844)	(739,696,174)
		1,021,758,748	527,239,837	1,927,309,030	1,236,485,965
Share of profit / (loss) of Associated Companies		13,213,452	(1,667,439)	27,213,988	(7,785,042)
Profit before taxation		1,034,972,200	525,572,398	1,954,523,018	1,228,700,923
Taxation		(81,323,949)	(110,318,463)	(146,260,890)	(179,190,074)
Profit after taxation		953,648,251	415,253,935	1,808,262,128	1,049,510,849
Attributable to:					
- Shareholders of the Parent Company		718,449,586	229,352,401	1,338,485,257	699,314,964
- Non-controlling interest		235,198,665	185,901,534	469,776,871	350,195,885
		953,648,251	415,253,935	1,808,262,128	1,049,510,849
Earnings per share					
- attributable to shareholders of the Parent Company		36.49	11.65	67.99	35.52

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Lahore :
Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME - Unaudited
FOR THE QUARTER AND SIX MONTHS PERIOD DECEMBER 31, 2018

	Quarter ended		Six months period	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	----- Rupees -----			
Profit after taxation	953,648,251	415,253,935	1,808,262,128	1,049,510,849
Other comprehensive income / (loss)				
Items that may be reclassified to statement of profit or loss subsequently				
Unrealised loss due to change in fair values of available for sale investments:				
- long term	(362,652,339)	(38,172,664)	(410,142,969)	(703,383,533)
- short term	(504,745,704)	(303,081,202)	(657,138,339)	(1,291,890,549)
Impact of deferred tax	757,763	33,262,595	28,064,658	186,415,759
Adjustment for gain included in statement of profit or loss upon sale of available-for-sale investments	(7,311,875)	(6,201,657)	(7,311,875)	(43,031,149)
Share of fair value loss on remeasurement of available for sale investments of Associated Companies	(7,486,796)	(2,916,713)	(9,390,117)	(17,151,210)
	(881,438,951)	(317,109,641)	(1,055,918,642)	(1,869,040,682)
Forward foreign exchange contracts				
Unrealised gain on remeasurement of forward foreign exchange contracts	-	15,169,380	-	15,169,380
Adjustment for gain included in statement of profit or loss upon settlement of forward exchange contracts	-	-	-	(140,343)
Share of unrealised gain on remeasurement of hedging instruments of Associated Companies	59,714	81,868	24,886	113,223
	59,714	15,251,248	24,886	15,142,260
Other comprehensive loss for the period	(881,379,237)	(301,858,393)	(1,055,893,756)	(1,853,898,422)
Total comprehensive income / (loss) for the period	72,269,014	113,395,542	752,368,372	(804,387,573)
Attributable to:				
- Shareholders of the Parent Company	(162,929,651)	(72,505,992)	282,591,501	(1,154,583,458)
- Non-controlling interest	235,198,665	185,901,534	469,776,871	350,195,885
	72,269,014	113,395,542	752,368,372	(804,387,573)

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Lahore :
Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

Condensed Interim Consolidated Statement of Cash Flows - Unaudited FOR THE QUARTER AND SIX MONTHS PERIOD DECEMBER 31, 2018

	Note	Six months period	
		December 31, 2018	December 31, 2017
----- Rupees -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	14	(2,410,577,571)	(189,765,715)
Staff retirement benefits paid		(157,644,620)	(44,839,678)
Finance cost paid		(902,263,507)	(561,823,485)
Taxes paid		(155,911,902)	(205,987,980)
Workers' profit participation fund paid		(58,012,182)	(66,247,556)
Long term loans - net		(30,000)	560,000
Net cash used in operating activities		(3,684,439,782)	(1,068,104,414)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(474,986,815)	(1,295,265,384)
Proceeds from disposal of operating fixed assets		4,206,600	8,697,637
Investment in a Subsidiary Company		(166,840,210)	-
Short term investments		(33,530,249)	(163,081,212)
Proceeds from sale of investments		43,304,940	61,684,574
Proceeds from sale of stores and spares		6,027,336	200,000
Dividend and interest income received		239,515,248	220,807,113
Net cash used in investing activities		(382,303,150)	(1,166,957,272)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - obtained		198,029,000	450,014,000
- repaid		(1,268,903,238)	(791,302,754)
Dividend paid		(235,079,719)	(435,392,016)
Short term borrowings - net		5,271,011,613	3,128,120,835
Net cash generated from financing activities		3,965,057,656	2,351,440,065
Net increase in cash and cash equivalents		(101,685,276)	116,378,379
Cash and cash equivalents - at beginning of the period		534,201,894	456,720,245
Cash and cash equivalents - at end of the period		432,516,618	573,098,624

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Lahore :
Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - Unaudited FOR THE QUARTER AND SIX MONTHS PERIOD DECEMBER 31, 2018

	Capital		Reserves		Other Components of equity				Non-Controlling Interest		
	Issued, subscribed and paid-up capital	Share Premium	Maintenance reserve	General	Unappropriated profit	Sub-total	on available for sale investments	on hedging instrument		Sub-total	Total
Balance as at July 1, 2017 (Audited)	196,875,000	145,740,000	336,444,851	1,183,845,000	14,382,542,389	16,048,572,240	4,850,880,908	174,046	4,851,064,954	21,096,512,194	3,207,187,832
Transaction with owners											
Final dividend related to 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 / (loss) for the six months period ended December 31, 2017											
Profit for the period	-	-	-	-	699,314,964	699,314,964	-	-	-	699,314,964	350,195,885
Other comprehensive (loss) / income	-	-	-	-	(42,849,729)	(42,849,729)	(1,869,040,682)	15,142,260	(1,853,898,422)	(1,853,898,422)	-
Transfer to maintenance reserve	-	-	42,849,729	-	(42,849,729)	-	(1,869,040,682)	15,142,260	(1,853,898,422)	(1,154,583,438)	350,195,885
Effect of items directly credited in equity by the Associated companies	-	-	-	-	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	15,009,501,293	16,718,380,873	2,981,850,226	15,316,306	2,997,166,532	19,912,422,405	3,151,722,485
Balance as at July 1, 2018 (Audited)	196,875,000	145,740,000	351,811,732	1,183,845,000	16,434,544,121	17,799,310,853	2,928,821,052	168,060	2,928,989,112	20,925,174,965	3,515,865,102
Transaction with owners											
Final dividend for the year ended June 30, 2018 at the rate of Rs. 12 per share	-	-	-	-	(236,250,000)	(236,250,000)	-	-	-	(236,250,000)	-
Total comprehensive income / (loss) for the six months period ended December 31, 2018											
Profit for the period	-	-	-	-	1,338,485,257	1,338,485,257	-	24,886	-	1,338,485,257	469,776,871
Other comprehensive loss	-	-	-	-	-	-	(1,055,918,642)	24,886	(1,055,893,756)	(1,055,893,756)	-
Transfer to maintenance reserve	-	-	28,651,548	-	(28,651,548)	-	(1,055,918,642)	24,886	(1,055,893,756)	282,591,501	469,776,871
Effect of items directly credited in equity by the Associated companies	-	-	-	-	(548,920)	(548,920)	-	-	-	(548,920)	-
Balance as at December 31, 2018 (Un-audited)	196,875,000	145,740,000	63,833,280	1,183,845,000	17,807,578,910	18,900,997,190	1,872,902,410	192,946	1,873,095,356	20,970,967,546	3,985,641,973

The annexed notes 1 to 19 form an integral part of this condensed interim financial statements.

Lahore :

Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

The Parent Company

-Sapphire Fibres Limited

Subsidiary Companies

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

• Sapphire Fibres Limited

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

• 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 Energy (Pvt.) Limited - SEL

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

• 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,

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

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 AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

-International Accounting Standard ('IAS') 34, 'Interim Financial Reporting', issued by International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017, and

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

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.2 These condensed interim consolidated financial statements do not include all the information and disclosures as required in an annual audited consolidated financial statements, and these should be read in conjunction with the Parent Company annual audited consolidated financial statements for the year ended June 30, 2018.

2.2 Principal of consolidation

These condensed interim consolidated financial statements of the Group include the financial statements of Parent Company and of its Subsidiary Companies. The Parent Company's direct interest, as at December 31, 2018, in the SECL is 68.11% (June 30, 2018: 68.11%) and effective holding in SHL is also 68.11% as SHL is wholly owned Subsidiary of SECL. Where as the other three companies PCL, SCCL, SEL are wholly owned subsidiaries.

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

All material inter-group balances and transactions have been eliminated. Investments in Associated Companies, as defined in the Companies Act, 2017, are accounted for under the equity method of accounting.

Transactions and non-controlling interests

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

2.3 New standards, amendments to approved accounting standards and interpretations that are effective during the period and are relevant to the Company

During the period, the Group adopted following new standards / interpretations:

- IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

2.4 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of audited annual consolidated financial statements for the year ended June 30, 2018 except for the change specified in note 3 below.

3. CHANGE IN ACCOUNTING POLICY

- a) The Group has applied IFRS 15 using the modified retrospective approach for transition. This approach requires an entity to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The revised policy do not have any significant impact on these condensed interim consolidated financial statements as the revised policy.
- b) The adoption of IFRS 15 also resulted in reclassification of "Advances payments from customers", previously grouped under trade and other payables, to the statement financial position as 'Contract liabilities'. The affect of which is presented below:

	As previously reported	Re-statement	As restated
	----- Rupees -----		
As at June 30, 2018			
Effect on statement of financial position			
Trade and other payable	3,097,518,728	(118,573,973)	2,978,944,755
Contract liabilities	-	118,573,973	118,573,973
As at July 01, 2017			
Trade and other payable	3,488,739,443	(258,946,777)	3,229,792,666
Contract liabilities	-	258,946,777	258,946,777

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim consolidated financial statements require 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 these condensed interim financial statements, the significant judgements made by management in applying Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited annual consolidated financial statements for the year ended June 30, 2018.

5. PROPERTY, PLANT AND EQUIPMENT

		Un-audited December 31, 2018	Audited June 30, 2018
	Note	----- Rupees -----	
Operating fixed assets	5.1	22,110,124,385	22,639,958,482
Capital work-in-progress	5.2	1,559,648,801	1,025,656,470
		23,669,773,186	23,665,614,952

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Un-audited December 31, 2018	Audited June 30, 2018
	----- Rupees -----	
5.1 Operating fixed assets		
Net book value at beginning of the period / year	22,639,958,482	21,901,722,857
Additions during the period / year	120,034,484	2,031,194,214
Disposals costing Rs.16.799 million (June 30, 2018: Rs.133.737 million) - at net book value	(2,698,267)	(19,700,861)
Depreciation charge for the period / year	(647,170,314)	(1,241,944,103)
Adjustments	-	(31,313,625)
Net book value at end of the period / year	<u>22,110,124,385</u>	<u>22,639,958,482</u>
5.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:		
Freehold land	15,428,500	41,671,750
Residential buildings and others on freehold land	-	174,366,450
Factory buildings on freehold land	18,758,111	315,205,997
Plant and machinery	68,457,931	1,438,354,179
Equipment:		
• fire fighting	590,000	19,145,390
• office		122,000
• mills	-	180,000
• electric / gas	-	421,430
Computer hardware	1,082,500	2,628,750
Vehicles	15,717,442	38,231,330
Furniture and fixtures	-	866,938
	<u>120,034,484</u>	<u>2,031,194,214</u>
5.2 Capital work-in-progress		
Buildings	218,994,607	165,158,330
Plant and machinery (including in transit aggregating Rs.32.210 million (June 30, 2018: Rs.79.980 million)	852,455,999	579,792,490
Equipments	200,000	200,000
Electric Installation	115,000	-
Computer	85,500	-
Un-allocated capital expenditure	422,997,462	189,997,463
Advance payments against:		
• freehold land	10,000,000	15,428,500
• factory / office building	27,585,691	45,965,772
• electric installation	18,812,275	20,030,273
• vehicles	5,815,667	8,113,667
• computer software	2,586,600	969,975
	64,800,233	90,508,187
	<u>1,559,648,801</u>	<u>1,025,656,470</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

5.3 Operating fixed assets includes freehold land valuing Rs.80.685 million representing the Parent's Company 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 (related parties).

6. LONG TERM INVESTMENTS

		Un-audited December 31, 2018	Audited June 30, 2018
	Note	----- Rupees -----	
Associated Companies	6.1	982,639,707	966,379,142
Others	6.2	4,441,618,317	4,851,764,286
		5,424,258,024	5,818,143,428

6.1 Associated Companies - equity method Quoted

Reliance Cotton Spinning Mills Limited (RCSM)	6.1.1	35,095,876	32,735,607
SFL Limited (SFLL)	6.1.2	1,584,951	1,475,225
Unquoted			
Sapphire Power Generation Limited (SPGL)	6.1.3	238,491,198	251,538,962
Sapphire Dairies (Private) Limited (SDL)	6.1.4	105,017,082	104,229,348
Tricon Boston Consulting Corporation (Private) Limited - TBCCL	6.1.5	602,450,600	576,400,000
Energas Terminal (Private) Limited - ETL	6.1.6	-	-
		982,639,707	966,379,142

6.1.1 Investment in RCSM represents 138,900 fully paid ordinary shares of Rs.10 each representing 1.35% of RCSM's issued, subscribed and paid-up capital as at December 31, 2018. RCSM 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 RCSM is manufacturing and sale of yarn. Market value of the Group's investment in RCSM as at December 31, 2018 was Rs.19.908 million (June 30, 2018: Rs.22.167 million). RCSM is an associate of the Group due to common directorship.

6.1.2 Investment in SFLL represents 10,199 fully paid ordinary shares of Rs.10 each representing 0.051% of SFLL's issued, subscribed and paid-up capital as at December 31, 2018. 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, 2018 was Rs.1.453 million (June 30, 2018: Rs.1.509 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% of SPGL's issued, subscribed and paid-up capital as at December 31, 2018. SPGL was incorporated in Pakistan as a public limited company and is principally engaged in the business of electric power generation and distribution. SPGL is an associate of the Group due to common directorship.

6.1.4 Investment in SDL represents 10,000,000 fully paid ordinary shares of Rs.10 each representing 9.09% of SDL's issued, subscribed and paid-up capital as at December 31, 2018. SDL was incorporated as a private limited company and is principally engaged in production and sale of milk and milk products. SDL is an associate of the Group due to common directorship.

6.1.5 Investment in TBCCL represents 59,251,500 fully paid ordinary shares of Rs.10 each representing 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.

6.1.6 The Subsidiary Company - SEL, has made investment in ETL's 3,000 fully paid ordinary shares of Rs.10 each representing 30% of ETL's issued, subscribed and paid-up capital as at December 31, 2018. ETL was incorporated as a private limited company. The principal activity of ETL shall be to undertake, develop power projects and operate a terminal for the handling, regasification, storage, treatment and processing of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and other related products.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018**

6.2	Other - available for sale	Un-audited December 31, 2018	Audited June 30, 2018
		----- Rupees -----	
	Quoted		
	MCB Bank Limited		
	18,213,195 ordinary shares of Rs.10 each - cost	896,451,123	896,451,123
	Adjustment arising from re-measurement to fair value	2,629,077,033	2,705,572,452
		3,525,528,156	3,602,023,575
	Habib Bank Limited		
	7,244,196 ordinary shares of Rs.10 each - cost	1,217,073,609	1,217,073,609
	Adjustment arising from re-measurement to fair value	(344,510,201)	(11,349,626)
		872,563,408	1,205,723,983
	Term finance certificates - Habib Bank Limited		
	150 term finance certificates of Rs.100,000 each - cost	14,985,000	14,988,000
	Adjustment arising from re-measurement to fair value	(674,325)	(187,350)
		14,310,675	14,800,650
	Novelty Enterprises (Private) Limited		
	2,351,995 ordinary shares of Rs.10 each	28,716,078	28,716,078
	TCC Management Services (Private) Limited		
	50,000 ordinary shares of Rs. 10 each	500,000	500,000
		4,441,618,317	4,851,764,286
7.	STOCK-IN-TRADE		
	Raw materials	7,267,892,780	3,915,722,820
	Work-in-process	581,282,838	439,022,953
	Finished goods	1,493,148,207	642,813,568
		9,342,323,825	4,997,559,341
8.	TRADE DEBTS		
8.1	These mainly include trade receivables amounted Rs.8,787 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 markup charged during the year on outstanding amounts ranges from 8.93% to 13.51% (June 30, 2018: 8.29% to 13.01%) per annum.		
8.1.1	Included in trade debts is an amount of Rs.576.073 million relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC.		

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

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

Consequently, with respect to both matters discussed above, during the year ended June 30, 2014, the SECL in consultation with NTDC, appointed an Expert for dispute resolution under the PPA. In August 2015, the Expert gave his determination whereby the aforesaid amount of Rs 576.073 million was determined to be payable to the SECL by NTDC while the SECL's claim regarding the amount of Rs 227.610 million was not accepted. Pursuant to the Expert's determination, the SECL has demanded the payment of the aforesaid amount of Rs.576.073 million from NTDC that has not yet been paid by NTDC.

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

In respect of the matter of Rs 227.610 million, the Arbitrator through his order dated March 9, 2016, (the First Arbitration) decided the matter in the SECL favour whereby the aforesaid amount of Rs 227.610 million was determined to be payable to the SECL by SNGPL. Furthermore, the Arbitrator also awarded interest at the rate of 6% per annum on the aforesaid amount payable as of August 18, 2014 until the date of the actual payment and reimbursement of certain arbitration costs incurred by the SECL along with interest at the rate of 6% per annum from the date of award till the date of actual payment. Consequently, under the relevant provisions of the Arbitration Act, 1940, the SECL filed an application before the court of Senior Civil Judge, Lahore to pass appropriate directions for the implementation of the Arbitration Award, which is pending adjudication.

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

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

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

- 8.1.5** On October 29, 2017, Arbitrator declared his Final Award (the Second Arbitration) whereby he ordered NTDC to pay to the SECL: i) Rs 576.073 million pursuant to Expert's determination; ii) Rs 133.695 million being Pre award interest; iii) Rs 9.203 million for breach of arbitration agreement; iv) Rs 1.684 million and USD 612,311 for the SECL's cost of proceedings; v) GBP 30,157 for SECL's LCIA cost of Arbitration and vi) Interest at KIBOR + 4.5% compounded semi-annually from the date of Final Award until payment of these amounts by NTDC ("the Final Award") that works out to Rs 101.707 million upto December 31, 2018.

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

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

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

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

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		Un-audited December 31, 2018	Audited June 30,
		----- Rupees -----	
9.	LONG TERM FINANCES - secured		
	Balance at beginning of the period / year	9,242,623,975	9,847,309,340
	Add: disbursements during the period / year	198,029,000	1,103,458,000
	Less: repayments made during the period / year	<u>(1,268,903,238)</u>	<u>(1,708,143,365)</u>
	Balance at end of the period / year	8,171,749,737	9,242,623,975
	Less: current portion grouped under current liabilities	<u>(2,818,981,371)</u>	<u>(2,639,389,553)</u>
		<u>5,352,768,366</u>	<u>6,603,234,422</u>
9.1	All the terms and conditions of the long term finances are same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2018. Effective mark-up rates charged, during the period, ranged from 2.50% to 11.32% (June 30, 2018: 2.50% to 9.59%) per annum.		
10.	SHORT TERM BORROWINGS	Un-audited December 31, 2018	Audited June 30,
		----- Rupees -----	
	Note		
	From banking companies - secured	19,094,441,465	13,976,415,211
	Temporary bank overdraft - unsecured	45,452,874	16,374,515
	From related parties - unsecured	123,907,000	-
		<u>19,263,801,339</u>	<u>13,992,789,726</u>
10.1	The Group has obtained short term finance facilities, including facilities for foreign currency loans, aggregating Rs.25,190 million (June 30, 2018: Rs.24,540 million) from various commercial banks under mark-up arrangements. These finance facilities are secured against hypothecation charge over current assets of the Group, 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 2.25% to 12.55% (June 30, 2018: 2.25% to 8.50%) per annum. These facilities are expiring on various dates upto December 31, 2019.		
10.2	The Parent Company, during the period, obtained short term loans aggregated Rs.67.262 million from its directors and their related parties and Rs.56.645 million from its associated companies to meet its working capital requirements. These loans are interest free and are repayable on demand.		
11.	CONTINGENCIES AND COMMITMENTS		
11.1	Contingencies		
11.1.1	Outstanding bank guarantees		
	Guarantees aggregating Rs.2,535.332 million (June 30, 2018: Rs.2,567.388 million) have been issued by banks of the Group to various Government institutions and Sui Northern Gas Pipeline Limited.		
11.1.2	There has been no material change in status of contingencies as reported in note 27 to the annual audited consolidated financial statements of the Group.		
11.2	Commitments in respect of :		
	• letters of credit for capital expenditure	<u>136,880,020</u>	<u>145,536,511</u>
	• letters of credit for purchase of raw materials and stores, spare parts & chemicals	<u>558,174,136</u>	<u>220,464,198</u>
	• capital expenditure other than letters of credit	<u>168,735,990</u>	<u>205,122,142</u>
	• foreign bills discounted	<u>464,136,060</u>	<u>1,297,115,345</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

For the six months period ended December 31, 2018 - Un-audited

	Spinning	Knits	Denim	Power	Total
	----- Rupees -----				
Types of goods and services					
Local sales					
- Yarn	1,212,369,091	5,918,851	10,248,929	-	1,228,536,871
- Fabric	-	16,343,457	372,325,860	-	388,669,317
- Garments	-	15,383,824	-	-	15,383,824
- Waste	83,666,590	17,473,960	13,809,719	-	114,950,269
- Raw materials	21,843,715	-	-	-	21,843,715
- Energy purchase price	-	-	-	5,139,563,747	5,139,563,747
- Capacity purchase price	-	-	-	2,387,496,821	2,387,496,821
- Local steam income	3,475,000	-	-	-	3,475,000
- Processing income	46,800	28,519,730	-	-	28,566,530
	1,321,401,196	83,639,822	396,384,508	7,527,060,568	9,328,486,094
Export Sales					
- Yarn	4,097,972,661	115,126,821	-	-	4,213,099,482
- Fabric	-	281,460,758	1,298,318,779	-	1,579,779,537
- Garments	-	1,673,611,158	-	-	1,673,611,158
- Waste	133,382,168	-	-	-	133,382,168
	4,231,354,829	2,070,198,737	1,298,318,779	-	7,599,872,345
Export rebate					
- Fabric	-	2,041,304	10,864,156	-	12,905,460
- Garments	-	68,017,093	-	-	68,017,093
	-	70,058,397	10,864,156	-	80,922,553
	5,552,756,025	2,223,896,956	1,705,567,443	7,527,060,568	17,009,280,992
Timing of revenue recognition					
Goods transferred at a point in time	5,552,709,225	2,195,377,226	1,705,567,443	7,527,060,568	9,453,653,894
Services rendered at a point in time	46,800	28,519,730	-	-	28,566,530
	5,552,756,025	2,223,896,956	1,705,567,443	7,527,060,568	17,009,280,992

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

For the six months period ended December 31, 2017 - Un-audited

	Spinning	Knits	Denim	Power	Total
	----- Rupees -----				
Types of goods and services					
Local sales					
- Yarn	1,458,227,043	3,221,498	3,876,275	-	1,465,324,816
- Fabric	-	49,111,362	122,989,599	-	172,100,961
- Garments	-	6,287,271	-	-	6,287,271
- Waste	78,215,408	19,974,283	10,466,613	-	108,656,304
- Raw materials	19,658,469	-	-	-	19,658,469
- Energy purchase price	-	-	-	2,485,504,003	2,485,504,003
- Capacity purchase price	-	-	-	2,069,025,233	2,069,025,233
- Local steam income	6,330,000	-	-	-	6,330,000
- Processing income	492,390	27,932,521	1,325,902	-	29,750,813
	1,562,923,310	106,526,935	138,658,389	4,554,529,236	6,362,637,870
Export Sales					
- Yarn	3,462,957,076	160,227,385	-	-	3,623,184,461
- Fabric	-	102,026,866	946,738,750	-	1,048,765,616
- Garments	-	1,498,219,415	-	-	1,498,219,415
- Waste	122,434,853	-	-	-	122,434,853
	3,585,391,929	1,760,473,666	946,738,750	-	6,292,604,345
Export rebate					
- Yarn	120,931,894	6,745,823	-	-	127,677,717
- Fabric	-	4,477,338	25,864,469	-	30,341,807
- Garments	-	109,441,154	-	-	109,441,154
	120,931,894	120,664,315	25,864,469	-	267,460,678
	5,269,247,133	1,987,664,916	1,111,261,608	4,554,529,236	12,922,702,893
Timing of revenue recognition					
Goods transferred at a point in time	5,268,754,743	1,959,732,395	1,109,935,706	4,554,529,236	8,338,422,844
Services rendered at a point in time	492,390	27,932,521	1,325,902	0	29,750,813
	5,269,247,133	1,987,664,916	1,111,261,608	4,554,529,236	12,922,702,893

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018**

13. COST OF SALES

		----- Un-audited -----			
		Quarter ended		Six months period ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Note		----- Rupees -----			
	Finished goods at beginning of the period	839,773,862	655,837,589	642,813,568	696,987,720
13.1	Cost of goods manufactured	5,714,667,453	4,430,458,013	14,581,990,959	10,625,005,900
	Cost of raw materials sold	18,151,177	14,217,604	22,048,836	19,661,462
		5,732,818,630	4,444,675,617	14,604,039,795	10,644,667,362
		6,572,592,492	5,100,513,206	15,246,853,363	11,341,655,082
	Finished goods at end of the period	(1,493,148,207)	(697,546,358)	(1,493,148,207)	(697,546,358)
		5,079,444,285	4,402,966,848	13,753,705,156	10,644,108,724
13.1	Cost of goods manufactured				
	Work-in-process at beginning of the period	469,518,710	345,980,305	439,022,953	309,426,974
	Raw materials consumed	3,792,460,437	2,687,537,830	10,681,281,459	7,150,818,000
	Direct labour and other overheads	2,033,971,144	1,793,686,137	4,042,969,385	3,561,507,185
		5,826,431,581	4,481,223,967	14,724,250,844	10,712,325,185
		6,295,950,291	4,827,204,272	15,163,273,797	11,021,752,159
	Work-in-process at end of the period	(581,282,838)	(396,746,259)	(581,282,838)	(396,746,259)
		5,714,667,453	4,430,458,013	14,581,990,959	10,625,005,900

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

14. CASH USED IN OPERATIONS

	Note	Un-audited	
		Six months period ended	
		December 31, 2018	December 31, 2017
----- Rupees -----			
Profit before taxation		1,927,309,030	1,236,485,965
Adjustments for non-cash and other items:			
Depreciation		647,170,314	600,827,521
Amortization of intangible assets		708,316	643,368
Staff retirement benefit - gratuity		45,310,338	47,022,883
Provision for workers' profit participation fund		16,223,255	51,245,908
Provision for doubtful tax refunds		38,882,497	51,522,468
Provision for workers' welfare fund		-	85,566
Gain on disposal of operating fixed assets		(1,513,274)	(2,251,289)
Gain on sale of investments		(9,774,691)	(36,829,492)
(Gain) / loss on sale of stores and spares		(643,215)	159,473
Dividend and interest income		(235,366,632)	(268,795,044)
Finance cost		1,007,909,446	684,549,449
Exchange loss		(1,408,602)	62,036,101
Working capital changes	14.1	(5,845,384,353)	(2,616,468,592)
		<u>(2,410,577,571)</u>	<u>(189,765,715)</u>

14.1 Working capital changes

(Increase) / decrease in current assets:

- stores, spare parts and loose tools	(91,628,613)	(6,071,092)
- stock-in-trade	(4,344,764,484)	(1,922,322,782)
- trade debts	(1,253,898,267)	(390,377,113)
- loans and advances	(122,877,255)	(155,043,840)
- deposits, other receivables and sales tax	(65,375,824)	(223,956,873)
	<u>(5,878,544,443)</u>	<u>(2,697,771,700)</u>

Increase / (decrease) in current liabilities:

- trade and other payables	(69,950,531)	221,675,912
- contract liabilities	103,110,621	(140,372,804)
	<u>(5,845,384,353)</u>	<u>(2,616,468,592)</u>

15. FINANCIAL RISK MANAGEMENT

The Group'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 Group's sensitivity to these risks since June 30, 2018, 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 Group during the period.

This condensed interim consolidated financial statement does not include all financial risk management information and disclosures as are required in the audited annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statement as at June 30, 2018.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

15.1 Fair value estimation

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

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

The Group's financial assets measured at fair value consists of level 1 financial assets amounting to Rs.7,494.147 million (June 30, 2018: Rs.8,582.735 million) and level 3 financial assets amounting to Rs.29.216 million (June 30, 2018: Rs.29.216 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

16. TRANSACTIONS WITH RELATED PARTIES

16.1 Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	Un-audited	
		Six months period ended December 31, 2018	December 31, 2017
----- Rupees -----			
(i) Associates	Sales:		
	• raw material / yarn / fabric / stores	288,798,477	420,836,236
	• assets	600,000	-
	Purchases:		
	• raw material / yarn / fabric / stores	503,085,236	384,061,080
	• assets	-	1,700,000
	• electricity	38,848,900	60,648,235
	Services:		
	• rendered	137,294	1,895,761
	• obtained	211,998	1,416,911
	Expenses charged by	15,311,893	13,545,163
	Expenses charged to	9,451,264	9,152,958
	Dividend:		
• received	1,001,026	239,002	
• paid	4,724,364	15,294,894	
Loans obtained	56,645,000	-	
(ii) Directors and their related parties	Loans obtained	67,262,000	-
(iii) Key management personnel	Remuneration and other benefits	67,696,220	58,406,070
(iv) Retirement fund	Contribution made	14,779,006	7,301,641

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

16.2	Period / year end balances are as follows:	Un-audited December 31, 2018	Audited June 30, 2018
	Receivables from related parties	----- Rupees -----	
	Trade debts	86,313,231	22,078,449
	Other receivables	365,159	168,600
	Payable to related parties		
	Trade and other payables	128,917,286	51,318,133

17. SEGMENT REPORTING**17.1 Reportable segments**

The Group's reportable segments are as follows:

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

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

	Spinning	Knitting, processing and garments	Denim	Power	Total
	----- Rupees -----				
For the six months period ended December 31, 2018					
Revenue - external customers	5,552,756,025	2,223,896,955	1,705,567,444	7,527,060,568	17,009,280,992
Inter - segment sale	806,283,676	-	-	-	806,283,676
Segment results	506,494,980	284,604,611	(369,925,276)	1,505,964,812	1,927,139,127
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
				Un-audited	
				Six months period	
				December 31,	
				2018	2017
				----- Rupees -----	
Reconciliation of segment results with profit after tax is as follows:					
Total results for reportable segment				1,927,139,127	1,271,763,513
Administrative expenses				(206,270,455)	(242,811,131)
Other expenses				(56,014,777)	(110,643,316)
Other income				262,455,135	318,176,899
Share of profit of Associated Companies				27,213,988	(7,785,042)
Taxation				(146,260,890)	(179,190,074)
Profit after taxation				1,808,262,128	1,049,510,849

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

17.3 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, 2018					
Segment assets	11,218,863,247	2,634,092,302	6,670,413,399	22,651,395,028	43,174,763,976
Unallocatable assets					<u>13,163,602,521</u>
Total assets as per balance sheet					<u>56,338,366,497</u>
Segment liabilities	10,506,745,328	1,527,321,624	8,898,551,519	10,152,783,899	31,085,402,370
Unallocatable liabilities					<u>296,354,608</u>
Total liabilities as per balance sheet					<u>31,381,756,978</u>
As at June 30, 2018					
Segment assets	7,373,735,353	2,170,458,525	6,346,616,964	21,775,061,194	37,665,872,036
Unallocatable assets					<u>14,015,089,892</u>
Total assets as per balance sheet					<u>51,680,961,928</u>
Segment liabilities	6,371,037,579	1,403,458,636	8,158,431,063	10,749,566,624	26,682,493,902
Unallocatable liabilities					<u>557,427,959</u>
Total liabilities as per balance sheet					<u>27,239,921,861</u>

17.4 Geographical information

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

18. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim consolidated statement of financial position has been compared with the balances of audited annual consolidated financial statements of the Group for the year ended June 30, 2018, whereas, the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of other comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity have been compared with the balances of comparable period of condensed interim consolidated financial statements of the Group for the six months period ended December 31, 2017.

19. DATE OF AUTHORISATION FOR ISSUE

This condensed interim consolidated financial statements were approved by the Board of Directors of the Parent Company and authorised for issue on February 26, 2019.

Lahore :
Dated : 26 February, 2019

Shahid Abdullah
Chief Executive

Shayan Abdullah
Director

Jawwad Faisal
Chief Financial Officer